Second Quarter
2024

Value Opportunities • Value Equity Strategies

Value Opportunities is a concentrated portfolio of businesses that range in market capitalization. Companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that are trading at substantial discounts to our estimate of intrinsic value and have near-term catalysts in which to unlock the value. The portfolio may have concentrations in both individual holdings and/or industries. It typically comprises 8-12 holdings and is expected to result in high annual turnover. The strategy is appropriate for clients seeking an aggressive approach to generating capital appreciation.

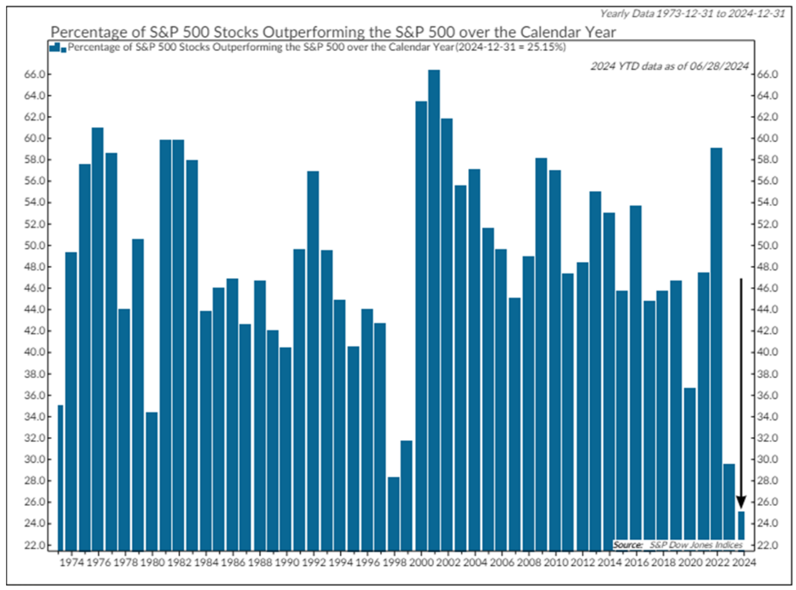
Market Commentary

Investor sentiment was building as we entered the year on the prospects of interest rate cuts, a resilient economy, and an abundance of enthusiasm surrounding the latest technological advances. To date, the data has largely been supportive of that sentiment, with strong employment and rising corporate earnings, so much so that the Fed has delayed cutting interest rates. Thus, the probability for rate cuts this year has been reduced to only a couple, down from seven when the year began.

This backdrop helped fuel the broad equity market, which continued its upward path during the second quarter, posting new highs throughout the period. But much like a duck that looks to be gliding effortlessly across the water yet is paddling furiously under the water's surface, the broad equity markets have been elevated on the strength of only a few businesses. The market has narrowed to a level where less than 25% of the businesses in the S&P 500 have outperformed in 2024. This is below levels witnessed in the late 1990s during the later stages of the Tech-Media-Telecom (TMT) bubble, as illustrated by the chart from Ned Davis Research in *Figure 1*. And it's the mega cap, tech-oriented names — Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla, aka the Magnificent 7 (M7) — driving the market. In fact, the top 10 names contributed 77.2% of the S&P 500 returns in 2024 despite representing only 2% of the index, with one name, NVIDIA, contributing 31.6% of the gain. The M7 now hold the top six spots in market cap ranking, and the seventh, Tesla, resides in 10th place. This is the second highest concentration of returns, which, interestingly, bumped calendar-year 2023 to the third highest, per Strategas (*Figure 2*).

The narrow breadth has led to some wide dispersions across different segments of the equity market: market cap-weighted indexes are outperforming equally weighted indexes; large caps are outperforming small caps; businesses with lower dividend yields are outperforming higher dividend yields; growth styles are outperforming value; momentum factor is outperforming the value factor; and domestic equities are outperforming international.

