Large Cap Value

Value Equity Strategies

Confluence
INVESTMENT MANAGEMENT

Fourth Quarter 2024

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

Equities had another stellar year in 2024 as the economy remained resilient and monetary policy shifted toward easing. Consequently, there were few impediments to sustaining bullish sentiment. The economy continued to grow at a healthy rate despite sharp rate hikes over the past couple of years, and employment remained strong, facing only minor headwinds. Inflation also decelerated, allowing the Federal Reserve to curtail its restrictive policy and begin cutting rates in the latter part of the year. This backdrop fueled a strong year for equities, with the S&P 500 Index climbing 25%, following a 26% increase in 2023. This marks consecutive years of over 20% gains for the first time since 1998-1999.

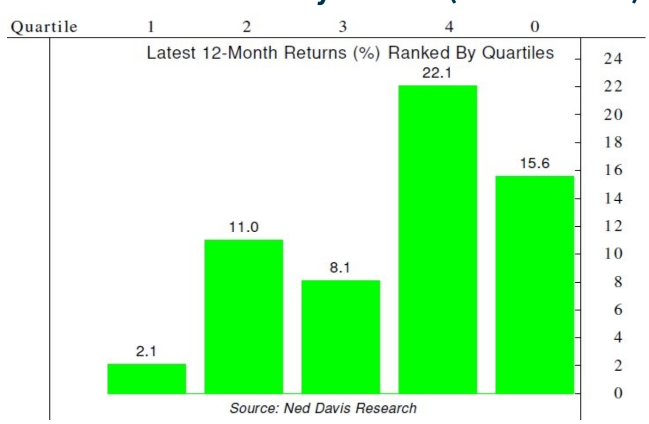
While these two years produced similar end results, they unfolded quite differently. Recall that 2023 followed a disastrous 2022, when the S&P 500 fell nearly 20% due to inflation concerns that led to aggressive rate hikes and recession fears. The Fed's last rate hike occurred in July 2023, and by October, policymakers had signaled an end to the tightening cycle, which sparked a strong rally that lasted through the first quarter of 2024. At that time, the market quickly priced in six rate cuts for 2024; however, inflation numbers exceeded expectations in early 2024. This environment prompted the Fed to pause and maintain higher rates for longer than anticipated, pressuring yield-oriented securities while benefiting the faster-growing tech-oriented stocks known as the Magnificent Seven (M7), which had also dominated in 2023.

It was not until the June CPI release on July 11, 2024, that inflation showed signs of easing and improved the odds of rate cuts. This resulted in a strengthening of the equity markets and broader market participation to include previous laggards. The probability of rate cuts was further solidified by labor weakness during the summer, which led to expectations for a more aggressive cut of 50 basis points at the September meeting and provided additional momentum for this broadening.

While the Fed did indeed cut rates by 50 basis points on September 18, followed by additional cuts of 25 basis points each in November and December, longer-dated maturities in the fixed income market experienced a selloff that pushed up yields sharply. This can be attributed to concerns about inflation leveling off above the Fed's stated goal of 2%, contradicting its recent accommodative policy stance, and fears of a resurgence in inflation. The rise in long-term rates – evidenced by a jump of 85 basis points in the 10-year Treasury yield from 3.70% to 4.55% from the first Fed cut to year-end – pressured equity markets in December and ultimately dashed hopes of a broad Santa Claus rally.

Despite strong equity returns, the breadth was narrow again in 2024. This is evident in the return differential between the equally weighted and market cap-weighted S&P 500 indexes: 13% versus 25%, respectively. Underlying returns were led by mega-caps, primarily the M7. Large caps outperformed small caps significantly as the Russell 1000 was up 24.5%, while the Russell 2000 increased by only 11.5%. Growth stocks outperformed value stocks as well, with the Russell 1000 Growth up 33.4% compared to the Russell 1000 Value's gain of just 14.4%. Additionally, lower-yielding stocks outperformed higher-yielding ones as NDR's lowest-yielding dividend quartile rose by 22.1%, while the highest-yielding quartile only managed a mere increase of 2.1% (*Figure 1*).

