



# All Cap Value Equity

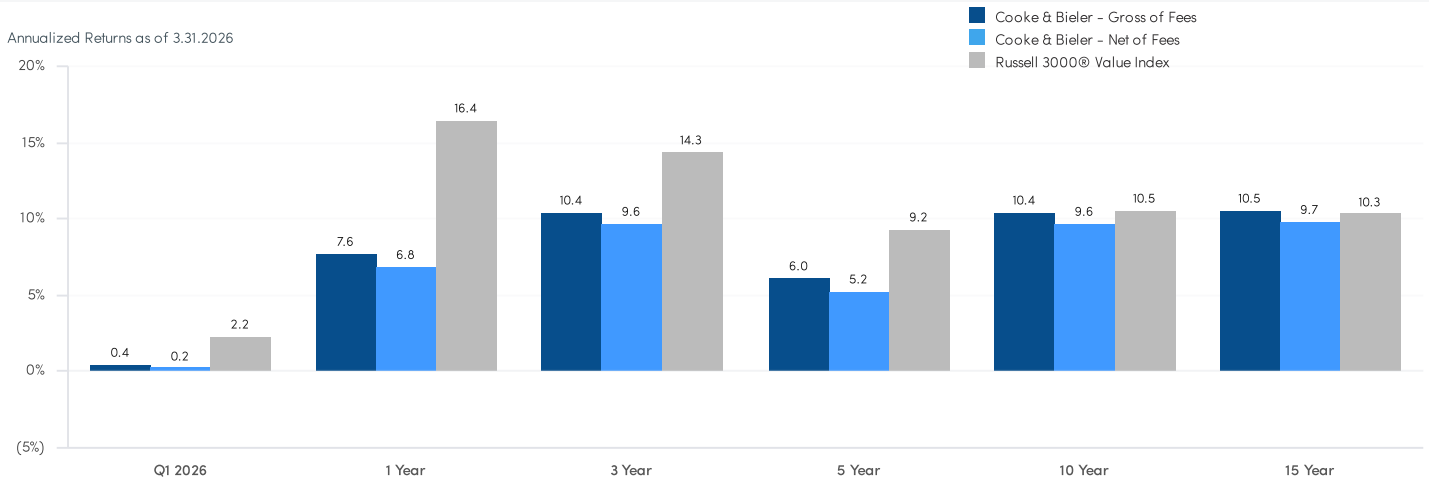
## Overview

The U.S. stock market began the new year on firm footing, supported by generally favorable underlying macroeconomic conditions and solid corporate earnings growth. Midway through the quarter, equities had advanced broadly, led by value stocks and particularly smaller cap issues. However, the backdrop shifted as concerns about potential disruption from AI surfaced, dampening what had been a longstanding source of investor enthusiasm. Conditions deteriorated further following the late-February conflict with Iran, which drove oil prices higher, raised recession and stagflation concerns, and reduced expectations for near-term Federal Reserve easing. Aside from Energy stocks – which surged in response to the higher oil prices – equities declined broadly during the month of March, briefly pushing several major indices into correction territory. The market’s strong showing in the final day of the quarter was enough to put returns into the mixed range, characterized by meaningful dispersion across indices, styles, sectors, and individual stocks. Most notably, value significantly outperformed growth, and small cap outpaced large cap. Energy, Utilities, and other commodity producers outperformed forcefully, and Financials, Consumer Discretionary, and Health Care stocks underperformed. Meanwhile, performance within the Information Technology sector varied greatly. Stocks of companies seen as enablers of AI investment surged, mostly represented in value indices. Creators of AI models, mostly represented in growth indices, declined – albeit from elevated levels – and weighed meaningfully on Index returns.

## Portfolio Performance & Developments

Cooke & Bieler’s All Cap Value Strategy underperformed the Russell 3000® Value Index during the volatile quarter, ultimately posting a 0.38% return gross of fees (0.19% net of fees) against a 2.23% benchmark return. Negative sector allocation effect drove underperformance, while stock selection effect was neutral. Stock selection in Industrials detracted most, with economically sensitive holdings MasterBrand, Janus International, and Sunbelt Rentals in the building products and trading companies & distributors industries pulling back meaningfully. Real Estate and Consumer Staples holdings such as Crown Castle and Unilever also lagged the broader market. Conversely, Financials holdings such as White Mountains and RenaissanceRe were the largest contributors to stock selection effect. Health Care and Energy holdings also benefited relative 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.

