Small Cap Value

Confluence INVESTMENT MANAGEMENT

September 30, 2026

Objective

Invests in companies with small market capitalizations. Investment objective is capital appreciation.

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

- Initial purchases are focused on companies that have small market capitalizations consistent with the Russell 2000 Index or the S&P SmallCap 600 Index, currently around $7 billion or below
- Stocks selected through independent research, evaluating the fundamentals of individual companies, and purchased when trading at discounts to our estimate of intrinsic value
- Approximately 3% position sizes
- Low-to-moderate turnover
- Because small cap stocks are generally more volatile than large caps, this strategy is appropriate for clients whose primary objective is capital appreciation

Portfolio Holdings[1]

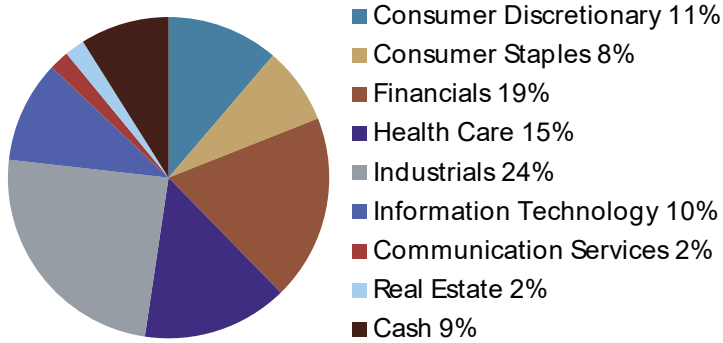
Characteristics	Small Cap Value	R2000 Value	R2000
Dividend Yield	1.2%	2.1%	1.3%
Number of Positions	30-35	1,414	1,974
Annual Turnover *(5-Yr Rolling as of 12/31/25)*	18%		

10 Largest Holdings	Weight
Baldwin Insurance Group Inc.	5.5%
Haemonetics Corp.	4.7%
Hagerty Inc.	4.1%
Stevanato Group S.p.A.	4.0%
Gates Industrial Corp. Ltd.	3.9%
Spectrum Brands Holdings Inc.	3.6%
Morningstar Inc.	3.5%
Cavco Industries Inc.	3.4%
UFP Technologies Inc.	3.4%
Vontier Corp.	3.3%

Market Cap	Small Cap Value	R2000 Value	R2000
Weighted Avg. Market Cap ($B)	3.87	3.32	3.88
Largest Market Cap ($B)	15.81	9.88	12.64
Median Market Cap ($B)	4.24	0.90	1.06
Smallest Market Cap ($B)	0.36	-	-

Large Cap (>$18B)	0%
Mid Cap ($7B-$18B)	9%
Small Cap (<$7B)	82%

Sector Allocation



See GIPS Report on pages 3-4

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[2]

(as of 9/30/26)

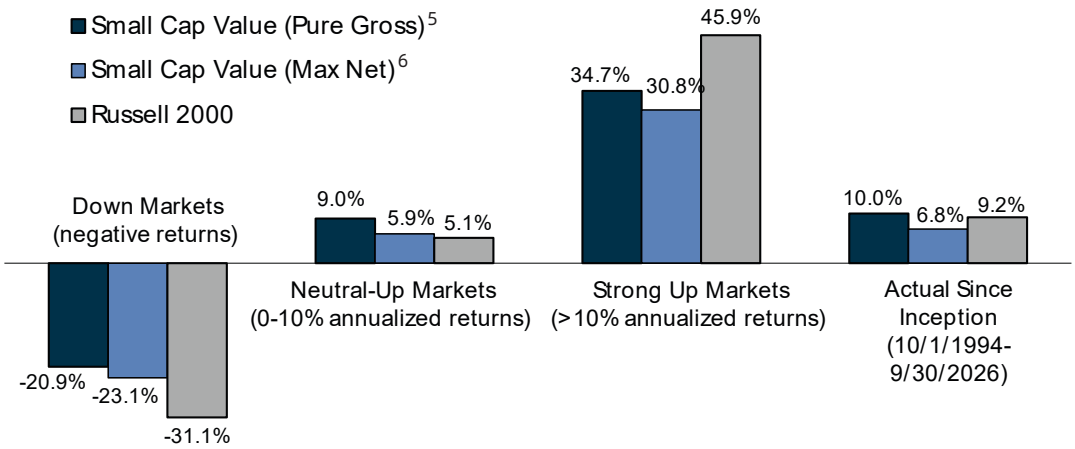
Since Inception**	Pure Gross-of-Fees[5]	Russell 2000
Downside Capture Ratio	67.29	100.00
Alpha	2.32	0.00
Beta	0.73	1.00
Annualized Standard Deviation	17.18%	20.99%
R-Squared	0.80	1.00
Sharpe Ratio	0.44	0.32

Portfolio at Quarter End	vs. Russell 2000
Active Share	98.57%

***Inception is 10/1/1994*

Performance

Historical Performance[3] Annualized Returns (As of 9/30/26)



See performance disclosures on last page.