Figure 1 **Percentage of S&P 500 Stocks Outperforming the S&P 500 over the Calendar Year**



(Source: Ned Davis Research, Copyright 2024; YTD data as of 6/28/24)

Figure 2

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%
2024	**77.2%**	**14.5%**
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%

(Source: Strategas, Bloomberg; 7/1/24)

See GIPS Report on pages 6-7

Market Commentary continued...

The accompanying tables (*Figure 3*) reflect the wide dispersion. For example, the S&P 500 Equal Weight Index is lagging the market cap-weighted S&P 500 Index year-to-date, 5.0% versus 15.3%, respectively. The Russell 1000 Value Index has a similar dispersion with the Russell 1000 Growth Index, 6.6% versus 20.7%, respectively. This has been primarily driven by the seven mega cap, tech-oriented stocks, which continue to garner investor flows and are propelling the broad equity markets.

Figure 3

Index	Q2	YTD
Russell 1000 Growth	8.3%	20.7%
S&P 500	4.3%	15.3%
MSCI USA Momentum Factor ETF	4.1%	24.4%
MSCI World ex US	(0.6%)	5.0%
Russell 1000 Value	(2.2%)	6.6%
S&P 500 Equal Weight	(2.6%)	5.1%
Russell 2000	(3.3%)	1.7%
MSCI USA Value Factor ETF	(3.9%)	3.5%

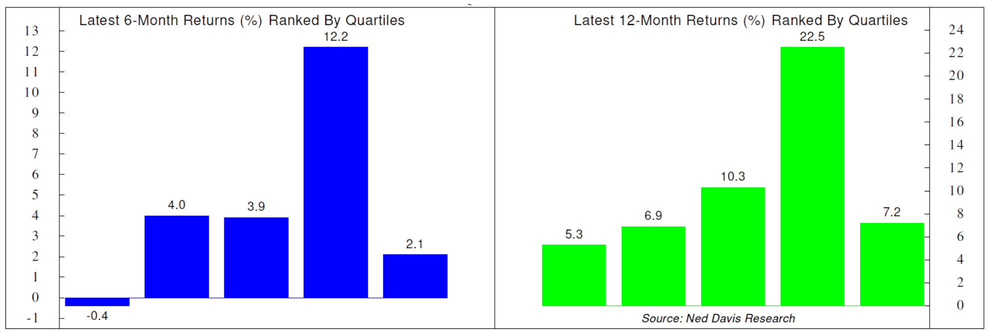
Name	Q2	YTD
NVIDIA	36.7%	149.5%
Apple	23.0%	9.7%
Alphabet	20.8%	30.5%
Tesla	12.6%	(20.4%)
Amazon.com	7.1%	27.2%
Microsoft	6.4%	19.3%
Meta	3.9%	42.7%

(Source: Confluence, FactSet, FTSE Russell, S&P Global)

Delving into the relative dividend yield performance also reflects a large dispersion between higher-yielding businesses and lower-yielding businesses as it appears investor flows are migrating to the M7 as well as higher-yielding money market accounts. While the Magnificent 7 are not known for their level of dividends, all but two (Tesla and Amazon) now pay a dividend, which is contributing to the relative strength of businesses in the lower-yield arena.

These charts from Ned Davis Research (*Figure 4*) reflect the S&P 500 performance by dividend yield, with the highest yields in Quartile 1, the lowest in Quartile 4, and non-payers represented by the last bar/Quartile 0. Over the past six and 12 months, the highest yielders in Quartile 1 have lagged the lower-yielding Quartiles 2-4. Higher interest rates and the ability to earn 5% in a money market account have been headwinds to the appeal of dividend-paying stocks, but this stance may be shortsighted.