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## Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)		Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
ConocoPhillips	2.8	42.1	99	MasterBrand	1.0	-30.9	-46
Occidental Petroleum	1.9	58.8	88	Walt Disney	2.8	-15.3	-43
Atlas Energy Solutions	1.2	48.4	57	Fidelity National Financial	2.8	-14.1	-39
Verizon Communications	2.3	25.4	49	Fiserv	2.1	-16.9	-37
Johnson & Johnson	1.9	17.3	37	UnitedHealth	1.7	-17.4	-33

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 -0.19% net of fees and 0.38% 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](mailto:contact@cooke-bieler.com).

## Largest Contributors

**ConocoPhillips (COP)**, one of the largest international E&P companies with a scaled and well-diversified portfolio of assets, was the largest contributor. The stock benefited from improved investor sentiment toward the Energy sector and continued execution on its disciplined capital allocation strategy. COP's large, low cost of supply resource base, and diversified portfolio across conventional and unconventional assets position it well to generate resilient cash flows across commodity cycles. The company has maintained a focus on returns, balancing modest production growth with significant shareholder distributions through dividends and buybacks. In addition, ongoing progress on major projects and a strengthening balance sheet following recent acquisitions have reinforced confidence in COP's long-term ability to drive free cash flow growth and shareholder value.

**Occidental Petroleum (OXY)**, a diversified E&P company with strong shale and conventional assets, was the second-largest contributor. The stock benefited from improved oil prices and increased confidence in the company's financial position following meaningful debt reduction and the potential to generate substantial free cash flow in light of higher commodity prices. OXY's strong asset base in the Permian Basin and diversified mix of unconventional and conventional resources support resilient cash flow generation and declining capital intensity.

**Atlas Energy Solutions (AESI)**, a sand mining and delivery company serving the Permian, was the third-largest contributor. The stock outperformed alongside other holdings in the Energy sector as crude oil prices moved above \$100 per barrel, driving improved sentiment across the oilfield services and upstream supply chain. Investors responded positively to the implications of higher oil prices on drilling and completion activity, which directly supports demand for sand and related logistics services. In addition, AESI continues to benefit from its cost-advantaged positioning in the Permian Basin, particularly through its Dune Express conveyor system, which enhances delivery efficiency and supports market share gains even in a mixed operating environment.

## Largest Detractors

**MasterBrand (MBC)**, a leading manufacturer of residential cabinetry, was the largest detractor. The stock was pressured by tariff related margin headwinds and broader geopolitical concerns, which weighed on investor sentiment. In addition, ongoing softness in housing related end markets, particularly in repair and remodel, as well as unfavorable product mix further impacted profitability. While these dynamics affected results in the quarter, the company remains focused on its pending combination with American Woodmark, which should yield significant cost synergies and strengthen its position against troubled competitors.

**Walt Disney (DIS)**, a global leader in entertainment, sports, and leisure experiences, operating through iconic brands such as Disney, ESPN, Pixar, Marvel and Star Wars, was the second-largest detractor. Shares were weighed down by growing recession fears and international tensions, which could hurt demand for its theme parks and cruise lines. Compounding this fear, the company completed a long-planned CEO transition during the quarter, raising execution risk in what could be a challenging environment.

**Fidelity National Financial (FNF)**, the largest provider of title insurance and settlement services in the U.S., with additional operations in annuities, was the third-largest detractor. FNF's core title operations continue to produce good margins in a sluggish market for residential real estate. Fears of a recession and stubbornly high mortgage rates further dampened investor enthusiasm. Additionally, investors grew concerned about exposure to private credit embedded in F&G, their 70% owned annuity subsidiary.



