



# Mid Cap Value Equity

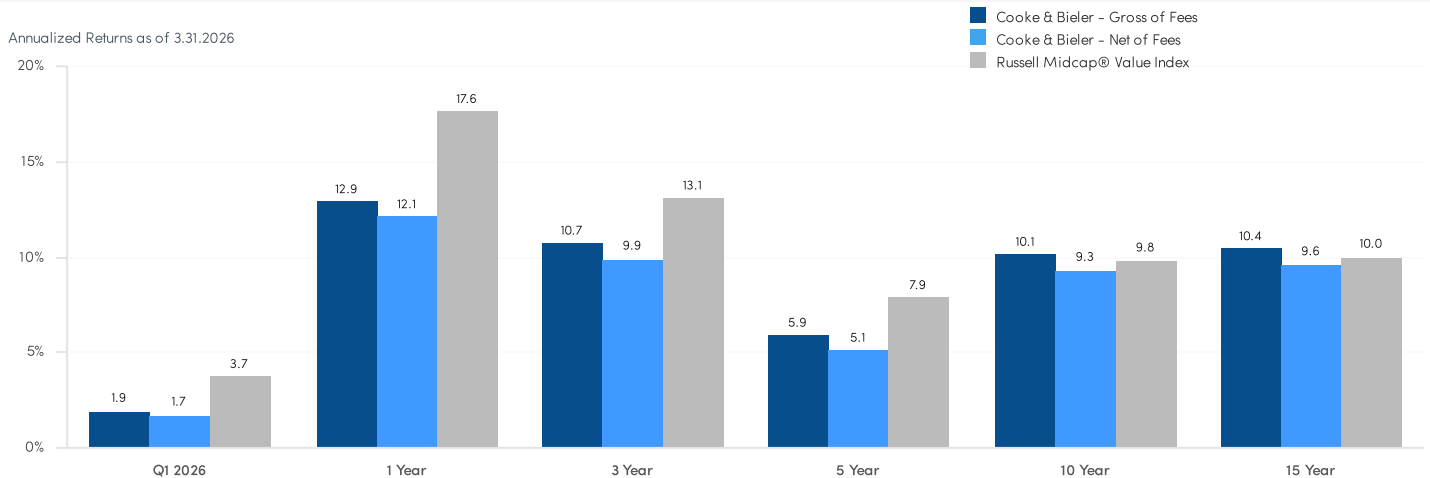
## Overview

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 Mid Cap Value Strategy underperformed the Russell Midcap® Value Index during the volatile quarter, ultimately posting a 1.88% return gross of fees (1.69% net of fees) against a 3.68% benchmark return, despite handily beating the Index in the first half of the period. While stock selection effect was positive, it failed to overcome significantly negative sector allocation effect. Selection was strongest within Financials, particularly insurance companies RenaissanceRe and White Mountains. Information Technology and Consumer Discretionary holdings such as MKS and Valvoline also contributed to relative results, as did the portfolio’s Energy holdings. Conversely, Materials and Real Estate holdings such as Avery Dennison and Crown Castle lagged the broader market. Communication Services holdings posed an additional headwind.

## Mid 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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# Mid Cap Value Equity

## Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
MKS Inc.	2.3	44.0	137
Occidental Petroleum	2.5	58.8	118
EOG Resources	1.6	39.0	55
Woodward	2.5	18.5	39
Timken	1.8	19.9	32

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Fiserv	2.1	-16.9	-39
Fidelity National Financial	2.8	-14.1	-38
Gildan Activewear	3.9	-10.5	-35
Brookfield Asset Mgmt.	1.9	-14.2	-34
Warner Music Group	1.9	-16.2	-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 Mid Cap Value portfolio's gross of fees return relative to the Russell Midcap® Value Index. The Mid Cap Value composite returned 1.69% net of fees and 1.88% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Mid 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

**MKS Inc. (MKS)**, a supplier of critical subsystems and components used in semiconductor manufacturing and electronics packaging, was the largest contributor. The stock benefited from improving sentiment around a semiconductor capital equipment upcycle. Recent memory shortages caused by increased AI use have investors anticipating greater equipment spending by memory players. In addition, ongoing debt reduction and strong free cash flow generation have improved balance sheet flexibility and reinforced confidence in the company's ability to benefit from the cycle's recovery.

**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

**Fiserv (FISV)**, a leading provider of payments and financial technology solutions, was the 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.

**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.

**Gildan Activewear (GIL)**, the largest basic apparel manufacturer, was the third-largest detractor. GIL completed its acquisition of Hanesbrands, a combination that should be significantly accretive to GIL both from cost synergies as well as new opportunities in the retail activewear end markets. Investors' near-term concern about integration risks as well as broader consumer trepidation weighed on shares in the quarter.



