



SMID Cap Value Equity

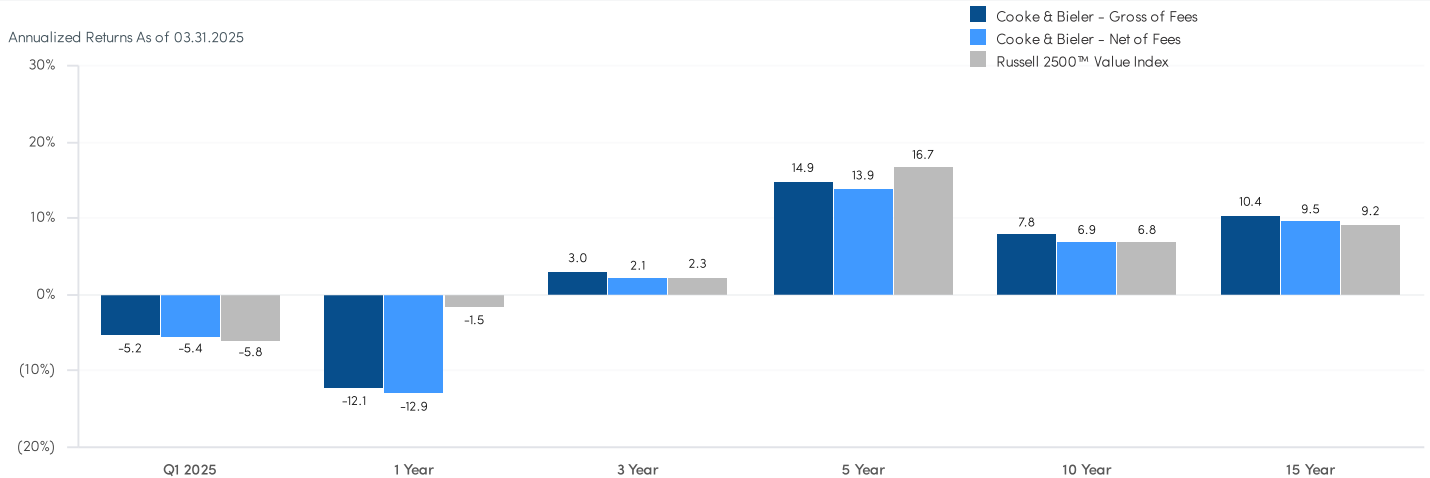
Overview

Stocks entered 2025 on a high note, following the two strongest years of equity performance this century. That momentum proved unsustainable, however, as key pillars of recent investor optimism – hopes for an AI-driven spending boom, a more favorable regulatory environment, and a more dovish monetary policy – came into question. Mega-cap technology stocks performed particularly poorly after the DeepSeek model debuted, boasting significantly lower development costs and casting doubt on both the capital investment required to develop AI and the competitive moat generated by early movers. Rising trade tensions and at times seemingly chaotic policy implementation tempered optimism for more market-friendly policies from the federal government. At the same time, hopes for looser monetary policy dwindled on higher than anticipated inflation readings, perhaps constraining the Federal Reserve’s ability to cushion an economic slowdown. Markets responded negatively and, after reaching an all-time high in February, the S&P 500® Index fell nearly 10% – the popular definition of a market correction – before partially recovering to end the quarter down 4.28%. During the quarter overall, growth stocks fared worse, mired by losses among mega-cap technology stocks, with the Russell 1000® Growth Index losing 9.97%. Value performed better, aided by lower starting expectations and the perceived defensiveness of some large sectors, with the Russell 1000® Value Index gaining 2.14%. Consistent with this increasingly risk-off mindset, larger stocks generally outperformed smaller ones, while yields on the 10-year Treasury fell, reflecting fears of economic weakness but providing some relief to rate-dependent areas of the market. Oil prices were largely flat, though Energy stocks nonetheless outperformed, boosted by geopolitical turmoil and hopes for more favorable regulation.

Portfolio Performance & Developments

Cooke & Bieler’s SMID Cap Value Strategy outperformed the Index during the volatile first quarter, posting a –5.18% return gross of fees (–5.39% net of fees) against a –5.83% return for the Russell 2500™ Value Index. Stock selection effect added significantly to portfolio performance, while negative sector allocation effect partially offset these results. Nearly all of the total contribution from stock selection was attributable to the strategy’s Industrials holdings, due primarily to strong returns from Woodward, RB Global, and AerCap. Financials and Communication Services holdings also aided relative performance. Laggards in the Energy and Consumer Staples sectors such as Atlas Energy Solutions and Flowers Foods partially offset these positive results.