Composite Returns[4] (For periods ending September 30, 2026)

	Since Inception**	30-Year*	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Small Cap Value *Pure Gross-of-Fees*[5]	10.0%	9.5%	9.0%	7.3%	8.8%	5.4%	0.1%	4.4%	4.3%	5.0%	(7.1%)
Max Net-of-Fees[6]	6.9%	6.4%	5.9%	4.1%	5.5%	2.3%	(2.9%)	1.3%	1.2%	2.6%	(7.8%)
Russell 2000 Value	9.9%	9.5%	9.4%	7.6%	11.4%	9.4%	7.8%	18.0%	21.0%	17.2%	(4.8%)
Russell 2000	9.2%	8.6%	9.5%	8.4%	11.8%	9.8%	6.3%	17.8%	16.4%	13.9%	(7.2%)

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	R2000 Value	R2000	Difference (Gross-R2000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R2000V 3yr Std Dev	R2000 3yr Std Dev	Composite Dispersion
2006**	19.1%	15.9%	23.5%	18.4%	(4.3%)	694	$117,282		7.1%	12.3%	13.8%	1.1%
2007	(1.7%)	(4.3%)	(9.8%)	(1.6%)	8.1%	543	$84,018		7.5%	12.6%	13.2%	1.1%
2008	(21.8%)	(24.0%)	(28.9%)	(33.8%)	7.1%	61	$8,568	$291,644	14.0%	19.1%	19.8%	N/A
2009	29.6%	25.8%	20.6%	27.2%	9.0%	54	$9,823	$533,832	20.9%	25.6%	24.8%	2.4%
2010	24.6%	20.9%	24.5%	26.9%	0.0%	83	$19,208	$751,909	23.3%	28.4%	27.7%	1.5%
2011	(0.9%)	(3.8%)	(5.5%)	(4.2%)	4.6%	85	$18,032	$937,487	21.8%	26.0%	25.0%	1.2%
2012	16.0%	12.6%	18.1%	16.3%	(2.1%)	105	$26,346	$1,272,265	15.6%	19.9%	20.2%	0.4%
2013	27.4%	23.6%	34.5%	38.8%	(7.2%)	113	$31,217	$1,955,915	12.2%	15.8%	16.4%	0.5%
2014	9.3%	6.1%	4.2%	4.9%	5.1%	140	$34,077	$2,589,024	8.6%	12.8%	13.1%	0.6%
2015	(1.7%)	(4.7%)	(7.5%)	(4.4%)	5.7%	158	$34,928	$3,175,419	10.3%	13.5%	14.0%	0.4%
2016	23.7%	20.0%	31.7%	21.3%	(8.0%)	198	$56,608	$4,413,659	11.6%	15.5%	15.8%	1.2%
2017	19.5%	16.0%	7.8%	14.6%	11.7%	354	$103,862	$5,944,479	10.8%	14.0%	13.9%	0.9%
2018	(8.6%)	(11.3%)	(12.9%)	(11.0%)	4.3%	400	$88,885	$5,486,737	13.1%	15.8%	15.8%	0.8%
2019	27.0%	23.2%	22.4%	25.5%	4.6%	449	$124,071	$7,044,708	14.5%	15.7%	15.7%	0.8%
2020	4.5%	1.4%	4.6%	19.9%	(0.1%)	400	$122,151	$6,889,798	21.6%	26.1%	25.3%	1.5%
2021	16.9%	13.4%	28.2%	14.8%	(11.3%)	378	$124,263	$7,761,687	20.2%	25.0%	23.3%	1.3%
2022	(16.3%)	(18.8%)	(14.5%)	(20.5%)	(1.8%)	361	$98,842	$6,931,635	21.6%	27.3%	26.0%	0.5%
2023	5.7%	2.6%	14.6%	16.9%	(8.8%)	277	$75,681	$7,200,019	18.2%	21.8%	21.1%	0.9%
2024	5.9%	2.8%	8.0%	11.5%	(2.1%)	195	$56,489	$7,280,773	20.5%	23.4%	23.3%	0.6%
2025	(4.6%)	(7.5%)	12.6%	12.8%	(17.2%)	127	$28,661	$6,769,052	17.8%	19.9%	19.6%	0.8%

**Average annualized returns* ***Inception is 10/1/1994. Additional years of performance available on our website.* *See performance disclosures on last page.*

Confluence Value Equities Investment Committee

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Disclosures

[1] **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 12/31/2025.

[2] **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*)

[3] **Historical Performance Chart**—Annualized returns using calendar quarter performance data. *Down Markets*: annualized negative benchmark return; *Neutral-Up Markets*: annualized positive benchmark return is less than 10%; *Strong Up Markets*: annualized benchmark return is greater than 10%.

Benchmarks / Indexes—The Russell 2000® Value Index is a capitalization-weighted index designed to measure performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Index is a capitalization-weighted index measuring performance of approximately 2,000 companies in the Russell 2000® Index. (*Source: Bloomberg*) The Russell 2000 Value and Russell 2000 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, 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 Small Cap Value Strategy was incepted on October 1, 1994, and the current Small 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 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 (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 Small Cap Value Composite contains fully discretionary Small Cap Value wrap accounts. Small Cap Value is a value-based, bottom-up portfolio that utilizes stocks with market capitalizations typically less than $7 billion. Smaller capitalization companies, due to their size, are generally more vulnerable to adverse general market or economic developments than larger, more established companies.

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.