COOKE & BIELER

Q3 2025

Concentrated Value Equity

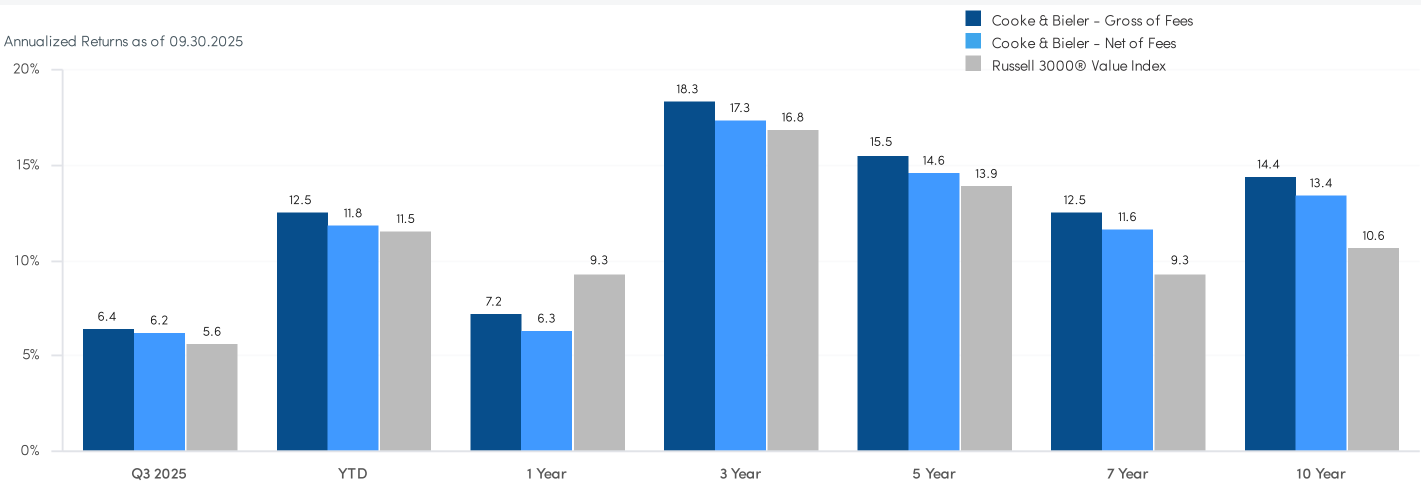
Overview

Investors were focused on the growing likelihood of more accommodative monetary policy in the third quarter, though the underlying drivers of these expectations shifted as the quarter progressed. Promising inflation data released in early August and the prospect of a Goldilocks outcome gave way to softening employment data and a cautionary central bank forecast later in the month. Despite this shifting narrative, expectations for lower interest rates remained relatively unchanged. This expectation, aided by corporate earnings performance that was generally better than even pre-Liberation Day guideposts, inspired a broad-based rally for U.S. equities. By the end of the quarter, signs of speculation were apparent. Trading volume in single-stock call options and leveraged ETFs surged, funds poured into AI-themed and precious metal ETFs, and small cap indices rose meaningfully. The powerful rally in smaller stocks was propelled by higher beta stocks of lower quality companies – particularly non-earners – with higher levels of debt. Biotech, software, and metals & mining stocks were notable standouts here. And although market leaders differed across the capitalization ranges, perceived safe havens such as Consumer Staples and even apparent beneficiaries of a lower interest rate regime such as REITs were consistent laggards.

Portfolio Performance & Developments

Cooke & Bieler's Concentrated Value Strategy outperformed the benchmark during the third quarter, posting a 6.37% return gross of fees (6.16% net of fees) against a 5.63% return for the Russell 3000® Value Index. Stock selection was positive, partially offset by negative sector allocation. Selection was strongest among Information Technology and Health Care holdings such as TE Connectivity and Johnson & Johnson. Consumer Discretionary holdings also outperformed the benchmark during the period. Conversely, Consumer Staples and Real Estate holdings Philip Morris and Crown Castle underperformed the benchmark.

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.

