



# Large Cap Value Equity

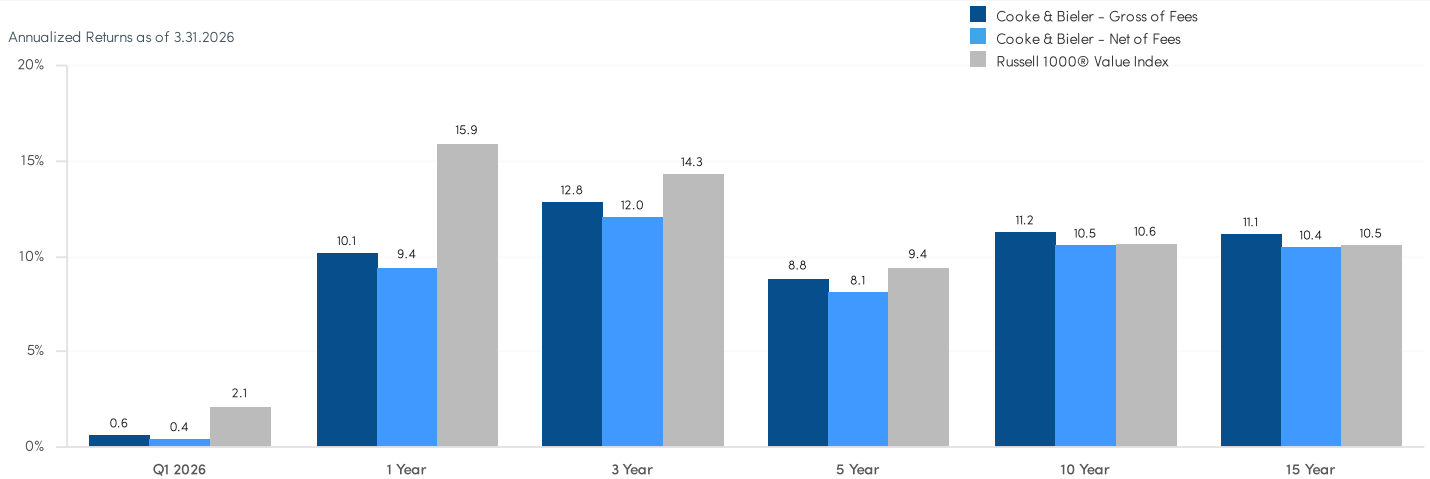
## Overview

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 Large Cap Value Strategy underperformed the Russell 1000® Value Index during the volatile quarter, ultimately posting a 0.58% return gross of fees (0.42% 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 slight headwind. Stock selection in Industrials detracted most, with economically sensitive holdings Sunbelt Rentals, RB Global, and Allegion in the trading companies & distributors, commercial services, and building products industries pulling back meaningfully. Real Estate, Information Technology, and Consumer Staples holdings such as Crown Castle, Open Text, and Unilever also lagged the broader market. Conversely, Financials holdings such as RenaissanceRe and Chubb were the largest contributors to stock selection effect. Consumer Discretionary, Energy, and Health Care holdings also benefited relative results.

## 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 (%)	Gross Contrib. to Return (bps)
ConocoPhillips	2.8	42.1	100
Occidental Petroleum	1.8	58.8	87
EOG Resources	1.7	39.0	57
Verizon Communications	2.5	25.4	53
Johnson & Johnson	2.2	18.7	38

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Walt Disney	2.8	-15.3	-43
Fidelity National Financial	2.8	-14.1	-39
Fiserv	2.1	-16.9	-38
UnitedHealth Group	1.8	-17.4	-34
Gildan Activewear	3.9	-10.5	-32

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 Large Cap Value institutional portfolio's gross of fees return relative to the Russell 1000® Value Index. The Large Cap Value composite returned 0.42% net of fees and 0.58% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's 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.

**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.

**EOG Resources (EOG)**, one of the largest crude oil and natural gas exploration and production companies in the United States, was the third-largest contributor. The stock benefited from improved sentiment toward the Energy sector and continued execution on its low-cost operating model. EOG's strong balance sheet, focus on disciplined capital allocation, and internally generated drilling inventory supports consistent production growth and resilient cash flow generation. In addition, progress across emerging assets and exploration efforts has modestly eased concerns around the company's long-term resource depth and ability to sustain returns across commodity cycles.

