



International Growth

International Equity Strategies



First Quarter 2026

International Growth invests primarily in large cap, growth-oriented companies in both developed and emerging markets. The strategy's management team employs both top-down and bottom-up fundamental analysis to identify attractive countries and economic sectors as well as high-quality companies worthy of a long-term investment allocation. The portfolio's primary objective is long-term capital appreciation. The maximum direct exposure to emerging markets is 25% of the portfolio's total value.

Market Commentary

The escalation of war initiated by the United States-Israel versus Iran in late February dramatically changed the direction of the world's equity markets. On a year-to-date basis through February 27 (the night before the war began), foreign developed market stocks were up by more than 10% and emerging market equities had risen nearly 15%. The S&P 500 Index increased 0.6% during the same time period. However, once the war began, all these gains were erased. Foreign developed stocks lost 10.3%, emerging markets retrenched by 13%, and the S&P 500 declined by 5%, leaving global stocks in the red as of March 31. Although the sudden reversal of the world's equity markets carries an aura of disappointment for investors, the downturn has also created some positive opportunities.

First, despite the negative returns, the relative outperformance of foreign equities has continued. Foreign developed market stocks outgained the S&P 500 by more than 3% in Q1. Emerging market stocks once again had the highest relative return, surpassing developed markets by nearly 1% during the quarter. Taking a slightly longer-term view, foreign equities, both developed and emerging markets, have now outperformed the S&P 500 for two full years dating back to March 2024.

Second, the market sell-off did take some of the premium in terms of valuation out of the index. The MSCI World ex-US Index ended the year 2025 with a Price/Earnings ratio of 17.8 but was reset to 17.6 at the end of March, returning its current valuation to a level in line with its 10-year trailing average. Additionally, the forward earnings picture continues to improve, based on our analysis. Using Bloomberg forward earnings estimates, the MSCI World ex-US Index should see earnings of \$186.97 for the full year, an 11% improvement over 2025. An early look at 2027 shows an additional 10% improvement from 2026 levels. Thus, reasonable valuation and positive earnings momentum remain in place for the asset class. Also, the benchmark's dividend yield stands at 2.8%, providing some downside protection and income-generating opportunities.

Third, one of the well-documented headwinds for international stocks relative to their domestic peers is the strength of the US dollar (USD). Traditionally, in times of market duress, the USD has served as a safe harbor investment. Once the war broke out, the USD did gain versus foreign currencies. As of this writing, now a full six weeks after the war began, the US Dollar Index has risen by 1.2%. For perspective, in the six weeks following the Russian invasion of Ukraine, the Dollar Index appreciated by 2.7%. While dollar strength is usually an undesirable outcome for foreign equity investors, the modest reaction to the conflict over the past six weeks has not derailed the foreign stock narrative.

Hopefully, peace will soon prevail in the Middle East and in Europe over the coming weeks and months. Equity markets would likely welcome this development. However, if the drumbeat of war continues, global macroeconomic growth will be challenged, and stocks will continue to be buffered by news flow. While we would prefer to see an end to these wars, we believe that in either scenario, thoughtful security selection will remain critically important and new investment opportunities will emerge, opening the door to fresh ideas and discussions among our analyst teams. Our focus remains rooted in our discipline of buying companies that are well managed, appropriately financed, and possess significant and durable competitive advantages.

Quarterly Trading Summary

In late February, we exited France-based TotalEnergies SE (TTE) in favor of Vista Energy (VIST).

TotalEnergies was a long-term holding originally purchased in early 2022, and our decision to sell was driven by two primary factors. First, when the war with Iran began at the end of February, we had a high level of concern that it could spread regionally beyond the borders of both Israel and Iran. TotalEnergies has substantial assets from petrol stations amounting to hundreds of thousands of barrels per day of production capacity in Saudi Arabia and Qatar that were suddenly at risk. Additionally, even if the company's infrastructure was not targeted, we questioned whether the Middle East could export the oil produced, potentially creating lasting negative consequences. Second, late last year, TTE changed its listing structure by terminating its American Depositary Receipt program and converting the shares to a direct listing on the New York Stock

See GIPS Report on pages 4-5.