Figure 1 **– S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)**



*Actual Historical Constituents. *Returns through 12/31/2024.* Highest yielding in Quartile 1 and lowest in Quartile 4; Non-dividend-payers in Quartile 0. *(Source: Ned Davis Research, Inc.; © Copyright 2025)*

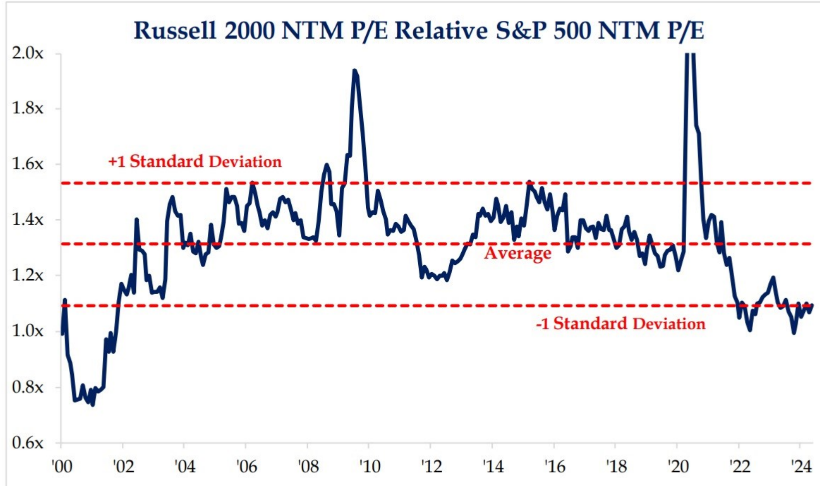
See GIPS Report on pages 6-7.

Market Commentary continued...

This year marked the eighth consecutive year that large caps outperformed small caps — a record going back over four decades; the previous record was four years (1984-87 and 1995-98). In fact, the Russell 2000 experienced its worst relative performance against the S&P 500 since 1998. This continued market leadership has caused historically extreme valuation spreads between small and large caps (see *Figure 2*).

The dominance of the M7 is also reflected in sector contributions as Communication Services (GOOG, META), Information Technology (AAPL, MSFT, NVDA), and Consumer Discretionary (AMZN, TSLA) have led all other sectors except Financials. Notably, Consumer Discretionary, Technology, and Communication Services account for approximately 77.8% of the Russell Growth Index, with the M7 stocks dominating within these sectors (*Figure 3*, sector returns table).

Figure 2



(Source: Strategas)

Figure 3 **– Returns 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	3.2%	1.9%	13.6%	8.2%	11.3%	32.5%	9.4%	2.1%	10.1%	5.5%	2.3%	100.0%	Weight
Russell Growth weight	0.4%	0.6%	6.5%	4.2%	15.9%	48.6%	13.3%	0.5%	6.6%	3.3%	0.2%	100.0%	
Russell Value weight	6.7%	4.2%	23.1%	14.7%	6.2%	9.3%	4.4%	4.7%	14.2%	7.9%	4.6%	100.0%	
Russell 2000 weight	5.1%	4.3%	18.7%	17.8%	9.7%	13.8%	2.7%	6.1%	16.3%	2.8%	2.7%	100.0%	
QTD	-2.4	-12.4	7.1	-2.3	14.3	4.8	8.9	-8.5	-10.3	-3.3	-5.5	2.4	Return (%)
YTD	5.7	0.0	30.6	17.5	30.1	36.6	40.2	5.0	2.6	14.9	23.4	25.0	

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 1Q 2025, as of December 31, 2024)

