Q3 2024

All Cap Value Equity

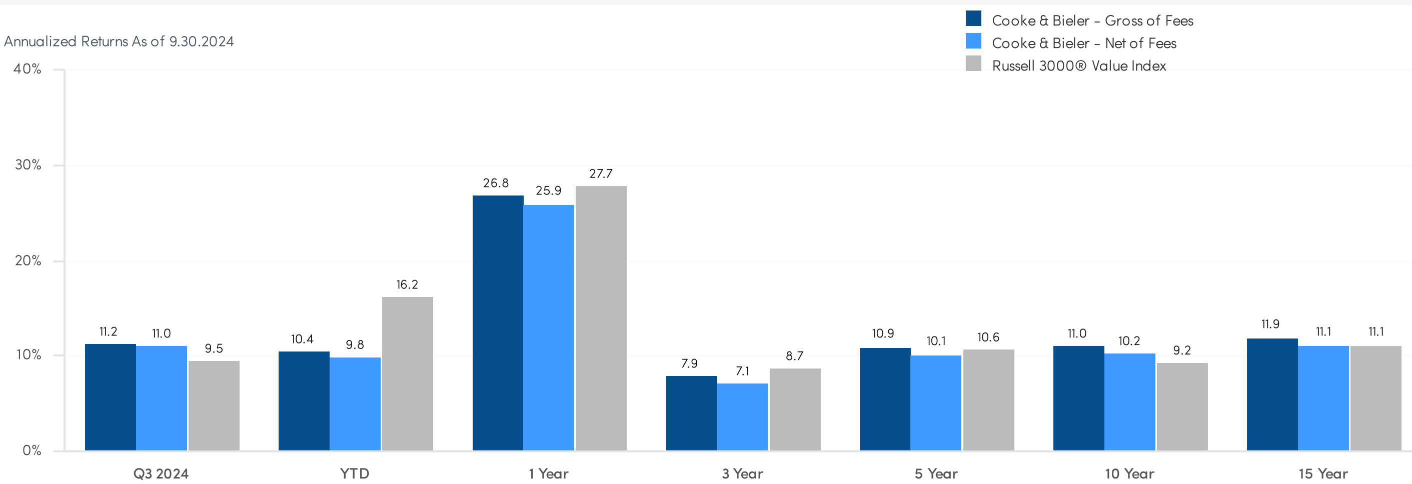
Overview

Equity markets advanced sharply in the third quarter as continuing economic momentum and solid corporate earnings growth dispelled fears of an imminent recession. At the same time, diminishing inflationary pressures stoked optimism for a more supportive monetary policy. The Federal Reserve's decision in September to start the easing cycle with a bold 50 basis point rate cut confirmed as much, pushing major market indices to near record highs by the end of the quarter. The rally included all economic sectors except Energy, where lower oil and gas prices dampened sentiment. Unlike the first half of the year when a handful of mega cap stocks drove the market, underlying market dynamics and leadership changed significantly in Q3. The rally became broad-based, with the S&P 500® Equal Weight Index up 9.59% versus 5.89% for the capitalization-weighted S&P 500® Index. The market also reversed course from a style standpoint as value indices outperformed growth indices meaningfully, in large part due to growth's concentration in tech stocks which were among the biggest laggards for the quarter. Conversely, value indices benefited from greater exposure to Financials, Industrials, Utilities, and Real Estate, all of which surged on improving prospects for a soft landing and declining interest rates.

Portfolio Performance & Developments

Cooke & Bieler's All Cap Value Strategy posted strong absolute performance and outperformed on a relative basis during the quarter, returning 11.17% gross of fees (10.98% net of fees) against a 9.47% return for the Russell 3000® Value Index. Sector allocation effect was additive, but stock selection effect was the primary tailwind. Stock selection among the portfolio's Financials holdings, especially Brookfield Corporation and Fidelity National Financial, was the most significant driver of outperformance. Real Estate and Consumer Staples holdings also outperformed the benchmark. Conversely, Consumer Discretionary and Industrials holdings such as Helen of Troy and Janus International detracted from relative results.

All 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.

Click for additional C&B All Cap Value Performance Disclosures

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Five Largest Contributors/Detractors

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Brookfield	3.3	27.9	82
CBRE Group	2.1	39.5	76
Gildan Activewear	3.1	24.6	72
Fidelity Nat'l. Financial	2.6	26.4	65
Tecnoglass	1.8	36.8	64

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Helen of Troy	0.8	-41.9	-104
Janus International	1.5	-21.4	-44
Occidental Petroleum	2.1	-18.1	-44
Charles Schwab	2.4	-11.9	-25
APi Group	1.5	-12.5	-20

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 All Cap Value institutional portfolio's gross of fees return relative to the Russell 3000® Value Index. Security net total returns equal the security's gross return less the portfolio-level fee effect. Security net contributions to return are equal to the security's gross contribution to return less the security's average weight times the portfolio-level fee effect. The portfolio-level fee effect is the difference between the portfolio's gross and net of fee returns calculated using the highest published fee. The representative All Cap Value institutional portfolio returned 11.07% net of fees and 11.28% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's All 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

Brookfield (BN), a global investor, operator, and asset manager of real assets, was the largest contributor. BN's recent annual investor day reiterated strong growth expectations anchored by continued secular tailwinds in their asset classes. In addition, the prospects for asset monetization in a stable/falling interest rate environment have improved, increasing expectations for disposition gains and realized carried interest.

