January 2026

Happy 2026! While I'm in my fifth decade in the investment business, this is the first year in that spell that Warren Buffett is *not* the CEO of Berkshire Hathaway. As you probably know, he stepped down from the helm of that company at the end of 2025. Mr. Buffett started the Buffett Partnership the year I was born, and then in 1969 liquidated his partnerships and transferred to his partners an interest in Berkshire Hathaway Inc., his new corporate vehicle. By the time I began working for A.G. Edwards & Sons in 1978, Mr. Buffett had written 10 letters to Berkshire shareholders. A few years later, I read a magazine article that said reading Mr. Buffett's shareholder letters was better than earning an MBA. So, I started reading those letters.

Reading Buffett's letters was like listening to my father, himself an accomplished and wise businessman. It was common sense. It was simple. Business isn't hard, but you can make it hard if you over-think it. What Mr. Buffett taught me was that stocks are just fractional ownership interests in businesses. So, to invest in stocks, you had better learn what makes one business better than another. That doesn't mean guessing which businesses will do better in the year ahead. It means determining what sort of businesses can do well year after year for decades, and *why*. Mr. Buffett's letters were a graduate-level education in why some businesses just perform better than others over time. Those letters have guided the Confluence team to a better understanding of investing. And if you have been investing with us for a long time, those letters have benefited you.

An old financial advisor at A.G. Edwards called me about 25 years ago to talk about investing. We had known each other for many years, and I always learned from his observations. This time he told me, "Ben Graham taught us to buy stocks cheap." (By the way, if you have not read Graham's *The Intelligent Investor*, you should.) The advisor went on to say, "Phil Fisher taught us to buy growth." (If you have not read Fisher's *Common Stocks and Uncommon Profits*, you should.) My friend concluded, "Warren Buffett taught us to buy growth cheap." That is successful investing in a nutshell.

As I tell all our new employees, this is an apprenticeship business. You not only learn by reading the words of successful practitioners, you learn by working with older colleagues, absorbing what they've learned. Two months ago, we bid farewell to a gentleman who was instrumental in teaching many of us at Confluence. Boyd Poston came to work in the A.G. Edwards research department in the early 1980s, after working a decade at another local investment organization. He was immediately one of the few senior members among mostly young analysts. A natural teacher (he taught the investment course at St. Louis University's business school for over 20 years), Boyd took us all under his wing and gladly imparted his wisdom.

When the opportunity arose to move to the buy-side and manage money at A.G. Edwards Asset Management, Boyd came along and established himself once again as an outstanding investor and teacher. Boyd's investment prowess contributed greatly to our performance at that predecessor firm to Confluence. He also tutored all the investment professionals there, including many who are still part of the Confluence team today. Boyd retired in 2008, just before I departed to Confluence. He passed away this past November at the age of 86. We miss him greatly but fondly remember him as we recall his aphorisms. “Never invest in a company whose CEO has a deep tan,” he once remarked. “He’s not spending enough time at the office.” Boyd Poston and Warren Buffett thought alike.

A verity of investing is the passage of time. Another thing I learned from Messrs. Buffett and Poston is that for equity investors *time is your friend*. This, of course, runs counter to human nature, which always wants satisfaction as soon as possible. A great company is a great long-term investment, especially if it’s undervalued. But there is no rule that requires it to become valued more highly in the next 12 months. This can be tough for the average investor but can work to be a real advantage for the patient investor. Impatience is the enemy of successful investing. Patience is the greatest virtue. Quoting Benjamin Graham, “In the short run, the market is a voting machine, but in the long run, it is a weighing machine.” Investing at its most basic is really very simple.

We appreciate your confidence in us.

Gratefully,

Mark A. Keller, CFA
CEO and Chief Investment Officer

This letter was prepared by Mark Keller of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This information does not constitute a solicitation or an offer to buy or sell any security.