Exchange. A consequence of this change was that French law may now impose additional reporting requirements on some shareholders for as long as they hold the shares. As a result, we decided to sell our position and purchase Vista Energy.

Vista Energy is a Mexican-based energy company that specializes in the exploration and production of both crude oil and natural gas. Vista is the largest independent oil operator in Argentina. We have owned Vista in our Emerging Markets portfolio since late 2022; thus, while the position is new to this strategy, we have been closely following this stock for several years. In addition to increasing the portfolio's allocation to emerging markets with this purchase, Vista operates in Mexico and Argentina and has its operations situated geographically within the Vaca Muerta, the largest shale oil and natural gas field under development outside of North America. This includes 229,000 acres of high-quality production via the use of more than 350 wells. It is estimated that this field has the fourth-largest shale oil reserves and second-largest natural gas reserves in the world. Earlier this year, Vista reported a 57% year-over-year increase in its proven oil and gas reserves and a reserve replacement ratio of 605%, securing its future growth. We specifically selected Vista for its unique opportunity to benefit from the improving macroeconomic climate in Argentina and Latin America at large, as well as the fact that it has no exposure or dependence on the Middle East for energy production.

Finally, in mid-March, we sold longtime portfolio holding ICON plc (ICLR) along with The Magnum Ice Cream Company (MICC).

ICON was originally purchased in late 2014 but had recently begun to underperform significantly. ICON is a Contract Research Organization (CRO) based in Ireland that specializes in the development, management, and analysis of clinical trials of pharmaceuticals, medical devices, and biotechnology. Firms in the CRO space have come under pressure amid concerns that the growing use and implementation of artificial intelligence (AI) may disrupt and shorten the timeline for both drug development and trial length. While this development might be positive for faster drug development, the new processes could squeeze the addressable market for companies that perform testing and trial analysis. ICON also announced in mid-February that its internal audit committee initiated an investigation into the company's accounting practices, with reports suggesting that its revenue may have been overstated by less than 2% in 2023 and 2024. This prompted ICON to delay its earnings release until the end of April and withdraw guidance. Due to the possible accounting issue and pressures from a dynamic and rapidly evolving business environment that could quickly erode ICON's identifiable moat, we sold the position.

Magnum Ice Cream owns several of the world's most recognizable ice cream brands, including Breyers and Ben & Jerry's, and has a presence in more than 80 countries, accounting for over 20% of global market share. Following its spin-off from Unilever in December 2025, shares of Magnum were deposited into client accounts at a fractional position. While we traditionally would not hold a position less than 2.5%, we chose to take a measured approach to thoroughly analyze Magnum's business for possible long-term portfolio inclusion. Following our review period, we concluded that although the company exhibits several characteristics we seek in a potential holding, we decided to sell the shares to allow management time to operate as a fully independent company, while we identify a more attractive entry point.

Proceeds from the sales of Magnum and ICON were used to purchase Canada-based Cenovus Energy (CVE), increasing the portfolio's allocation to the Energy sector. Cenovus has an upstream segment with operations in Canadian oil sands, conventional wells, and offshore, as well as a downstream segment that refines hydrocarbons in both Canada and the US. Importantly, the company is a North American energy play and could benefit significantly from prolonged war in the Middle East and/or extended outages resulting from the destruction of the region's energy production capacity. Cenovus operates with high efficiency and can fully fund its operations, debt servicing, and dividend payments with oil as low as \$45 per barrel. Cenovus has a market cap of \$57 billion and is committed to providing strong shareholder returns via share buybacks and dividends, with a 3.6% yield. Demonstrating its focus on growth, the company recently completed an \$8 billion acquisition of MEG Energy Group in November 2025 that includes production capacity located adjacent to its existing operations.

Performance Review

During the first quarter, the Confluence International Growth strategy gained 1.1% (gross of fees), while the MSCI World ex-US Index declined 0.9%. On a one-year trailing basis, Confluence International Growth has increased 20.3% (gross of fees). [The strategy's net-of-fees returns for the same periods were 0.4% QTD and 16.7% one-year trailing. See disclosures on last page for fee description; actual investment advisory fees may vary.]