## 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.

**Fidelity National Financial (FNF)**, the largest provider of title insurance and settlement services in the U.S., with additional operations in annuities, was the second-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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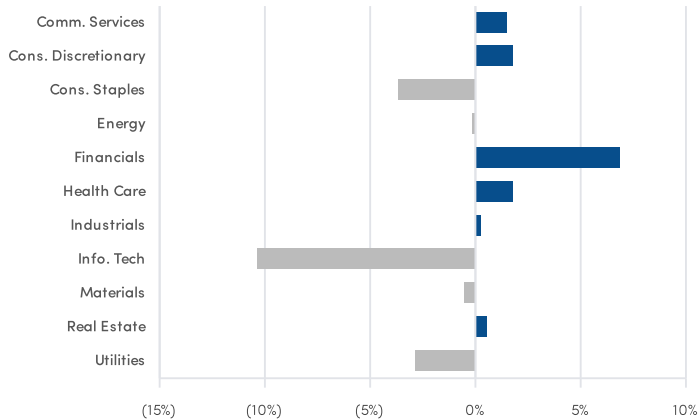
## Largest Detractors (continued)

**Fiserv (FISV)**, a leading provider of payments and financial technology solutions, was the third-largest detractor. The stock was pressured by broader weakness across the payments and financial technology sector, as well as continued near-term growth deceleration amid the company's ongoing strategic reset. Organic revenue growth remained muted, with softness in its Financial Solutions segment and slower trends in merchant processing partially offset by steady performance by their software and processing product, Clover. In addition, margin compression reflected reinvestment in the business, including platform consolidation, product modernization, and pricing adjustments. While these actions weighed on near-term results, they are intended to reposition the business for more durable growth, with management focused on simplifying operations, enhancing product capabilities, and rebuilding its long-term growth algorithm.

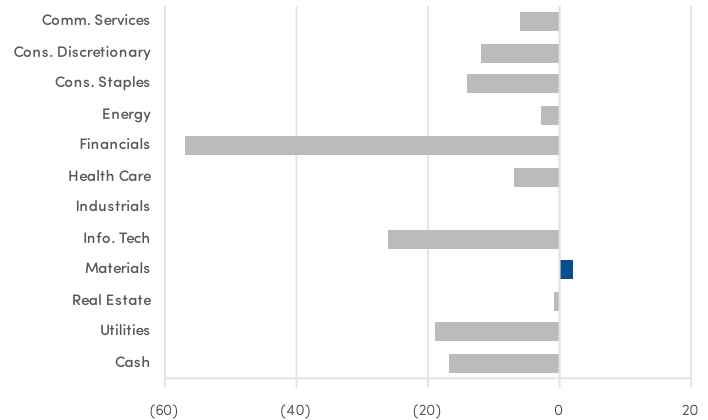
## Sector Positioning

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 the impact here was less prominent than in smaller cap strategies given softer performance among certain mega cap benchmark constituents. The portfolio's underweight to Utilities and Consumer Staples also hindered results as renewed recession fears benefited perceived safe havens. Conversely, an underweight to Materials was a slight tailwind.

QTD Avg Wt Relative to RLV Index (%)



QTD Allocation Effect (bps)



Source: FactSet

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# Large 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.

**Automatic Data Processing (ADP)** is a scaled leader in payroll and HR software and services, with roughly \$20 billion in revenue and a leading position in a fragmented market where scale matters. Its competitive strength comes from deep workflow integration, broad product breadth, and the ability to manage regulatory complexity for global employers, which supports high retention and steady cross-selling opportunities. Growth is supported by continued SMB formation and steady enterprise demand, rising HR complexity, and ongoing back-office automation, while key economic levers include new business bookings, pay-per-control expansion, client retention, client-funds interest, and module upsell. Financially, ADP combines durable cash generation and margin resilience with disciplined capital returns, including dividends and buybacks. We view the recent share-price pullback – driven by softer hiring activity and a more cautious labor market outlook, along with AI-related concerns – as an entry opportunity, and believe ADP remains well positioned to compound value through steady organic growth, operating leverage, and selective M&A.

**International Flavors & Fragrances (IFF)** is a global provider of flavors, fragrances, and bioscience-based solutions. The company's high-value, research-driven inputs are critical to customer products despite representing a small portion of overall cost, creating strong switching costs and durable customer relationships. Following a period of integration challenges and elevated leverage, management has refocused the business on operational discipline, portfolio optimization, and deleveraging, positioning IFF to improve margins, free cash flow, and returns over time. In addition, its leading positions across taste, scent, and biosciences, supported by strong R&D capabilities and global scale, provide a foundation for steady long-term growth.

**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.

**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

**Atmos Energy (ATO)** and **XPO (XPO)** reached their price targets and were eliminated.

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

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

**Open Text (OTEX)** was eliminated to make room for better 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, 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 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 Large 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 Large 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 1000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's 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 Large Cap Value Performance Disclosures](#)