Value Opportunities

Value Equity Strategies

Fourth Quarter 2024

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

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.

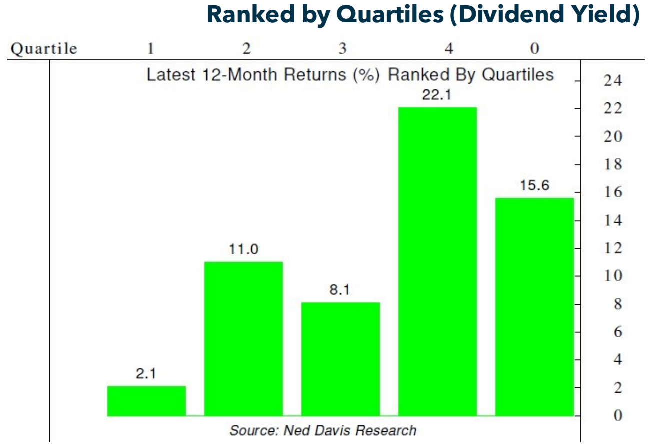
While these two years produced similar end results, they unfolded quite differently. Recall that 2023 followed a disastrous 2022, when the S&P 500 fell nearly 20% due to inflation concerns that led to aggressive rate hikes and recession fears. The Fed's last rate hike occurred in July 2023, and by October, 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)*

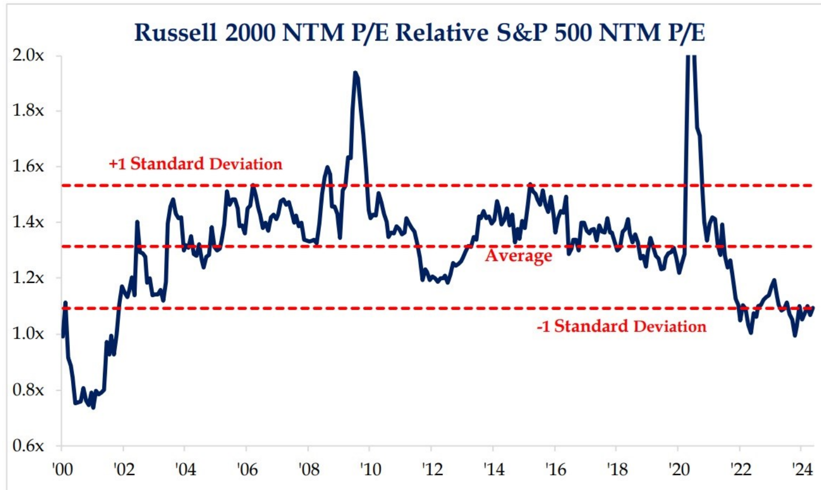
See GIPS Report on pages 6-7.

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%	Weight
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%	Weight
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%	Weight
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	Return (%)