SMID 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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SMID Cap Value Equity

Five Largest Contributors/Detractors

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
Fidelity National Financial	3.1	16.8	47
Woodward	3.9	9.8	34
LKQ	2.0	16.6	29
RB Global	3.0	11.5	29
Atmos Energy	2.0	11.6	20

	Avg Weight (%)	Gross Total Return (%)	Gross Contrib. to Return (bps)
American Woodmark	2.5	-26.0	-68
American Eagle Outfitters	1.9	-29.8	-62
Winnebago	2.1	-27.4	-62
Teleflex	2.3	-22.2	-53
Hanesbrands	1.2	-29.1	-38

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 SMID Cap Value institutional portfolio's gross of fees return relative to the Russell 2500™ Value Index. The SMID Cap Value composite returned -5.39% net of fees and -5.18% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's SMID 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

Fidelity National Financial (FNF), the country's largest title insurer and provider of annuities through its F&G subsidiary, was the largest contributor. FNF reported strong fourth quarter earnings buoyed by strength in commercial real estate transactions and an uptick in refinance orders off very low levels. Sentiment was further aided by the sharp decline in mortgage rates late in the quarter, which should stimulate more real estate transactions and therefore increase demand for FNF's services.

Woodward (WWD), a supplier of energy and motion control systems to the aerospace and industrial industries, was the second-largest contributor. WWD is well positioned to benefit from the ongoing commercial aerospace recovery due to its strong content on narrowbody aircraft and positioning in the aftermarket. Execution within WWD's Industrial segment has improved, aided by productivity improvements and SKU rationalization, although it has recently faced difficult comparisons related to the volatile China on-highway natural gas engine business.

LKQ (LKQ), a distributor of aftermarket auto parts with a significant salvage business, was the third-largest contributor. LKQ rebounded from challenging performance in 2024 and investors grew optimistic that the company's aftermarket parts business would benefit from tariffs as the value of new and used cars increases.

Largest Detractors

American Woodmark (AMWD), a leading kitchen and bath cabinet manufacturer with a focus on value price points, was the largest detractor. AMWD posted a weaker than expected quarter and lowered full year guidance due to slower residential new construction activity. Longer term, given the precarious position of at least one large competitor, AMWD is likely to win market share. In the meantime, the company remains well capitalized and continues to repurchase shares aggressively.

American Eagle Outfitters (AEO), a leading retailer of teen and young adult apparel, was the second-largest detractor. AEO reported a solid holiday season, with positive same store sales at both American Eagle and Aerie, as well as improved margins. Faced with a more cautious consumer and the uncertain impact of tariffs on their global supply chain, management tempered expectations for the coming year, disappointing investors. The company has a clean balance sheet and has begun meaningful share repurchases, which should be accretive to shareholders who are patient enough to wait for a clearer macroeconomic picture. With healthy brands, a management team that is executing well, and a conservative balance sheet, we believe the company is well positioned for the long term and added weight during the quarter.

Winnebago (WGO), a leading manufacturer of recreational vehicles and towables, was the third-largest detractor. WGO posted weak, though better than expected results in the quarter, and there is evidence the recreational vehicle cycle has troughed. However, investor focus has shifted to the prospect of a broader consumer recession and the impact of tariffs on affordability. That said, the company returned to volume growth in two of its three segments and sees the potential for consolidated growth over the next six months. A return to mid cycle economics, market share wins in their Marine segment, and organic product expansion opportunities in the Motorized segment indicate significant latent value in the shares.

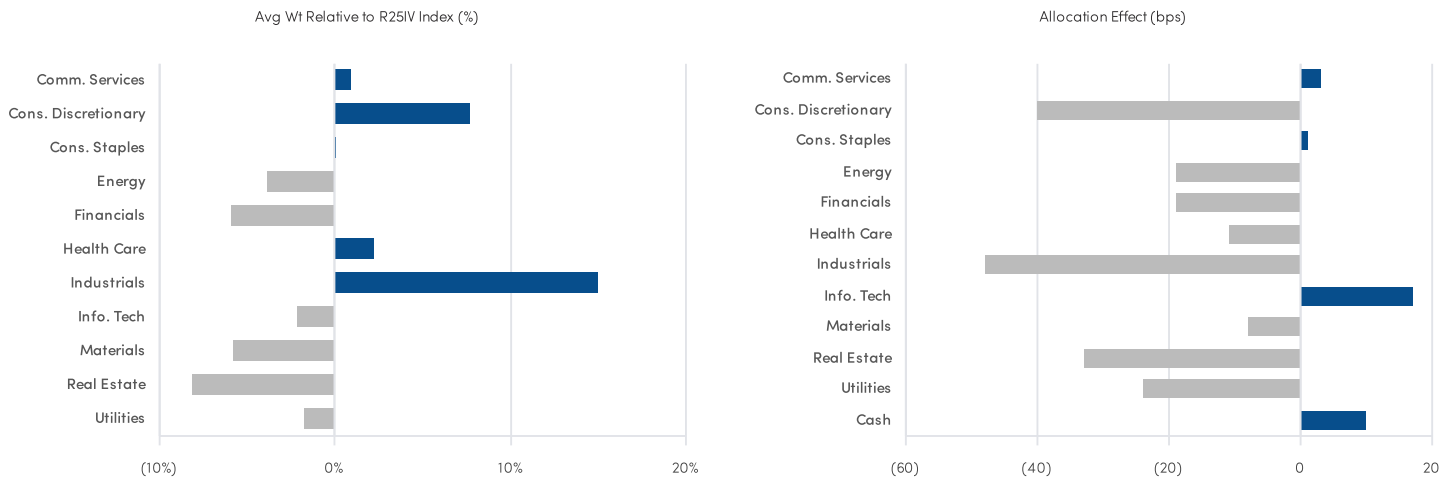




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Sector Positioning

Sector allocation effect was negative for the first quarter. Overweight positions in Industrials and Consumer Discretionary detracted most as the sectors posted some of the weakest results within the Index. An underweight to Real Estate and Utilities – two of the best performing sectors – also posed headwinds to results, with investors flocking to perceived safe havens and bond proxies as interest rates fell. Conversely, an underweight to Information Technology contributed most as the sector posted the weakest results within the Index.