During the past three months, both quality and growth continued to underperform the broad MSCI World ex-US Index. Looking first at growth, the MSCI World ex-US Growth Index underperformed the MSCI World ex-US Value Index by more than seven percentage points during the quarter (MSCI World ex-US Growth at -4.6% vs. MSCI World ex-US Value at +2.7%). During the past year, the Value index has outperformed Growth by nearly 20%, and the MSCI World ex-US Value has now outperformed both the broad MSCI World ex-US and the World ex-US Growth indexes on a quarterly, one-, three-, five-, and 10-year trailing basis. This remains in direct contrast with the US equity market, where growth has substantially outgained value for most of the past decade.

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Quality stocks, as measured by the MSCI World ex-US Quality Index, again underperformed the broad MSCI World ex-US (-3.1% vs. -0.9%, respectively) during the first three months of 2026. Quality stocks have now underperformed the MSCI World ex-US on a one-year (-9.7%), three-year (-6.3%), and five-year (-3.3%) trailing basis. While the rotation away from both quality and growth during the quarter creates a headwind for our high-quality and growth-oriented investment strategy, strong security selection contributed to our relative outperformance.

In the first quarter, the two best-performing countries in our portfolio, on an absolute basis, were Mexico and Taiwan, while Denmark and Germany recorded the worst returns. From a sector standpoint, Energy and Materials were the strongest performers during the quarter, while Communication Services and Consumer Discretionary were the weakest.

From a relative standpoint, the most accretive country allocation was the overweight to Mexico, followed by the underweight to the United Kingdom. An overweight to Ireland detracted the most from performance, while the overweight to Singapore also weighed on quarterly returns. From a sector perspective, our underweight to Financials and roughly in-line allocation to Energy added the most alpha during Q1. Our in-line allocation to the Communications Services sector, coupled with no exposure to Utilities, contributed negatively to returns.

The portfolio's top contributors and detractors thus far in 2026 are shown in the accompanying table.¹

Security	Avg Weight (%)	Contribution (%)
Top 5		
Vista Energy S.A.B. de C.V.	1.14	0.86
Disco Corp.	3.25	0.78
Agnico Eagle Mines Ltd.	4.21	0.67
Taiwan Semiconductor Manufacturing Co.	6.25	0.63
BAE Systems plc	2.84	0.60
Bottom 5		
Accenture plc	1.57	(0.45)
ICON plc	Sold	(0.57)
Shopify Inc.	1.76	(0.58)
Sea Ltd.	1.44	(0.59)
SAP S.E.	1.85	(0.64)

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

What We Are Watching

Three months ago, we mentioned we were monitoring the situation in Iran. As of this writing, the US and Iran have entered a "fragile" two-week truce to try to negotiate an end to hostile actions and to safely reopen the Strait of Hormuz. While we hope that a resolution can be reached, we must be prepared for any outcome. With the current geopolitical backdrop in place, there are several significant items that we are watching.

One notable outcome of the war to date has been the significant damage to energy production capacity in the Middle East. While the price of oil, natural gas, feedstock chemicals, and fertilizer may all fall significantly once the war truly comes to an end, there is a strong possibility that prices will not soon return to pre-war levels. We think that this development, including the damage to hydrocarbon production and processing capacity in locations such as Qatar and the UAE, remains underappreciated by many market participants and will likely impact global economic conditions going forward. For example, following an attack in mid-March on a key Qatar Energy facility, Saad Al-Kaabi, the CEO of Qatar Energy, announced that the company had lost nearly 20% of its LNG export capacity and this outage is likely to last for three to five years. Additionally, if the ceasefire holds and the war ends, logistical challenges will remain before operating conditions and deliveries can return to normal. This will keep a floor on energy prices at least in the short term. Both factors contributed to our decision to increase the portfolio's allocation to the Energy sector during the first quarter.

The war in Iran has also created the conditions necessary for a measurable increase in global inflation. Both the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) lowered their estimates for global growth in 2026 due to the spike in inflationary pressure primarily caused by the war. The OECD recently stated that inflation within G20 countries increased by 1.2% in 2026, and as a result growth estimates for the euro area were lowered by one-third, from +1.2% to +0.8%. Clearly, the longer the conflict persists – and hydrocarbon and fertilizer prices remain elevated – the greater the risk that economic growth will slow. We are therefore closely monitoring conditions in countries and regions, especially Japan and Europe, that are heavily dependent on imported energy.

