International Growth

International Equity Strategies

Confluence INVESTMENT MANAGEMENT

Third 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 first nine months of 2026 have proven to be complex to navigate. War, geopolitical tumult, inflationary pressures, global trade fragmentation, political changes, and the ever-advancing race for artificial intelligence (AI) are all intermixing to impact sentiment. Most recently, these topics, among others, have weighed on consumer sentiment worldwide. Measures of consumer confidence have missed estimates in the US, Canada, Mexico, Brazil, China, Japan, the eurozone, and elsewhere. The current set of global macroeconomic conditions has resulted in a rise in the US dollar (+3.2% YTD). Therefore, it is understandable if equity investors, particularly those invested internationally, are cautious when opening their quarterly statements. However, the reality might surprise you. The world's developed markets outside of the United States have gained 10.2% (as measured by the MSCI World ex-US Index) in the nine months ending September 30. This is well above the trailing 25-year December-through-September average return of 4.5% – the fourth straight year it has outgained the average – speaking to both the resilience and consistency that foreign equities have demonstrated. In fact, the mid-year volatility in global equity markets allowed our investment team to become more constructive toward the growth-oriented areas of our investment universe. For example, we used the sell-off in technology to opportunistically increase our allocation to the sector, while reducing more defensive consumer-related holdings (see the quarterly trading summary below for details). We continue to lean into our disciplined security selection process to identify companies that can thrive despite the difficult macro backdrop.

So, where do the world's foreign developed markets stand as we enter the final quarter of 2026? Although the US dollar has strengthened, the Confluence macroeconomic team still expects it to weaken over the near-to-medium term once events in the Middle East settle down. According to Bloomberg estimates, the earnings picture for the MSCI World ex-US Index has improved markedly since June. Economists now expect earnings to grow by nearly 18% for the full year, much better than the 11% gain expected three months ago. From a valuation perspective, the modest price gains experienced during Q3 allowed the Price/Earnings multiple to compress, and it now stands at 17.7 versus 19.0 at the end of June. The benchmark's dividend yield sits at 2.6%. In sum, foreign equity performance remains strong, and the dollar's strength has not created a significant relative performance differential with large cap US stocks. Valuations in foreign developed markets have become increasingly reasonable, and the dividend income available from these equities remains significantly higher than that of their US counterparts, which are yielding only 1.1% (MSCI USA and S&P 500 indexes).

Quarterly Trading Summary

The following changes were made to the International Growth portfolio during the third quarter. Nebius Group (NBIS) was added in July using proceeds from the sale of Accenture plc (ACN). Nebius is based in the Netherlands and describes itself as "an AI cloud company, delivering a unified platform that spans the complete AI journey – from data and model training and tuning to production runtime and deployment." Otherwise known as a neocloud, Nebius is building data centers throughout the developed world, with customers such as Meta and Microsoft and strategic partners including Palantir and Nvidia. Nebius is currently in a hyper-growth phase, with cloud revenue rising more than 840% year-over-year, a revenue forecast of $3-4 billion, and a full-year 2026 adjusted EBITDA margin that is expected to reach 40%. Nebius also has unique assets outside of data centers that include wholly owned subsidiaries involved in technology education (TripleTen) and the development of robots and autonomous cars designed for ride-hailing, e-commerce, and delivery (Avride). These are not only increasing in value but could also serve as a cash source to help fund the company's core business operations.

Accenture was one of the portfolio's longest-tenured holdings (originally purchased in July 2015), but it had recently come under significant pressure and markedly underperformed the broad benchmark, MSCI Ireland, and the Information Technology sector. Rising geopolitical instability and macroeconomic uncertainty have resulted in deteriorating earnings, financial outlook, and company fundamentals.

Unilever plc (UL), a UK-based Consumer Staples company (purchased in July 2024), was sold in July to fund the purchase of Infineon Technologies. Although Unilever's management was seeking to improve the company's growth prospects, we felt Infineon offered a more attractive growth profile.

Infineon Technologies AG (IFNNY) is a German-based technology company that specializes in the design, manufacture, and marketing of semiconductors. The company has four business units: Automotive (50% of sales), Power & Sensors (30% of sales), Green Industrial Power, and Connected Services (10% of sales each). One attractive attribute of Infineon is that no single customer accounts for more than 10% of sales, illustrating the diversity of its end-client base. The company continues to benefit from several global megatrends, including the electrification of autos and the growing amount of technology content within each new car build (driver aids/self-driving and infotainment), the global buildout of data centers, and rising adoption of green energy solutions. Specifically, Infineon designs and builds semiconductors made from silicon carbide and gallium nitride. Built to tolerate 800 to 1000 volts of electricity, these chips manage levels that would significantly affect a regular silicon wafer's ability to withstand the higher voltage and the heat it generates. Therefore, Infineon's chips offer a considerable advantage over many of its competitors. Furthermore, Infineon pays a modest 0.7% dividend yield, providing income and high-growth prospects for shareholders.