Figure 4 **S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)**

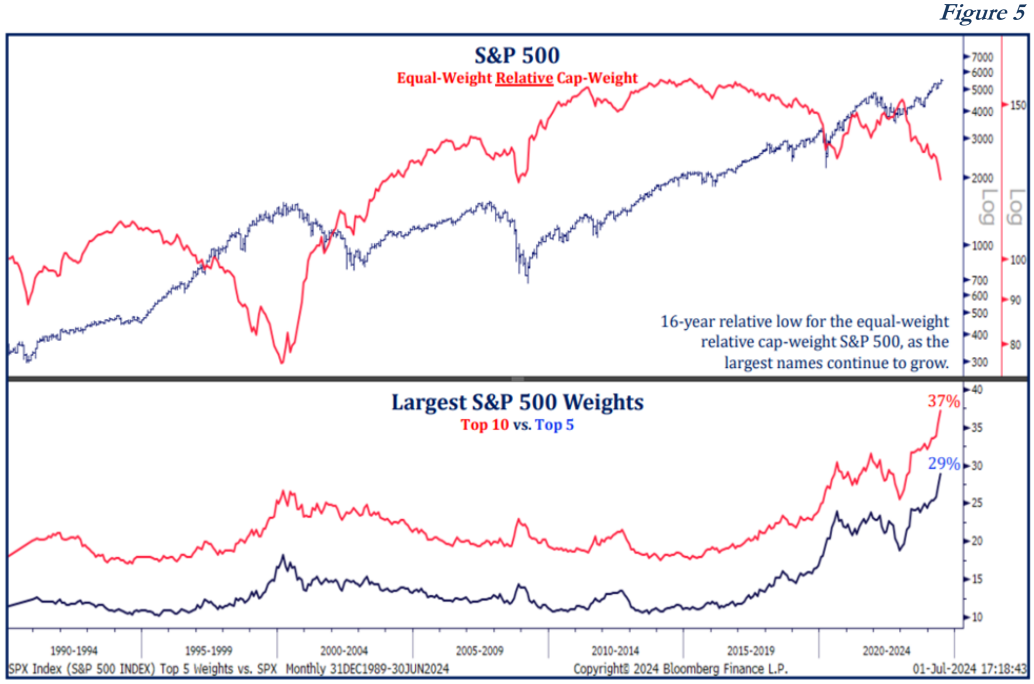


*Actual Historical Constituents. *Returns through 6/30/2024 (Source: Ned Davis Research, Copyright 2024)*

Quality businesses with growing net income have the ability to offset inflation and provide a growing dividend income stream along with capital appreciation, unlike income from a money market account that doesn't grow and is driven by short-term fed funds rates. For an in-depth look at this topic, see our *Value Equity Insights* report examining the advantages of dividend income over interest income.

We are keeping a close eye on the breadth of the market as a broadening would provide for a healthier and more durable environment for equity investors. While a broadening market does not necessarily require a selloff in the current leadership, it does infer a shift in sentiment and money flows toward the laggards. The rotation to the current leadership of mega cap, tech-oriented businesses began in late 2016/early 2017, with the largest five and 10 businesses by market cap now comprising an unprecedented 29% and 37% of the S&P 500, respectively, which is a peak figure post-WWII (*Figure 5* from Strategas). This includes the sharp correction in 2022 when the Magnificent 7 were down 46%, on average, and lost a combined $4.9 trillion (trillion is not a typo) in market cap.

Figure 5

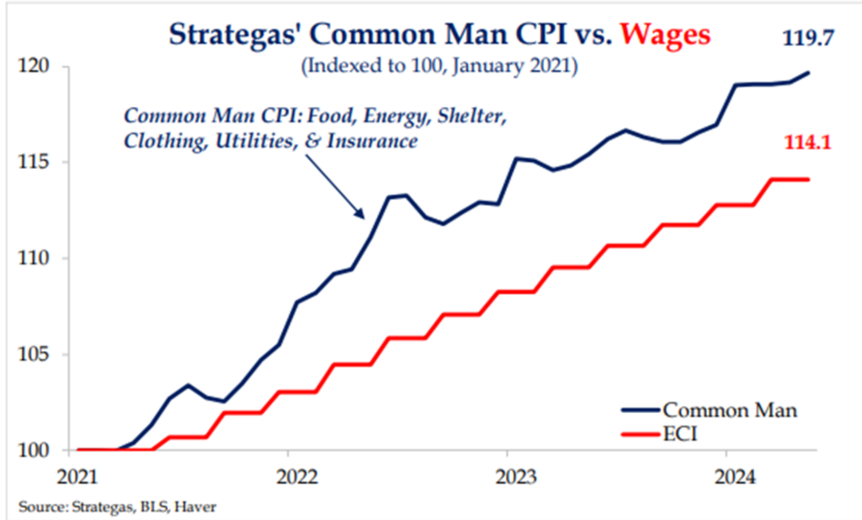


(Source: Strategas)

Today, the equally weighted S&P 500 is trading at a 16-year low relative to the market cap-weighted S&P 500. Ironically, the equally weighted S&P 500 outperformed for about 16 years following the burst of the TMT bubble in 2000.