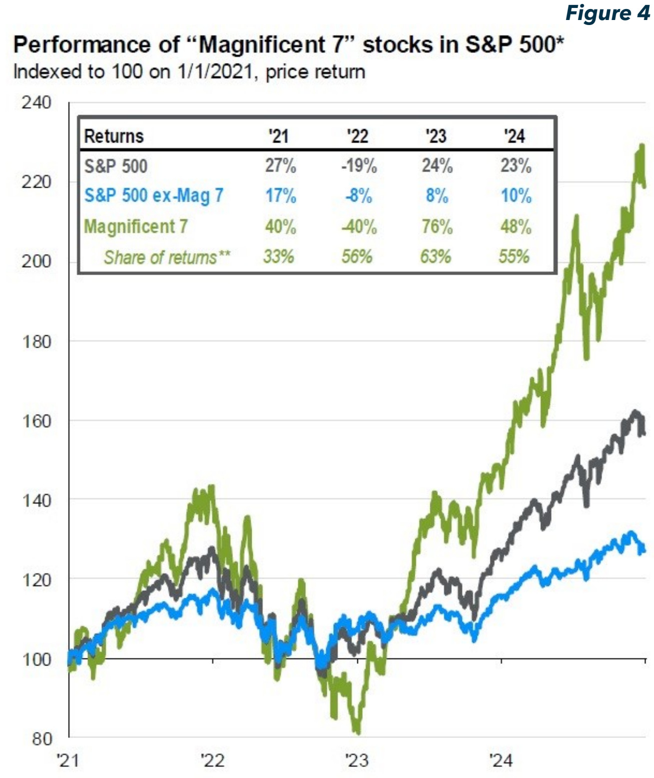
Perspective on Market Concentration

Given the focus and influence of the top mega-cap, tech-oriented businesses in recent years, it is important to understand their impact and consider it within the historical context. While the M7 are leading the latest advancements in innovation, this is not the first time our economy has experienced the introduction of new evolutionary tools.

Over the past century, our economy has transitioned from an agrarian base to an industrial one, then to a foundation built on intellectual property and services. This evolution has primarily been driven by industrial advancements that have fostered productivity improvements. This progression — from horses and horse-drawn carriages to tractors, railroads, and automobiles; from the telegraph to radio and telephone; and, more recently, with the advent of computers and the internet — has allowed society to grow and prosper. However, human emotions, driven by fear and greed, have also led to cycles of booms and busts as the excitement surrounding each new advancement is often limited only by one's imagination.

The recent advancements in Artificial Intelligence (AI) and Large Language Models (LLMs) seem to have particularly captured the public's imagination. This is evident in the significant impact that the M7 have had on the S&P 500, as this chart demonstrates (*Figure 4*). The M7 account for only 1.4% of the number of companies in the S&P 500, yet their contributions over the past few years have been disproportionately high, ranging from 33% to 63%, despite representing less than 2% of the index.

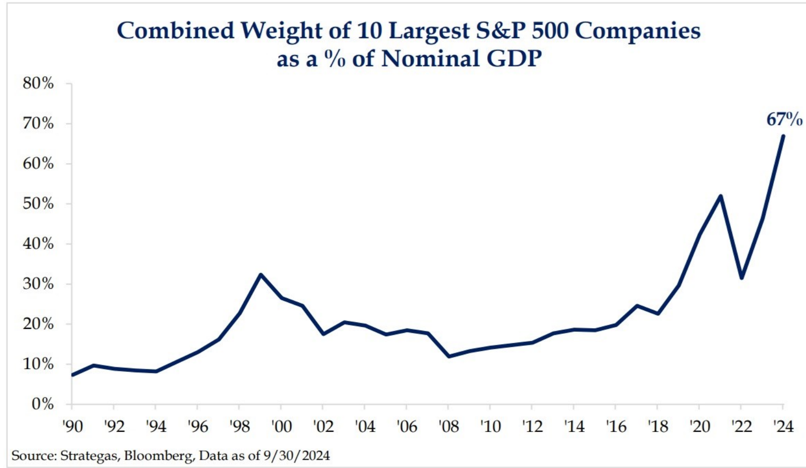
Figure 4



(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 1Q 2025, as of December 31, 2024)

Perspective on Market Concentration continued...