See GIPS Report on pages 4-5

Late September saw the purchase of STMicroelectronics (STM) and the corresponding sale of United Kingdom-based consumer goods company Haleon plc (HLN). STM designs, produces, and sells semiconductor products to more than 200,000 active customers globally. Over the past several years, management has worked diligently to expand and diversify the company's product offerings, increasing its exposure to a broader total addressable market. STM operates four business segments: Automotive (37% of sales), Industrial (23% of sales), Personal Electronics (22% of sales), and the fastest-growing segment, Communications Equipment and Computer Peripherals. The company has several potential catalysts, including the opportunity to gain more share of the global data center buildout through its power conversion products, the rising importance of data movement photonics, and the potential to participate significantly in the space race via content on SpaceX's Nextgen Starlink satellites and Amazon's competing Leo satellite constellation. At the time of purchase, STM shares were trading at a 25% discount to peers on an EV/EBITDA basis, and we expect the company to make significant gains in terms of revenues and free cash flow over our investment horizon.

Haleon, the maker of popular consumer brands such as Advil, Flonase, Tums, and Theraflu, has not performed as strongly as we expected since our purchase in June 2023. As with many consumer-packaged goods companies, we did not see a clear near-to-medium-term catalyst for the shares, so we opted to sell in favor of STM, a company with more clearly identified growth prospects.

The five-year rolling annual turnover for this strategy remains within our expected range at 18%.

Performance Review

During the third quarter, the Confluence International Growth strategy rose 1.9% (gross of fees), while the MSCI World ex-US Index was up 0.9%. On a year-to-date basis, Confluence International Growth has gained 8.1% (gross of fees) versus the benchmark at 10.2%. [*The strategy's net-of-fees returns for the same periods were 1.1% QTD and 5.6% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Style leadership has shifted repeatedly through the first three quarters of 2026. Q1 saw the value portion of the MSCI World ex-US Index outperform growth by nearly 7%. Growth then roared back into favor in Q2 to outperform value by more than 420 bps. In Q3 2026, value regained momentum and outperformed growth by 5.7%. Year-to-date, the MSCI World ex-US Value Index (15.6%) has now outperformed the broad MSCI World ex-US Index by more than 5%, the MSCI World ex-US Growth Index by more than 10%, and the MSCI World ex-US Quality Index by more than 7%. The relative strength of value versus both quality and growth continues to be a headwind to our core growth-at-a-reasonable-price investment philosophy. However, security selection provided a small relative boost to our performance during the quarter.

In the third quarter, the two best-performing countries in our portfolio on an absolute basis were Canada and Singapore, and Denmark and Ireland recorded the worst returns. Energy and Financials were the strongest sectors during the quarter, while Health Care and Information Technology were the weakest.

From a relative standpoint, the most accretive country allocation was the underweight to Canada, followed by the overweight to Singapore. An overweight allocation to Ireland detracted the most from performance, while the underweight to Japan also weighed on quarterly returns. From a sector perspective, our underweight allocation to Financials and in-line allocation to Industrials added the most alpha during Q3. Our overweight allocation to the Information Technology sector and our in-line allocation to Materials contributed negatively to returns.

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

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
TSM	Taiwan Semiconductor Manufacturing Co. Lt	7.03	2.89
ASML	ASML Holding N.V.	3.43	1.73
MUFG	Mitsubishi UFJ Financial	3.96	1.59
DBSDY	DBS Group Holdings Ltd.	3.53	1.37
ING	ING Groep N.V.	3.31	0.99
Bottom 5			
CHGCY	Chugai Pharms Co. Ltd.	2.27	(0.58)
ICLR	ICON plc	0.29	(0.59)
CRH	CRH plc	1.42	(0.66)
ACN	Accenture plc	0.98	(0.85)
RNMBY	Rheinmetall AG	1.79	(0.86)

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

What We Are Watching

We continue to actively assess the wars in both Europe and the Middle East. While neither is new to our "what we are watching" category, the effects of the ongoing conflicts have expanded into the global economy and are now creating significant strain within the broad energy markets. Restrictions on supply moving through the Strait of Hormuz and the Bab el-Mandeb Strait, damage to energy production and transport infrastructure across the Middle East, and Ukrainian military strikes on Russia's energy complex have combined to light a worldwide inflationary fuse. Thus far, the worst-case scenario has been averted. However, global drawdowns of strategic petroleum reserves, coordinated releases of crude and refined product stockpiles, and China's restraint on oil imports are not permanent solutions, and the risks grow the longer the current environment persists. As of this writing, Saudi Arabian and Yemeni military forces have launched a campaign against the Houthi rebels to take back the Yemeni port of Mokha. This development, coupled with the triggering of a regional defense pact, threatens to escalate the conflict into a broader war. Stay tuned.

