Select Equity Income

September 30, 2025

Objective

Invests in large capitalization companies that collectively generate an above-average stream of dividend income, while also providing capital appreciation potential.

Investment Philosophy

Confluence's investment philosophy is a bottom-up, fundamental approach that seeks to generate above-average returns over the long-term by identifying businesses that possess substantial competitive advantages and are trading at discounts to our estimate of intrinsic value. Advantages may include strong brand names, highly differentiated services or products, dominant market share, flexible pricing power, protected technology or specialized industrial skill sets. Companies have the ability to generate high levels of cash flow and are led by management teams that create shareholder wealth.

The investment process focuses on managing risk, which we define as the probability of a permanent loss of capital, by owning quality businesses at attractive valuations diversified across a variety of market sectors. This discipline strives to protect investors on the downside while enhancing upside potential. Over time, we believe this approach positions the portfolio to deliver above-average risk-adjusted returns.

Overview

- Invests in companies with a high level of dividend income or ability to grow dividend stream over time
- Positioned to collectively generate an above-average stream of dividend income with a growth rate that should exceed the inflation rate
- Market capitalizations generally greater than $10 billion
- Approximately 4% position sizes
- Low-to-moderate turnover
- Appropriate for clients seeking total return from dividend income and capital appreciation
- Total strategy assets: $277.7 million[1]

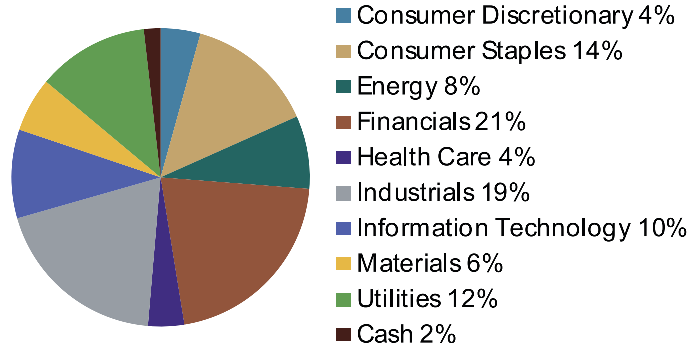
Portfolio Holdings[2]

Characteristics	Select Equity Income	R1000 Value	S&P 500
Dividend Yield	3.1%	1.9%	1.2%
Number of Positions	23-25	870	503
Estimated Annual Turnover	10-20%		

10 Largest Holdings	Weight
Northern Trust Corp.	5.2%
Analog Devices Inc.	4.8%
Cisco Systems Inc.	4.7%
US Bancorp	4.5%
Entergy Corp.	4.5%
A. O. Smith Corp.	4.4%
Snap-on Inc.	4.4%
Home Depot Inc.	4.3%
Kinder Morgan Inc.	4.3%
Southern Co.	4.1%

Market Cap	Select Equity Income	R1000 Value	S&P 500
Weighted Avg. Market Cap ($B)	98.2	339.8	1,367.1
Largest Market Cap ($B)	403.3	2,952.5	4,552.6
Median Market Cap ($B)	64.6	14.7	37.6
Smallest Market Cap ($B)	10.3	-	6.5
Mega Cap (>$200B)	13%		
Large Cap ($18B-$200B)	71%		
Mid Cap ($7B-$18B)	14%		
Small Cap (<$7B)	0%		

Sector Allocation



[1] *Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 6/30/25, AUM = $104.9 million and AUA = $172.8 million.*

See GIPS Report on page 3

Investment Process

Security Selection: Great Companies at Bargain Prices

Our disciplined investment process is research-driven, seeking to uncover "great companies" trading at bargain prices. We define great companies as those with the following attributes:

Durable Competitive Advantages

- Meaningful pricing power
- High barriers to entry
- Superior return on capital over extended periods of time

Free Cash Flow

- Substantial amount available to benefit shareholders
- Should far exceed the capital expenditures needed to maintain and grow the business

Capable Management

- Demonstrated ability to effectively allocate capital
- Alignment of management's interest with investors through large personal investments in company stock

Buy Discipline: Invest Based on Price and Patience

We believe focusing on high-quality companies and purchasing only when they're being offered at prices below our estimate of intrinsic value is an effective means for limiting downside risk while maximizing total return potential over an investment cycle.

- Primary focus is price paid for a stock (discount to intrinsic value)
- Each portfolio company is evaluated to determine the full value of the business / intrinsic value of the security
- The entry point is generally set at a 25%-50% discount to our internal estimate of intrinsic value
- Entry points are continually re-assessed
- Risk is defined as the probability of a permanent loss of capital as opposed to tracking error of a benchmark

New accounts may not be fully invested at inception if companies are trading above current entry points.

