COOKE & BIELER

Q1 2024

Concentrated Value Equity

Overview

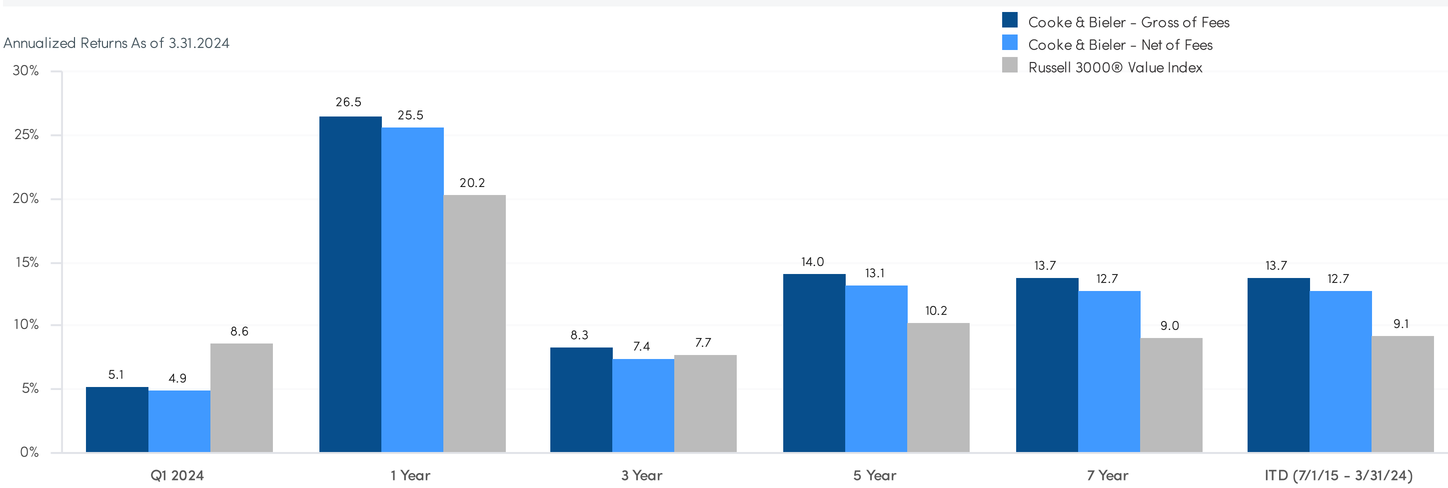
Despite incrementally less dovish signals from the Fed, U.S. equities continued to rally strongly, ending the quarter at all-time highs. Mixed inflation data caused expectations for rate cuts to be pushed out to the second half of 2024, with investors taking the news as a sign that a soft landing scenario may remain on the table. While consumer spending and the economy overall have been stronger than originally feared, the market narrative is increasingly dependent on economic performance without a monetary policy pivot.

Against this backdrop, larger cap and growth equities tended to outperform in the first quarter, as did stocks of high-quality businesses with lower levels of debt leverage. Energy performed especially well, and broad-based strength in Industrials led the value indices to overall positive results. Participation was more widespread than in 2023, though at least four of last year's Magnificent Seven continued their stunning rise. Contrary to trends witnessed last quarter, REITs and Utilities underperformed given a less accommodating interest rate outlook and higher Treasury yields. Companies with commercial real estate exposure and reliance on residential real estate transactions also lagged in an otherwise robust market.

Portfolio Performance & Developments

Cooke & Bieler's Concentrated Value Strategy posted positive absolute returns but lagged the benchmark in the first quarter, generating 5.09% gross of fees (4.88% net of fees) against an 8.62% return for the Russell 3000® Value Index. Negative stock selection drove more than all of the underperformance, while sector allocation provided a partial positive offset. After demonstrating strong relative results in 2023, stock selection among Financials holdings such as Globe Life and State Street posed the most significant headwind. Health Care and Consumer Staples holdings also lagged the benchmark. Conversely, stock selection within Industrials was strongest, particularly AerCap and RB Global.

Concentrated Value Equity Composite Performance



Source: FactSet and Russell®

Past performance is not indicative of future results. All investing involves risk, including loss of principal.

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Five Largest Contributors/Detractors

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
AerCap	6.7	16.8	109
Chubb	6.3	14.9	93
RB Global	5.2	14.2	74
ConocoPhillips	5.5	10.3	70
Gildan Activewear	4.8	12.8	62

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Teleflex	5.2	-9.3	-53
Globe Life	5.9	-4.4	-24
Helen of Troy	3.0	-4.8	-15
Philip Morris	5.8	-1.4	-10
State Street	5.9	0.6	-1

Source: FactSet

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Largest Contributors

AerCap (AER), the largest independent aircraft lessor, was the largest contributor. AER reported strong results boosted by sales of older aircraft and an insurance recovery related to planes stranded in Russia due to the Ukraine conflict. Management took advantage of the strong results and discounted valuation to aggressively repurchase shares, boosting book value per share and our estimate of intrinsic value.

Chubb (CB), a leading global property and casualty insurer, was the second-largest contributor. Excellent underwriting results and higher net investment income drove operating ROEs to mid-teens levels for the quarter and the year. Management indicated they expect operating earnings to grow double digits in 2024, positively surprising investors.

RB Global (RBA), a leading auction marketplace for salvaged vehicles and used construction, agricultural, mining, and transportation equipment, was the third-largest contributor. RBA reported an encouraging quarter as gross transaction value continues to grow, take rate improves, and the integration and improvement of IAA gains traction. This combination led to healthy organic growth, profitability improvement, and free cash flow generation, enabling RBA to get ahead of schedule on deleveraging its balance sheet and providing capital allocation optionality.

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 disappointing guidance for first quarter earnings.