Market Commentary continued...

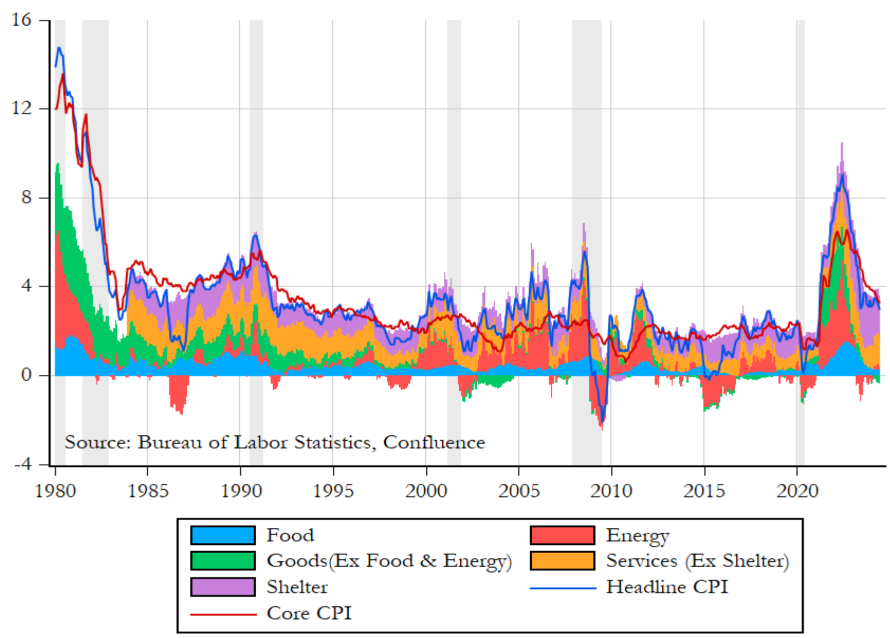
Figure 6



(Source: Strategas)

While the lack of breadth in equities is very noteworthy, the elephant in the room remains inflation and, more specifically, its stickiness, as it persists well above the Fed's target of 2.0%. The next chart from Strategas (*Figure 6*) captures the dilemma of the Fed and the political incumbents, as the components of inflation impacting the average consumer the most continue to rise faster than wages. This surge is eroding their purchasing power and hinders confidence.

Figure 7 **Contributions Chart: Annual Percentage Change in CPI**



(Sources: Confluence, Bureau of Labor Statistics)

