



# Concentrated Large Cap Value Equity

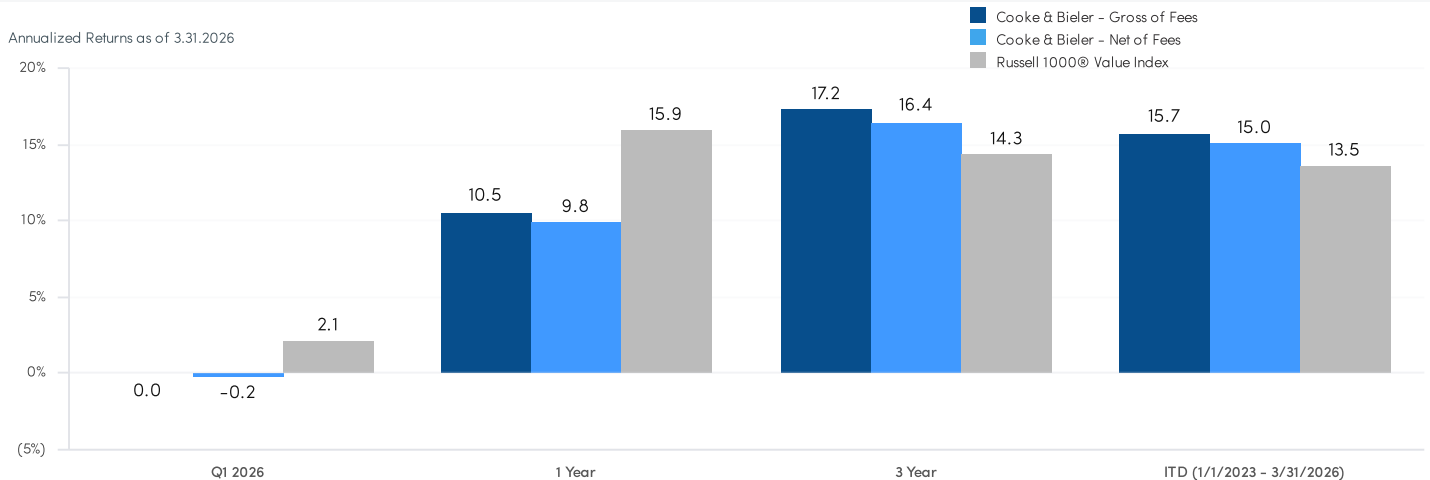
## Overview

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 Concentrated Large Cap Value Strategy underperformed the Russell 1000® Value Index during the volatile quarter, ultimately posting a -0.04% return gross of fees (-0.21% net of fees) against a 2.10% benchmark return. Negative sector allocation effect was the primary driver of underperformance, though stock selection effect was also a headwind. Stock selection in Industrials detracted most, with economically sensitive holdings Sunbelt Rentals and RB Global in the trading companies & distributors and commercial services industries pulling back meaningfully. Real Estate and Communication Services holdings such as Crown Castle and Walt Disney also lagged the broader market. Conversely, Financials holdings such as Chubb and RenaissanceRe were the largest contributors to stock selection effect. Health Care holdings also benefited relative results.

## Concentrated Large 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 (%)	Contrib. to Return (bps)
ConocoPhillips	7.9	42.1	275
Johnson & Johnson	4.4	17.3	83
PPG Industries	5.6	4.9	45
Chubb	7.9	4.7	41
RenaissanceRe	5.4	5.9	31

	Avg. Weight (%)	Gross Total Return (%)	Contrib. to Return (bps)
Walt Disney	5.4	-15.3	-87
UnitedHealth Group	4.1	-17.4	-79
Fidelity National Financial	5.6	-14.1	-78
Brookfield Corp.	7.7	-11.7	-77
Crown Castle	7.7	-7.4	-63

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 Concentrated Large Cap Value portfolio's gross of fees return relative to the Russell 1000® Value Index. The Concentrated Large Cap Value composite returned -0.21% net of fees and -0.04% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Concentrated Large 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.

**Johnson & Johnson (JNJ)**, a leading manufacturer of pharmaceuticals, medical devices, and consumer products, was the second-largest contributor. The company reported better than expected quarterly results and initial guidance for 2026. The stock's valuation has improved as concerns about patent expirations and near-term growth have faded.

