



Small Cap Value Equity

Overview

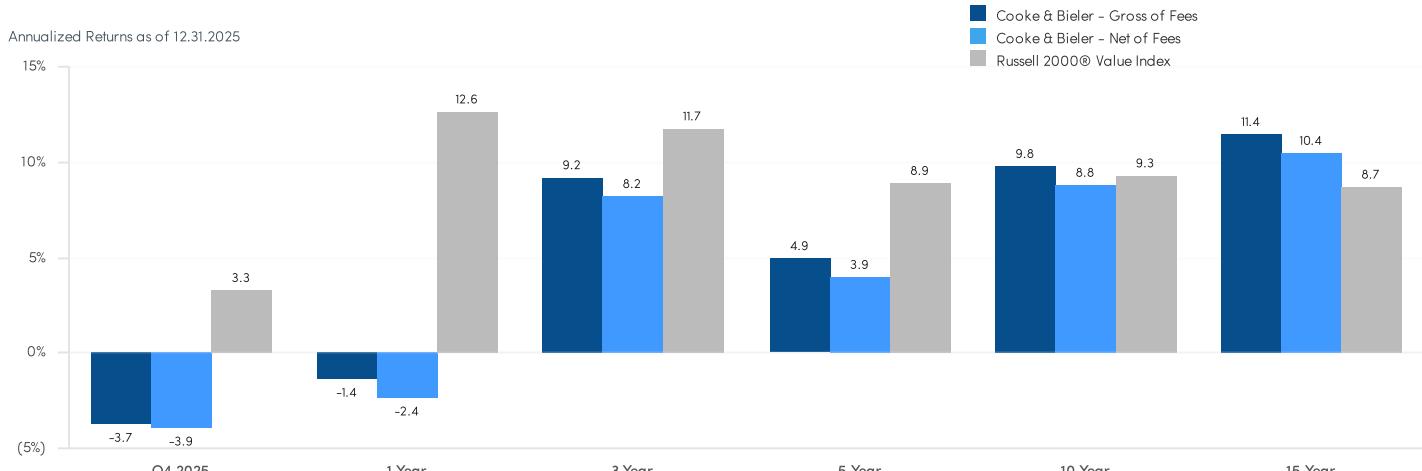
Equities shrugged off a retreat in early October and a poor start to November, closing higher for the quarter and posting the third straight year of double-digit gains for the major indices. A combination of interest rate cuts by the Federal Reserve and strong corporate profitability fueled investor 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

Facing many of the same challenging market conditions witnessed in the third quarter, Cooke & Bieler's Small Cap Value Strategy significantly underperformed the Index during the fourth quarter, posting a -3.66% return gross of fees (-3.90% net of fees) against a 3.26% return for the Russell 2000® Value Index. Stock selection effect explained nearly all of the underperformance, though sector allocation effect was also a slight headwind. Selection was weakest within Health Care, with Index holdings outperforming strategy holdings by nearly 29%. While several holdings such as Perrigo, Integer, and CONMED posted negative returns, the Index constituents not held in the portfolio also weighed meaningfully on relative performance, with multiple benchmark holdings in the biotechnology, life sciences, and pharmaceutical industries posting staggering triple-digit returns amid rampant speculation. Industrials holdings such as Janus International and American Woodmark also detracted from portfolio performance, as did Financials and Energy holdings. Conversely, Information Technology and Real Estate holdings such as MKS and Ryman Hospitality outperformed the benchmark.

For the full year, relative performance lagged significantly, with all of the underperformance emerging in the second half of the year. While negative stock selection effect was the primary driver, sector allocation effect also posed a headwind. Stock selection within Health Care was the largest detractor by far, with Consumer Discretionary and Financials holdings also lagging the benchmark. The portfolio's Industrials holdings were a bright spot in 2025, with Information Technology holdings also benefiting relative results.

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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Small Cap Value Equity

Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
MKS Inc.	2.9	29.3	81
White Mountains Insurance	3.3	24.3	67
Charles River Laboratories	2.0	27.5	46
Winnebago	2.2	21.2	42
Columbia Banking System	3.4	10.0	36

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Janus International	2.3	-33.7	-94
Dream Finders Homes	2.1	-34.0	-86
Perrigo	1.5	-36.1	-77
Burford Capital	2.2	-24.9	-63
Valvoline	2.7	-19.1	-56

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 -3.90% net of fees and -3.66% 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. 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, MKS'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

Janus International (JBI), a leading manufacturer of overhead doors and components for the self-storage industry, was the largest detractor. Following a series of quarterly improvements, JBI posted weaker than anticipated results, driven by the timing of certain large commercial projects that will be delayed until early 2026.

Dream Finders Homes (DFH), a top 15 U.S. homebuilder, was the second-largest detractor. DFH announced weaker year-over-year topline and margin results. A general slowdown in new home sales along with higher homebuilder incentives have pressured industry profitability in recent quarters. That said, undersupply conditions should serve as a long-term tailwind, and given DFH's asset light business model, we believe the company is well positioned to outpace industry growth.

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 third-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.