Click for additional C&B Concentrated Value Performance Disclosures

Concentrated Value Equity

Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Gildan Activewear	5.1	17.9	87
Johnson & Johnson	4.1	22.3	87
Brookfield Corporation	6.4	11.0	83
TE Connectivity	1.6	19.5	83
UnitedHealth Group	3.3	11.4	57

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Philip Morris	4.2	-11.5	-74
White Mountains Insurance	1.6	-6.3	-24
Crown Castle	4.6	-5.0	-23
Chubb	5.5	-2.2	-7
Teleflex	3.5	3.7	6

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 portfolio's gross of fees return relative to the Russell 3000® Value Index. The Concentrated Value composite returned 6.16% net of fees and 6.37% 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.

Largest Contributors

Gildan Activewear (GIL), the largest basic apparel manufacturer, was the largest contributor. Investors responded favorably to GIL's announced acquisition of Hanesbrands. The combination should be significantly accretive to GIL on the basis of cost synergies as well as new opportunities in the retail activewear end markets.

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 raised full year guidance. The stock's valuation has improved as concerns about patent expirations and near-term growth have faded.

Brookfield Corporation (BN), a global investor, operator, and asset manager of real assets, was the third-largest contributor. Business fundamentals continue their upward trajectory, and expectations of increased monetization activity remain, while a newer long-term growth opportunity – on which BN is well positioned to capitalize – has emerged in retirement accounts for private assets. Their recent annual Analyst Day highlighted these trends and investor sentiment continues to improve.

Largest Detractors

Philip Morris (PM), a leading global tobacco products manufacturer, was the largest detractor. The stock surrendered a portion of its earlier gains amid investor concerns about intensifying competition in the U.S. nicotine pouch category.

White Mountains Insurance (WTM), a holding company that owns insurance and financial services related businesses, was the second-largest detractor. Fundamental results were adequate during the quarter, with adjusted book value per share growing 6%. WTM also increased their acquisition activity, closing one deal and announcing two others that will close in the second half of 2025. With no earnings calls or sell-side coverage, it is a business that investors may forget about during market rallies.

Crown Castle (CCI), a leading lessor of cell towers and small cells to wireless network operators, was the third-largest detractor. CCI underperformed on news of EchoStar selling its spectrum rights to various parties, implying that EchoStar will not grow into a major cell tower tenant over the long run.

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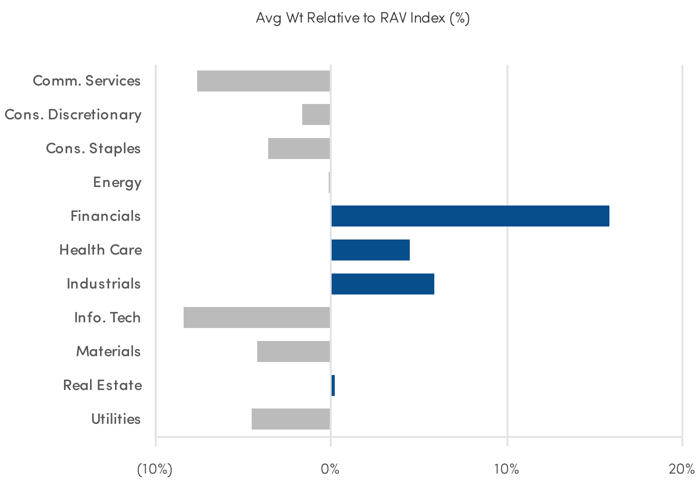
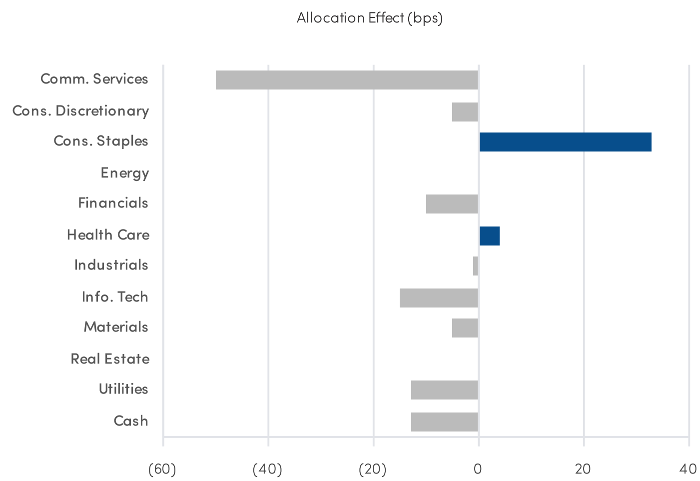
Sector Positioning

Sector allocation effect was negative during the quarter. The portfolio's underweight to Communication Services, the top performing benchmark sector, posed the largest headwind to results. An underweight to Information Technology and Utilities sectors – both of which have benefited from the increasing use of AI – also detracted from overall performance. Conversely, the portfolio's underweight to Consumer Staples – the only sector within the benchmark with a negative absolute return – was the largest tailwind.





