Confluence INVESTMENT MANAGEMENT

FOURTH QUARTER

2022

Large Cap Value • Value Equity Strategies

Large Cap Value is focused on seasoned companies that generally have capitalizations above $10 billion. Companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and that are trading at discounts to our estimate of intrinsic value. The portfolio typically comprises 23-25 holdings and is expected to result in low to moderate turnover. The strategy is appropriate for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Market Commentary

"Interest rates are to asset prices what gravity is to the apple. When there are low interest rates, there is a very low gravitational pull on asset prices."

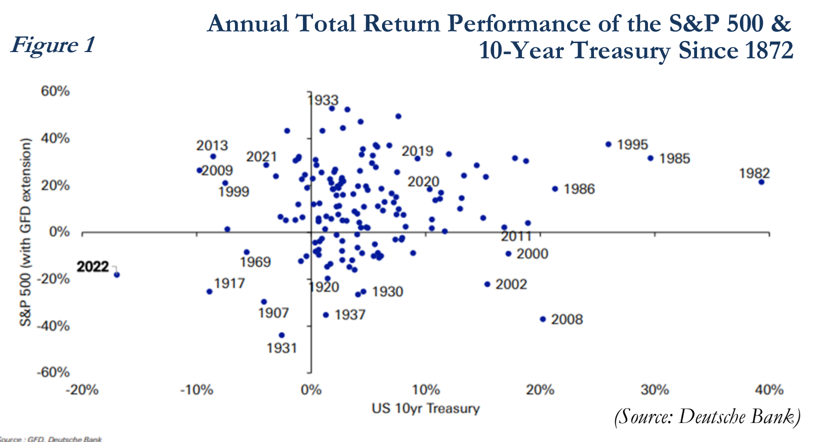
\- Warren Buffett

2022 was a difficult year for financial assets as stocks and bonds experienced sharp declines, while commodities rallied. The primary culprit was the persistent rise in inflation that forced the Federal Reserve to shift monetary policy quickly and aggressively to a more restrictive stance. This shift occurred after an elongated period of accommodative policy following the Great Financial Crisis of 2008 that markedly benefited financial assets. The upward adjustment to inflation and inflation expectations as well as tightening Fed policy elevated the risk of a slowdown or recession, which explains the poor performance of financial assets this past year.

Putting the year into perspective, 2022 was the first year since 1872 that the S&P 500 and the 10-year Treasury lost more than 10% on a total return basis for a full calendar year, posting losses of 18.1% and 17.0%, respectively. This chart from Deutsche Bank (*Figure 1*) is a scatterplot of calendar year performance since 1872, demonstrating how 2022 was truly an outlier.

Figure 1

Annual Total Return Performance of the S&P 500 & 10-Year Treasury Since 1872

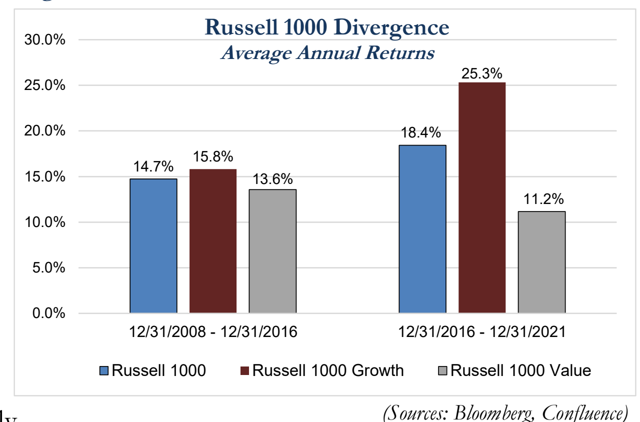


(Source: Deutsche Bank)

Delving deeper, the catalyst behind the headwinds was the sharp and sustained rise in inflation that prompted a dramatic shift in Fed policy. Inflation had been subdued over much of the past four decades as globalization, deregulation, and innovation led to a disinflationary environment which allowed for accommodative monetary policy. That all changed in 2022 as the FOMC increased the fed funds rate by a robust 4.25% over the course of the year and switched from quantitative easing to tapering via liquidating assets to reduce its balance sheet. Underlying these policy changes was a shift in the nature of inflationary pressures. These pressures were initially perceived as "transitory" (resulting from the economy reopening post-COVID and supply constraints) but now appear to stem from structural concerns emanating from geopolitical issues challenging globalization and a shift toward a more fractured, multipolar world.