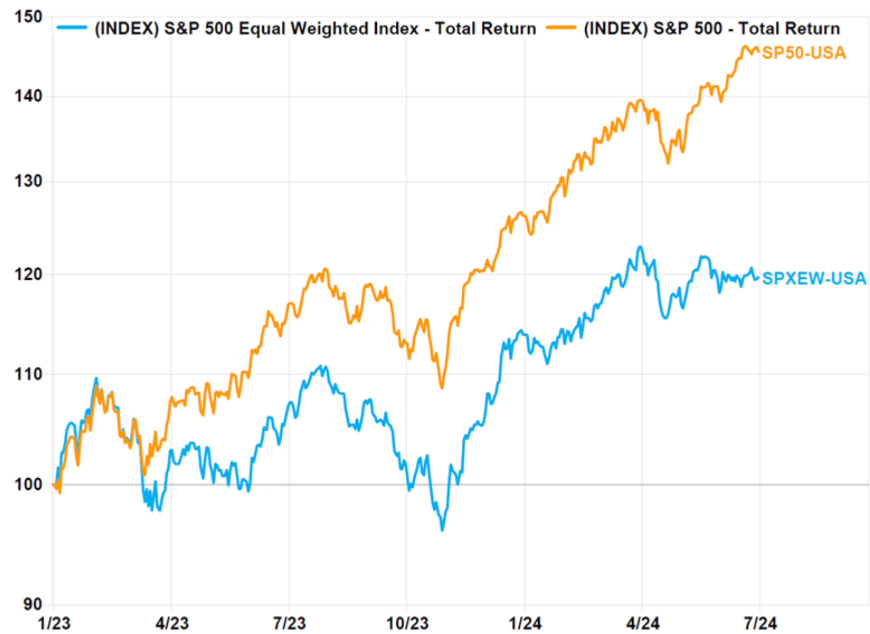
Furthermore, the final chart in this section is one on inflation from the Confluence macroeconomic team (*Figure 7*). This chart shows how the inflation stickiness is primarily occurring in services and shelter, which are areas difficult to break without there also being consequences to employment. This puts the Fed in a tough position and explains why policymakers have kept rates higher for longer. The Fed is walking on a tightrope as it attempts to bring down inflation without tipping the economy into a recession and pushing up unemployment. The economy has remained in positive territory thus far, but it is currently being aided by the large fiscal deficits that are running at a record peacetime and non-pandemic level of 7% of GDP. It is the highest level relative to unemployment, which compares to a more typical deficit in the 3-5% range. This has produced some volatility in the 10-year Treasury as rates have oscillated between 3.9% and 4.7% in 2024 but not enough to disrupt the broader markets.

Market Outlook

The economy has been able to withstand a sharp rise in short-term rates without hindering employment levels, while bringing down inflation from post pandemic highs. The economic backdrop and the advancements in technology surrounding artificial intelligence and large language models have sparked investor enthusiasm in a narrow segment of the market. This has benefited the passive index investor as the narrow breadth of market returns has been heavily skewed toward market cap-weighted and momentum traders/investors over the past 6-18 months following the release of ChatGPT in November 2022. The excitement will ultimately need to be met with the expected results, i.e., returns on investment for businesses outlaying the capital, which are not yet evident. Meanwhile, the Fed remains data-dependent on its course toward "normalizing" rates and we expect the economic data to be choppy. Given escalating geopolitical conflicts, not to mention elections in a wide swath of the world, we would expect heightened volatility from the low levels recently experienced. More importantly, we will continue to remain focused on our investment philosophy, which is focused on competitively advantaged businesses trading at attractive valuations.

Strategy Commentary

Figure 8



(Source: FactSet)

Stock market performance in the first half of 2024 can be best described as déjà vu from the first half of 2023, with AI exuberance continuing to propel the largest five tech stocks, while the average return of the other 495 stocks in the S&P 500 is more or less flat. More specifically, year-to-date the S&P 500 Index is up 15.3%, while the S&P 500 Equal Weight Index is up 5.1%. At this point last year, those returns were 16.9% and 7.0%, respectively. By comparison, year-to-date the Russell 3000 Value Index is up 6.2%.

As shown in this accompanying chart (*Figure 8*), since 12/31/2022, when the AI frenzy really got started, the S&P 500 is up 45%, dramatically outperforming the S&P 500 Equal Weight at 20%. This is contrary to history and logic. Historically, the S&P 500 Equal Weight has outperformed the market cap-weighted S&P 500 as size tends to be an anchor and thus nimble, smaller companies usually have more opportunities to grow faster than large companies.

The economist Herb Stein once observed, "If something cannot go on forever, it will stop." We believe this also applies to the outperformance of everything AI-related and the top five tech stocks, which now account for a record-high 29% of the S&P 500. When this eventually occurs, the quality businesses with attractive valuations that we own in the Value Opportunities portfolio should outperform as they have historically.