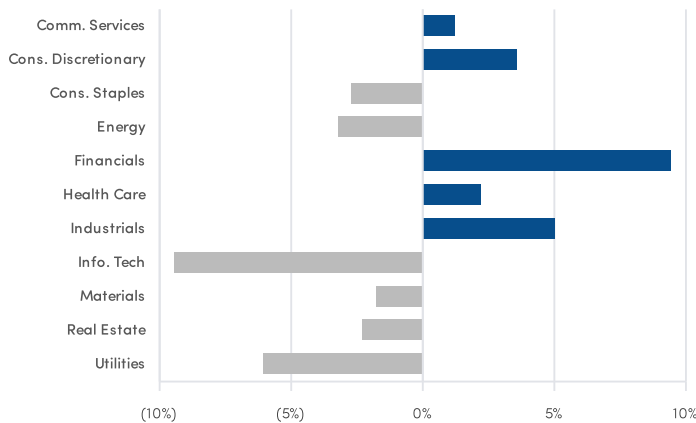


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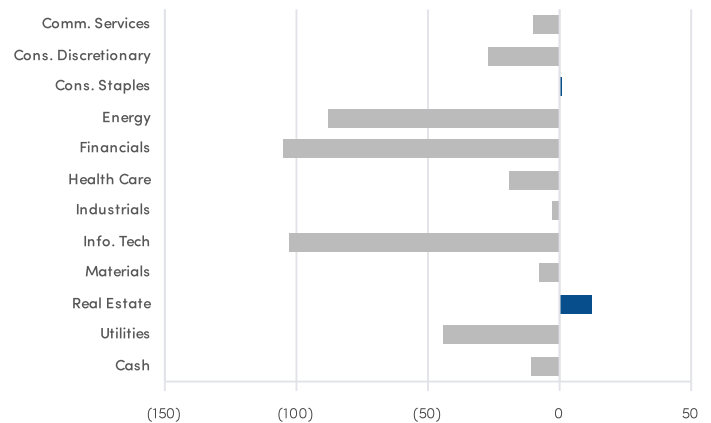
## Sector Positioning

Sector allocation effect was broadly negative during the quarter, with the most pronounced negative impact stemming from the strategy's overweight to Financials and underweight to Information Technology and Energy. The overweight to Financials, the worst performing benchmark sector, detracted most as the market embedded less dovish monetary policy expectations. While the portfolio's lone Information Technology holding outperformed the overall benchmark sector return, a significant underweight to the second best performing sector posed another large headwind to allocation results. Meanwhile, as oil prices soared following the closure of the Strait of Hormuz, Energy holdings within the benchmark posted a 36.71% return – by far the top performing sector. Though the strategy's Energy holdings generated better comparative returns, a significant underweight here further detracted from relative results. Conversely, the strategy's underweight to Real Estate was a partial positive offset.

QTD Avg Wt Relative to RMV Index (%)



QTD Allocation Effect (bps)



Source: FactSet

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# Mid Cap Value Equity

## Initiations

**Acuity (AYI)** is the largest and most profitable provider in the North American lighting industry, with a growing presence in intelligent building controls. The company combines leading market share with a strong reputation for product quality and service, supporting above-average margins and consistent cash flow generation. While near-term demand in traditional lighting markets has been soft, AYI has continued to maintain and gain share through differentiated offerings and a robust project pipeline. Importantly, the company is increasingly positioning itself beyond lighting through investments in intelligent spaces, including controls, networking, and building management platforms, which provide incremental growth opportunities and expand its value proposition. This strategic evolution, alongside disciplined capital allocation and a strong balance sheet, supports confidence in AYI's ability to sustain attractive returns over the long term.

**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.

**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.

**Lithia Motors (LAD)** is a leading automotive dealer with locations in the United States, the United Kingdom, and Canada. LAD is a well-run, diversified auto dealer trading at an attractive valuation. Franchise agreements in the U.S. provide auto dealers exclusive rights to sell new, certified pre-owned, and some services for specified OEM brands in a specific geographic area. Additionally, auto OEMs must approve all dealer acquisitions, which provides an advantage for well-capitalized dealers with a proven track record. LAD is run with an owner-operator mentality including contrarian, flexible, and shareholder-friendly capital allocation. After a recent investment phase that included significant inorganic and organic investments, LAD appears to have shifted its significant free cash flow generation to repurchasing its attractively valued stock. Looking ahead, LAD should continue to repurchase shares and further consolidate a large, fragmented market.

## 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.

**Perrigo (PRGO)** was eliminated to make room for better opportunities.

**Waters (WAT)** was received through the spin-off and merger of Becton Dickinson's (BDX) Biosciences and Diagnostic Solutions businesses. We have since eliminated the position.

## 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.



# Mid Cap Value Equity

## 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 Mid 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 Mid 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 Midcap® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Mid 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 Mid Cap Value Performance Disclosures](#)