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

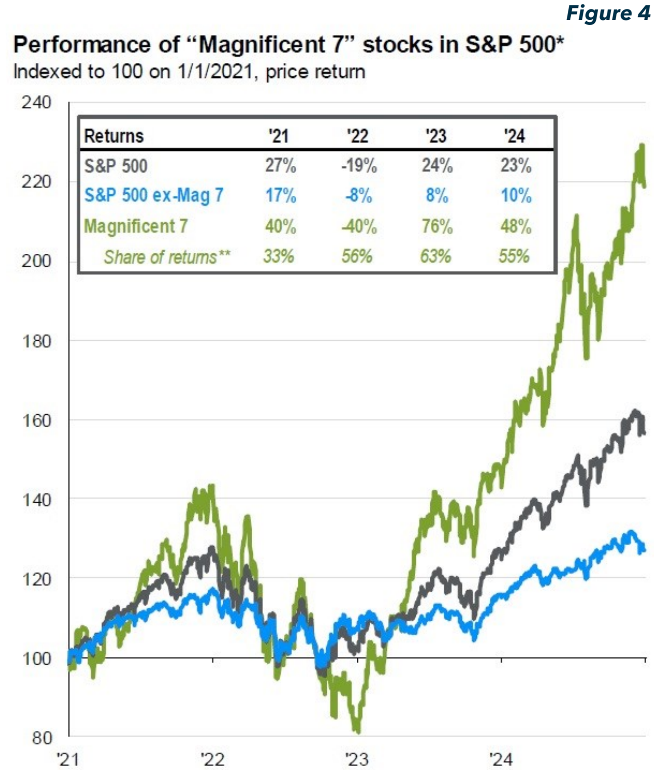
Perspective on Market Concentration

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.

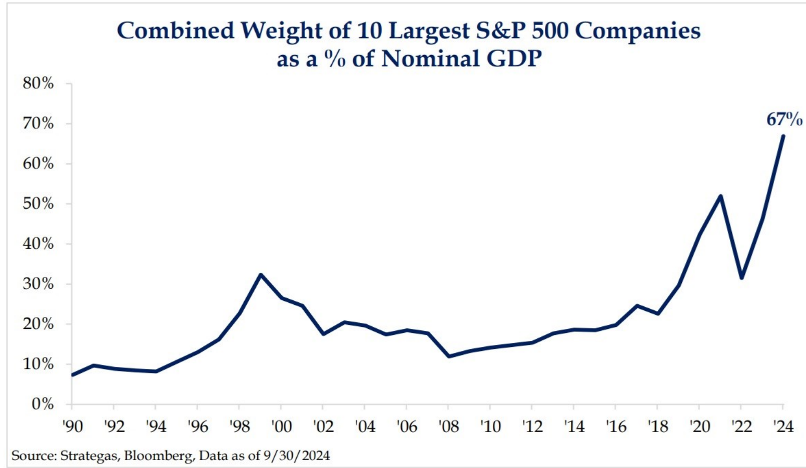
Figure 4



(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



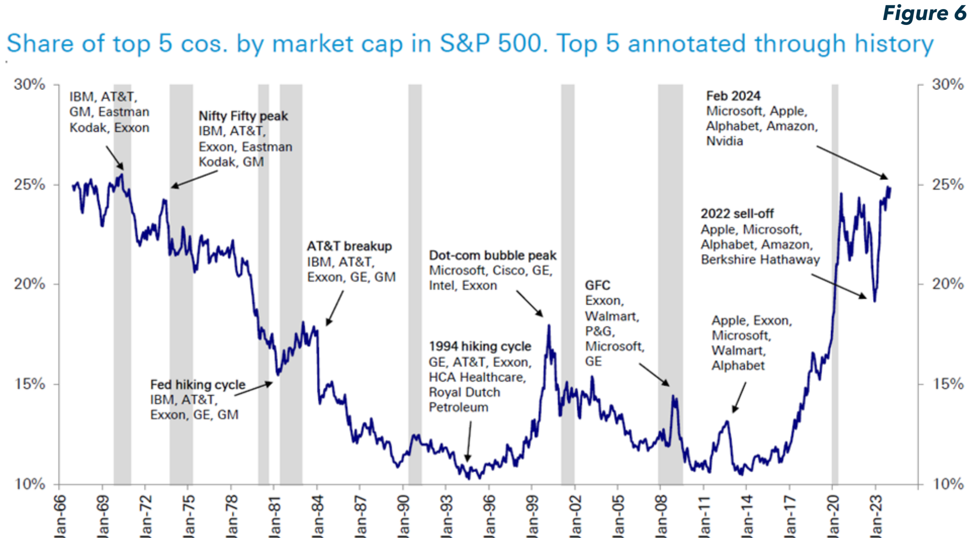
(Source: Strategas)

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

In 2024, the stock market saw a tug of war between the Magnificent 7 (M7) mega-cap tech stocks and the remaining 490+ stocks in the S&P 500 Index. As we discussed last quarter, the M7 had a strong first half of the year fueled by continued AI excitement; however, on July 11, the markets began rotating toward the other non-M7 stocks in the index. This rotation continued through November with cyclical stocks joining in as Trump's reelection brought rising economic sentiment. With the performance gap nearly closed through November, the M7 came roaring back in December as investors sought "safety" (ironically in highly valued growth stocks!) given interest rate uncertainty over the Fed signaling a pause in rate cuts in 2025 and the 10-year US Treasury yield surging toward 5%.

