Q4 2025

Mid Cap Value Equity

Overview

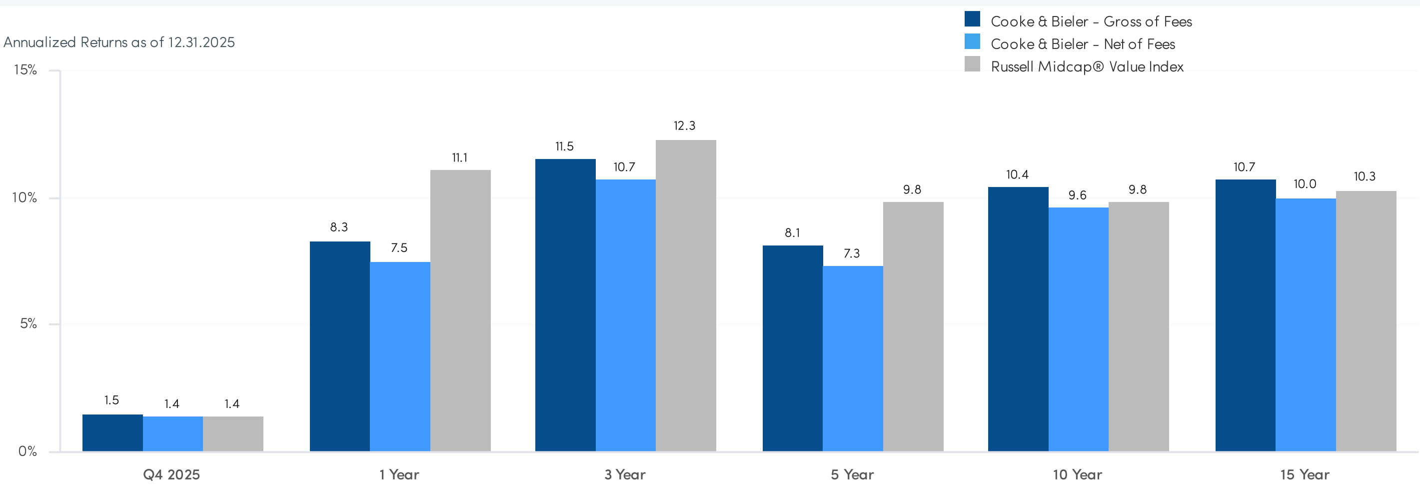
Equities shrugged off a retreat in early October and a poor start to November, closing higher for the quarter and posting the third straight year of double-digit gains for the major indices. A combination of interest rate cuts by the Federal Reserve and strong corporate profitability fueled investor eagerness to buy the dips. Among larger cap stocks, value outperformed growth. Larger stocks also generally outperformed smaller ones, though returns among the AI-fueled mega caps were mixed. Indeed, the headline numbers disguised substantial variance across sectors and a pronounced low-quality bias that persisted for much of the quarter, particularly among smaller cap names, where many non-earning and pre-revenue companies posted remarkable gains. Traditionally defensive areas generally lagged, including diversified telecommunications and cable companies along with Consumer Staples. Long-suffering Health Care investors saw some relief, though down the cap spectrum this strength was driven more by speculation in biotechnology than bargain hunting among proven businesses. A fourth straight quarterly decline in oil prices pressured Energy producers, while the failure of long-term yields to fall in response to the most recent Fed rate cut hurt stocks of homebuilders and building products companies.

Portfolio Performance & Developments

Cooke & Bieler's Mid Cap Value Strategy slightly outperformed the Index during the fourth quarter, posting a 1.54% return gross of fees (1.35% net of fees) against a 1.42% return for the Russell Midcap® Value Index. Negative stock selection effect was offset by positive sector allocation effect. Selection was weakest within Health Care, with Index holdings outperforming strategy holdings by approximately 16%. While several holdings such as Perrigo, Labcorp, and Baxter posted negative returns, the Index constituents not held in the portfolio also weighed on relative performance, with multiple benchmark holdings in the biotechnology, life sciences, and pharmaceutical industries posting staggering returns. Communication Services and Consumer Staples holdings such as Warner Music Group and Flowers Foods also detracted, as did the portfolio's Energy holdings. Conversely, Financials holdings such as White Mountains and RenaissanceRe outperformed the benchmark, as did the strategy's Industrials and Information Technology holdings.

