All Cap Value Equity

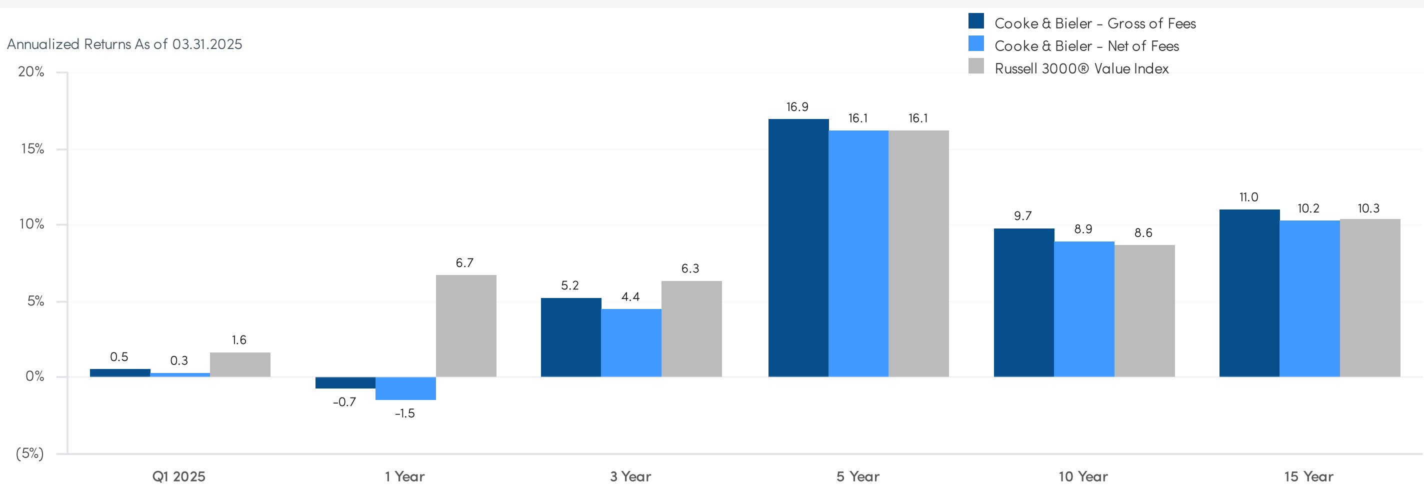
Overview

Stocks entered 2025 on a high note, following the two strongest years of equity performance this century. That momentum proved unsustainable, however, as key pillars of recent investor optimism – hopes for an AI-driven spending boom, a more favorable regulatory environment, and a more dovish monetary policy – came into question. Mega-cap technology stocks performed particularly poorly after the DeepSeek model debuted, boasting significantly lower development costs and casting doubt on both the capital investment required to develop AI and the competitive moat generated by early movers. Rising trade tensions and at times seemingly chaotic policy implementation tempered optimism for more market-friendly policies from the federal government. At the same time, hopes for looser monetary policy dwindled on higher than anticipated inflation readings, perhaps constraining the Federal Reserve's ability to cushion an economic slowdown. Markets responded negatively and, after reaching an all-time high in February, the S&P 500® Index fell nearly 10% – the popular definition of a market correction – before partially recovering to end the quarter down 4.28%. During the quarter overall, growth stocks fared worse, mired by losses among mega-cap technology stocks, with the Russell 1000® Growth Index losing 9.97%. Value performed better, aided by lower starting expectations and the perceived defensiveness of some large sectors, with the Russell 1000® Value Index gaining 2.14%. Consistent with this increasingly risk-off mindset, larger stocks generally outperformed smaller ones, while yields on the 10-year Treasury fell, reflecting fears of economic weakness but providing some relief to rate-dependent areas of the market. Oil prices were largely flat, though Energy stocks nonetheless outperformed, boosted by geopolitical turmoil and hopes for more favorable regulation.

Portfolio Performance & Developments

Cooke & Bieler's All Cap Value Strategy underperformed the Index during the volatile first quarter, posting a 0.49% return gross of fees (0.30% net of fees) against a 1.64% return for the Russell 3000® Value Index. Stock selection effect and sector allocation effect both detracted from portfolio performance. Consumer Discretionary and Health Care holdings such as Winnebago Industries and Teleflex detracted most, while Energy holdings also posed a headwind to results. Strength within the Consumer Staples and Real Estate sector holdings such as Philip Morris and Crown Castle partially offset these negative results.