Figure 5



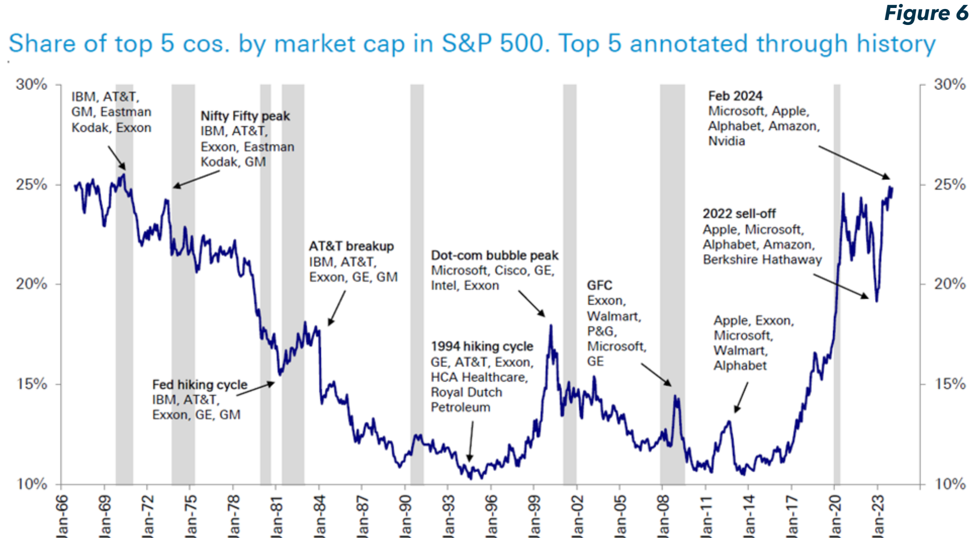
(Source: Strategas)

The concentration of the M7 within the "broad" S&P 500 Index has also reached unprecedented levels when measured by their market caps relative to GDP (see *Figure 5*). The market capitalization-to-GDP ratio is a metric that compares the total value of publicly traded stocks in a country to its gross domestic product (GDP). In essence, the value of the businesses that impact GDP should be proportionate in size to the economy. This ratio serves as a broad indicator of whether the stock market is overvalued or undervalued relative to the economy. It was popularized by Warren Buffett, who described it as "probably the best single measure of where valuations stand at any given moment" in a 2001 interview.

Prior to the late 1990s, this ratio historically fluctuated between the low 30s and high 80s. However, post-2000, it has seen a significant increase, reaching highs in the low 190s. This upward trend reflects various factors, including increased investor sentiment and changes in market dynamics. Currently, the top 10 businesses alone account for about 67% of GDP, which raises concerns about potential overvaluation based on historical averages.

Lastly, the weighting of the top five companies as a percentage of the S&P 500 (see *Figure 6*) is also at extremes, ending the year at 28.6% of the S&P 500. As we have noted in previous discussions (see our report, "Is It Different This Time?"), these are exceptional businesses with solid earnings and promising prospects. However, there are concerns regarding how much of this potential has already been priced into their shares, leaving little margin for safety.

Figure 6



(Source: DB Asset Allocation, Deutsche Bank)

We see parallels with the top businesses of the late 1960s and early 1970s, known as the Nifty Fifty, which also held strong competitive positions and generated impressive earnings. While they thrived for decades, they ultimately proved to be suboptimal investments as earnings struggled to catch up with their lofty valuations. We suspect that history may rhyme once again in the coming period.