For the full year, though absolute performance was strong, relative performance lagged, with most of the underperformance surfacing late in the third quarter. Negative stock selection effect was partially offset by positive allocation effect. Stock selection within the Health Care sector was the largest detractor, with Consumer Discretionary and Consumer Staples holdings also lagging the benchmark. The portfolio's Industrials holdings were a bright spot in 2025, with Information Technology holdings also benefiting relative results.

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.

Click for additional C&B Mid Cap Value Performance Disclosures

Mid Cap Value Equity

Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
MKS Inc.	2.9	29.3	84
White Mountains Insurance	3.1	24.3	65
Charles River Laboratories	2.1	27.5	51
Woodward	2.5	19.8	46
RenaissanceRe	3.2	10.9	34

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Perrigo	0.9	-36.1	-49
CarMax	0.5	-31.2	-44
Valvoline	1.9	-19.1	-39
Labcorp Holdings	2.9	-12.4	-37
Baxter International	0.7	-18.9	-33

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 1.35% net of fees and 1.54% 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.

Largest Contributors

MKS Inc. (MKSI), a supplier of critical subsystems and components used in semiconductor manufacturing and electronics packaging, was the largest contributor. Shares advanced as the company delivered better than expected results and signaled improving demand across several end markets. Strength was driven by continued recovery in semiconductor capital equipment, solid performance in advanced packaging, and resilience in consumables tied to their Atotech acquisition. Investors were also encouraged by steady progress on debt reduction and improved balance sheet flexibility following recent refinancing actions. While certain industrial end markets remain softer and margin normalization will vary with the cycle, MKSI's scale, diversified revenue base, and exposure to secular growth in semiconductor complexity support the longer-term investment case.

White Mountains Insurance (WTM), a diversified insurance and related financial services holding company, was the second-largest contributor. WTM closed on the sale of a controlling stake in their California-based managing general agent, Bamboo, during the quarter, adding an estimated $325/share to year-end book value. WTM will receive $840 million in proceeds and retain a 15% stake, valued at approximately $250 million for an asset they acquired just six quarters ago for under $300 million. With undeployed capital now in excess of $1 billion, management launched a Dutch auction tender offer, repurchasing 2.5% of shares at prices below book value. Other operating businesses continue to perform well and we expect continued, but lumpy, gains on sale over the next several years.

Charles River Laboratories International (CRL), the world's largest provider of outsourced nonclinical services, was the third-largest contributor. The stock surged on better than expected quarterly results, including indications of improving demand for CRL's preclinical safety and assessment trial services.

Largest Detractors

Perrigo (PRGO), the dominant provider of store brand OTC products in the U.S. and UK and a leading provider of branded Self-Care products, primarily in Europe, was the largest detractor. Continuing challenges in the company's infant formula business and softening consumer demand for OTC products resulted in disappointing quarterly revenue growth and lowered full year EPS guidance, pushing PRGO's valuation below historic lows.

CarMax (KMX), the largest used vehicle retailer in the U.S., was the second-largest detractor. Shares declined following management commentary that pointed to weaker unit volumes and a more challenging competitive environment, raising concerns about the company's ability to sustain market share gains. While KMX has continued to protect unit-level profitability through disciplined pricing and cost control, demand softness and elevated inventory levels pressured results and weighed on near-term visibility. Investor sentiment was further impacted by leadership uncertainty, reinforcing questions around the durability of the company's operating model. Although the stock now appears inexpensive on traditional valuation measures, the erosion of share gains undermines the core investment thesis and drove the ultimate elimination during the quarter.

Valvoline (VVV), the leading operator and franchisor of quick lube service centers, was the third-largest detractor. While results in the quarter were decent, management provided a negative update regarding the previously announced Breeze Autocare acquisition. The deal had been delayed by the FTC which subsequently required VVV to divest ~22% of Breeze's store locations in order to complete the deal, reducing some scale advantages. Worse still, the divested stores' implied per store valuation was significantly lower than the remaining stores VVV ultimately acquired, increasing the per store price they paid. VVV management remains excited about the completed deal's prospects, but the deal math is clearly less attractive than the initial agreement.

