



# Concentrated Value Equity

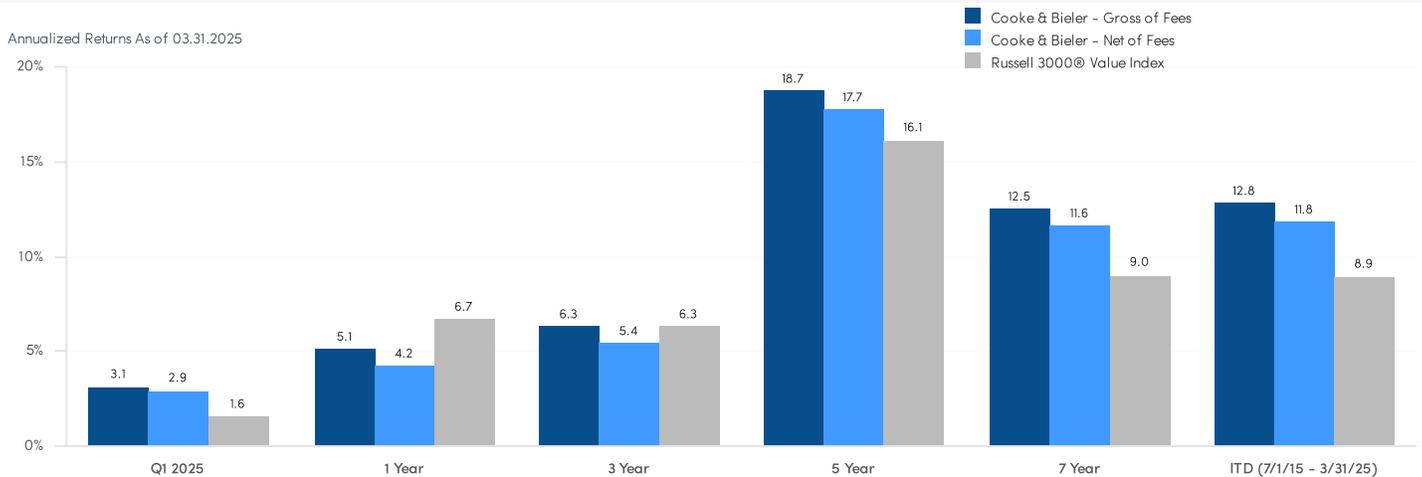
## Overview

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 Concentrated Value Strategy outperformed the Index during the volatile first quarter, posting a 3.09% return gross of fees (2.88% net of fees) against a 1.64% return for the Russell 3000® Value Index. Stock selection effect added to portfolio performance, while negative sector allocation effect slightly offset these results. More than all of the total contribution from stock selection was attributable to the strategy’s Consumer Staples holding, Philip Morris. Real Estate and Industrials holdings also aided relative performance. Laggards in the Health Care and Consumer Discretionary sectors such as Teleflex and Winnebago Industries partially offset these positive results.

## Concentrated 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)
Philip Morris	6.2	33.1	182
Fidelity National Financial	6.2	16.8	97
Crown Castle	5.0	16.6	82
RB Global	5.9	11.5	61
Johnson & Johnson	4.0	15.6	57

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Teleflex	4.9	-22.2	-115
Ashtead Group	5.7	-13.4	-79
Brookfield	7.6	-8.6	-67
Winnebago	1.8	-27.4	-55
State Street	4.6	-8.1	-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 Concentrated Value institutional portfolio's gross of fees return relative to the Russell 3000® Value Index. The Concentrated Value composite returned 2.88% net of fees and 3.09% 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 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

**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.

**Ashtead Group (ASHTY)**, the second-largest construction and industrial equipment rental company in North America, was the second-largest detractor. Results during the quarter were flat, with modest growth in rentals offset by the downward normalization of post pandemic used equipment sale economics. Cyclical softness in local construction markets has also weighed on investor sentiment. With normalization headwinds largely complete and management optimizing equipment, ASHTY continues to be well positioned to drive solid growth once end market demand recovers.

**Brookfield (BN)**, a global investor, operator, and asset manager of real assets, was the third-largest detractor. Investor sentiment cooled during the first quarter after two quarters of strong performance, perhaps driven by a *Barron's* article highlighting the complexity of BN's business model and the difficult environment for some of their real estate assets. We believe both factors are manageable and reflected in the current stock price. Business fundamentals continue their upward trajectory, consistent with their Analyst Day expectations laid out six months ago.

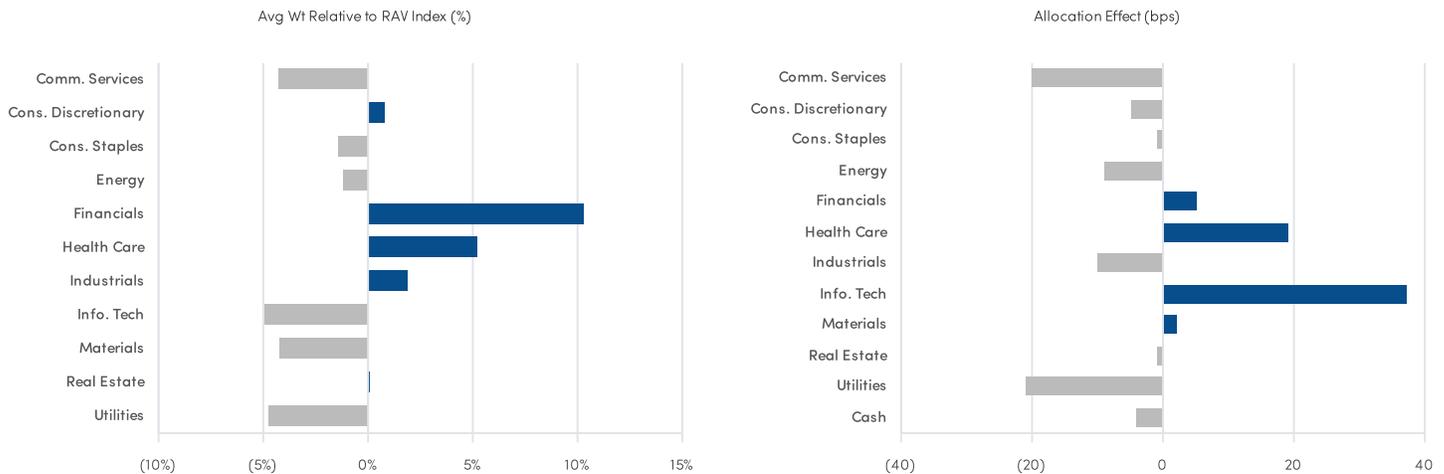




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## Sector Positioning

Sector allocation effect was slightly negative for the first quarter. An underweight to Utilities and Communication Services – two of the top performing benchmark sectors – detracted most, with investors flocking to perceived safe havens and bond proxies as interest rates fell. An overweight position in Industrials and underweight to Energy also posed headwinds to results. Conversely, an underweight to Information Technology contributed most as the sector posted the weakest results within the Index. An overweight to Health Care was also additive.



Source: FactSet

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## Initiations

There were no initiations.

## Eliminations

There were no eliminations.





# Concentrated 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 across strategies 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

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 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 Concentrated Value institutional portfolio for the quarter ending 3/31/25. 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 Concentrated 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 Value Performance Disclosures](#)