The protracted length of time and magnitude of the accommodative monetary policies dating back to 2008 provided a strong tailwind that primarily benefited financial assets, specifically domestic equity markets, and fostered speculation which created pockets of excess exuberance. This preceding period should be viewed in context with the losses incurred in 2022. More specifically, from the end of 2008 through 2016, the returns in the domestic markets were broad-based and well above the historical average, which is approximately 10%, with the Russell 1000, Russell 1000 Growth, and Russell 1000 Value indexes generating average annual returns of 14.7%, 15.8%, and 13.6%, respectively. However, a frenzy began to emerge from the end of 2016 through 2021, with the Russell 1000 Index posting an average annual return of 18.4% and a wide divergence developing between growth and value. During this period, the Russell 1000 Growth Index dramatically outperformed the Russell 1000 Value Index at 25.3% versus 11.2%, respectively.

Figure 2



(Sources: Bloomberg, Confluence)

Market Commentary continued...

If readers will recall, the Zero Interest Rate Policy (ZIRP) and Quantitative Easing (QE) policies began in late 2008 and lasted until December 2015 when the first rate increase of 25 bps transpired. The next rate increase did not occur until December 2016, with the Fed signaling additional increases throughout 2017. It was at this point that concerns arose of an economic slowdown or recession, prompting investors to lean toward businesses with higher-growth profiles, which were perceived to be more capable of weathering a slowdown. The rate hikes promptly ended in December 2018 as liquidity concerns surfaced, and the Fed was forced to cut rates from 2.25% to 1.5% in 2019. Of course, this was followed by the events of 2020 which infused mass liquidity (monetary and fiscal) and shifted investor attention to the few businesses that were benefiting from the lockdowns—the same growth-oriented tech names which then rallied through 2021. The Fed's aggressive actions in 2022, raising rates seven times to 4.25%-4.50% by year-end, deflated much of the excess exuberance of the mega-cap tech names as well as other speculative areas, such as the Wall Street Bets/Reddit names, electric vehicles, SPACs, and crypto. This first chart from Kailash Capital (*Figure 3*) reflects the concentration in the largest 30 names by comparing their market caps to GDP over the past 30+ years. The next chart from Kailash (*Figure 4*) demonstrates the speculation that formed in unprofitable businesses in the smaller cap arena.

Figure 3

Market Cap/GDP of the Largest 30 Firms

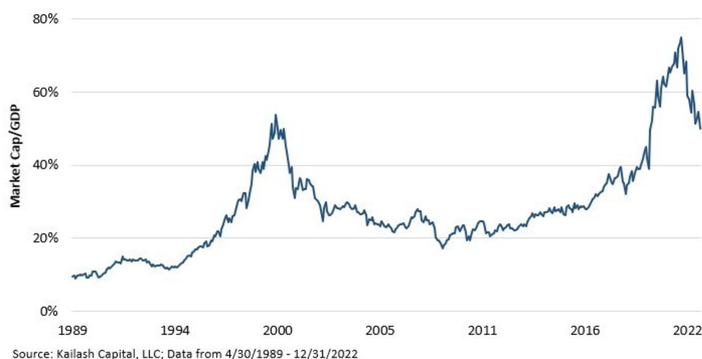
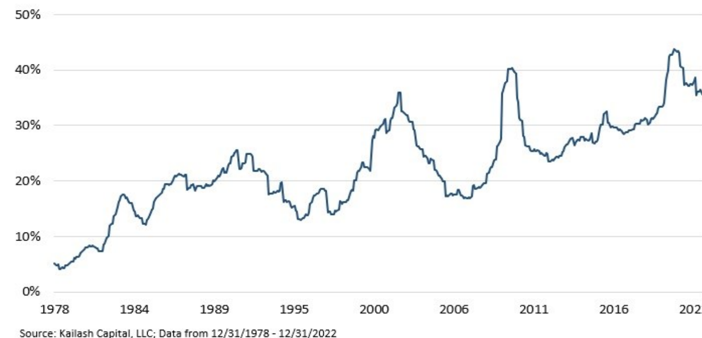