Since spring, rising energy prices have put upward pressure on inflation. In response, many of the world's central banks have raised interest rates to help bring inflation back toward their 2% targets, including the US Federal Reserve, the Bank of Japan, and the European Central Bank. Currently, policymakers are expected to continue tightening monetary conditions through the end of this year and likely into 2027, or until inflationary pressures abate. We remain mindful of the risks that tighter monetary conditions and slowing economic growth can pose and stand ready to adjust our strategies as conditions evolve.

One area we continually scrutinize is the health of AI-driven capital spending and the capacity of businesses to raise the capital required to fund these investments. Specifically, we are watching for emerging cracks in these markets or signs that the AI hyperscalers are changing their investment thesis. We own several securities in the portfolio that are highly dependent on raising capital and demand for this new technology (Nebius Group, ASML, and STMicroelectronics), and the amount of global capital allocated to this space is one of the most important pillars for global growth. According to business and technology insights company Gartner, global spending on AI is forecast to reach $2.7 trillion this year. This is a nearly 50% increase over last year, and Gartner's research suggests that more than $3.6 trillion will be spent on AI-related capex next year. For reference, and according to IMF and World Bank data, only six countries – the United States, China, Germany, Japan, the United Kingdom, and India – have an annual GDP larger than $3.6 trillion. Therefore, any weakening (or strengthening) within the AI "ecosystem" could have worldwide ramifications.

We are also paying close attention to European politics and will be monitoring developments over the next several months. In early October, Spanish Prime Minister Pedro Sánchez called for a snap election after his government faced significant criticism over housing affordability. The election will take place in late November. While we do not currently hold any Spanish equities, the local market has performed strongly over the past year, and a change in government could alter this dynamic. Elsewhere in the eurozone, not only has French debt come into focus lately, but large protests are also taking place as students began protesting conditions at their schools in early October. All of this is transpiring against a political backdrop where French politicians, including far-right candidate Marine Le Pen and far-left candidate Jean-Luc Mélenchon, are vying for current French President Emmanuel Macron's position. In Germany, Chancellor Friedrich Merz's term is not scheduled to end until March 2029, but his Christian Democratic Union (CDU) party has experienced disastrous results in recent state elections. The far-right-leaning Alternative for Germany (AfD) party has made significant gains in recent elections, and there has been some clamoring for Merz to step down early. These political situations are proving to be dynamic and have the potential to move markets. We will continue to evaluate their implications and adjust our portfolio positioning where warranted as we gain more clarity on the outcomes.

We encourage readers to contact us to discuss these or other topics related to international investing. Thank you for your confidence in our team.

Portfolio Characteristics[2] (as of 9/30/2026)

10 Largest Holdings	Weight
Taiwan Semiconductor Manufacturing	6.4%
ASML Holding N.V.	4.5%
Mitsubishi UFJ Financial	4.1%
DBS Group Holdings Ltd.	4.1%
Sandoz Group	3.7%
Agnico Eagle Mines Ltd.	3.6%
ING Groep N.V.	3.6%
Cenovus Energy Inc.	3.3%
AerCap Holdings N.V.	3.2%
Vista Energy S.A.B. de C.V.	3.0%

Sector Allocation	Weight
Consumer Discretionary	4.7%
Consumer Staples	3.5%
Energy	6.3%
Financials	23.7%
Health Care	8.6%
Industrials	17.5%
Information Technology	25.1%
Materials	7.3%
Communication Services	1.4%
Cash	1.9%

10 Largest Countries	Weight
Japan	18.7%
Netherlands	16.5%
Switzerland	10.4%
Canada	9.1%
France	8.7%
Taiwan	6.4%
Singapore	5.4%
Germany	5.3%
Mexico	4.5%
Hong Kong	4.4%

Performance Composite Returns[2] (For Periods Ending September 30, 2026)

	Since 10/1/99	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
International Growth *Pure Gross-of-Fees*[4]	7.6%	9.3%	7.8%	10.0%	11.7%	10.9%	19.7%	9.2%	8.1%	1.9%
Max Net-of-Fees[5]	4.4%	6.0%	4.6%	6.7%	8.4%	7.7%	16.1%	6.0%	5.6%	1.1%
MSCI World ex-US (Net)	5.6%	7.3%	5.5%	8.5%	9.3%	9.7%	18.9%	15.9%	10.2%	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%)	(14.0%)	(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%	21.5%	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 – A free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the USA. Performance results are presented net of estimated foreign withholding taxes on dividends, interest and capital gains. (*Source: Bloomberg*)

Confluence International Equities Investment Committee

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Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including possible loss of principal, that investors should be prepared to bear. Equity securities are subject to market risk and may decline in value due to adverse company, industry, or general economic conditions. There can be no assurance that any investment objective will be achieved or that any investment will be profitable or avoid incurring losses.

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, 2025. 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 incepted 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.

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.