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 portfolio's gross of fees sector return relative to the Russell 3000® Value Index. The Concentrated Value composite returned 6.16% net of fees and 6.37% gross of fees during the quarter. Please see additional performance disclosures at the end of this document.

Initiations

Arch Capital (ACGL) is a Bermuda-based specialty property & casualty (P&C) and mortgage insurer. Their niche approach to P&C underwriting and emphasis on risk management in mortgage insurance combined with their superior cycle management and appreciation for capital preservation – all ingrained in their culture – have led to a long track record of above-average returns. We begrudgingly eliminated ACGL in 2023 as the stock price exceeded our growing estimate of intrinsic value. The stock price is nearly back to levels where we last eliminated it, despite book value per share increasing approximately 50% over the last two years, giving us another chance to own this compounder.

London Stock Exchange (LNSTY) is a leading operator of financial exchanges and clearinghouses as well as a provider of financial data. In addition to the London Stock Exchange, the company owns 51% of fixed income trading platform Trade Web, is the owner of the Russell and FTSE stock indices, and operates LCH, the largest central clearinghouse of over-the-counter derivatives. LNSTY also sells desktop software that enables financial analysis, modeling, and related data feeds to financial institutions and others. Recently, investors have grown concerned that their desktop business could fall victim to competition from new AI entrants. However, LNSTY has its own AI partnership with Microsoft, giving it the ability to integrate leading AI tools into an enterprise quality platform. Their unique historical data sets would also be difficult for any new entrant to replicate. Overall, we expect LNSTY to compound value for shareholders at an above average rate for years to come.

White Mountains Insurance (WTM) is a holding company that owns insurance and financial services related businesses. Management takes a long-term view and generates solid returns from these businesses over time. They add incremental value by opportunistically buying new businesses and selling existing businesses, often generating substantial gains. Cash flow and divestiture proceeds are opportunistically allocated, often via share repurchases, with shares outstanding declining by approximately 75% over the last 20 years. WTM does not hold quarterly investor calls, and there is virtually no sell-side coverage. We believe the stock price is persistently cheap, despite a proven track record of compounding book value per share at healthy levels.

Concentrated Value Equity

Eliminations

Philip Morris (PM) and **State Street (STT)** were eliminated to make room for better opportunities.

TE Connectivity (TEL) reached its price target and was eliminated.

Outlook

Our investment approach – centered on investing in quality companies at attractive valuations based on long-term fundamentals – can struggle in risk-on environments dominated by thematic and momentum driven trading schemes. The more market participants are motivated by fear of missing out and avidly chasing popular trends, the more out of sync we are. While the portfolio has performed relatively well in 2025, our strategies overall have faced fierce headwinds. We readily admit we do not know when the environment will become more constructive for our style. However, we are confident it will shift at some point, and when it does, we believe we will be even more favorably situated. Paraphrasing economist Ben Graham, the stock market is a sentiment driven voting machine in the short run and a cash flow weighing machine in the long run. By remaining steadfastly committed to our approach, even during challenging times when our overall style is out of favor, we have crafted a portfolio full of attractively valued stocks of companies generating above average returns on capital, underpinned by durable competitive advantages, skilled management teams, and flexible balance sheets. Most of them performed well fundamentally during the quarter and are well positioned to continue growing earnings and cash flow at above average rates. In many cases, far afield from the frenzied corners of the market where stock prices have soared, these stocks are trading for undemanding valuations, simultaneously providing potential downside protection as well as long-term upside. We see the portfolio's current combination of quality and value as unusually attractive and are confident we are stacking the scale.

Sources: Bloomberg, FactSet, Morningstar, Reuters, Strategas

Additional Cooke & Bieler Concentrated Value Performance Disclosures