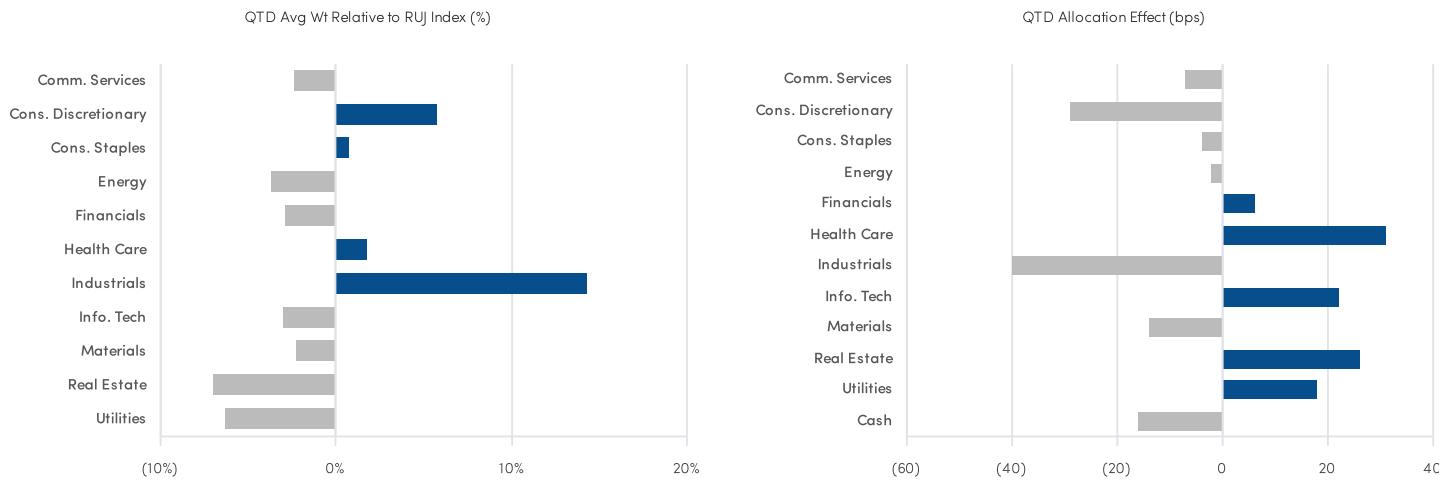


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Sector Positioning

Sector allocation effect was slightly negative in the fourth quarter. An overweight to the cyclical Industrials and Consumer Discretionary sectors, both of which underperformed the overall benchmark return, posed the largest headwind. The portfolio's underweight to one of the top performing sectors, Materials, also weighed on relative results. Conversely, an overweight to Health Care, which posted the best return in the benchmark, was additive. The strategy's underweight to Real Estate and Information Technology also benefited relative performance.

For the full year, sector allocation effect was negative. The underweight positions in the two best performing sectors, Communication Services and Materials, posed the largest headwinds. The strategy's overweight to Industrials also detracted from results. However, an underweight to Real Estate benefited results as inflation remained stubborn and Fed rate cuts failed to support this typically rate sensitive area of the market. The portfolio's underweight to Energy and overweight to Health Care were additional tailwinds.



Source: FactSet

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Small Cap Value Equity

Initiations

Globant (GLOB) is an Argentine digital engineering IT services firm that derives the majority of its revenue from the United States. Digital engineering is a subset of IT services that focuses on higher value-add projects, of which GLOB wins its fair share. The company boasts a marquee client list which includes Disney, Google, and the Clippers' Intuit Dome. It delivers the bulk of its services out of Latin America, benefiting from overlapping time zones with its U.S. clients. A slowdown in the IT services sector and worries over GenAI disruption gave us the opportunity to initiate a position.

IDT Corporation (IDT) is a fintech and communications platform that provides point-of-sale software, money remittance, cloud communications services, and prepaid phone cards. Favorable economics are supported by competitive advantages including synergy across its businesses, brand equity, a vast retail network in traditionally overlooked and underserved communities, and international communications expertise. Management has successfully steered the company away from its legacy phone card business and towards the structurally higher margin, higher operating leverage technology businesses. While the fundamentals remain strong, the market reacted negatively to IDT's normalization from its prior explosive growth, creating an opportunity to invest in a high single-digit earnings grower with a net cash balance sheet.

MarketAxess (MKTX) is a leading operator of electronic fixed income marketplaces with particular strength in corporate credit markets and international bond markets. Bond markets remain mostly voice and text based, creating a long runway for growth for electronic marketplaces. However, after having pioneered the all-to-all trading protocol which allowed participants to buy and sell from any other participant in the marketplace rather than needing to place trades through a dealer, MKTX fell behind in innovation. The company was late to offer protocols such as portfolio trading – allowing groups of bonds to be sold simultaneously – and capabilities such as net spotting – integrating rates and credit in one platform to allow users to isolate credit spreads in real time. This reluctance to innovate led to market share losses in their core credit business and caused the stock to massively underperform over the last five years. Current CEO Chris Concannon now has the company more focused on innovation and solving customers' needs, and the company has had early success in several promising initiatives. With valuation at all-time lows, no debt, and improving fundamentals, we believe the stock represents a compelling opportunity.

MasterBrand (MBC) is the leading manufacturer of residential kitchen and bath cabinetry in North America. We initiated a position during the quarter, transitioning our ownership of competitor and incumbent holding, American Woodmark (AMWD), to shares of MBC ahead of their planned merger in 2026. The combined entity will have a dominant position in the cabinetry industry. Despite near-term demand softness as well as the negative impact of tariffs, MBC stands to benefit from both operational cost synergies related to the merger with AMWD as well as the precarious financial position of key competitors. MBC's expansive network of 7,000 dealers will benefit from the inclusion of entry-level AMWD products while its home center business will benefit from greater bargaining power with customers such as Home Depot and Lowe's.

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

Air Lease (AL) reached its price target and was eliminated.

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

Steelcase (SCS) was acquired by HNI Corporation (HNI) during the quarter.



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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

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 12/31/25. 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.

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