**PPG Industries (PPG)**, a leading global coatings and specialty materials company serving industrial, automotive, aerospace, and architectural markets, was the third-largest contributor. The stock benefited from continued share gains in a sluggish demand environment, supported by its differentiated technology and strong customer value proposition. PPG outperformed underlying markets through steady organic growth, with strength in aerospace and industrial coatings as well as share gains in auto OEM and packaging which offset softer auto refinish trends. Additionally, its localized production footprint and variable cost structure have supported effective cost management and margin resilience. Overall, PPG's consistent execution and ability to take share in challenging markets reinforced confidence in its medium-term earnings outlook.

## Largest Detractors

**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 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.

**UnitedHealth Group (UNH)**, a comprehensive health care company that touches all key aspects of the U.S. health care system through its managed care, health care IT, pharmacy benefits management, primary care provider, home health, and facilities operations, was the second-largest detractor. The stock's valuation was negatively impacted by a much lower than expected Advance Notice rate update provided by CMS for the Medicare Advantage program.

**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.



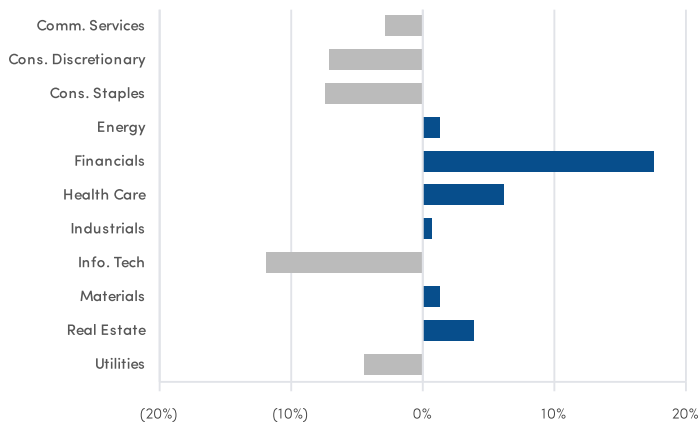


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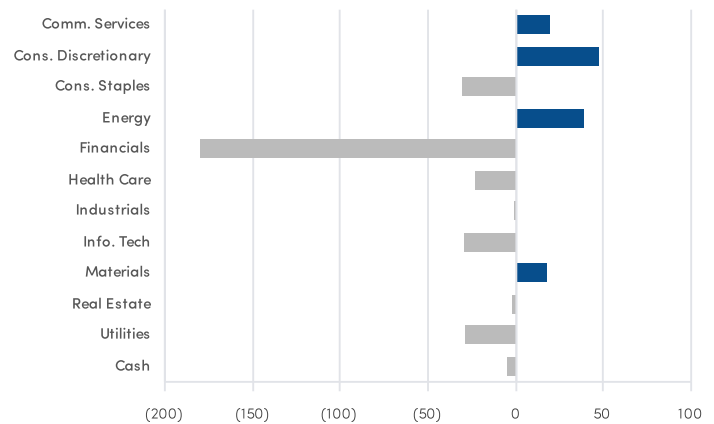
## Sector Positioning

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. The portfolio's underweight to Consumer Staples and Utilities also hindered results as renewed recession fears benefited perceived safe havens. An underweight to Information Technology detracted as well, though softer performance among certain mega cap benchmark constituents lessened the impact. Conversely, an underweight to Consumer Discretionary was a tailwind for the strategy, and an overweight to the top performing Energy sector was an additional contributor as oil prices soared following the closure of the Strait of Hormuz.

QTD Avg Wt Relative to RLV Index (%)



QTD Allocation Effect (bps)



Source: FactSet

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## Initiations

**Waters (WAT)** is an analytical tools company with leading positions in liquid chromatography, mass spectrometry, and thermal analysis. The company's core competency is centered on using those technologies to serve mostly downstream, high-volume QA/QC applications in highly regulated markets such as pharmaceuticals, food, water, and materials/battery where uptime, data integrity, method reproducibility, and compliance are essential. WAT shares were received through the spin-off and merger of Becton Dickinson's (BDX) Biosciences and Diagnostic Solutions businesses. The market's negative reaction to the merger created an attractive entry point for WAT, as we believe adding the BDX businesses to the mix and putting them under the purview of WAT management positions WAT to deliver consistent high single digit/low double digit EPS growth over the next three to five years.

## Eliminations

**F&G Annuities & Life (FG)** was partially spun out from Fidelity National Financial (FNF) and subsequently eliminated.

**Johnson & Johnson (JNJ)** was eliminated to make room for higher conviction opportunities.

## 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-sized holding during the quarter.





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## 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, 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 fundamental 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 Concentrated Large Cap Value 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 Concentrated Large Cap Value 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 1000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Concentrated Large 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).

[Additional Cooke & Bieler Concentrated Large Cap Value Performance Disclosures](#)