The Confluence Value Opportunities strategy is up 3.6% year-to-date following a 7.9% decline in the second quarter (both gross of fees). [*The strategy's net-of-fees returns for the same periods were 2.1% YTD and -8.6% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Year-to-date, Value Opportunities has trailed the S&P 500 primarily due to the concentrated outperformance of large cap, AI-focused tech stocks as discussed above. Additionally, the portfolio underperformed in the Consumer Staples sector as Costco and Walmart (the two largest weights in the sector) are up almost 30% year-to-date, while our position in Dollar Tree is down over 25%. While Costco and Walmart are both great companies, with valuations of 49x and 27x forward earnings, respectively, we believe Dollar Tree has a better return profile and trades around 16x forward earnings. Lastly, our industrial holdings lagged the sector as strong returns from Azek and Gates Industrial were offset by a more than 25% decline in Clarivate (which was sold during the quarter). These headwinds were partially offset by outperformance in the Financials sector with strong returns from Progressive, Markel, and i3 Verticals (which was purchased during the quarter).

As a result, the top contributors to performance year-to-date were Progressive (auto insurance), Gates Industrial (transportation belts and hoses), and Spectrum Brands (household products). The weakest contributors year-to-date were Dollar Tree (low price retail), Clarivate (academic/patent/life sciences data), and J&J Snack Foods (snack foods distributed at grocery stores, event venues, and schools).

For the second quarter, the top contributors were two new purchases, i3 Verticals and Lamb Weston, along with Markel (insurance). The weakest contributors in the second quarter were solid holdings that pulled back following strong gains over the past year: Charles River Labs (drug research services), Vontier (convenience store technology and mechanic tools), and Azek (composite decking). [*See contribution tables on page 6.*]

During the second quarter, we sold several positions in order to take advantage of some attractive opportunities. With their catalysts mostly played out, we sold J&J Snack Foods, Clarivate, Spectrum Brands, and Gates. This gave us the opportunity to purchase Lamb Weston, the remaining portion of Keysight Technologies, John Bean Technologies, i3 Verticals, and a position that is still in progress.

Strategy Commentary continued...

Lamb Weston (LW) is a global producer of frozen potato products, namely frozen French fries. The company operates in an oligopoly market where the top three producers control 92% of the supply in North America. The industry has typically been capacity constrained and capital intense, while competition between the top three producers has remained rational. Fries are among the most profitable items for LW's customers, and for many, like McDonald's and Chick-fil-A, fries are also a major driver of store traffic. These factors have contributed to LW's ability to command strong profit margins and returns on capital.

Given the company's strong competitive advantages, the high barriers to entry within the industry, and the long-term outlook for profitability and free cash flow generation, we believe the market is providing us with a unique opportunity to own LW at a very attractive valuation. The company's strategic capital investment and the completion of its ERP integration should provide catalysts for growth as well as multiple expansion for the stock.

John Bean Technologies Corporation (JBT) is a leading global provider of technology solutions to high-value segments of the food and beverage industry. Our position in JBT offers exposure to a niche industrial with a strong history of technological innovation and successful capital allocation. JBT is in the business of driving customer margins higher through process innovation. Its equipment increases yields, reduces manual labor, and improves downtimes. Fundamentally, the company is selling an improved ROI (return on investment) to its customers, which we feel is value creative to JBT. Over time, JBT has gained greater scale and market share through a successful capital allocation policy, essentially offering improved and more complete solutions to its customers. This creates stronger customer bonds and a larger base of recurring revenues related to aftermarket parts, services, and leases.

While the long-term trends of the company's end markets remain unchanged, near-term weakness in the poultry markets has brought the share price down to a more compelling valuation. We feel that this more compelling valuation combined with a large, opportunistic acquisition has created an attractive catalyst for our Value Opportunities portfolio. JBT is currently in the process of acquiring Marel, Europe's largest food processing company. The deal will create one of the largest food and beverage processing companies in the world, expanding JBT's customer base and solutions offering. We believe that JBT is acquiring Marel at a very attractive valuation due to the combination of the current weakness in the poultry markets and the cash needs of a large shareholder of Marel. This deal looks quite opportunistic to us and should come with little risk due to Marel's business similarity with JBT.

