



Small Cap Value Equity

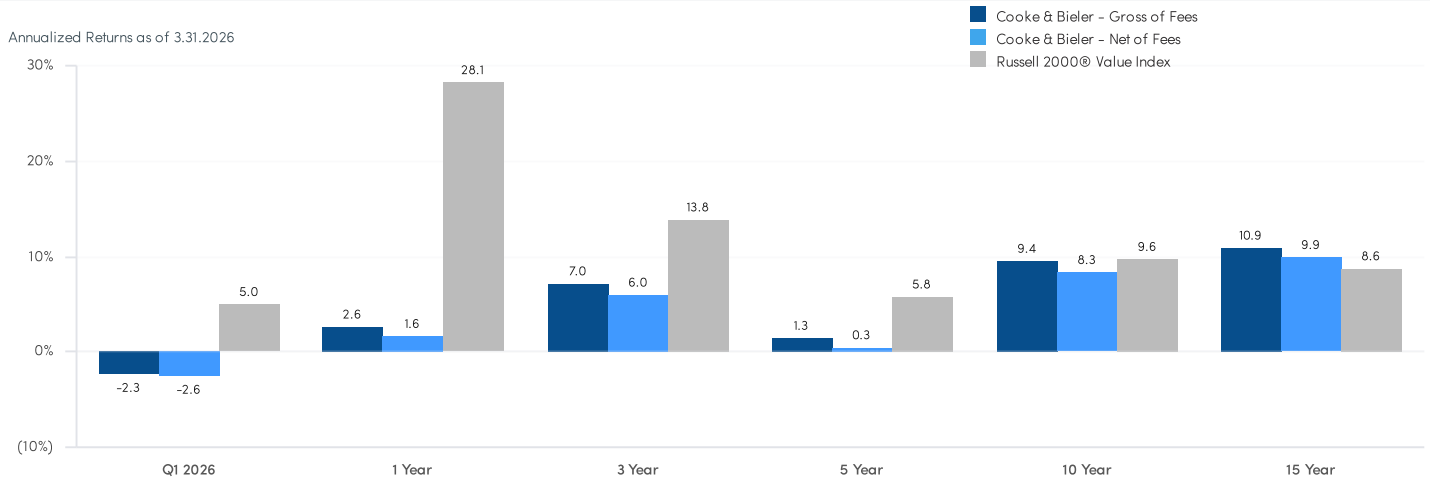
Overview

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 Small Cap Value Strategy significantly underperformed the Russell 2000® Value Index during the volatile quarter, ultimately posting a -2.31% return gross of fees (-2.56% net of fees) against a 4.96% benchmark return, despite handily beating the Index in the first half of the period. Both stock selection effect and sector allocation effect detracted from results, though stock selection was the primary driver of underperformance. Stock selection in Industrials detracted most, with economically sensitive holdings within building products, commercial services, and machinery industries like Janus International, HNI, MasterBrand, and ESAB pulling back meaningfully. Financials holdings also detracted from results, mainly due to material news affecting Burford Capital, though Stewart Information Services and Essent also lagged the broader market as both are sensitive to mortgage activity. Additionally, Health Care holdings continued to detract from performance, particularly CONMED and Perrigo. Conversely, Information Technology holdings such as MKS and Arrow Electronics were a slight tailwind.

Small 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)
MKS Inc.	2.0	46.2	126
WSFS Financial	3.1	18.8	60
Atlas Energy Solutions	1.5	39.3	53
Timken	2.5	19.9	41
Rush Enterprises	1.9	22.9	38

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Burford Capital	2.1	-49.3	-122
Winnebago	2.5	-22.9	-54
Gildan Activewear	4.6	-10.5	-50
Janus International	2.0	-21.3	-44
Dream Finders Homes	1.9	-18.6	-42

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 Small Cap Value institutional portfolio's gross of fees return relative to the Russell 2000® Value Index. The Small Cap Value composite returned -2.56% net of fees and -2.31% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Small 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. (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.

WSFS Financial (WSFS), a Delaware-based regional bank with a strong wealth management franchise, was the second-largest contributor. WSFS reported strong earnings to end 2025, with low credit costs, continued growth in their wealth management franchise, and resilient net interest margins despite interest rate cuts. Management expects these trends to continue in 2026. In addition, the company's disciplined approach to capital allocation – exiting unpromising business lines and returning excess capital to shareholders – should support shareholder returns over time.

Atlas Energy Solutions (AESI), a sand mining and delivery company serving the Permian, was the third-largest contributor. The stock outperformed alongside other holdings in the Energy sector as crude oil prices moved above \$100 per barrel, driving improved sentiment across the oilfield services and upstream supply chain. Investors responded positively to the implications of higher oil prices on drilling and completion activity, which directly supports demand for sand and related logistics services. In addition, AESI continues to benefit from its cost-advantaged positioning in the Permian Basin, particularly through its Dune Express conveyor system, which enhances delivery efficiency and supports market share gains even in a mixed operating environment.