As a result, the Russell 3000 Value and S&P 500 Equal Weight indexes were down 2.0% and 1.9%, respectively, in the fourth quarter, while the market cap-weighted S&P 500 was up 2.4%. By comparison, the Confluence Value Opportunities strategy was up 4.2% (gross of fees) for the quarter due to outperformance from a few holdings that we will discuss below. For the full year 2024, the S&P 500 returned 25.0%, whereas the Russell 3000 Value and S&P 500 Equal Weight were up 14.0% and 13.0%, respectively. Value Opportunities was up 8.8% (gross of fees) over the same period after being up almost 15% through November before the December underperformance set in for seemingly all stocks besides the M7. [*The strategy's net-of-fees returns for the same periods were 3.4% QTD and 5.6% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

While the S&P 500 was dominant in 2024 with an end-of-year surge by the M7, the rotation that began in July could resume if the M7 (and AI companies, specifically) do not live up to the very high expectations currently placed on them. Since the AI boom began in early 2023, the M7 have been collectively spending around $250 billion per year on capital expenditures for Nvidia chips and AI infrastructure. At some point, these investments need to generate big revenue…and the sooner, the better as AI chips and servers tend to depreciate over 2-3 years as better ones emerge, unlike past capex booms in rails/ tunnels, pipelines, and fiber backbones that had high upfront costs but could be utilized for many decades. The markets have given the M7 a long leash to invest for growth, but with $1 trillion of spending in AI, at some point investors will demand significant revenue and a return on capital.

In 2024, the Value Opportunities strategy trailed the S&P 500 primarily due to the outperformance of the M7 during the first half of the year and in December. Additionally, the strategy underperformed the S&P 500 (and the Russell 3000 Value) in the Consumer Staples sector, with declines from holdings Dollar Tree (DLTR) and Lamb Weston (LW, which was sold in August and discussed last quarter), while the overall sector was up 15%. Dollar Tree continues to be in temporary limbo as low-income consumers are pulling back but middle- and upper-income consumers are not hurting enough to trade down. Still, Dollar Tree continues to excel at providing value to its customers through low-priced items, and with a successful divestiture of Family Dollar, the company will be even more focused on outperformance at its legacy Dollar Tree format.

It is noteworthy that the overall Consumer Staples sector performance in 2024 was driven almost entirely by two stocks — Walmart and Costco — which is another good example of how top-heavy the S&P 500 has become, even outside the M7. In 2024, Walmart and Costco were up approximately 74% and 40%, respectively, and now together compose about 30% of the Consumer Staples sector. Furthermore, at year's end, the forward price to earnings ratio for Walmart and Costco stood at 33x and 49x, respectively, or about double the normal levels for businesses that are expected to grow earnings 10-12% annually over the next few years. Walmart and Costco are great businesses, but when priced for perfection, a great business can be a disappointing investment. When we look across sectors, it seems that this dynamic has become prevalent in the S&P 500 as index funds and investors chase the mega-cap stocks that are outperforming.

In the fourth quarter, Value Opportunities outperformed the S&P 500 and the Russell 3000 Value primarily with strong performance from JBT Marel (JBTM, formerly John Bean Technologies) and Paycom (PAYC), both of which were added to the portfolio earlier this year. John Bean successfully closed the acquisition of Marel, effectively joining the US leader in food-processing equipment with its European counterpart, to form the new entity of JBT Marel. This opportunistic acquisition should drive significant value creation over the next five years, especially as the poultry processing market recovers. Paycom continues to execute and is led by a founder CEO who is prioritizing new payroll processing technology that is client-centric.