Finally, i3 Verticals (IIIV) offers software solutions as well as payment platforms in the public sector and healthcare markets, which are underserved, fragmented, large, and growing. Software and related services account for roughly 50% of sales with a focus on growing market share and solutions through a combination of organic growth and acquisitions, while the other 50% of sales is the payments business. Overall, IIIV is an asset light business with high recurring revenue and retention, with excellent margins and cash flow.

Management recently decided to sell the payments business and intends to use the proceeds to pay off their debt. This should provide the company with flexibility for further acquisitions as well as providing a clean balance sheet to explore all strategic options. As a result, IIIV has several potential catalysts in the Value Opportunities portfolio in addition to being purchased at a very attractive valuation.

Outlook

Investors continue to expect the Fed to begin cutting interest rates in 2024 despite low unemployment, large government deficits, and the stock market at all-time highs. While the Fed might comply with investors' wishes, the bigger risk is if AI mania turns into AI disappointment as it could take a while for a "killer app" to emerge that shows a good return on the huge investment in AI infrastructure currently underway. In the meantime, we will continue to patiently own a diversified portfolio of quality businesses with good management teams, purchased at discounts to intrinsic value.

Contribution[1]

The top contributors and detractors for the portfolio in Q2 2024 and year-to-date are shown in the following tables:

(QTD as of 6/30/2024)

Security	Avg Weight (%)	Contribution (%)
Top 5		
i3 Verticals Inc.	1.02	0.56
Lamb Weston Holdings Inc.	8.50	0.50
Markel Corp. Inc.	10.92	0.41
Spectrum Brands Holdings Inc.	*Sold*	0.37
Progressive Corp.	15.39	0.10
Bottom 5		
Gates Industrial Corp. plc	8.53	(0.76)
Dollar Tree Inc.	6.09	(1.31)
Azek Co. Inc.	10.05	(1.69)
Vontier Corp.	10.37	(1.76)
Charles River Laboratories Intl Inc.	9.01	(2.44)

(YTD as of 6/30/2024)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Progressive Corp.	14.87	3.98
Gates Industrial Corp. plc	8.46	1.63
Spectrum Brands Holdings Inc.	*Sold*	1.59
Markel Corp. Inc.	10.85	1.19
Vontier Corp.	10.31	1.01
Bottom 5		
Keysight Technologies Inc.	5.52	(0.87)
Charles River Laboratories Intl Inc.	9.38	(1.23)
J & J Snack Foods Corp.	*Sold*	(1.57)
Clarivate plc	*Sold*	(1.78)
Dollar Tree Inc.	6.70	(1.86)

Performance Composite Returns[2] (For Periods Ending June 30, 2024)

	Since Inception**	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Value Opportunities *Pure Gross-of-Fees[3]*	10.1%	9.5%	11.4%	6.9%	5.7%	2.7%	14.0%	3.6%	(7.9%)
Max Net-of-Fees[4]	6.9%	6.4%	8.1%	3.8%	2.5%	(0.4%)	10.7%	2.1%	(8.6%)
S&P 500	7.5%	10.3%	14.8%	12.8%	15.0%	10.0%	24.5%	15.3%	4.3%
Russell 3000 Value	7.4%	8.1%	11.7%	8.1%	8.9%	5.1%	12.9%	6.2%	(2.3%)

