



Small Cap Value Equity

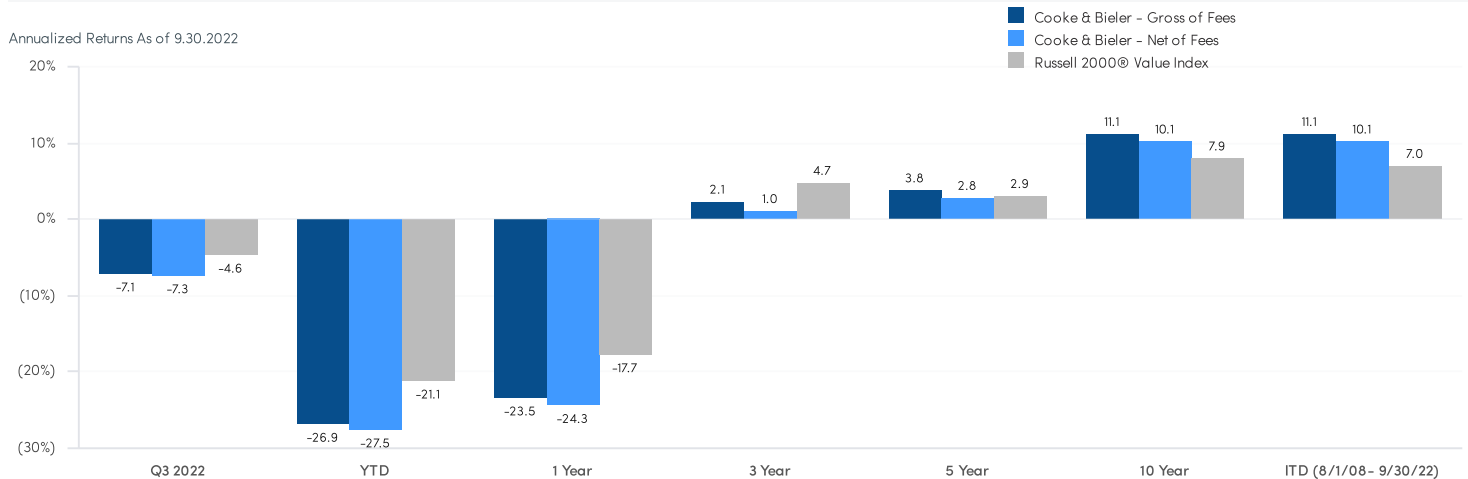
Overview

U.S. equity indices posted their third consecutive quarter of negative returns. Bonds offered little sanctuary as Fed officials raised rates for the fifth time this year and 10-year Treasury yields spiked from 3% to more than 4% before settling around 3.8%. Persistently high inflation and rising interest rates united investors in their pessimism while seemingly dividing their assessment of which ostensible safe haven was best. A global flight to safety drove the dollar to new heights, but outcomes grew muddled from there. Lower quality, non-earnings businesses tended to perform better and despite near 25% declines in underlying oil prices, Energy stocks powered through and still posted some of the top sector results. Smaller capitalization issues as well – which would otherwise lag in a risk-off environment – outperformed across styles as investors presumably focused on their greater mix of U.S. revenues. Conversely, high-yielding, domestic safe havens such as Utilities and Real Estate underperformed in the face of higher interest rates. Investors shrugged off rising rates elsewhere though, as longer duration Growth stocks bested their Value counterparts on the theory their results would be less impacted by a recession.

Portfolio Performance & Developments

Cooke & Bieler’s Small Cap Value Strategy returned -7.05% gross of fees (-7.29% net of fees), underperforming the Russell 2000® Value Index which returned -4.61% during the third quarter. Negative stock selection effect more than offset positive sector allocation effect. Health Care holdings detracted most, especially Syneos Health and Integra LifeSciences, which underperformed the sector and the broader benchmark. Consumer Discretionary holdings, in particular Helen of Troy and Hanesbrands, posed further headwinds as consumers reined in spending and retailers reduced inventory. Conversely, Financials holdings were a continued bright spot, particularly WSFS Financial and Glacier Bancorp.

Small Cap Value Equity Composite Performance



Source: Factset and Russell®
Past performance is not indicative of future results. All investing involves risk, including loss of principal.
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Five Largest Contributors/Detractors

	Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)		Avg Weight (%)	Total Return (%)	Contrib. to Return (bps)
PGT Innovations	3.3	26.0	71	Helen of Troy	3.0	-40.6	-148
Plexus	2.7	11.5	40	Syneos Health	2.4	-34.2	-80
WSFS Financial	3.4	16.3	37	Steelcase	1.7	-38.4	-66
Winnebago	4.3	10.1	30	ESAB	2.1	-23.6	-55
Armstrong World	2.0	6.0	10	Integra LifeSciences	2.4	-21.6	-50

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 representative Small Cap Value institutional portfolio returned -7.20% net of fees and -6.96% 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

PGT Innovations (PGTI), a leading manufacturer of laminated, impact-resistant residential windows, was the largest contributor. PGTI saw strong volume, pricing, and margin trends across its geographies. The company continues to improve throughput and shorten lead times, helping to regain market share lost during the pandemic. Moreover, with 70% of PGTI's revenue generated in Florida, recent hurricane activity is likely to spur both near term demand for building products as well as long term interest in impact-resistant windows.

Plexus (PLXS), an outsourced design and manufacturing company that serves higher complexity markets, was the second-largest contributor. The company's continued operational execution and exposure to a growing healthcare segment attracted investors seeking out safety in a volatile market.

WSFS Financial (WSFS), a regional bank headquartered in Wilmington, Delaware, was the third-largest contributor. WSFS reported encouraging results integrating its recent acquisition of Bryn Mawr Trust. WSFS also benefited from rising interest rates.

