Fourth Quarter

2023

## 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

A late-year rally in 2023 produced the bulk of the outsized returns for equity markets following a very tumultuous 2022. The year began with continued concerns regarding both inflation and how the Federal Reserve's aggressive tightening actions would impact the economy. The impact was not clear amongst investors, however, as divergent paths became apparent in the fixed income and equity markets. A sharply inverted yield curve implied fixed income investors were concerned about a recession, while the equity markets had a more optimistic view of the economy following a strong Q4 in 2022 and expectations of earnings growth in 2023. Given these crosscurrents, and coupled with the Fed's continued rate increases in 2023, equity returns were unable to gain traction for most of the year, fluctuating between positive and negative. It was not until late October when the Fed gave a clear signal that rate hikes had likely peaked with rate cuts more probable in 2024, which provided the spark that led to strong rallies in financial assets. From the lows in late October, the 10-year Treasury rallied from a yield of approximately 5% to under 4% and equities were up in the mid-teens, with the S&P 500 up 16%, the S&P 500 Equal Weight up 18%, and the Russell 2000 up 24% during this period. Those returns during the quarter led to a solid year, with the S&P 500 up 26%, the S&P 500 Equal Weight up 14%, and the Russell 2000 up 17% for 2023.

The strong returns of 2023 helped to recoup much of the losses from 2022, leaving many of the large cap indexes essentially flat for the past couple of years, with the S&P 500 up 3% and the S&P 500 Equal Weight up 1%, whereas the small cap Russell 2000 is down 7% since the end of 2021. So, why the contrast between 2022 and 2023 when the economy avoided a recession? While 2022 may have sidestepped an official recession, there were factors at play that typically lead to or indicate recessions, such as: real incomes declined which eroded confidence following the sharp inflationary spike driven by stimulus demand; manufacturing and transport experienced normalization in 2022 following strong demand for goods over services in the prior year; housing and commercial real estate stalled due to the spike in rates; and mega-cap tech saw a sharp pullback as we witnessed a collapse in speculative IPOs, SPACs, meme stocks, and early stage and/or unprofitable businesses. Despite these headwinds, the economy continued to grow and employment remained strong, with unemployment staying below 4%. Many of these headwinds have now subsided or have shifted to tailwinds, allowing the Fed to pause on hikes and begin to contemplate cuts in 2024, which provided support for financial assets.

While equity returns were strong, the breadth was narrow. This is evidenced by the return difference between the equally weighted and market cap-weighted S&P 500 indexes at 14% versus 26%, respectively. Moreover, the S&P 500 ended the year at $41.7 trillion market cap, up $8.2 trillion, and $5.0 trillion of that growth came from the mega-cap tech businesses, primarily the Magnificent 7 (M7), which posted a cumulative 73% return. Hence, approximately two-thirds of the index's return came from just seven names, while the remaining 493 businesses contributed the remaining $3.2 trillion in market cap growth.

The dominance of the M7 is also reflected when looking at the sector contributions as Communication Services (GOOG, META), Technology (AAPL, MSFT, NVDA), and Consumer Discretionary (AMZN, TSLA) trounced all the other sectors (see table, *Figure 1*). It also shows that two of the defensive sectors, Consumer Staples and Utilities, were flat to negative. Energy was the only other sector to post a loss following a stellar 2022, when it returned over 60%.