Sell Discipline

To help preserve capital, portfolio positions are continually reviewed. A company's stock may be sold if:

- Share price reaches or exceeds our estimate of full valuation
- Company's fundamentals deteriorate
- More attractive opportunities are identified

Portfolio Characteristics

Statistical Analysis[3]

(as of 9/30/25)

Since Inception**	Pure Gross-of-Fees[5]	S&P 500
Downside Capture Ratio	42.00	100.00
Alpha	2.31	0.00
Beta	0.58	1.00
Annualized Standard Deviation	12.31%	14.30%
R-Squared	0.44	1.00
Sharpe Ratio	0.86	1.01

Portfolio at Quarter End	vs. S&P 500
Active Share	95.98%

***Inception is 7/1/2020*

Confluence Value Equities Investment Committee

Mark Keller, CFA	Tore Stole	Tom Dugan, CFA	Dustin Hausladen	Brett Mawhiney, CFA	John Koenig, CFA
Daniel Winter, CFA	John Wobbe	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

Performance

Composite Returns[4] (For periods ending September 30, 2025)

	Since Inception**	5-Year*	3-Year*	1-Year	YTD	QTD
Select Equity Income *Pure Gross-Of-Fees*[5]	13.5%	13.5%	15.3%	5.0%	4.5%	2.3%
Max Net-Of Fees[6]	10.1%	10.1%	11.8%	1.9%	2.2%	1.5%
Russell 1000 Value	14.3%	13.8%	16.9%	9.4%	11.6%	5.3%
S&P 500	17.5%	16.4%	24.9%	17.6%	14.8%	8.1%

Calendar Year	Pure Gross-Of-Fees[5]	Max Net-Of-Fees[6]	R1000 Value	S&P 500	Difference (Gross-R1000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R1000V 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2020**	15.4%	13.7%	22.7%	22.2%	(7.4%)	1	$116	$6,889,798	N/A	N/A	N/A	N/A
2021	28.0%	24.2%	25.1%	28.7%	2.9%	1	$148	$7,761,687	N/A	N/A	N/A	N/A
2022	(2.4%)	(5.3%)	(7.6%)	(18.1%)	5.2%	1	$145	$6,931,635	N/A	N/A	N/A	N/A
2023	9.5%	6.3%	11.4%	26.3%	(1.9%)	9	$3,103	$7,200,019	15.1%	16.5%	17.3%	N/A
2024	17.5%	14.1%	14.3%	25.0%	3.2%	110	$44,823	$7,280,773	14.6%	16.7%	17.2%	0.1%

Average annualized returns ***Inception is 7/1/2020*

Disclosures

[2] **Portfolio Holdings**—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. Sector weightings/holdings of individual client portfolios in the strategy may differ, sometimes significantly, from these listings. Portfolio yield: composite level weighted average yield, calculated based on annualized current dividends; source: FactSet. Benchmark sources: Bloomberg, S&P Dow Jones Indices/FTSE Russell. Annual turnover 5-yr rolling calculated from sample accounts for periods ending 12/31/2024.

[3] **Statistical Analysis**—*Active Share*: Measures % of portfolio holdings that differ from benchmark index; calculated by taking the sum of the absolute value of the differences of the weight of each holding in manager's portfolio & the weight of each holding in benchmark index, as of the date shown, and dividing by two. (*Calculated by Confluence. Index holdings/weights sourced from exchange-traded fund: iShares S&P 500 Core [IVV].) Downside Capture Ratio*: Measures performance in down markets relative to index (down market: any quarter where the market return is less than zero); lower Downside Capture Ratio indicates manager protected capital better during a market decline. *Alpha*: Measures nonsystematic return or return that cannot be attributed to the market. *Beta*: Measures portfolio volatility (systematic risk) compared to an appropriate benchmark index. *Standard Deviation*: Measures price variability (risk) over a period of time. *R-Squared*: Indicates whether comparison index is an appropriate benchmark based on correlation. *Sharpe Ratio*: Quantifies risk-adjusted performance by measuring excess return per unit of risk. (*Data source: Zephyr's PSN SMA Database*)

Benchmarks / Indexes—The S&P 500® Index is 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. The Russell 1000® Value Index is 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*) 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.

[4] **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 Select Equity Income strategy was incepted on July 1, 2020, and the current Select Equity Income Composite was created on May 1, 2023. Performance prior to May 1, 2023 is based on the Select Equity Income-Direct Composite which was created on July 1, 2020. 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 US dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

[5] Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.
[6] 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. Subsequent to May 1, 2023, bundled fee accounts make up 100% of the composite. 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.

Performance prior to May 1, 2023 is based on the Select Equity Income–Direct Composite which was created on July 1, 2020. This composite includes accounts that pursue the Select Equity Income strategy, but have a different fee structure. Gross returns from the Select Equity Income–Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly..

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 Select Equity Income Composite contains fully discretionary Select Equity Income wrap accounts. Select Equity Income is a value-based, bottom-up portfolio that invests in stocks from market capitalizations typically exceeding $10 billion based on their ability to generate an above-average stream of dividend income, while also providing capital appreciation potential.

**Results shown for the year 2020 represent partial period performance from July 1, 2020, through December 31, 2020. 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.