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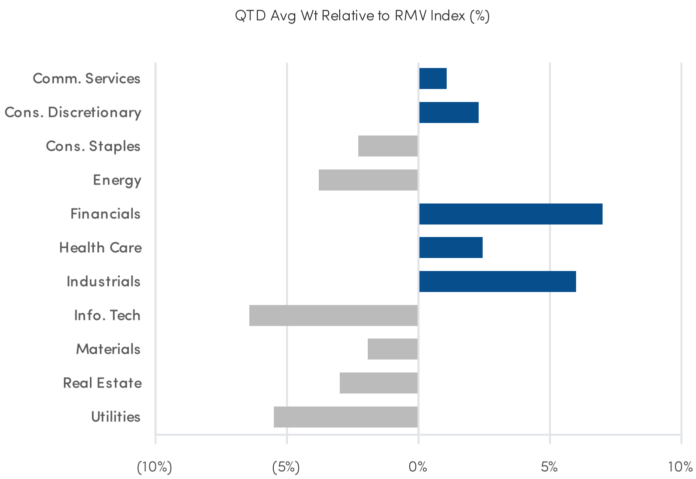
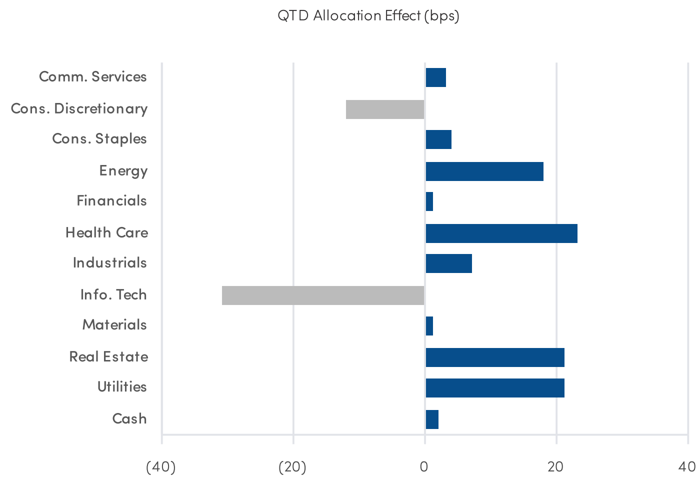
Sector Positioning

Sector allocation effect was positive in the fourth quarter, with the majority of sectors contributing to relative performance. An overweight to Health Care, which posted the best return in the benchmark, was the most additive. The strategy's underweight to the poorly performing Real Estate and Utilities sectors also contributed to portfolio performance. Conversely, an underweight to Information Technology detracted most as the sector continued its impressive run. The portfolio's overweight to Consumer Discretionary was also a headwind.

For the full year, sector allocation effect was positive. An underweight to Real Estate was the biggest contributor as inflation remained stubborn and Fed rate cuts failed to support this typically rate sensitive area of the market. The portfolio's overweight to Industrials and underweight to Materials generated additional tailwinds. However, an underweight to Information Technology and overweight to Health Care posed the largest headwinds.





Source: FactSet

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Mid Cap Value Equity

Initiations

Aramark (ARMK) is a global leader in the food services and facilities management industry. As one of the few scaled global players, ARMK is well positioned to provide a differentiated service to customers based on its ability and willingness to invest in technology, supply chain, procurement (including owned Group Purchasing Organization), and workforce. Executing on its strategy of gross new wins of 8-10% and client retention of mid-90%+ should lead to solid organic growth and further scale in its GPO, which provides some operating leverage. ARMK's balance sheet continues to improve, providing optionality to create shareholder value.

Avery Dennison (AVY) produces pressure sensitive materials and a variety of tickets, tags, labels, and other converted products. They are the dominant player in pressure sensitive label stock and intelligent labels. Avery is the only vertically integrated player in their core markets with know-how in adhesives and polymers. Their scale, material science expertise, and process technology capabilities drive lower costs, growth in high-value categories, and ultimately better margins and cash flows. With return on capital consistently in the mid-teens and a stable and conservative capital structure, AVY is a proven compounder. Intelligent labels have clear secular growth tailwinds from increased penetration, but a near-term slowdown afforded us the opportunity to buy this high quality business at an attractive price.

Becton Dickinson (BDX) develops, manufactures, and sells more than 45 billion medical products annually. Its broad portfolio of devices and supplies includes prefillable syringes, needles for medication administration and blood collection, IV and urologic catheters, biological grafts, and peripheral vascular interventions. BDX's leading market share positions in most of its large end markets give the company important economies of scale advantages in manufacturing, logistics, R&D, and sales and marketing, which are evident in the company's attractive return on capital profile. The consumable, ubiquitous, and necessary nature of demand for most of BDX's products make revenues highly dependable. We believe that the company's solid track record of consistent high single-digit EPS growth is not currently reflected in the stock's valuation, which recently has been weighed down by macro weakness in several end markets and uncertainty surrounding tariffs.