Market Outlook

Throughout most of 2024, market sentiment leaned toward risk-taking with an emphasis on crowded areas of the market, an approach that was ultimately rewarded. However, December ended on a subdued note as longer-duration bonds and equities outside the M7 sold off amid investor apprehension regarding inflation leveling off above targeted levels. The year also concluded with uncertainties surrounding the presidential election and Donald Trump's return to the presidency with a slim majority in both houses of Congress — potentially complicating his agenda.

The US also faces considerable debt refinancing needs alongside ongoing deficits, suggesting that 2025 may be more volatile than 2024. Nevertheless, domestic economic resilience and sound employment have fostered solid earnings growth alongside promising prospects for 2025 earnings growth.

Historically, uncertainties abound, making it essential to remain steadfast in one's investment discipline — something Confluence has practiced for three decades. We remain committed to our philosophy of focusing on fundamentals and valuations to identify competitively advantaged businesses that are trading at attractive valuations.

Strategy Commentary

Another year in the books. Certainly 2024 had no shortage of news and events of consequence across the world, including elections, political realignments, geopolitical tensions, and war. The Federal Reserve began a rate cutting cycle, and we saw rapid advancements in AI. It was not a boring year. Despite higher interest rates, a slight uptick in unemployment, and various traditional economic indicators warning contraction, the US economy grew nearly 3% in 2024, a robust rate. Through it all, equity markets surged forward. Like last year, a collection of mega-cap technology-related companies enjoyed outstanding returns and propelled the S&P 500 to all-time highs.

Our Large Cap Value strategy performed in line with the Russell 1000 Value for the year; however, both trailed the S&P 500, which benefitted from the continued strength of a handful of technology-related companies with market capitalizations exceeding $1 trillion. For the year 2024, the S&P 500 Index advanced an impressive 25.0%, while the Russell 1000 Value Index grew 14.3% and the Confluence Large Cap Value strategy gained 14.5% (gross of fees). In the fourth quarter, the S&P 500 was up 2.4%, while the Russell 1000 Value was down 2.0% and Confluence Large Cap Value declined 0.6% (gross of fees). [*The strategy's net-of-fees returns for the same periods were +11.1% YTD and -1.3% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Imagine being gifted a crystal ball at the start of 2024 — a sneak peek at the year ahead. With equity valuations already relatively high, how might a typical investor react upon learning that unemployment would rise, as would expectations of inflation and future policy rates? Would this foresight be a blessing or a curse? The most straightforward conclusion an investor might draw from this glimpse into the future would likely be one of trepidation. But the world rarely conforms to simple narratives, reminding us that reality is complex and unpredictable.

This is why we remain committed to an investment process that has served us well over long periods. Through deep fundamental research, we attempt to identify and understand situations in which a business possesses durable competitive advantages. We look for management teams that have demonstrated the ability to run their businesses and allocate capital effectively with a long-term owner mindset. This management philosophy tends to produce companies that are prudently financed and not aggressively leveraged. Lastly, to achieve a margin of safety, we seek to invest in such businesses when we believe they are trading at a discount to their intrinsic values. It is our job as investment managers to adhere to this time-tested process.

Primary contributors to performance in 2024 include Oracle (ORCL), Booking Holdings (BKNG), and Alphabet (GOOG/GOOGL). Enterprise application provider Oracle was the top contributor to performance this year, which should come as no surprise as we have discussed the company in many recent quarterly updates. Thanks to its dominant competitive position in on-premise database software, the business has long-enjoyed high margins and cash flow. Often, companies in such enviable positions become complacent and have trouble innovating and adapting to a changing landscape. This has not been the case with Oracle. Shrewd, forward-looking management has allowed the company to carve footholds in AI and cloud-based software, which has elevated its growth rate and the probability that it will remain a relevant and formidable competitor for the next generation of enterprise software. This is a testament to why company management is so critical to our process. The competitive landscape is always evolving, and we seek businesses led by proactive, ethical, and astute managers.