On a brighter note, Bloomberg reported on April 9 that Ukraine's top negotiator stated there is progress with peace negotiations between Ukraine and Russia. An end to this conflict would remove a headwind to the European economy.

During the second quarter, many of the world's central banks will hold two scheduled policy meetings where changes could be implemented. The US Federal Reserve, Bank of Japan, Bank of England, and the European Central Bank all meet between April 26 and April 30, and then again in mid-June. The press conferences following the rate decisions should offer some insight regarding whether the economic shocks created by the Iran war are temporary or are deemed serious and lasting enough to warrant a change in policy.

Finally, we continue to scrutinize the amount of corporate capex dedicated to spending on AI and related infrastructure. According to Gartner Data and Analytics, 2026 will see a 44% increase in worldwide AI spending, which equates to \$2.5 trillion. This substantial uptick in expected expenditure is a significant tailwind for several holdings in our portfolio; however, any reduction to these prolific spending numbers would likely and quickly result in a headwind for companies with exposure to this space.

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Portfolio Characteristics² (as of 3/31/2026)

10 Largest Holdings		Weight	Sector Allocation		Weight	10 Largest Countries		Weight
Taiwan Semiconductor Manufacturing	6.0%	Consumer Discretionary	4.9%	Japan	19.8%			
Agnico Eagle Mines Ltd.	4.5%	Consumer Staples	6.3%	Switzerland	10.7%			
Vista Energy S.A.B. de C.V.	3.6%	Energy	6.6%	Netherlands	9.6%			
Sandoz Group	3.6%	Financials	21.5%	Canada	9.2%			
ASML Holding N.V.	3.5%	Health Care	11.2%	France	8.4%			
Mitsubishi UFJ Financial	3.3%	Industrials	17.7%	United Kingdom	7.6%			
AerCap Holdings N.V.	3.3%	Information Technology	17.3%	Taiwan	6.0%			
DBS Group Holdings Ltd.	3.3%	Materials	6.7%	Mexico	5.4%			
Disco Corp.	3.1%	Communication Services	2.9%	Singapore	4.5%			
Cenovus Energy Inc.	3.0%	Cash	4.9%	Hong Kong	4.1%			

Performance Composite Returns³ (For Periods Ending March 31, 2026)

	Since 10/1/99	25-Year*	20-year*	15-year*	10-year*	5-year*	3-year*	1-year	YTD	QTD
International Growth										
<i>Pure Gross-of-Fees⁴</i>	7.5%	8.3%	7.7%	7.9%	11.2%	10.5%	17.9%	20.3%	1.1%	1.1%
<i>Max Net-of-Fees⁵</i>	4.3%	5.1%	4.5%	4.7%	7.9%	7.3%	14.4%	16.7%	0.4%	0.4%
MSCI World ex-US (Net)	5.2%	6.1%	5.2%	6.3%	8.7%	8.4%	14.3%	23.0%	(0.9%)	(0.9%)

