



All Cap Value Equity

Overview

The scale and speed of this quarter's equity market rout were unprecedented, marked by the fastest bear market descent in U.S. history. The wholesale selloff was staggering and unforeseen, but with no historical analog for the unfolding coronavirus pandemic and economic landscape, it was in many respects understandable. Volatility spiked meaningfully following a respite in 2019. Treasury yields plunged, growth again outperformed value, and larger capitalization issues beat their smaller counterparts. Against this backdrop, the Russell 3000® Value Index (RAV) declined by 27.32%, the worst quarterly result since its inception. Performance was broadly negative across Index constituents, ranging from bad in the Utilities and Consumer Staples sectors to atrocious in Energy, where freefalling demand converged with free-flowing supply.

Portfolio Performance & Developments

Following very strong absolute and relative performance throughout 2019, Cooke & Bieler's All Cap Value Strategy returned -33.40% gross of fees (-33.59% net of fees), underperforming the benchmark for the quarter. Significantly negative stock selection results were only somewhat offset by the positive overall impact of sector allocations. Stock selection results were particularly weak in Industrials and Consumer Discretionary, where the portfolio had exposure to several travel-related businesses severely affected by COVID-19 and the world's response to it. Negative selection results in the Health Care and Information Technology sectors owed more to the absence of certain standout Index constituents than the performance of the portfolio's holdings themselves. The portfolio's Financials and Communication Services holdings were bright spots. While the portfolio was hit hard on an absolute and relative basis this quarter, it has outperformed the benchmark over the 5-year period.

Five Largest Contributors/Detractors

	Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)		Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)
Eaton	1.4	3.6	8	Carnival	1.9	-73.8	-176
Activision Blizzard	1.7	-0.6	1	AerCap	2.5	-62.9	-172
Johnson Controls	0.7	-3.3	-3	Winnebago	3.8	-47.4	-165
Progressive	2.3	5.3	-5	Synchrony Financial	2.2	-55.0	-146
Alleghany	0.3	-7.2	-6	Gildan Activewear	1.9	-56.4	-139

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

Eaton (ETN), an industrial company focused on power management, was the largest contributor. ETN's performance was primarily due to the timely sales of its lighting and hydraulics businesses, as well as management's commitment to disciplined cash flow management through weak environments. The stock was sold during the quarter to make room for better opportunities.

Activision Blizzard (ATVI), a video game developer and publisher, was the second-largest contributor. With the video game industry having largely transitioned from selling physical boxed copies in retail stores to selling digital game downloads and in-game microtransactions, ATVI was barely scathed by the social distancing measures implemented in response to the COVID-19 pandemic. Concerns that a broader economic slowdown would reduce sales were offset by the fact that video games are a relatively cheap form of entertainment on a per hour basis and remain available during a period of social distancing.

Johnson Controls (JCI), a multi-industrial company focusing on providing global customers HVAC and fire and security solutions, was the third-largest contributor. JCI was sold early in the quarter to make room for better opportunities.



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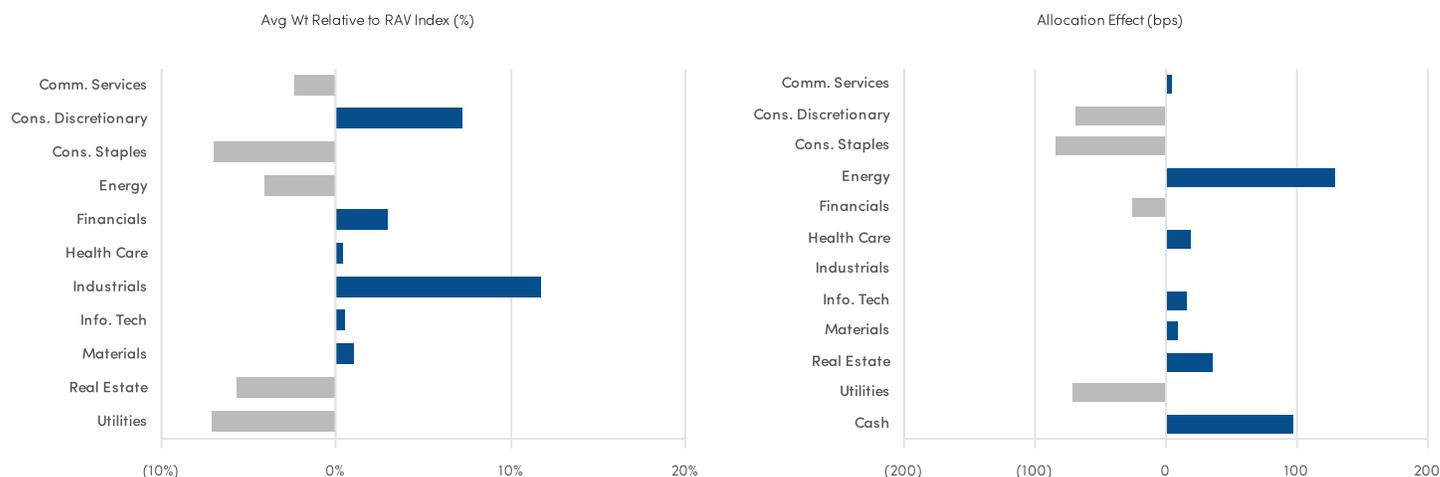
Largest Detractors