There were no changes to the Value Opportunities portfolio during the fourth quarter, but over the past year we have had the opportunity to add some great businesses at very attractive prices. As a result, we believe the portfolio is well-positioned to benefit from catalysts that will drive continued growth and compounding.

Outlook

The stock market benefited in 2024 from the Fed lowering interest rates, which usually doesn't happen with sticky inflation, low unemployment, solid economic growth, and the S&P 500 at record highs. Since our last outlook, expectations have evaporated for another 150 bps of cuts in 2025 and the 10-year US Treasury yield is again approaching 5%, a psychological threshold for investors. Taking all of this into account, in 2025, we will be watching for signs of a follow-on wave of inflation, which occurs 90% of the time following an initial wave of inflation above 6% (source: Strategas). Furthermore, the second Trump administration has plans for higher tariffs, lower immigration, and tax cuts with continued deficits, all of which can be inflationary.

Investors have high expectations for AI and Trump 2.0. This excitement drove the S&P 500 up 25% in 2024, and consumer expectations for stock gains over the next year now exceed prior peaks in 2017 and 1998. As seen in the early 1970s and late 1990s, these exciting times can bring high valuations for "must-own" stocks like the M7. However, these periods can also breed speculation — in areas such as crypto, Tesla, AI startups, and options day trading — that is not grounded in investing in income-producing businesses at a discount to intrinsic value.

At Confluence, we remain focused on investing in high-quality businesses, with capable management teams, that are opportunistically purchased at a discount to intrinsic value. This philosophy, process, and discipline have served us well over the past 30 years across multiple market cycles, and we anticipate they will deliver strong performance in this cycle as well.

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		
JBT Marel Corp.	12.13	3.17
Paycom Software Inc.	12.00	2.47
Dollar Tree Inc.	7.48	0.44
i3 Verticals Inc.	4.83	0.39
Markel Group Inc.	1.42	0.13
Bottom 5		
Keysight Technologies Inc.	6.96	0.07
CONMED Corp.	9.00	(0.43)
Charles River Laboratories Intl Inc.	7.64	(0.51)
Progressive Corp.	18.44	(1.03)
Diageo plc	9.29	(1.08)

(YTD as of 12/31/2024)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Progressive Corp.	16.50	6.77
JBT Marel Corp.	6.58	3.67
Paycom Software Inc.	4.88	3.52
Azek Co. Inc.	9.91	2.15
Gates Industrial Corp. plc	*Sold*	1.67
Bottom 5		
J & J Snack Foods Corp.	*Sold*	(1.61)
Clarivate plc	*Sold*	(1.82)
Lamb Weston Holdings Inc.	*Sold*	(2.25)
Charles River Laboratories International Inc.	8.76	(2.29)
Dollar Tree Inc.	6.53	(3.59)

Performance Composite Returns[2] (For Periods Ending December 31, 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%	9.3%	10.2%	6.2%	5.3%	3.4%	8.8%	8.8%	4.2%
Max Net-of-Fees[4]	6.9%	6.1%	6.9%	3.0%	2.1%	0.3%	5.6%	5.6%	3.4%
S&P 500	7.7%	10.3%	13.9%	13.1%	14.5%	8.9%	25.0%	25.0%	2.4%
Russell 3000 Value	7.5%	7.8%	10.7%	8.4%	8.6%	5.4%	14.0%	14.0%	(2.0%)

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
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%
2024	8.8%	5.6%	25.0%	14.0%	(16.2%)	223	$61,505	$7,280,773	21.2%	17.2%	16.9%	1.1%

**Average annualized returns   **Inception is 4/1/2000. 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 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)*

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

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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.

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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 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: 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.