*Figure 1* **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** | 3.9% | 2.4% | 13.0% | 8.8% | 10.9% | 28.9% | 8.6% | 2.5% | 12.6% | 6.2% | 2.3% | 100.0% |
| Russell Growth weight | 0.5% | 0.7% | 6.4% | 5.9% | 15.8% | 43.5% | 11.4% | 0.9% | 10.6% | 4.1% | 0.1% | 100.0% |
| Russell Value weight | 7.8% | 4.9% | 21.8% | 13.9% | 5.2% | 9.5% | 4.7% | 5.0% | 14.6% | 7.9% | 4.8% | 100.0% |
| Russell 2000 weight | 6.9% | 4.5% | 17.1% | 17.0% | 11.0% | 13.6% | 2.3% | 6.2% | 15.4% | 3.4% | 2.7% | 100.0% |
| **4Q23** | -6.9 | 9.7 | 14.0 | 13.1 | 12.4 | 17.2 | 11.0 | 18.8 | 6.4 | 5.5 | 8.6 | 11.7 |
| **2023** | -1.3 | 12.5 | 12.1 | 18.1 | 42.4 | 57.8 | 55.8 | 12.3 | 2.1 | 0.5 | -7.1 | 26.3 |

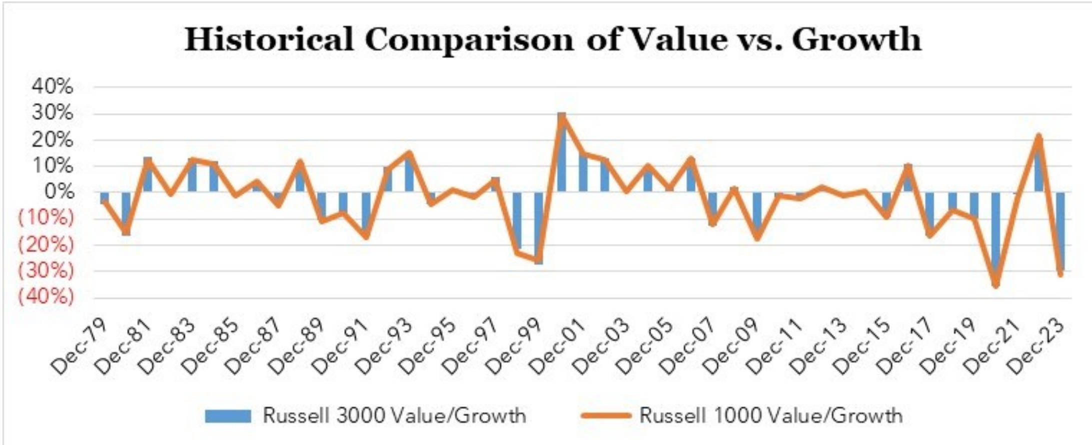
*See GIPS Report on pages 5-6.*

*(Source: J.P. Morgan Asset Management; Guide to the Markets®, U.S. 1Q 2024, as of December 31, 2023)*

## Market Commentary continued...

It is worth noting that the M7 were the driving force behind the outperformance of large caps over small caps as well as the Growth style trouncing Value by one of the widest historical margins (see *Figure 2*).

***Figure 2***

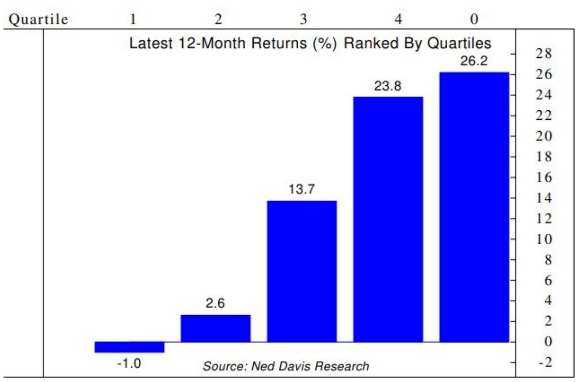



*(Sources: Confluence, FactSet)*

It is also worth highlighting the impact of the M7 on the dividend segment of the market as the M7 pay little to no dividends, except MSFT and AAPL. There was a clear benefit to the non-paying and lower dividend-yielding businesses as reflected in the following chart showing the S&P 500 returns ranked by yield quartile from Ned Davis Research (*Figure 3*), where higher-yielding quartiles are dramatically lagging the low-paying or non-paying quartiles. Their impact can also be seen when we look at dividend growers versus non-payers (see table, *Figure 4*) as companies that grow their dividends have lagged the non-paying dividend stocks.