Figure 4

Percent of R2500 Firms with Negative Earnings



(Source: Kailash Capital)

The curtailment of accommodative monetary policies in 2022 marked the end of the tailwinds for long-duration assets (stocks and bonds), hence, the sharp losses in fixed income and equities, particularly in businesses with cash flow expected in the outer years, i.e., "growth" stocks. The markets also faced geopolitical challenges during the past year as Russia invaded Ukraine, which disrupted commodity markets and drove commodity and materials prices higher. These events led to a market rotation from mega-cap growth toward cyclical value as evidenced by the Russell 1000 Growth posting a loss of 29.1% relative to the Russell 1000 Value's loss of 7.6%. Delving into the sectors, Energy (+65.7%) and Utilities (+1.6%) were the only two sectors to post positive results, while Consumer Discretionary (-37.0%) and Communication Services (-39.9%) were the laggards. The varying sector weightings in the indexes explain the relative performance as the table below from J.P. Morgan Asset Management exhibits (*Figure 5*).

Figure 5 **Returns and Valuations by Sector**

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index
S&P weight	5.2%	2.7%	11.7%	8.7%	9.8%	25.7%	7.3%	2.7%	15.8%	7.2%	3.2%	100.0%
Russell Growth weight	1.7%	1.5%	3.3%	8.1%	14.2%	43.2%	6.8%	1.6%	13.5%	6.1%	0.1%	100.0%
Russell Value weight	8.4%	4.3%	20.1%	10.5%	6.0%	8.3%	7.3%	4.5%	17.4%	7.4%	5.8%	100.0%
Russell 2000 weight	6.8%	4.3%	17.2%	15.6%	10.4%	12.7%	2.6%	6.4%	16.9%	3.6%	3.5%	100.0%
4Q22	22.8	15.0	13.6	19.2	-10.2	4.7	-1.4	3.8	12.8	12.7	8.6	7.6
2022	65.7	-12.3	-10.5	-5.5	-37.0	-28.2	-39.9	-26.1	-2.0	-0.6	1.6	-18.1

(Source: J.P. Morgan Asset Management; Guide to the Markets®, U.S. 1Q 2023, as of December 31, 2022)

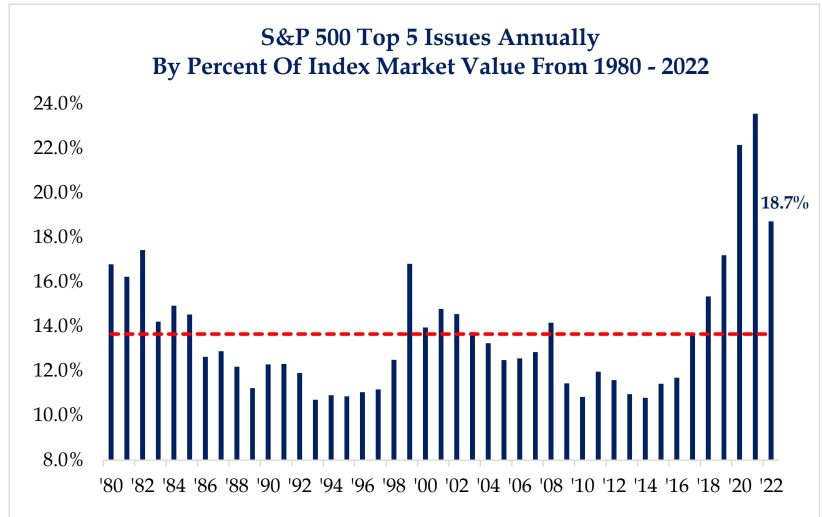
As we move into 2023, there is an elevated probability of a recession sometime this year (see our *Current Perspectives* report, "The 2023 Outlook: A Recession Year") as the Fed remains in tightening mode as policymakers seek to contain inflation and maintain credibility. No one knows the exact level of rates needed to tame inflation or inflation expectations, despite the constant fodder amongst economists, but equity markets have historically been a leading indicator for the economy. The sharp drop in equity markets in 2022 may have already marked the coming recession. More importantly, with monetary policy normalizing, the value of fundamental analysis and investing with a margin of safety will likely regain focus, which should benefit good active management. Meanwhile, the pullback is presenting more attractive valuations for high-quality companies. Of course, we will continue to stay focused on our investment philosophy, which has always been centered on business and valuation analysis.

