



All Cap Value Equity

Overview

U.S. equities performed extremely well in the first quarter. Emboldened by the Fed's accommodative pivot, investors shrugged off concerns about the economy, creating an environment that was the polar opposite of last year's fourth quarter. The Russell 3000® Value Index (RAV) returned 11.93%, with every sector posting strong gains – though the sectors and stocks that performed worst during the late 2018 sell-off tended to benefit most from this quarter's profound change in sentiment. Consistent with this pattern, smaller capitalization issues within the RAV also outperformed during the first quarter, though this strength reversed in March.

Portfolio Performance & Developments

Cooke & Bieler's All Cap Value Strategy returned 15.36% gross of fees (15.18% net of fees) versus the RAV's 11.93% return for the first quarter, recouping all of its Q4 relative shortfall. Favorable stock selection – positive in six of nine sectors in which the portfolio had weight – explained more than all of this quarter's outperformance, with particular strength in Materials and Financials. Valuations normalized for holdings that were unduly punished late last year, with the top five contributors this quarter having ranked among the portfolio's more significant detractors in Q4 2018. More broadly, solid fundamental progress across most of the portfolio's holdings as well as the portfolio's below-benchmark market cap also contributed to the strategy's excess return.

Five Largest Contributors/Detractors

	Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)
Schweitzer-Mauduit	2.8	56.3	124
Colfax	2.6	42.0	95
Crown Holdings	2.7	31.3	84
Winnebago	2.8	29.2	78
Synchrony Financial	2.0	36.9	66

	Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)
PGT Innovations	1.8	-12.6	-21
Amdocs	2.0	-7.1	-16
Helen of Troy	0.8	-11.6	-4
Berkshire Hathaway	1.4	-1.6	-3
Intercont'l Exchange	2.3	1.5	3

Source: FactSet

Past performance is not indicative of future results. The performance attribution is an analysis of a representative All Cap Value institutional portfolio's gross of fees return relative to the Russell 3000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's All Cap Value clients. To obtain the calculation's methodology and a list showing every holding's contribution to the overall account's performance during the quarter, contact your client service representative or email your request to contact@cooke-bieler.com.

Largest Contributors

Schweitzer-Mauduit (SWM), a Materials holding that supplies the tobacco products industry as well as the automotive, infrastructure and filtration industries, was the largest contributor in the quarter. It was a leading portfolio detractor in Q4 2018 as investors grew concerned about the health of its industrial end markets and higher commodity input costs. However, fourth quarter organic growth and margin performance were strong, and guidance implies that this strength should continue.

Colfax (CFX), a designer and manufacturer of air/gas handling and fabrication products, was the second largest contributor. After significantly detracting from returns in Q4 2018, short-term market concerns tied to an acquisition lifted as the company started to execute on financing plans. Further transparency on pro-forma expectations also helped shift investor sentiment.

Crown Holdings (CCK), a leading manufacturer of beverage, food and aerosol cans, was the third largest contributor. After weak performance in 2018, the company reported solid quarterly results with strong free cash flow generation, creating confidence in its 2019 outlook and longer-term earnings power.



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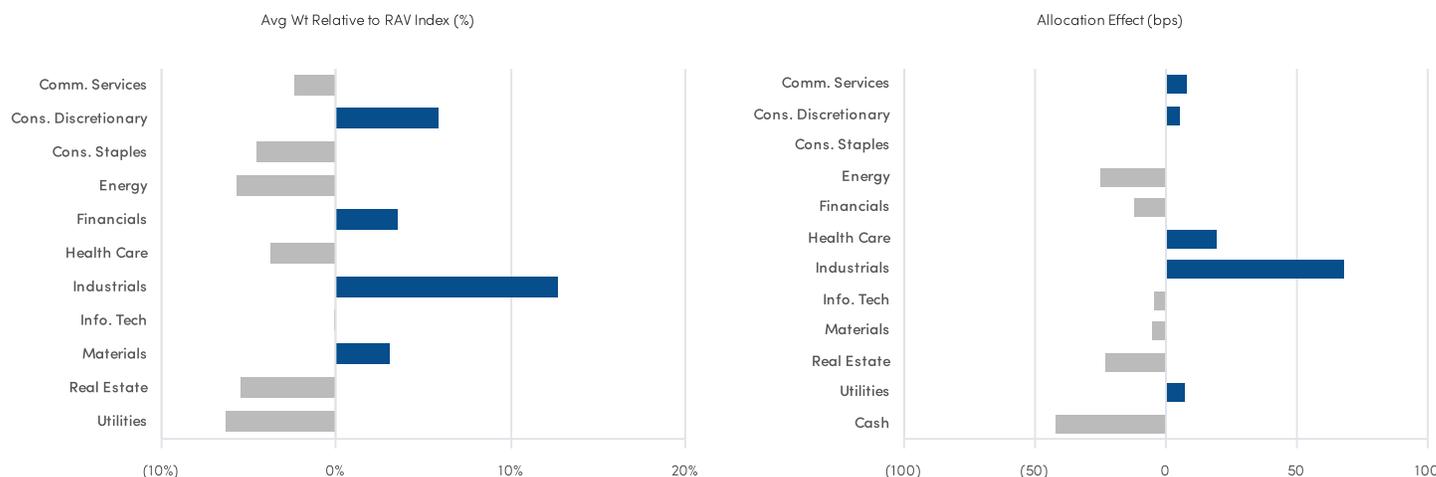
Largest Detractors