***Figure 3***

**S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)**




*Actual Historical Constituents. *Returns through 12/31/2023*

Highest yielding in Quartile 1 and lowest in Quartile 4;
Non-dividend-payers are in Quartile 0

***Figure 4***

**Returns of S&P 500 Stocks by Dividend Policy**

**Portfolio Performance Statistics**
*Analysis Dates: 12/31/2022 to 12/31/2023*

| Portfolio | Gain/Annum % | Growth of $100 |
|---|---|---|
| Dividend Growers & Initiators | 8.1% | $108.09 |
| All Dividend-Paying Stocks | 8.6% | $108.64 |
| Dividend Payers w/ No Change in Dividends | 14.2% | $114.22 |
| Dividend Cutters & Eliminators | (1.9%) | $98.10 |
| Non-Dividend Paying Stocks | 21.6% | $121.58 |

Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

*(Sources, Figures 3 and 4: Ned Davis Research)*

## Is It Different This Time?

The M7 have driven the broad indexes for the better part of the past seven years, so what causes a rotation? We have addressed this issue in a special *Value Equity Insights* report that offers some perspective on the bifurcation that has occurred in the current market along with historical context in order to help investors navigate the investment landscape more safely.

## Outlook

As the Fed pauses and contemplates a shift toward more accommodative policy, the equity markets have rallied on the anticipation that this will result in a soft landing and continued earnings growth. The late-year rally was much broader in breadth than earlier moves and elicits the prospect that the market could broaden further should the economy continue to expand. Of course, 2024 brings with it many uncertainties from elections here and abroad to many simmering geopolitical hotspots, such as the conflicts in Ukraine and the Middle East and China's overtures toward Taiwan, all of which may incite events that impact the financial markets. Meanwhile, the domestic economy has been able to weather the recent spike in inflation and the ensuing monetary tightening without the typical rise in unemployment and ultimate recession, which may or may not continue in 2024. History has shown that uncertainties always abound, which is why it is important to remain steadfast in your investment discipline — something the team at Confluence has been doing for three decades. We remain committed to our philosophy of focusing on fundamentals and valuations as our emphasis is on identifying competitively advantaged businesses trading at attractive valuations.

### Strategy Commentary

Equity markets experienced a sprint to the finish to conclude 2023. In the fourth quarter, the S&P 500 Index increased 11.7%, while the Russell 1000 Value Index largely kept pace at 9.5%. The strong fourth quarter propelled the S&P 500 to a 26.3% return for 2023, while the Russell 1000 Value returned 11.4% for the year. The Confluence Large Cap Value strategy posted an 11.0% fourth quarter gain and was up 16.9% for the year (both gross of fees). [*The strategy's net-of-fees returns for the same periods were 10.2% QTD and 13.4% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Inflation expectations and interest rates were the primary drivers of market performance in 2023. This was particularly on display during the back half of the year, in which the third and fourth quarters were largely mirror images of one another. The third quarter saw rising rates and a retreating equity market as investors worried inflation would persist for longer than previously expected. In the fourth quarter, interest rates were on the decline while stocks went on a tear. The reversal in sentiment could be attributed to Fed-watching and expectations that 2024 would see multiple interest rate cuts, suggesting inflation was manageable and decreasing the probability of a recession.

Another driver of market performance was the outsized influence of the "Magnificent Seven" (M7) mega-caps (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla). At multiple points during 2023, the M7 companies were responsible for the entirety of the S&P 500's return. However, the equity market gains in the fourth quarter were broad-based, and the full-year contribution for the M7 declined to "only" 68% (see *Figure 5*). This remains a historically significant degree of performance concentration.