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	S&P 500	R3000 Value	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R3000V 3yr Std Dev	Composite Dispersion
2000**	43.6%	40.7%	(11.1%)	7.3%	54.8%	1	$74		N/A	N/A	N/A	N/A
2001	1.1%	(1.7%)	(11.9%)	(4.3%)	13.0%	79	$7,097		N/A	N/A	N/A	0.4%
2002	(14.8%)	(17.1%)	(22.1%)	(15.2%)	7.3%	107	$7,786		N/A	N/A	N/A	0.9%
2003	40.4%	36.5%	28.7%	31.1%	11.7%	126	$23,976		25.2%	18.1%	16.0%	0.9%
2004	4.8%	2.0%	10.9%	16.9%	(6.1%)	189	$25,252		20.1%	14.9%	14.8%	1.0%
2005	4.4%	1.6%	4.9%	6.9%	(0.5%)	179	$23,399		11.7%	9.0%	9.7%	0.8%
2006	27.0%	23.6%	15.8%	22.3%	11.3%	171	$19,132		7.6%	6.8%	7.0%	1.7%
2007	2.1%	(0.7%)	5.5%	(1.0%)	(3.4%)	197	$20,510		8.4%	7.7%	8.3%	0.7%
2008	(22.3%)	(24.5%)	(37.0%)	(36.2%)	14.7%	29	$8,299	$291,644	18.6%	15.1%	15.5%	N/A
2009	31.5%	27.6%	26.5%	19.8%	5.0%	37	$14,001	$533,832	25.2%	19.6%	21.3%	2.0%
2010	6.9%	3.7%	15.1%	16.3%	(8.2%)	51	$7,429	$751,909	27.9%	21.9%	23.5%	0.7%
2011	(1.7%)	(4.6%)	2.1%	(0.1%)	(3.8%)	53	$7,694	$937,487	23.7%	18.7%	21.0%	0.6%
2012	28.5%	24.7%	16.0%	17.6%	12.5%	53	$9,576	$1,272,265	18.3%	15.1%	15.8%	0.9%
2013	32.3%	28.3%	32.4%	32.7%	(0.1%)	76	$18,299	$1,955,915	13.5%	11.9%	12.9%	0.4%
2014	31.6%	27.7%	13.7%	12.7%	17.9%	110	$31,040	$2,589,024	11.4%	9.0%	9.4%	0.9%
2015	2.3%	(0.7%)	1.4%	(4.1%)	1.0%	554	$113,587	$3,175,419	10.8%	10.5%	10.7%	0.3%
2016	15.4%	12.0%	12.0%	18.4%	3.4%	959	$207,565	$4,413,659	10.9%	10.6%	11.0%	0.5%
2017	14.5%	11.1%	21.8%	13.2%	(7.3%)	1,737	$359,636	$5,944,479	9.8%	9.9%	10.3%	0.8%
2018	(18.8%)	(21.2%)	(4.4%)	(8.6%)	(14.4%)	1,494	$236,097	$5,486,737	11.9%	10.8%	11.1%	0.8%
2019	28.6%	24.7%	31.5%	26.2%	(2.9%)	1,129	$230,991	$7,044,708	13.6%	11.9%	12.0%	0.7%
2020	9.5%	6.2%	18.4%	2.9%	(8.9%)	745	$165,389	$6,889,798	20.0%	18.5%	20.0%	1.3%
2021	6.9%	3.8%	28.7%	25.3%	(21.7%)	532	$132,656	$7,761,687	18.3%	17.2%	19.3%	1.2%
2022	(22.3%)	(24.6%)	(18.1%)	(8.0%)	(4.1%)	331	$61,497	$6,931,635	21.1%	20.9%	21.5%	0.9%
2023	30.6%	26.7%	26.3%	11.6%	4.3%	250	$61,922	$7,200,019	19.5%	17.3%	16.7%	0.6%

**Average annualized returns* ***Inception is 4/1/2000* *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 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values. *(Source: Bloomberg)*

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Indexes: The S&P 500 and Russell 3000 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.

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The Value Opportunities Strategy was incepted on April 1, 2000, and the current Value Opportunities 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: 1.00% on the first $500,000; 0.90% on the next $500,000; and 0.75% 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 Value Opportunities Composite contains fully discretionary Value Opportunities wrap accounts. Value Opportunities is a concentrated, value-based, bottom-up portfolio that utilizes stocks from all market capitalizations with a focus on near-term catalysts. Catalysts include reorganizations, turnarounds, and other unique situations that are anticipated to come to fruition in approximately 6-18 months. This short-term investment time frame often leads to high turnover. *Because of the concentrated positions, the portfolio is more susceptible to movements of any one holding.*

**Results shown for the year 2000 represent partial period performance from April 1, 2000, through December 31, 2000. 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.