Market-leading online travel agent Booking Holdings was also one of the strategy's top contributors. The company possesses many favorable traits characteristic of durable, long-term compounders. The online travel agent industry is a network effect business — the bigger you are, the stronger you become. This benefits large, established players (like Booking) that can connect many travel-seekers with numerous travel-suppliers. The business is also very capital light, which contributes to substantial returns on capital and significant cash generation. Booking reinvests large sums back into its platform, constantly improving the business and widening its competitive moat, while also returning excess cash to shareholders. Over the past few years, the company has focused on broadening its flight and alternative accommodation offerings, building a robust payment platform, and exploring ways to leverage AI.

Alphabet (more colloquially, Google) was another top performer for the strategy in 2024. Since the company's founding, Google has been a central pillar of the internet economy and a fountain of technology innovation. It has achieved extremely strong competitive positions in online search, advertising, and video (via YouTube)…so much so that the company finds itself in the crosshairs of regulators who believe the company has become too dominant. This is a first-class problem as it highlights the depth of Google's competitive moat. As we discussed last quarter, our sum-of-the-parts analysis values Google well in excess of its current market value, alleviating concerns over a potential breakup of the company.

Readers may notice the recurring theme of dominant, competitively entrenched businesses. Deep competitive moats are necessary for a business to grow, compete, and endure over many years. Identifying businesses with these traits is central to our investment process.

Strategy Commentary continued...

Companies that detracted from performance in 2024 include Clarivate (CLVT), Constellation Brands (STZ), and PepsiCo (PEP). Having concluded the business was a value trap, we sold our investment in Clarivate in Q2. Clarivate is a subscription-based provider of data and analytics related to patents, trademarks, and scientific research. A subscription-based business that can sell the same information repeatedly is often quite attractive. Unfortunately, management made bets that elevated the financial leverage of the company and failed to drive growth. Recognizing when an investment no longer meets our criteria is another critical part of our investment process.

Constellation Brands, a leading producer and importer of some of America's best-selling and fastest growing alcoholic brands, was added to the strategy at the beginning of the year. While the early investment performance has not produced the best first impression, the traits that attracted us to the business remain intact. In the US, the company has a near-monopoly position on imported Mexican beer (Modelo, Corona, Pacifico). Hispanic demographic trends and the premiumization of beer have been positive long-term tailwinds. Financial results of late have disappointed relative to expectations, but the company continues to take market share. Potential changes to immigration policy and tariffs represent overhangs on the stock in the short-term. However, we believe significant upgrades to senior leadership, the rationalization of its wine and spirits portfolio toward higher-margin offerings, and more shareholder-friendly capital allocation will drive long-term value.

PepsiCo was another detractor from performance during the year. The staples giant possesses tremendous distribution capability, allowing it to stock fresh drinks and snacks on innumerable shelves across the nation. This is a unique attribute only afforded to companies with the size and scale of PepsiCo. However, the staples industry, and PepsiCo in particular, raised prices considerably over the last few years to combat rising costs. As consumers began to feel the cumulative effects of inflation and started cutting back on non-essentials such as snacks, the business suffered. This coincided with the proliferation of GLP-1 weight-loss drugs and a renewed spotlight on the health effects of processed foods, which have introduced concerns about long-term demand for snacks and soda.

Reflecting on changes to the portfolio during 2024, we eliminated positions in Clarivate and Brookfield Corporation (BN). We sold Clarivate for fundamental business reasons, as discussed above, while the sale of Brookfield represented parting ways with a successful investment that approached our estimate of intrinsic value, another important component of our process.

Four new companies were added to the portfolio this year, including Constellation Brands, Martin Marietta Materials (MLM), Paycom Software (PAYC), and a business we look forward to discussing when the investment is fully established. Martin Marietta is a natural resource-based building materials company with extremely strong barriers to entry. Through a network of quarries, it supplies aggregates that are required for a host of construction and infrastructure projects. Paycom is a founder-led, cloud-based Human Resource Management platform that helps companies fulfill payroll and HR functions more efficiently. We are pleased with the new additions to the portfolio and will continue to look for opportunities to upgrade the portfolio of businesses held in the strategy as we proceed through 2025.