***Figure 5***

**Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years**

| Year | Top 10 as % of Total | S&P 500 % Perf. |
|---|---|---|
| 2007 | 78.7% | 3.5% |
| **2023** | **68.4%** | **24.2%** |
| 2020 | 58.9% | 16.3% |
| 1999 | 54.5% | 19.5% |
| 2021 | 45.0% | 26.9% |
| 1998 | 36.8% | 26.7% |
| 1996 | 33.9% | 20.3% |
| 2017 | 33.3% | 19.4% |
| 2019 | 32.8% | 28.9% |
| 1991 | 28.6% | 26.3% |
| 2006 | 27.6% | 13.6% |
| 2016 | 26.6% | 9.5% |
| 2003 | 23.6% | 26.4% |
| 1995 | 22.3% | 34.1% |
| 2014 | 22.2% | 11.4% |
| 2004 | 21.1% | 9.0% |
| 2005 | 20.5% | 3.0% |
| 2010 | 19.6% | 12.8% |
| 2012 | 19.2% | 13.4% |
| 1997 | 19.1% | 31.0% |
| 2013 | 17.6% | 29.6% |
| 2009 | 15.5% | 23.5% |
| 1992 | 14.9% | 4.5% |
| 1993 | 12.2% | 7.1% |

*(Sources: Strategas; 12/31/2023 )*

Our Large Cap Value strategy performed well for the year compared to the Russell 1000 Value Index but lagged the S&P 500. The detractor relative to the S&P 500 was the aforementioned performance of the M7, which resulted in positively skewed returns in the Information Technology (Apple, Microsoft, and NVIDIA) and Consumer Discretionary (Amazon and Tesla) sectors. With the average market cap among the M7 over $1.5 trillion, it is a mathematical reality that the performance of those stocks will dictate the returns of a market cap-weighted index like the S&P 500. Regardless of this dynamic, our investment philosophy at Confluence remains consistent. We focus on bottom-up analysis to identify competitively advantaged businesses that maintain pricing power and superior returns on capital over extended periods of time.

A few changes were made to the portfolio this year, including the addition of Keysight Technologies (KEYS) and the elimination of positions in Leslie's (LESL) and RTX Corp. (RTX). We discussed the sale of pool product retailer Leslie's in our third quarter commentary. While the business possessed attractive characteristics, we underestimated the degree of demand normalization as work-from-home policies ended. The decline in sales, exacerbated by operational missteps, resulted in financial leverage increasing to an uncomfortable level, and we sold the position.

Additionally, we sold RTX Corp. in the fourth quarter. RTX (formerly Raytheon Technologies) is an aerospace and defense company that came under significant pressure due to a problem with some of its Pratt & Whitney aircraft engines. Remedying this issue will be extremely costly for RTX as the company is responsible for making its airline customers whole while engines are inspected and repaired. Further, this episode introduces reputational and follow-on demand risk for the engine that could have negative impacts for an extended period. For those reasons, we chose to exit the position.

We added Keysight to the portfolio in 2023. Keysight is the largest developer of software and hardware used for electronic design and test functions in research and development (R&D) labs around the globe. Keysight has over 30,000 customers and often embeds engineers at its largest accounts, helping clients develop tools for prototyping, design verification, and field testing. This results in sticky customer relationships and gives Keysight a window into where industry standards are headed, providing a leg-up on the competition. These dynamics represent the type of competitive moats we look for in a business. We consider Keysight a pick-and-shovel business, that is, a business that provides the technology needed to produce a final product. We are attracted to businesses that other companies depend upon for necessary goods or services.

### Strategy Commentary continued...

We also began building another new position in the fourth quarter, which we look forward to discussing in a future commentary once complete.