Carnival Cruise Lines (CCL), the largest cruise operator in the world, was the largest detractor. CCL severely underperformed in the quarter as the cruise industry was among the hardest hit by the COVID-19 outbreak. While CCL entered the downturn well diversified across brands and regions, alongside a conservative balance sheet, the industry-wide halt to all sailings from March through at least mid-May will push CCL to a loss for the year and consume considerable amounts of cash. While we believe CCL's strong competitive position, good balance sheet, and solid management team will allow them to survive the current crisis and prosper in the years to come, we continue to monitor the situation closely.

AerCap (AER), the largest independent aircraft lessor, was the second-largest detractor. AER underperformed as its airline customers came under severe stress, with air travel grinding to a halt in the wake of the COVID-19 pandemic. AER is a secured creditor to airlines worldwide, with a young and attractive fleet whose planes should remain in strong demand in almost any airline scenario. Their conservative capital structure and ample funding flexibility give them the means to endure the current crisis and prosper on the other side.

Winnbago (WGO), a leading manufacturer of recreational vehicles, was the third-largest detractor. WGO posted very strong topline progress in its first fiscal quarter, but has since temporarily shuttered production and will face declining near-term demand due to the COVID-19 pandemic. WGO's market share momentum is likely to return and it has ample liquidity to endure an extended and severe pullback in revenue.

Sector Positioning



Source: FactSet
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Sector allocation was additive for the quarter, offsetting a portion of the portfolio's negative stock selection outcome. The portfolio's underweight to Energy was a significant tailwind as oil prices plummeted to \$20 a barrel, the lowest level in 18 years. The portfolio's underweight to Real Estate and slight overweight to Health Care and Information Technology also benefitted relative performance. Conversely, the most notable headwind was an underweight to Consumer Staples and Utilities, demand stable sectors that significantly outperformed the broader benchmark amid fears of a deep recession. Overweight positions in Financials and Consumer Discretionary sectors also hindered results.





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Initiations

Alleghany (Y) is a classic C&B insurer. Conservative both financially and operationally, Y owns a handful of insurance companies that are well positioned in their respective niches. Their total return and long-term ownership mentality – over the last 50 years they have only had three CEOs – emphasizes solid returns while taking minimal risk. We believe their balance sheet is particularly well positioned to be opportunistic during market uncertainty.

Essent (ESNT) is a private mortgage insurer with a focus on managing credit risk, both through disciplined and granular underwriting on the front-end and the use of reinsurance on the back-end. As a relatively new entrant, ESNT benefits from an improved industry structure, including a new regulatory regime, new capital market solutions, and more rational competitors. These factors have led to improved industry economics for ESNT, resulting in a solid compounder with good downside protection through the credit cycle.

U.S. Bancorp (USB) is one of the largest non-money center banks, with over \$250 billion in loans and more than \$300 billion in deposits. USB has been generally conservative when taking credit risk and has a good record of cost consciousness. Recently, they have also made significant investments in upgrading their technological capabilities. The selloff during the quarter created an attractive purchasing opportunity.

Eliminations

Activision Blizzard (ATVI), **Eaton (ETN)**, and **Johnson Controls (JCI)** were eliminated to make room for better opportunities.

Outlook

Across the globe, the coronavirus pandemic has upended expectations of all types – personal, political, social, and economic – in an astoundingly short time. Government attempts to slow the spread of the virus have resulted in an unprecedented halt to economic activity, countered in part by equally unprecedented fiscal and monetary stimulus actions. What happens next will depend heavily on how quickly the disease is contained and vaccines or other effective therapies are developed. As long as the range of possible outcomes for both the disease and its economic impact remains wide, markets are likely to remain extremely volatile. However, now is not a time to reflexively seek safety, or to rush blindly to call a bottom in the market. Now is the time for careful, disciplined analysis to uncover opportunities in the turmoil.

Sources: APX, Bloomberg, CNN, FactSet, The New York Times, Reuters

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 3/31/2020. 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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