Strategy Commentary

The equity markets had a Hollywood finish to close out a rather difficult year for investors. For the fourth quarter of 2022, the S&P 500 Index posted a 7.5% gain and the Russell 1000 Value Index posted an even stronger gain of 12.4%. Unfortunately, the strong finish did not overcome the severe weakness of the preceding quarters and the two indexes ended the year in negative territory, with the S&P 500 down 18.1% at year-end and the Russell 1000 Value down 7.6%. Confluence Large Cap Value also posted a strong fourth quarter gain of 10.6% and was down 15.5% for the year (both gross of fees). [*The strategy's net-of-fees returns for the same periods were 9.8% QTD and -18.0% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

As discussed in the previous section, the rise in inflation, and the ensuing change in monetary policy to contain it, weighed on financial assets in 2022. The preceding multi-year strength of equities and the undercurrent of geopolitical shifts produced a seismic rotation in leadership within domestic equities. The primary beneficiary was commodities, reflected in the dramatic outperformance of the Energy sector. Meanwhile, the mega-cap growth names, which garnered an abundance of investor flows, began to abate. As the work from Strategas reflects in this chart (*Figure 6*), the top five names in the S&P 500 increased their weighting from low double-digits in 2016 to over 22% in 2021 and retreated to 18.7% in 2022.

Figure 6



(Source: Strategas; 12/31/2022)

Our Large Cap Value strategy performed well against the broad market, as measured by the S&P 500, but lagged the Russell 1000 Value. The primary detractor relative to the value index was the lack of Energy exposure as well as the performance of a couple newer additions to the portfolio. Regarding commodities, our investment philosophy is focused on competitively advantaged companies and thus often steers us away from commodity-oriented and highly regulated industries as their competitive landscapes inherently hinder their ability to generate above-average returns on capital over long periods. This philosophy instead guides us toward entities operating in niche or oligopolistic arenas that can dictate their own pricing, which allows them to produce above-average returns on capital. We believe our process tends to result in a higher-quality portfolio of businesses; for instance, the Confluence Large Cap Value strategy fared well when compared to factor ETFs focused on high quality, such as the iShares MSCI USA Quality Factor ETF (QUAL), which was down 20.5% for the year.

There were a few changes to the portfolio during the year as we added Leslie's (LESL), Clarivate (CLVT), and Masco (MAS) using proceeds from the sales of Axalta Coating Systems (AXTA), Cerner (CERN), and Fortune Brands Home & Security (FBHS). As mentioned, the new additions have also been lagging so in this commentary we will review our rationale for holding these names.

First, Clarivate (CLVT) operates a collection of subscription-based services focused largely on analytics in the areas of scientific and academic research, patent intelligence and compliance standards, pharmaceutical and biotech intelligence, and trademark, domain, and brand protection. Clarivate curates and sells trusted data that is highly valued and caters to academia, healthcare, and legal customers, which are defensive sectors. This comes from the company's ability to monetize historical and often irreplicable data. Its model is built on the concept of "build once and sell multiple times," which typically generates incremental margins producing high returns on capital and excess free cash flow. Clarivate possesses three important attributes that we focus on for investment: strong moat, high returns on capital, and solid free cash flow.