All Cap Value Equity Composite Performance



Source: FactSet and Russell®

Returns greater than one year are annualized. Past performance is not indicative of future results. All investing involves risk, including loss of principal. Effective at the market opening on March 24, 2025, Russell US Style Indexes have applied the RIC 22.5/45 capping methodology if index weights breached the thresholds as of the quarterly review pricing dates.

Click for additional C&B All Cap Value Performance Disclosures

All Cap Value Equity

Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Philip Morris	2.3	33.1	63
Fidelity National Financial	2.8	16.8	43
Crown Castle	2.5	16.6	41
Verizon Communications	2.1	15.5	30
RB Global	2.8	11.5	28

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Teleflex	2.1	-22.2	-53
Winnebago	1.6	-27.4	-49
American Woodmark	1.3	-26.0	-37
Ashtead Group	2.3	-13.4	-31
Hanesbrands	0.9	-29.1	-31

Source: FactSet

Past performance is not indicative of future results. All investing involves risk, including loss of principal. 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 All Cap Value composite returned 0.30% net of fees and 0.49% gross of fees during the quarter. 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

Philip Morris (PM), a leading global tobacco products manufacturer, was the largest contributor. PM posted strong revenue and earnings growth as well as its fourth consecutive year of volume growth. Volume growth is likely to continue in 2025, fueled by the success of the company's reduced risk product portfolio and stable combustible cigarette consumption globally. With more muted foreign exchange headwinds and a shortage of volume growth elsewhere in the Consumer Staples sector, investor sentiment has also improved for the company.

Fidelity National Financial (FNF), the country's largest title insurer and provider of annuities through its F&G subsidiary, was the second-largest contributor. FNF reported strong fourth quarter earnings buoyed by strength in commercial real estate transactions and an uptick in refinance orders off very low levels. Sentiment was further aided by the sharp decline in mortgage rates late in the quarter, which should stimulate more real estate transactions and therefore increase demand for FNF's services.

Crown Castle (CCI), a leading operator of cell towers and small cells in the United States, was the third-largest contributor. CCI outperformed as expectations for interest rate cuts grew and it announced the sale of its small cell business, positioning it as the only pure play U.S. cell tower operator.

Largest Detractors

Teleflex (TFX), a global developer and manufacturer of a diverse portfolio of single-use medical devices used to diagnose and treat patients, primarily in acute care settings, was the largest detractor. TFX's valuation contracted in response to continuing weak organic revenue growth during the fourth quarter and management's subdued outlook for growth in 2025, mostly attributable to significant weakness in its urology franchise.

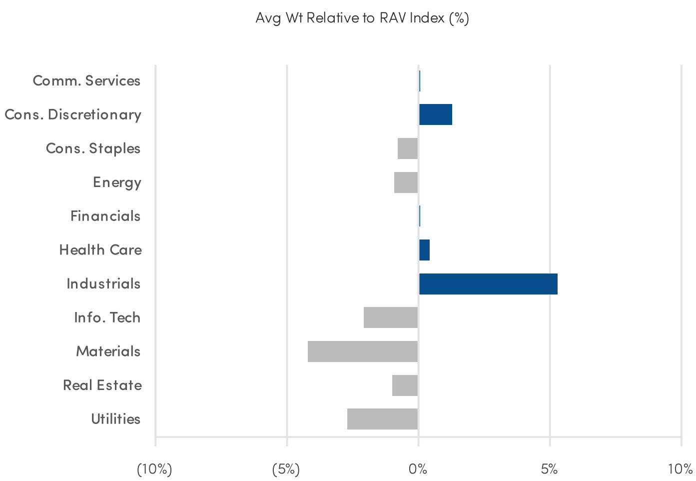
Winnebago (WGO), a leading manufacturer of recreational vehicles and towables, was the second-largest detractor. WGO posted weak, though better than expected results in the quarter, and there is evidence the recreational vehicle cycle has troughed. However, investor focus has shifted to the prospect of a broader consumer recession and the impact of tariffs on affordability. That said, the company returned to volume growth in two of its three segments and sees the potential for consolidated growth over the next six months. A return to mid cycle economics, market share wins in their Marine segment, and organic product expansion opportunities in the Motorized segment indicate significant latent value in the shares.