EOG Resources (EOG) is one of the largest independent oil and gas exploration and production companies in the United States, with a diversified portfolio of high-quality assets across the Permian, Eagle Ford, and other core basins. The company has long differentiated itself through a disciplined, technology-driven approach focused on organic exploration, cost control, and returns on capital rather than growth for growth's sake. EOG's scale, first-mover acreage positions, and deep technical expertise have enabled it to sustain a low-cost structure and generate free cash flow across commodity cycles while maintaining a pristine balance sheet. Despite these strengths, the stock trades at a modest valuation reflecting investor caution toward commodity price volatility and longer-term inventory concerns. We believe EOG's depth of high-return inventory, capital discipline, and shareholder-focused cash return framework position the company to compound value over time, even in a more normalized commodity price environment.

Fiserv (FISV) is a global provider of financial technology solutions. The company's core bank processing business generates high margins and stable recurring revenue due to the repeatable nature of its services and significant switching costs. In addition, its merchant processing operations create meaningful cross-sell opportunities, providing a long runway for revenue growth.

Middleby (MIDD) is a leader in the commercial foodservice, food processing, and residential kitchen equipment industries. An acquisitive and innovative company, MIDD has developed a formidable position as one of the largest players in the commercial foodservice equipment industry and as a large and growing competitor in the food processing industry. The company has industry-leading margins in both segments, generates strong free cash flow, and has ample white space to continue pursuing bolt-on acquisitions, particularly in its Food Processing segment. With these growth opportunities in mind, MIDD intends to spin off its Food Processing segment into a separate company in early 2026, giving it greater focus and capital flexibility to pursue M&A. The spin should also permit the legacy Commercial Foodservice segment to refocus its portfolio of brands and improve on its already attractive margins. In addition, the Commercial Foodservice segment should see favorable secular/long-cycle tailwinds over the next several years as chain QSR and fast casual restaurants expand units, integrate automation, and replace aging equipment installed following the GFC. Finally, subsequent to our initiation, MIDD sold a controlling interest in its Residential Kitchen segment at a price that underscores the value we see in the shares and reinforces the company's transition to a higher margin, commercial focus.

Eliminations

Arrow Electronics (ARW), **Baxter International (BAX)**, and **Open Text (OTEX)** were eliminated to make room for better opportunities.

CarMax (KMX) was eliminated due to a broken thesis. During the quarter, the company announced negative comparative sales guidance, therefore likely implying ceding of market share, alongside likely increased SG&A spending.

Flowers Foods (FLO) was eliminated due to a broken thesis, given the company's elevated levels of financial leverage.

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

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Notable Stock Updates

F&G Annuities & Life (FG) was partially spun out of its parent, Fidelity National Financial (FNF). FG primarily offers indexed annuities. We began eliminating the small position shortly after the spin-off.

Outlook

It was a challenging year for the strategy, with a strong disconnect between the fundamental progression and share price performance of the portfolio's holdings emerging forcefully late in the third quarter, extending through most of the fourth quarter. Market behavior became more momentum and sentiment driven as the year progressed, though encouragingly, markets seemed to display greater appreciation for underlying fundamentals during the final weeks of December. Valuations also seemed to be a bigger consideration for investors at the end of the year, as some downtrodden areas of the market showed signs of life. We believe that both of these trends – heightened focus on fundamentals as well as valuation – bode well for the portfolio's holdings going forward. We have already seen some benefit in the non-biotech Health Care space, as activist involvement and asset sales highlighted the compelling value embedded in a number of portfolio holdings. More broadly, our analysis suggests that the EPS growth in 2025 for the portfolio's underlying holdings was higher than that of the Index in many cases, despite the strategy's significant underperformance for the year. Said another way, the portfolio exits the year even less expensive than it entered, while still having demonstrated solid underlying business performance. Some holdings fell so far out of favor that their absolute valuations shrank to near historic lows, despite making fundamental progress during the year. While frustrating to experience, we believe the current environment combined with the makeup of the portfolio sets us up for stronger relative performance in 2026, and we enter the new year increasingly optimistic about the portfolio's prospects.

Sources: Bloomberg, FactSet, Reuters

Additional Cooke & Bieler Mid Cap Value Performance Disclosures