Despite these attributes, Clarivate's shares have performed poorly over the last year as management made a few large, yet important, acquisitions over a short period which elevated leverage and produced inconsistent results. These are shorter-term integration issues that when completed we anticipate will provide greater scale and enhance the value proposition to customers. While the leverage is higher than desired, the business model's 90%+ customer retention and 80%+ recurring revenue stream provide management with the ability to scale back debt without hindering the business. The value in Clarivate should become more transparent as management executes operationally by driving free cash flow, deleveraging the balance sheet, and allocating capital to shareholders.

Strategy Commentary continued...

Leslie's (LESL) is the largest direct-to-consumer brand in the domestic pool and spa aftermarket. Through a footprint of nearly 1,000 retail locations, the company sells pool-related products to homeowners. We believe the pool industry is one of the more structurally attractive areas within retail. For a pool to be swimmable, it needs clean water which requires ongoing consumption of chemicals and sanitization products. Approximately 80% of the company's sales consist of these non-discretionary products. Because these products are non-negotiable, the pool aftermarket enjoys strong pricing power. This is evidenced by LESL's 59 consecutive years of sales growth, a remarkable achievement within retail. The business also achieves strong returns on invested capital and generates excess free cash flow. Additionally, the industry benefits from long-term secular tailwinds, including demographic shifts to the nation's Sun Belt and a growing emphasis on outdoor living spaces.

For these reasons, we have been attracted to the company's story and business model. Unfortunately, we were a little early. A combination of factors has contributed to its recent performance. The stock has gone from trading at a significant premium to the market to a discount (~14x earnings). Second, having grown considerably in the last couple of years, Leslie's experienced some operational hiccups in 2022. One such setback included the temporary shutdown of a distribution facility caused by a lack of staffing as well as shortages and stock-outs of various specialty chemicals when long-term vendor partners were unable to keep up with demand. Third, the growing acceptance of a likely recession in 2023 has weighed on many retailers. About 20% of LESL's sales are considered discretionary and will likely be pressured in the event of a macro slowdown. Lastly, management provided disappointing guidance for 2023 that we believe incorporates many appropriate, but nonetheless conservative, assumptions. Looking ahead, we have not learned anything that has shifted our initial view regarding the attractiveness of the business. Contractor backlogs for the construction of new pools remain full, and nothing has changed regarding the strong pricing power imparted by the non-discretionary nature of water treatment. We believe Leslie's possesses valuable characteristics that will reward shareholders over the long term.

Lastly, we swapped Fortune Brands Home & Security (FBHS) for Masco Corporation (MAS), which allowed us to maintain exposure to the home repair/remodel (R&R) market, while avoiding the pending spinoff of the Fortune Brands cabinet business, which is the less attractive segment, slated for early December. When performing our due diligence on the R&R market, we looked at the entire industry and came away impressed with the management teams as well as the business fundamentals of both Fortune Brands and Masco. We felt that both companies benefited from having multiple leading building product brands (Fortune Brands: Moen, Therma Tru Doors, Master Lock / Masco: Behr, Delta, Peerless) and high exposure to the less cyclical R&R market. This market leadership provides the two companies with relative power in their channels and results in above-market growth and attractive cash returns on capital. Both management teams have proven to be solid capital allocators, with Fortune Brands following in the footsteps of Masco by spinning off its less desirable and more cyclical cabinets business. While the spinoff of the cabinets business should ultimately benefit shareholders, we felt that reducing the complexity of our position while taking advantage of tax-loss selling was a prudent action given the opportunity to replace the position with Masco. In the end, Masco and Fortune Brands are very similar businesses, and we believe both companies will benefit from the underlying long-term trends in the housing and R&R markets.