Calendar Year	Pure Gross-of-Fees ⁴	Max Net-of-Fees ⁵	MSCI World ex-US (Net)	Difference (Gross-MSCI World ex-US)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	MSCI World ex-US 3yr Std Dev	Composite Dispersion
2006**	29.5%	25.6%	25.7%	3.8%	35	\$11,866	-	11.6%	9.5%	1.1%
2007	23.4%	19.7%	12.4%	10.9%	49	\$16,292	-	12.5%	9.7%	2.9%
2008	(37.8%)	(39.6%)	(43.6%)	5.8%	76	\$14,221	-	20.7%	19.5%	1.5%
2009	31.8%	27.9%	33.7%	(1.8%)	114	\$28,437	-	23.0%	23.9%	2.1%
2010	13.2%	9.9%	8.9%	4.3%	168	\$60,558	-	24.3%	26.3%	1.3%
2011	(11.4%)	(14.1%)	(12.2%)	0.8%	253	\$80,988	-	20.1%	22.3%	0.6%
2012	16.1%	12.7%	16.4%	(0.3%)	254	\$94,222	-	17.6%	19.0%	0.6%
2013	19.1%	15.6%	21.0%	(1.9%)	291	\$113,801	-	14.4%	16.0%	0.6%
2014	(1.7%)	(4.6%)	(4.3%)	2.6%	177	\$88,982	-	11.4%	12.7%	0.7%
2015	(2.1%)	(5.0%)	(3.0%)	0.9%	191	\$81,898	-	11.5%	12.3%	0.4%
2016	(5.1%)	(7.9%)	2.7%	(7.8%)	113	\$39,444	-	12.0%	12.3%	0.7%
2017	25.2%	21.4%	24.2%	1.0%	62	\$28,303	-	11.1%	11.7%	0.8%
2018	(13.5%)	(16.1%)	(14.1%)	0.6%	30	\$15,707	\$5,486,737	11.7%	11.1%	0.2%
2019	30.1%	26.3%	22.5%	7.6%	24	\$14,419	\$7,044,708	12.5%	10.8%	0.3%
2020	20.6%	17.1%	7.6%	13.1%	25	\$15,512	\$6,889,798	18.0%	18.1%	0.4%
2021	14.3%	10.9%	12.6%	1.7%	24	\$16,158	\$7,761,687	16.7%	17.2%	0.9%
2022	(16.5%)	(19.0%)	(14.3%)	(2.2%)	24	\$16,094	\$6,931,635	20.7%	20.1%	0.8%
2023	19.8%	16.2%	17.9%	1.8%	18	\$15,121	\$7,200,019	18.1%	16.6%	0.4%
2024	9.9%	6.6%	4.7%	5.2%	19	\$17,113	\$7,280,773	17.6%	16.6%	0.4%
2025	32.7%	28.8%	31.9%	0.9%	32	\$26,124	\$6,769,052	11.6%	12.0%	1.0%

*Average annualized returns

**Performance History begins 10/1/1999. Additional years of performance available on our website.

See performance disclosures on last page.

Portfolio Benchmark

MSCI World ex-US (Net) Index - Free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the US. Performance results presented net of estimated foreign withholding taxes on dividends, interest and capital gains. (Source: Bloomberg)

Confluence International Equities Investment Committee

Mark Keller, CFA

Gregory Tropf, CFA

Tore Stole

Patrick Fearon-Hernandez, CFA

Bill O'Grady

Matt Sinkovitz

Blair Brumley, CFA

Amanda Bersing

For more information contact a member of our sales team: (314) 530-6729 or sales@confluenceim.com

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Indexes: The MSCI World ex-US Index is shown as additional information. This index is unmanaged. An investor cannot invest directly in an index. It is shown for illustrative purposes only & does not represent the performance of any specific investment. Index performance figures are reported as net returns.

1 Contribution—Table showing the top 5 contributors/detractors reflects the strategy's best and worst performers (net), based on each holding's contribution to the sample account for the period stated. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

2 Portfolio Characteristics—Listings of countries and holdings do not represent all of the countries/stocks currently or previously owned in the portfolio or which Confluence may be currently recommending. Sector/country weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings.

3 Performance Composite Returns—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.

Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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The International Growth Strategy was inceptioned on October 1, 1997, and the current International Growth Composite was created on May 1, 2018. Performance presented prior to May 1, 2018, occurred while the Portfolio Management Team was affiliated with a prior firm and was independently verified for the periods of 10/1/1999 through 12/31/2017. The Portfolio Management Team members were the primary individuals responsible for selecting securities to buy and sell. Composite performance is typically net of foreign withholding taxes on dividends, interest income and capital gains with some exceptions based on custodian treatment. Confluence Investment Management LLC is an independent registered investment adviser. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

4 Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

5 Net of fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first \$500,000; 0.55% on the next \$500,000; and 0.50% over \$1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. Prior to year-end 2018, the annual composite dispersion was an asset-weighted standard deviation calculated for accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The International Growth Composite contains fully discretionary International Growth wrap accounts. The International Growth portfolio invests in US-listed shares of large capitalization, growth-oriented, non-US companies from developed markets with up to 25% from emerging markets.

**Results shown for the year 1999 represent partial period performance from October 1, 1999, through December 31, 1999. N/A—Composite Dispersion: Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. N/A—3yr Std Dev: Composite does not have 3 years of monthly performance history.