Outlook

Following two years of outstanding equity market gains, we enter 2025 with a market that continues to embed bullish expectations. The S&P 500 trades at a forward P/E multiple of over 21x and forecast EPS growth is in the low teens. Bullish factors for the year ahead include a new administration perceived to be pro-business, which is expected to usher in deregulation, particularly for the energy industry, and a renewed focus on government efficiency and reduced bureaucracy. Hopes abound that the US is on the verge of a reindustrialization that will resurrect domestic manufacturing. Further, AI hype is only constrained by the limits of one's imagination.

Bearish factors include an economy that must be weaned off several years of elevated fiscal stimulus, the cumulative effect of inflation wearing on consumers, and interest rates that remain high despite easing monetary policy. The impact of potential tariffs introduces additional uncertainty as does the unpredictability of heightened geopolitical instability.

Thus, there are many competing factors at play, yet history teaches us that a crystal ball may not be so useful. Our confidence does not come from predicting how these elements will unfold; rather, it is driven by the steadfast application of a proven investing process. Our conviction is that owning competitively advantaged businesses, led by experienced managers, and trading at discounts to their intrinsic value remains a recipe for long-term investment success.

Contribution[1]

The top contributors and detractors for the portfolio in Q4 2024 and the full year are shown in the following tables:

(QTD as of 12/31/2024)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Paycom Software Inc.	4.56	0.87
Booking Holdings Inc.	3.37	0.54
Alphabet Inc.	3.70	0.48
Markel Group Inc.	4.65	0.43
Mastercard Inc.	4.35	0.28
Bottom 5		
PepsiCo Inc.	3.44	(0.38)
NXP Semiconductors N.V.	3.67	(0.50)
Constellation Brands	3.33	(0.51)
Thermo Fisher Scientific Inc.	3.47	(0.62)
Masco Corp.	5.66	(0.78)

(YTD as of 12/31/2024)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	5.03	2.47
Booking Holdings Inc.	4.31	1.52
Alphabet Inc.	4.36	1.49
Paycom Software Inc.	1.87	1.33
TJX Co. Inc.	4.25	1.29
Bottom 5		
Diageo plc	3.01	(0.22)
NXP Semiconductors N.V.	4.19	(0.27)
PepsiCo Inc.	3.82	(0.28)
Constellation Brands	3.01	(0.58)
Clarivate plc	*Sold*	(0.63)

Performance Composite Returns[2] (For Periods Ending December 31, 2024)

	Since Inception**	30-Year*	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Large Cap Value *Pure Gross-of-Fees[3]*	11.3%	11.2%	9.5%	9.9%	12.4%	10.3%	10.1%	4.2%	14.5%	14.5%	(0.6%)
Max Net-of-Fees[4]	8.1%	8.1%	6.3%	6.7%	9.0%	7.0%	6.9%	1.1%	11.1%	11.1%	(1.3%)
S&P 500	10.8%	10.9%	7.7%	10.3%	13.9%	13.1%	14.5%	8.9%	25.0%	25.0%	2.4%
Russell 1000 Value	9.7%	9.8%	7.4%	7.9%	10.7%	8.5%	8.7%	5.6%	14.3%	14.3%	(2.0%)

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
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%
2024	14.5%	11.1%	25.0%	14.3%	(10.5%)	1,192	$609,515	$7,280,773	17.3%	17.2%	16.7%	0.7%

**Average annualized returns   **Inception is 10/1/1994. Additional years of performance available on our website.   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—**Contribution data shown from a sample account, based on individual stock performance and portfolio weighting. 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, 2023. 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 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.

[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.