Largest Detractors

Burford Capital (BUR), a market leader in the litigation finance industry, was the largest detractor. Shares fell sharply after a late-March appellate ruling reversed a favorable lower court judgment in their case against the Argentine government related to the 2012 nationalization of oil company YPF. While the ruling does not eliminate the possibility BUR will collect material sums, it does greatly reduce confidence in the value and timing of their largest claim. The new YPF ruling will drive a reversal of non-cash unrealized gains on BUR's financials, which could impact their ability to deploy new capital. That said, we believe considerable value remains embedded in the capital they have already deployed in their base business.

Winnebago (WGO), a leading manufacturer of recreational vehicles and marine products, was the second-largest detractor. The stock declined despite another quarter of improved operating performance, including growth in sales, operating income, and EPS, as investor sentiment weakened amid geopolitical concerns. These uncertainties have dampened investor expectations for the upcoming spring selling season, a key demand period for the industry, overshadowing the company's solid execution and unchanged full-year guidance.

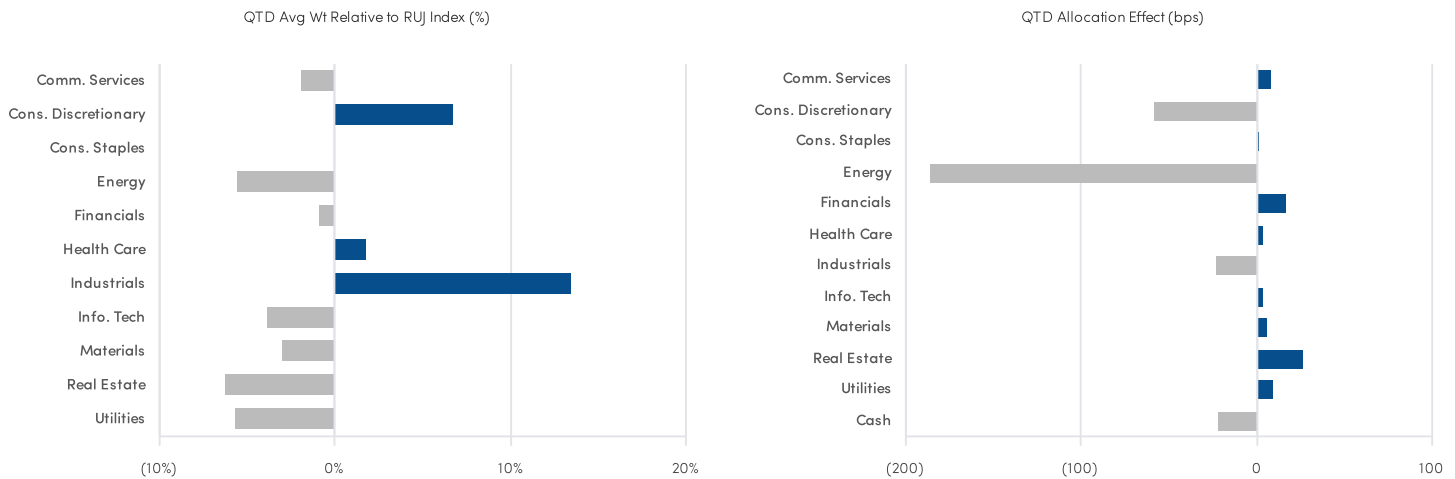
Gildan Activewear (GIL), the largest basic apparel manufacturer, was the third-largest detractor. GIL completed its acquisition of Hanesbrands, a combination that should be significantly accretive to GIL both from cost synergies as well as new opportunities in the retail activewear end markets. Investors' 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 slightly positive in eight of 11 sectors during the quarter, but the negative effects of the strategy's Energy underweight overwhelmed overall results. As oil prices soared following the closure of the Strait of Hormuz, Energy holdings within the benchmark posted a 43.37% return – by far the top performing sector – against the more muted 21.28% return for the strategy's Energy holdings. The significant underweight, in addition to softer comparative returns, led to meaningful underperformance. The strategy's overweight to Consumer Discretionary – the worst performing benchmark sector – as well as an overweight to Industrials, also weighed on results as cyclical stocks faltered against a weakening economic outlook. Conversely, an underweight to Real Estate and Financials were partial positive offsets.



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 Small Cap Value institutional portfolio's gross of fees sector return relative to the Russell 2000® Value Index. The Small Cap Value composite returned -2.56% net of fees and -2.31% gross of fees during the quarter. Please see additional performance disclosures at the end of this document.

Initiations

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

American Woodmark (AMWD) was eliminated in advance of its pending acquisition by MasterBrand (MBC) for better opportunities.

Gorman-Rupp (GRC) and **MKS Inc. (MKSI)** reached their price targets and were eliminated.

Open Text (OTEX) was eliminated to make room for better opportunities.





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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 significantly 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 Small 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 Small 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 2000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Small 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.

[Additional Cooke & Bieler Small Cap Value Performance Disclosures](#)