Globe Life (GL), a life and supplemental health insurer to underserved Americans, was the second-largest detractor. GL faced increased investor concern regarding legal issues surrounding potential misconduct at one of their operating subsidiary's independent agencies. While we originally believed the impact would be non-material to GL's fundamental results, new information that the issues were more widespread than initially reported came out after the end of the first quarter, causing us to eliminate the stock.

Helen of Troy (HELE), a diversified consumer and household products company, was the third-largest detractor. HELE continues to see normalizing demand trends following above trend results during the pandemic. Both revenue and earnings are likely to inflect positively over the next quarter as new products and distribution offset headwinds from SKU rationalization and the Bed Bath & Beyond bankruptcy. Free cash flow has been robust and financial leverage has declined meaningfully, putting the company in a good position to explore accretive M&A. Following early quarter strength, shares retreated on incrementally less dovish monetary policy guidance and broader concerns around a shift in consumer spending.

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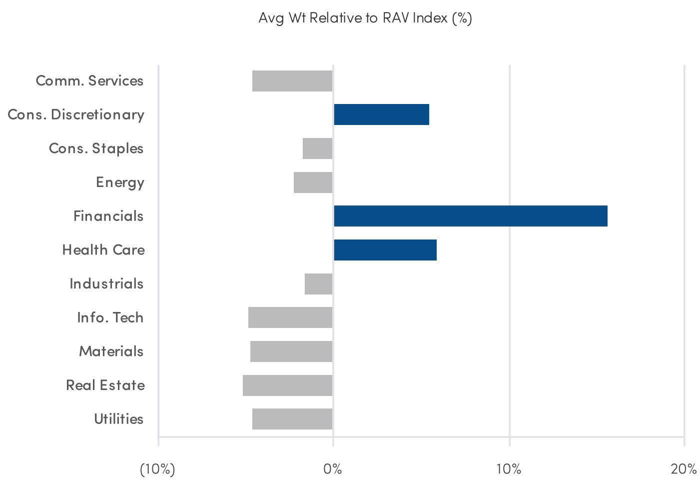
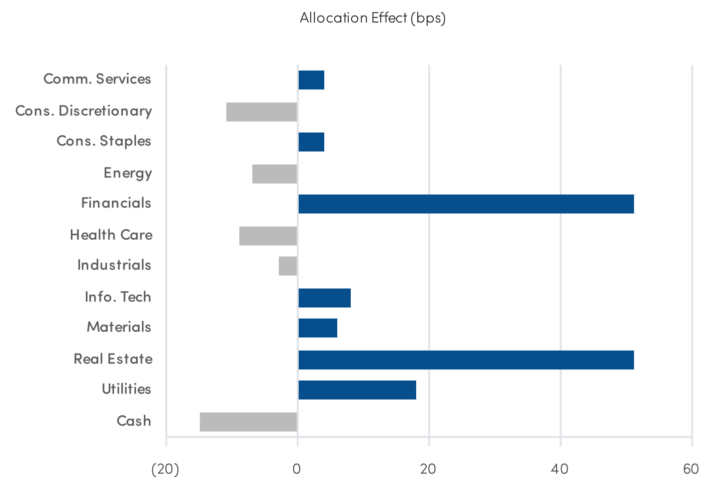
Sector Positioning

Sector allocation effect was a tailwind to the strategy's relative results in the first quarter, with most sectors generating positive contributions. An underweight to Real Estate and Utilities benefited comparative results as these bond proxy sectors were the two worst performing within the Index. An overweight to Financials, one of the best performing sectors within the Index, was also a notable contributor. Partially offsetting these positive results was the portfolio's overweight to Consumer Discretionary and Health Care.





Source: FactSet

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Initiations

Ashtead (ASHTY) is the second largest construction and industrial equipment rental company in North America, with leading positions in Canada and the United Kingdom as well. The rental equipment industry is consolidating, but still fragmented, and scaled companies like ASHTY have a significant moat relative to their smaller peers. Scale advantages drive better network density, improved cross-selling opportunities, and an ability to leverage logistics and service costs. Scale also provides significant procurement advantages with OEMs. Separately, an increase in rental versus ownership is a secular tailwind for the industry, driving further opportunity for growth. This all creates a reinforcing flywheel – scale allows ASHTY to generate better growth in cash flow and higher returns on capital, much of which is reinvested for growth, which feeds back to improved scale. We believe investors are underestimating ASHTY's ability to compound value over the long term.

Eliminations

None.

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Outlook

Equity markets reacted positively to solid economic reports and better than expected corporate earnings during the quarter. The risk of imminent recession seems low, supply chains continue to improve, and artificial intelligence is stoking optimism about long term productivity growth, providing a promising backdrop for equity investors. The broadening of the rally across economic sectors, market caps, and styles towards the end of the quarter was also encouraging. However, market participants, in their zeal to capitalize on the situation, have pushed up valuations – not egregiously in most cases, but certainly to elevated levels relative to historical norms. Seemingly overlooked during the quarter was the Fed's acknowledgement that rate cuts will be deferred and limited until inflation has more clearly moderated, suggesting that the more favorable economic backdrop could be offset by persistently higher interest rates. Geopolitical crises and political dysfunction also remain concerning. All things considered, we believe selectivity and risk control are increasingly important in the current investing environment. At Cooke & Bieler these considerations start with our valuation discipline and rigorous process, focused on investing in well managed, financially strong companies with competitively advantaged businesses that generate attractive returns on capital and strong cash flows. With that focus in mind, typical Cooke & Bieler investments target both downside protection in protracted down markets and longer-term upside as they compound value, which we believe will bode well given the current environment.

Sources: Bloomberg, FactSet

Additional Cooke & Bieler Concentrated Value Performance Disclosures