PGT Innovations (PGTI), the leading manufacturer of impact-resistant windows – serving primarily the Florida residential market – was the largest detractor in the quarter. Though reported results were very strong, a portion of that fundamental strength owed to the favorable impact of hurricane activity in the Florida market, making comparisons difficult versus 2018. Long-term demographic trends and adoption rates for PGTI’s products remain favorable.

Amdocs (DOX), a software and services company, was the second largest detractor. Its top customer, AT&T, decreased spending with DOX, leading to poor top-line performance. Sentiment was also hurt by a negative report published by a short seller, which raised cash flow and accounting issues. Despite these developments, we continue to be optimistic about the company’s long-term revenue growth and saw nothing significantly concerning in the short seller’s analysis.

Helen of Troy (HELE), a diversified consumer products company and a leading portfolio contributor in 2018, was the third largest detractor. HELE posted favorable results in the quarter but warned of temporary disruption related to tariff implementation. Sales growth remains robust within the company’s leadership brands as it prepares to divest its slower growing personal care business, net debt should be minimal by year end and the stock’s valuation is compelling.

Sector Positioning



Source: FactSet
Past performance is not indicative of future results. The performance attribution is an analysis of a representative All Cap Value institutional portfolio’s gross of fees sector return relative to the Russell 3000® Value Index. Please see additional performance disclosures at the end of this document.

Sector allocations, a byproduct of Cooke & Bieler’s bottom-up process, detracted slightly from relative performance. The meaningfully positive impact of the strategy’s overweight in the RAV’s second best performing sector (Industrials) and underweight in the worst performing sector (Health Care) was mostly offset by other allocation decisions that individually posed modest headwinds, including underweights in Energy and Real Estate and an overweight in Financials. The portfolio’s modest level of frictional cash was an outsized negative given the quarter’s strong positive showing.

Initiations

There were no new positions this quarter.

Eliminations

Analog Devices (ADI) reached our price target.





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Outlook

In the context of increasingly conflicting economic signals and a big jump in valuations resulting from the strong first quarter rally, our market outlook for the remainder of this year is somewhat guarded. Amidst growing uncertainty, we see a mixed environment, likely including increasing volatility. This backdrop should provide active investors with opportunities to add value through disciplined stock selection. We believe the portfolio continues to be positioned to outperform given its attractive combination of quality characteristics and reasonable valuation.

Sources: Bloomberg; FactSet; FTSE Russell; Jefferies; The New York Times

Past performance is not indicative of future results. The material presented represents the manager's assessment of the All Cap Value institutional portfolio and market environment at a specific point in time and should not be relied upon by the reader as research or investment advice regarding any particular security or sector. The above commentary and portfolio attribution are based on a representative All Cap Value institutional portfolio for the quarter ending 3/31/19. The portfolio attribution is gross of fees. Certain client portfolios may or may not hold the securities identified above due to the respective account's guidelines, restrictions, required cash flows, or other relevant considerations. The performance attribution is an analysis of the portfolio's return relative to the Russell 3000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's All Cap Value clients. To obtain the calculation's methodology and a list showing every holding's contribution to the overall account's performance during the quarter, contact your client service representative or email your request to contact@cooke-bieler.com.

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