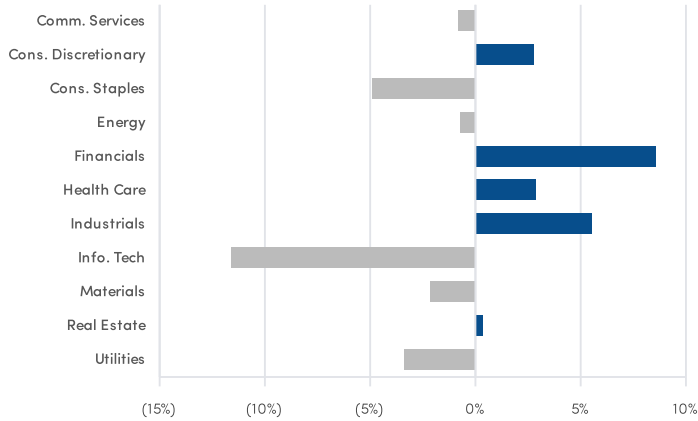


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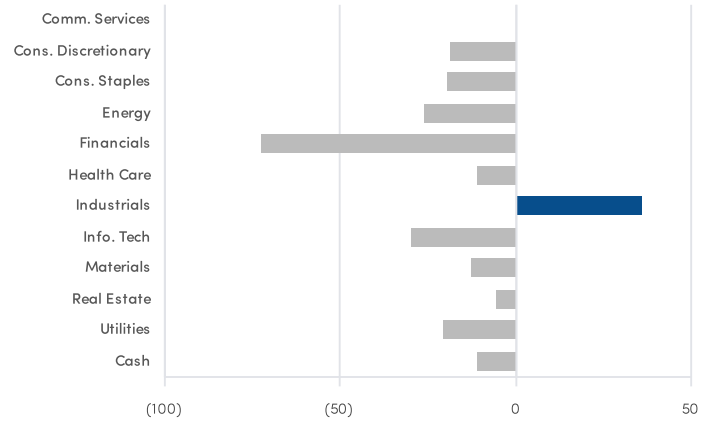
## Sector Positioning

Sector allocation effect was broadly negative during the quarter. The most pronounced negative impact stemmed from the strategy's overweight to Financials, the worst performing benchmark sector, as the market embedded less dovish monetary policy expectations. An underweight to Information Technology detracted as well, though softer performance among certain mega cap benchmark constituents lessened the impact. The portfolio's underweight to Energy and Utilities also hindered results. Conversely, an overweight to Industrials was a tailwind.

QTD Avg Wt Relative to RAV Index (%)



QTD Allocation Effect (bps)



Source: FactSet

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# All Cap Value Equity

## Initiations

**Arthur J. Gallagher (AJG)** is one of the world's largest insurance brokers and risk managers. AJG combines a durable, low capital intensity brokerage model with a long history of disciplined, producer-focused execution, giving us confidence in its ability to compound value through resilient organic growth, steady bolt-on acquisitions, and strong free cash flow generation over time. Investor concerns around a deceleration in organic growth and the risk of AI disintermediation appear overdone for a business where trusted advice, relationships, and human expertise remain central to the client value proposition. This has created an opportunity to buy a high-quality compounder at an attractive valuation.

**Aramark (ARMK)** is a global leader in the food services and facilities management industry. As one of the few scaled global players, ARMK is well positioned to provide a differentiated service to customers based on its ability and willingness to invest in technology, supply chain, procurement (including owned Group Purchasing Organization), and workforce. Executing on its strategy of gross new wins of 8-10% and mid-90%+ client retention should lead to solid organic growth and further scale in its GPO, which provides some operating leverage. Additionally, ARMK's balance sheet continues to improve, providing optionality to create shareholder value.

**Charles River Laboratories International (CRL)** is the world's largest provider of outsourced nonclinical services, spanning drug discovery, safety assessment, and manufacturing. CRL's comprehensive, integrated portfolio and global scale give it important competitive advantages, making it the scientific partner of choice for emerging biotech and global biopharma companies. Increasing biopharma R&D spending, greater use of outsourcing, and market share gains create a strong long-term demand backdrop for CRL which should allow it to sustain its enviable record of above average organic growth. Demand weakness coming out of the pandemic, in addition to concerns about the impact of new approach methodologies and AI on the company's business model pressured the stock considerably, creating an attractive valuation for CRL shares. We believe demand is recovering from temporary cyclical pressures and that other concerns are overblown, and therefore see CRL as a solid long-term value compounder.

**Energac Tool Group (EPAC)** is a leading global manufacturer of high-pressure hydraulic tools, controlled force products, and solutions for positioning heavy loads. EPAC's high quality products and strong brand, scale, and distribution enable the business to generate attractive gross margins, ROIC, and free cash flow through the cycle. The current CEO continues to execute on a business transformation plan that should yield structural improvements in profitability, organic growth, and free cash flow. EPAC also has a conservative balance sheet, providing optionality for disciplined M&A and continued share repurchases.