The top contributors to performance in 2023 included Booking Holdings (BKNG), Alphabet (GOOG/GOOGL), and NXP Semiconductors (NXPI), while Leslie's (LESL), RTX Corp. (RTX), and Diageo plc (DEO) were the primary detractors. Booking, the market-leading online travel agent, benefits from strong global travel demand and a capital-light business model that generates substantial free cash flow. Alphabet's cloud business continues to expand, while NXPI's business has navigated a difficult semiconductor down-cycle better than expected. Diageo, the world's largest premium spirits company, had a difficult time forecasting demand against a backdrop of declining consumption, resulting in excess inventory in certain markets. [*See contribution table on next page.*]

### Outlook

Next year holds the promise for many potential storylines. What decisions will the Federal Reserve make regarding interest rates? Will there be a hard or soft landing? How will elections turn out when 40% of the world's population, representing 80% of the world's stock market capitalization, heads to the polls? What will be the impact of further deglobalization? It's easy to come up with questions and sources of potential uncertainty. Yet the dynamics that impact the markets in 2024 could very well come out of left field. Against this backdrop, we choose to emphasize process over prognostication by focusing on identifying businesses that possess competitive advantages that are *durable* over multi-year horizons. Such businesses, particularly when led by experienced managers, are always growing stronger. Durable competitive advantages are resilient to the external environment. This is because good times allow such companies to stretch their wings and press their advantage, while challenging periods disproportionately hurt weaker competitors. At Confluence, we dedicate our efforts to identifying competitively advantaged businesses trading at attractive valuations that can be owned for many years.

## Contribution[1]

***(YTD as of 12/31/2023)***

The top contributors and detractors for the portfolio in 2023 are shown in this table:

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

| Security | Avg Weight (%) | Contribution (%) |
|---|---|---|
| **Top 5** | | |
| Booking Holdings Inc. | 4.47 | 2.65 |
| Alphabet Inc. | 4.56 | 2.26 |
| NXP Semiconductors N.V. | 4.69 | 2.09 |
| Masco Corp. | 4.40 | 1.89 |
| Oracle Corp. | 4.73 | 1.67 |
| **Bottom 5** | | |
| PepsiCo Inc. | 4.20 | (0.20) |
| Thermo Fisher Scientific Inc. | 4.39 | (0.22) |
| Diageo plc | 3.04 | (0.59) |
| RTX Corp. | *Sold* | (0.96) |
| Leslie's Inc. | *Sold* | (1.19) |

## Performance Composite Returns[2] (For Periods Ending December 31, 2023)

| | 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]* | 11.2% | 9.0% | 10.0% | 13.3% | 9.9% | 13.7% | 7.8% | 16.9% | 16.9% | 11.0% |
| *Max Net-of-Fees[4]* | 8.0% | 5.9% | 6.8% | 9.9% | 6.7% | 10.4% | 4.6% | 13.4% | 13.4% | 10.2% |
| **S&P 500** | 10.4% | 7.6% | 9.7% | 14.0% | 12.0% | 15.7% | 10.0% | 26.3% | 26.3% | 11.7% |
| **Russell 1000 Value** | 9.5% | 7.1% | 8.0% | 11.1% | 8.4% | 10.9% | 8.8% | 11.4% | 11.4% | 9.5% |

| 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% |
| 2023 | 16.9% | 13.4% | 26.3% | 11.4% | (9.4%) | 1,281 | $611,018 | $7,200,019 | 17.8% | 17.3% | 16.5% | 0.7% |

**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)*

**Confluence Value Equities Investment Committee**

| | | | | |
|---|---|---|---|---|
| Mark Keller, CFA | Tom Dugan, CFA | John Wobbe | Dustin Hausladen | Brett Mawhiney, CFA |
| Daniel Winter, CFA | Tore Stole | Joe Hanzlik | Blair Brumley, CFA | Ben Kim, CFA |

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

*See Territory Map on the Confluence website for sales coverage.*

# Disclosures

**Market & Strategy Commentary—**Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results.

All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance & liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk & 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.

**Indexes:** The S&P 500 and Russell 1000 Value 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 (net), 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.

[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, 2022. 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.

*The investment strategies described herein are those of Confluence Investment Management. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Confluence materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor.*