Largest Detractors

Helen of Troy (HELE), a diversified consumer and household products company, was the largest detractor. HELE management indicated that slower ordering patterns and inventory destocking at mass market retailers was likely to weigh on revenue and margin results in upcoming quarters, particularly in categories that witnessed outsized demand during the pandemic. However, we believe that the company's market leading brands in secularly expanding categories should provide a long runway for organic and acquired growth.

Syneos Health (SYNH), a leading provider of outsourced pharmaceutical clinical trial and commercialization services, was the second-largest detractor. The stock's valuation contracted sharply in response to disappointing new business awards during the quarter and management's cautious outlook for improvement.

Steelcase (SCS), a leading provider of commercial office furniture, was the third-largest detractor. The stock's valuation declined significantly as SCS reported modestly lower than expected orders in the Americas region during the quarter and management gave cautious commentary regarding the evolving demand environment.



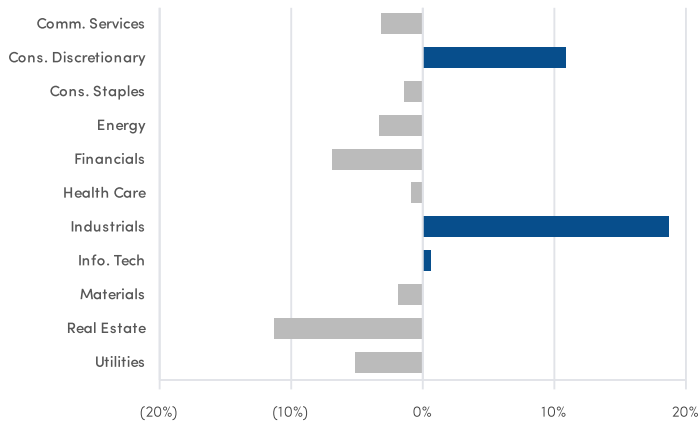


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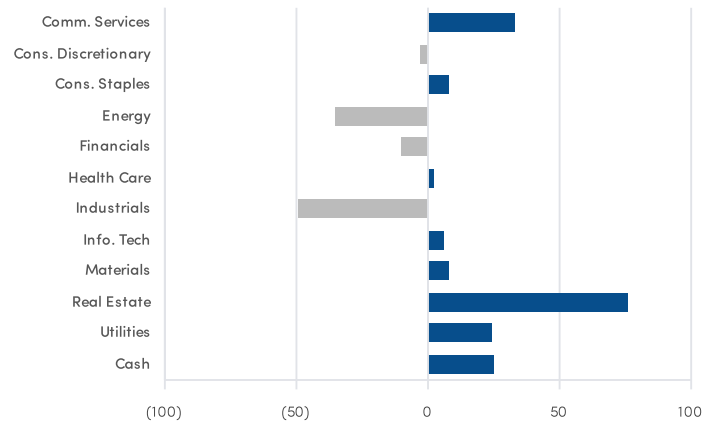
Sector Positioning

Sector allocation effect was broadly positive for the quarter, with the majority of sectors contributing to relative performance. The portfolio's underweight to Real Estate, the second worst performing sector within the benchmark, was the largest tailwind followed by the favorable impact of an underweight to Communication Services and Utilities. The portfolio's overweight to cyclically exposed Industrials as well as the underweight to Energy, the best performing sector for the quarter, were a partial negative offset.

Avg Wt Relative to RUJ Index (%)



Allocation Effect (bps)



Source: FactSet

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Initiations

There were no initiations this quarter.

Eliminations

Mativ (MATV), formerly Schweitzer-Mauduit (SWM), was eliminated due to what we believed was an unacceptably large increase in the company's financial leverage as a result of a business combination.





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Outlook

The widespread persistence of inflationary pressures has forced the Federal Reserve to continue aggressively tightening monetary policy, increasing both interest rates and the odds of a U.S. economic recession. This reality – along with continuing supply chain disruptions, conflict in Ukraine, and economic weakness abroad – has greatly soured investor sentiment for equities, particularly those of companies deemed to be economically sensitive. Across capitalization ranges, the Consumer Discretionary, Industrials, and Information Technology sectors have experienced year-to-date declines from 20–40% or more, with many stocks losing more than half of their value. This has presented a meaningful challenge to relative performance given the portfolio's significant exposure to the Consumer Discretionary and Industrials sectors.

Though entering a recession overweighted to cyclical sectors is not ideal, we are increasingly convinced portfolio holdings in these sectors will be an important source of portfolio returns going forward. Underperformance tends to increase our already exhaustive attention to detail – leading our Analysts to further scrutinize the portfolio, challenge their thesis drivers, and dig even deeper into underlying business models and balance sheets. Our conclusion is that though some portfolio companies will likely be impacted meaningfully by a recession, we believe they have the balance sheet strength, favorable underlying economics, competitive advantages, and management talent to weather the storm and earn solid fundamental returns over the long haul.

In aggregate, Cooke & Bieler's companies earn higher returns on capital and maintain lower debt leverage than their benchmark peers. However, in many cases portfolio holdings more exposed to recession and/or continuing supply chain disruptions and inflationary pressures now trade at low double, if not single, digit multiples of earnings. We believe the short-term oriented market is egregiously underpricing their future streams of earnings and cash flows. We have added to many of these positions, further enhancing the portfolio's appreciation potential. We continue to have great confidence that our long-term approach, supported by the conviction that comes from detailed independent research, will add value through the cycle.

Sources: Bloomberg, CNBC, FactSet, Forbes, Jefferies, New York Times, 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 9/30/22. The portfolio attribution is gross of fees. 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 very 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.

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