Outlook

Looking ahead, after decades of growing globalization which helped subdue inflation, we are now witnessing a trend toward deglobalization and elevated levels of inflation. This has prompted the Fed to aggressively alter monetary policy to a more restrictive stance and give indications of further action. These conditions have naturally generated additional uncertainty around the impact these moves will have on the economy, which has weighed on investor sentiment. This uncertainty will likely continue as the market grapples with the pace and magnitude of future tightening, resulting in a continuation of the recent volatility. Equity markets are leading indicators, thus with the lows reached in late September the markets may have already discounted the coming recession. But if the past few years have taught us anything, it is the fallacy of prognostication and the importance of adhering to a disciplined process. At current levels, we believe the markets are providing attractive valuations for long-term, fundamental investors, and we intend to take advantage of opportunities as they present themselves. As always, we remain focused on our core strength, which is analyzing and valuing businesses which, in turn, emphasizes competitively advantaged businesses trading at a discount to our estimate of intrinsic value.

Contribution[1]

(YTD as of 12/31/2022)

The top contributors and detractors for the portfolio in 2022 are shown in this table:

Security	Avg Weight (%)	Contribution (%)
Top 5		
W. R. Berkley Corp.	4.41	1.14
Raytheon Technologies Corp.	4.82	0.76
TJX Cos. Inc.	3.34	0.34
PepsiCo Inc.	4.12	0.28
Markel Corp.	4.42	0.24
Bottom 5		
Brookfield Asset Management Inc.	4.04	(1.33)
Fortune Brands Home & Security	*Sold*	(1.63)
Dun & Bradstreet Holdings Inc.	3.76	(1.76)
Clarivate plc	3.06	(1.76)
Alphabet Inc.	4.45	(1.97)

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

Performance Composite Returns[2] (For Periods Ending December 31, 2022)

	Since Inception**	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Large Cap Value *Pure Gross-of-Fees*[3]	11.0%	8.7%	10.6%	9.8%	11.7%	9.2%	6.6%	(15.5%)	(15.5%)	10.6%
Max Net-of-Fees[4]	7.8%	5.6%	7.4%	6.5%	8.4%	6.0%	3.4%	(18.0%)	(18.0%)	9.8%
S&P 500	9.8%	7.6%	9.8%	8.8%	12.6%	9.4%	7.6%	(18.1%)	(18.1%)	7.5%
Russell 1000 Value	9.5%	7.2%	8.8%	6.9%	10.3%	6.6%	5.9%	(7.6%)	(7.6%)	12.4%