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 SMID Cap Value institutional portfolio's gross of fees sector return relative to the Russell 2500™ Value Index. The SMID Cap Value composite returned -5.39% net of fees and -5.18% gross of fees during the quarter. Please see additional performance disclosures at the end of this document.

Initiations

Burford Capital (BUR) is the market leader in the litigation finance industry, multiple times the size of the next largest player. Having institutionalized the space approximately 15 years ago, BUR's scale drives meaningful data advantages, with more data on settlements and other factors that aid in the underwriting of new business. BUR has expertise in both the front-end and back-end of the underwriting process, performing all related functions in-house. Being publicly traded, they also have better access to permanent capital, investing mostly (and increasingly) from their own balance sheet. All of these factors align incentives and generate better economics for investors. BUR has become increasingly investable over the past few years, improving financial disclosures and addressing governance issues. Finally, BUR has a ~40% stake in any ultimate proceeds received from YPF, an energy company that was renationalized by the Argentinian government in 2012. A final judgment against Argentina for \$16 billion was awarded in 2023. While the timing and amount BUR will ultimately receive is uncertain, the eventual after-tax cash inflow is likely to be in the billions.

Carlisle Companies (CSL) is the market leader in the U.S. commercial roofing market and a large, growing player in building envelope solutions for the commercial and residential markets. A successful longtime industrial conglomerate, CSL pivoted under the direction of their current CEO and divested all but their best business over the past decade. Today, it is a pure play building products company with industry leading margins in end markets that have increasingly rational competitors and good economics. The company has long been on our watchlist, and near term cyclical concerns should be overwhelmed by compounding long term fundamental returns. With an enviable balance sheet, room to grow in a still fragmented building envelope end market, and a successful track record of acquisitions, we believe CSL has a promising long term outlook.





SMID Cap Value Equity

Initiations (continued)

H.B. Fuller (FUL) is the largest pure play and second largest overall adhesives manufacturer in the world. FUL's scale, strong brands and technology, close partnerships with customers, and global distribution allow the company to earn attractive returns on capital. Adhesive generally represents a small percentage of customers' total cost of production, but innovation, consistent quality, and availability are critical to customers' end product. This dynamic allows for generally positive pricing, and volume growth should also be positive aided by attractive end market exposure and customers' desire to help reduce the weight of products, improve product performance and energy efficiency, and replace traditional fastening materials.

Timken (TKR) designs and manufactures premium engineered bearings and industrial motion products for a diversified global customer base. TKR employs a highly collaborative technical selling approach for products used in mission critical applications with a high cost of downtime. Its products' low cost as a percentage of the total cost of application as well as the company's reputation for quality, reliability, and availability (including through distribution channels) provide TKR with good pricing power and consistently healthy gross margins. The company generates strong and consistent free cash flow which should continue to be allocated in a balanced manner for disciplined M&A, share repurchase, internal investment, and dividends.

Eliminations

Armstrong World Industries (AWI), **Gentex (GNTX)**, and **Gates Industrial (GTES)** were eliminated to make room for better opportunities.

Outlook

Despite greater uncertainty and heightened volatility, the first quarter provided some encouraging signs for Cooke & Bieler's strategies as many of the forces working against them in 2024 abated. But more importantly, evidence emerged that the reunderwriting process we undertook last year is paying off. While many of the quarter's underperformers were punished for their perceived cyclical or vulnerability to a consumer slowdown, we see little evidence of fundamental impairment and were able to add to several of these holdings. It is tempting to gravitate indiscriminately toward safe-haven sectors during periods of uncertainty, but this impulse potentially ignores longer term investment prospects. Success with this approach also hinges on a manager's ability to accurately predict the direction and timing of the economic cycle. While we are alive to the risks associated with the current backdrop and expect further volatility, we are steadfastly focused on long-term intrinsic value. We are taking what the market is giving us – within the framework of our quality criteria and diversification considerations – by adding to economically sensitive names when appropriate. However, even with the inclusion of compelling new ideas sourced from areas where the market is fearful, the portfolio is broadly no more economically sensitive today than it was at the beginning of last year. Though the backdrop remains uncertain and we are sure there are more surprises and bumps ahead, we remain confident in the portfolio's prospects, especially for results over extended horizons, but also in being able to weather near-term stress.

Sources: Bloomberg, FactSet, Nasdaq, SS&C APX

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 SMID 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 SMID Cap Value institutional portfolio for the quarter ending 3/31/25. 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 2500™ Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's SMID 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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