**MasterBrand (MBC)** is the leading manufacturer of residential kitchen and bath cabinetry in North America. We initiated a position during the quarter, transitioning our ownership of competitor and incumbent holding, American Woodmark (AMWD), to shares of MBC ahead of their planned merger. The combined entity will have a dominant position in the cabinetry industry. Despite near-term demand softness as well as the negative impact of tariffs, MBC stands to benefit from both operational cost synergies related to the merger with AMWD as well as the precarious financial position of key competitors. MBC's expansive network of 7000 dealers will benefit from the inclusion of entry-level AMWD products while its home center business will benefit from greater bargaining power with customers such as Home Depot and Lowe's.

**Progressive (PGR)** is one of the most consistently profitable auto insurers with a long track record of gaining share. The company has distinguished itself through disciplined underwriting, advanced data analytics, and a strong direct-to-consumer model, enabling it to generate superior profitability relative to peers. PGR has consistently taken market share over time, leveraging pricing sophistication, telematics capabilities, and brand investment to identify and capitalize on attractive underwriting opportunities. Its focus on maintaining underwriting profitability across cycles, combined with a scalable operating platform and prudent capital return strategy, positions the company to continue compounding earnings while extending its competitive advantage within the auto insurance market.

**Ryman Hospitality Properties (RHP)** is a differentiated lodging REIT focused on the non-gaming group and conference markets. RHP's hotels are the largest non-gaming hotels by meeting space in the United States. The company also owns and operates select non-REIT assets, with a focus on country music entertainment venues. RHP has generated the highest AFFO/share growth among publicly traded hotel REITs over the past decade. This success is thanks to its focused portfolio of differentiated "all under one roof" properties in destination locations, industry-leading room economics, high-return investment opportunities, unique entertainment and programming, and a supply constrained lodging sub-category. High-teen ROI investments should continue to drive profitability improvement over the next decade, while an eventual sale of the company's higher growth Entertainment segment will provide ample flexibility to fund further Hospitality segment investment.

## Eliminations

**American Woodmark (AMWD)** was eliminated in advance of its pending acquisition by MasterBrand (MBC) for better opportunities.

**Magnum Ice Cream Company (MICC)** was spun out from Unilever (UL) and subsequently eliminated to make room for better opportunities.

**Atlas Energy Solutions (AESI), Atmos Energy Corporation (ATO), and Johnson & Johnson (JNJ)** reached their price target and were eliminated.



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## Notable Stock Updates

**Sunbelt Rentals (SUNB)** completed its U.S. redomiciliation and name change from previous holding, Ashtead Group (ASHGY), and began trading on the NYSE under ticker SUNB.

**Waters (WAT)** was received through the spin-off and merger of Becton Dickinson's Biosciences and Diagnostic Solutions businesses. We built up the position into a more average size holding during the quarter.

## Outlook

The market exited the first quarter concerned about the duration and outcome of the war with Iran as well as its effect on oil prices, the potential for AI to disrupt a broad swath of industries from enterprise software to real estate brokers, and a growing risk of recession. With momentum still driving market dynamics, developments tend to be exaggerated and the consequences of being on the wrong side of a market narrative can be severe. In this environment, it is difficult not to shorten one's investment time horizon or seek to guess the next headline. This instinct becomes more pronounced when relative performance has been challenged. Our experience tells us this reflex is a mistake. While frustrated by the recent performance of our portfolios, which are positioned almost exactly contrary to recent market preferences — broadly overweight cyclical businesses, underweight momentum, underweight Energy, and underexposed to AI euphoria — we remain confident in the quality of the businesses we own and their potential to create value for shareholders over time. Analysts have combed through each holding, updated estimates of earnings power, and scrutinized each company's ability to weather difficult economic times. While each stock is unique, we believe the portfolio's holdings have created and will continue to create value faster than their Index peers, and that overall recent underperformance is a sign of opportunity, not distress. Nowhere is this more evident than in Health Care, a space that has underperformed for five years. While the sector's initial selloff was an understandable recalibration following the pandemic, it has increasingly become a momentum-driven phenomenon, especially surprising because it is generally recession resistant, less susceptible to AI disruption, and not energy intensive. Yet, valuations today sit at decade lows in a number of cases, while the businesses continue to generate growing earnings and cash flow. In our view, driven by our experience over the last 75 years, guessing when momentum will shift is fruitless. However, we believe the math of fundamental value creation always wins in the end, and owners of these businesses will reap handsome rewards over time.

Sources: Bloomberg, FactSet, Reuters, Wall Street Journal

Past performance is not indicative of future results. All investing involves risk, including loss of principal. 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 3/31/26. 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](mailto:contact@cooke-bieler.com).

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