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	S&P 500	R1000 Value	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R1000V 3yr Std Dev	Composite Dispersion
1994**	3.4%	2.6%	(0.0%)	(1.6%)	3.4%	122	$10,206		N/A	N/A	N/A	N/A
1995	32.7%	29.1%	37.6%	38.3%	(4.9%)	178	$24,073		N/A	N/A	N/A	1.1%
1996	29.9%	26.4%	23.0%	21.6%	6.9%	417	$63,132		N/A	N/A	N/A	1.7%
1997	31.9%	28.3%	33.4%	35.2%	(1.5%)	973	$151,053		N/A	N/A	N/A	2.1%
1998	9.0%	6.0%	28.6%	15.6%	(19.6%)	2,360	$297,953		N/A	N/A	N/A	1.8%
1999	2.9%	0.1%	21.0%	7.3%	(18.1%)	2,138	$260,171		N/A	N/A	N/A	1.7%
2000	11.5%	8.4%	(9.1%)	7.0%	20.6%	1,104	$159,096		N/A	N/A	N/A	2.3%
2001	(2.5%)	(5.1%)	(11.9%)	(5.6%)	9.4%	1,065	$145,683		N/A	N/A	N/A	1.1%
2002	(12.2%)	(14.6%)	(22.1%)	(15.5%)	9.9%	1,027	$125,161		N/A	N/A	N/A	0.6%
2003	30.9%	27.3%	28.7%	30.0%	2.2%	1,010	$163,840		15.8%	18.1%	16.0%	1.0%
2004	15.7%	12.6%	10.9%	16.5%	4.8%	1,052	$197,447		13.7%	14.9%	14.8%	1.0%
2005	(1.6%)	(4.3%)	4.9%	7.1%	(6.5%)	1,064	$188,332		8.7%	9.0%	9.5%	0.6%
2006	17.8%	14.5%	15.8%	22.2%	2.0%	957	$198,952		5.8%	6.8%	6.7%	0.6%
2007	5.9%	3.0%	5.5%	(0.2%)	0.4%	834	$174,711		6.7%	7.7%	8.1%	0.6%
2008	(27.0%)	(29.1%)	(37.0%)	(36.8%)	9.9%	119	$25,562	$291,644	13.2%	15.1%	15.4%	N/A
2009	28.6%	24.8%	26.5%	19.7%	2.2%	149	$53,387	$533,832	17.7%	19.6%	21.1%	1.4%
2010	12.1%	8.8%	15.1%	15.5%	(3.0%)	192	$76,040	$751,909	19.7%	21.9%	23.2%	0.4%
2011	6.4%	3.2%	2.1%	0.4%	4.3%	228	$89,145	$937,487	17.1%	18.7%	20.7%	0.3%
2012	19.0%	15.4%	16.0%	17.5%	3.0%	249	$143,568	$1,272,265	13.5%	15.1%	15.5%	0.4%
2013	37.6%	33.6%	32.4%	32.6%	5.2%	373	$208,844	$1,955,915	10.6%	11.9%	12.7%	0.9%
2014	10.7%	7.5%	13.7%	13.4%	(2.9%)	618	$278,339	$2,589,024	8.6%	9.0%	9.2%	0.5%
2015	1.6%	(1.4%)	1.4%	(3.8%)	0.2%	858	$352,556	$3,175,419	10.1%	10.5%	10.7%	0.5%
2016	8.6%	5.4%	12.0%	17.3%	(3.4%)	1,003	$396,038	$4,413,659	10.0%	10.6%	10.8%	0.4%
2017	16.1%	12.6%	21.8%	13.6%	(5.7%)	1,049	$380,737	$5,944,479	9.0%	9.9%	10.2%	0.6%
2018	(4.6%)	(7.4%)	(4.4%)	(8.3%)	(0.2%)	1,029	$364,805	$5,486,737	10.4%	10.8%	10.8%	0.6%
2019	34.5%	30.5%	31.5%	26.5%	3.0%	1,118	$525,944	$7,044,708	11.8%	11.9%	11.8%	0.6%
2020	13.0%	9.7%	18.4%	2.8%	(5.4%)	1,229	$647,076	$6,889,798	18.8%	18.5%	19.6%	0.9%
2021	26.8%	23.0%	28.7%	25.1%	(1.9%)	1,251	$738,402	$7,761,687	18.2%	17.2%	19.1%	0.6%
2022	(15.5%)	(18.0%)	(18.1%)	(7.6%)	2.7%	1,274	$609,865	$6,931,635	21.0%	20.9%	21.3%	0.6%

**Average annualized returns* ***Inception is 10/1/1994* *See performance disclosures on last page.*

Portfolio Benchmarks

S&P 500® Index – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values. *(Source: Bloomberg)*

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Disclosures

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Indices: The S&P 500 Index and Russell 1000 Value Index are shown as additional information. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

[1] **Contribution—**Table showing the top 5 contributors/detractors reflects the strategy's best and worst performers, based on each holding's contribution to the sample account for the period stated. Holdings identified do not represent all of the securities purchased, sold or recommended. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings.

[2] **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, 2021. 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 Large Cap Value Strategy was incepted on October 1, 1994, and the current Large Cap Value Composite was created on August 1, 2008. Performance presented prior to August 1, 2008, occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. 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.

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

[4] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). 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. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Large Cap Value Composite contains fully discretionary Large Cap Value wrap accounts. Large Cap Value is a value-based, bottom-up portfolio that utilizes stocks with market capitalizations typically exceeding $10 billion.

**Results shown for the year 1994 represent partial period performance from October 1, 1994, through December 31, 1994. 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 and/or performance was calculated quarterly prior to January 2001.