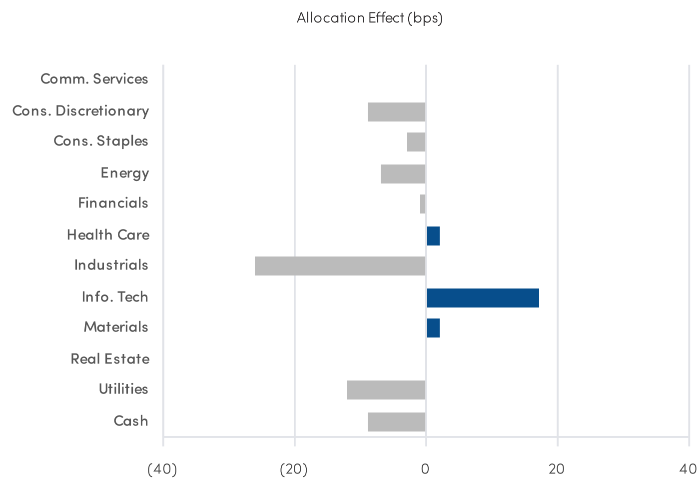
American Woodmark (AMWD), a leading kitchen and bath cabinet manufacturer with a focus on value price points, was the third-largest detractor. AMWD posted a weaker than expected quarter and lowered full year guidance due to slower residential new construction activity. Longer term, given the precarious position of at least one large competitor, AMWD is likely to win market share. In the meantime, the company remains well capitalized and continues to repurchase shares aggressively.

All Cap Value Equity

Sector Positioning

Sector allocation effect was negative for the first quarter. Overweight Industrials and Consumer Discretionary positions posed headwinds as the cyclically exposed sectors posted some of the weakest results within the Index. An underweight to Utilities – one of the top performing benchmark sectors – detracted as well, with investors flocking to perceived safe havens and bond proxies as interest rates fell. Conversely, an underweight to Information Technology contributed most as the sector posted the weakest results within the Index.





Source: FactSet

Past performance is not indicative of future results. All investing involves risk, including loss of principal. 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. The All Cap Value composite returned 0.30% net of fees and 0.49% gross of fees during the quarter. Please see additional performance disclosures at the end of this document.

Initiations

The Walt Disney Company (DIS) is a leading provider of filmed entertainment, sports, and entertainment experiences. The company's unmatched portfolio of brands, including Pixar, Marvel, Star Wars, ESPN, and Disney itself, position it well for the increasingly fragmented entertainment landscape. Shares had been weighed down by the significant operating losses incurred in their Disney+ streaming business over the past several years, as well as concerns their move to launch ESPN as a streaming service might prove equally expensive. In addition, investors were concerned their parks might suffer from increased competition and consumer budget pressures. Early results from their 2025 film slate have been disappointing as well, further dampening short term enthusiasm. Nonetheless, we believe DIS's long term prospects are extremely attractive. Revenue for their streaming service already exceeds that of their entertainment cable networks, and profitability is rapidly improving. While the market remains dynamic, Disney+ has already emerged as one of a few streaming services to reach the necessary scale. We believe ESPN is similarly positioned to successfully transition to a streaming platform. Additionally, though some near term weakness in their parks segment is possible, attendance and spending at Disney attractions have proven extremely resilient over time. Similarly, box office results are always volatile, but Disney has proven creative talent, unmatched intellectual property, and significant scale which should generate success over the long term. Taken together, we believe we were able to acquire a premier global entertainment franchise at a very attractive price.

Eliminations

Kenvue (KVUE) was eliminated to make room for better opportunities.

All Cap Value Equity

Outlook

Despite greater uncertainty and heightened volatility, the first quarter provided some encouraging signs for Cooke & Bieler's strategies as many of the forces working against them in 2024 abated. But more importantly, evidence emerged that the reunderwriting process we undertook last year is paying off. While many of the quarter's underperformers were punished for their perceived cyclicality or vulnerability to a consumer slowdown, we see little evidence of fundamental impairment and were able to add to several of these holdings. It is tempting to gravitate indiscriminately toward safe-haven sectors during periods of uncertainty, but this impulse potentially ignores longer term investment prospects. Success with this approach also hinges on a manager's ability to accurately predict the direction and timing of the economic cycle. While we are alive to the risks associated with the current backdrop and expect further volatility, we are steadfastly focused on long-term intrinsic value. We are taking what the market is giving us – within the framework of our quality criteria and diversification considerations – by adding to economically sensitive names when appropriate. However, even with the inclusion of compelling new ideas sourced from areas where the market is fearful, the portfolio is broadly no more economically sensitive today than it was at the beginning of last year. Though the backdrop remains uncertain and we are sure there are more surprises and bumps ahead, we remain confident in the portfolio's prospects, especially for results over extended horizons, but also in being able to weather near-term stress.

Sources: Bloomberg, FactSet, Nasdaq, SS&C APX

Additional Cooke & Bieler All Cap Value Performance Disclosures