CBRE Group (CBRE), the world's largest commercial real estate services provider, was the second-largest contributor. CBRE increased guidance during the quarter, and management expressed increased confidence that transaction activity – aided by stable/falling interest rates – is on the cusp of an inflection point. This increased investor conviction that CBRE's transaction related businesses, with their higher margin sales brokerage and real estate development, will see improvement off current depressed levels.

Gildan Activewear (GIL), the largest basic apparel manufacturer, was the third-largest contributor. The quarter marked the return of GIL's founder to the CEO role, removing a key overhang that had burdened sentiment since the end of 2023. Fundamentals remain strong as well, as GIL continues to win meaningful market share in its various end markets – benefiting from the demise of one competitor and the weakening financial position of another – while also posting notable margin progress. Management continues to repurchase shares aggressively, deploying the company's ample free cash flow and balance sheet flexibility.

Largest Detractors

Helen of Troy (HELE), a diversified consumer and household products company, was the largest detractor. HELE issued disappointing guidance that pointed to heightened competition and weakening brand momentum in certain product categories. Temporary operational setbacks at its new distribution facility compounded these issues and disrupted the early signs of recovery HELE had displayed in recent quarters. Increased brand investment, while likely the correct long-term action, also pressured margins in the quarter.

Janus International (JBI), a turnkey solutions provider for self-storage facility componentry and services, was the second-largest detractor. JBI posted lower sales and operating income in the quarter, driven primarily by weaker retail-to-storage conversion activity in their Restore, Rebuild, & Replace segment. More broadly, higher interest rates are delaying projects and anemic housing turnover is weighing on the pricing power of their customers. That said, JBI's dominant competitive position remains intact, their keyless entry system, NOKE, continues to increase penetration, and occupancy rates at self-storage facilities are relatively high. Given the installed base and the likely recovery in historically low housing turnover, long-term demand for self-storage capacity and renovation activity remains promising.

Occidental Petroleum (OXY), a leading E&P company with a unique blend of shale assets and conventional reservoirs, was the third-largest detractor. Despite solid fundamental results and progress on debt paydown from its CrownRock acquisition, OXY was affected by recent commodity price volatility.

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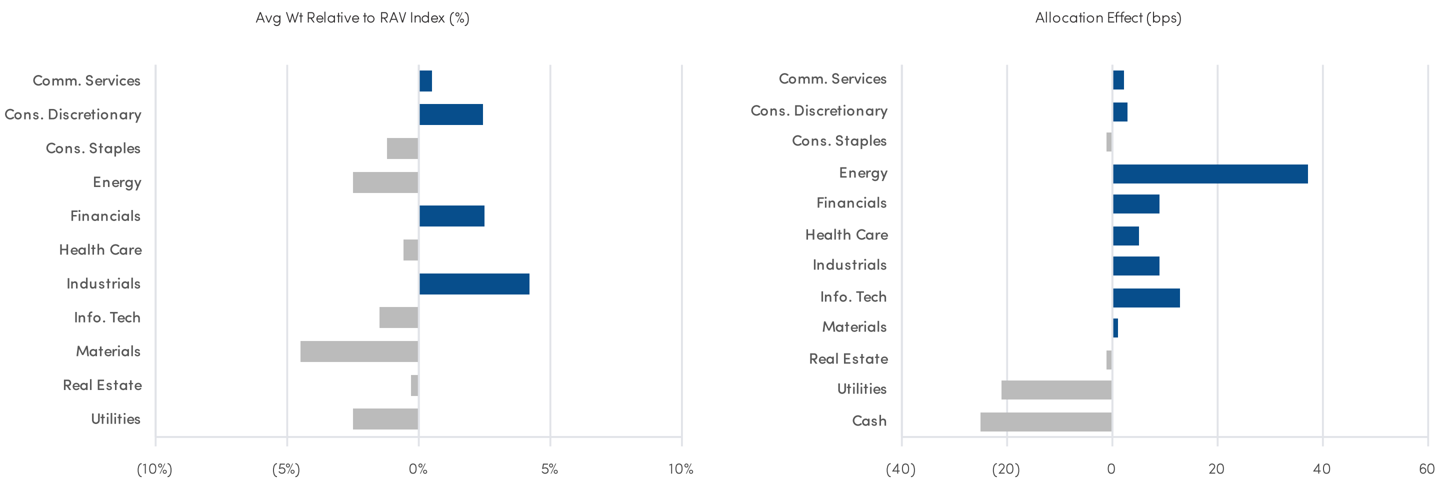
Sector Positioning

Sector allocation effect was positive during the quarter. The most notable bright spot was an underweight to Energy, the only benchmark sector to post a negative absolute return as sentiment within the oil and gas space weakened. The portfolio's underweight to Information Technology also aided relative performance. Partially offsetting these favorable results, the underweight to Utilities was the biggest headwind as the sector outperformed the broader benchmark in reaction to easing monetary policy.



Source: FactSet

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Initiations

Atlas Energy Solutions (AESI) is a sand mining and delivery company that serves both the Delaware and Midland basins of the Permian, providing the sand used as proppant in the fracking of shale wells. AESI operates cost-advantaged sand mines situated within the Permian and is constructing the Dune Express, a conveyor belt that will reduce the cost of delivering sand to its customers in the heart of the Delaware basin. We believe the margin expansion benefits of the Dune Express are not fully appreciated, giving us the opportunity to initiate a position.

Brookfield Asset Management (BAM) is an asset-light manager of real assets managing over $500 billion across infrastructure, renewable energy, real estate, property, and credit as part of the larger Brookfield ecosystem. In 2022, BAM was partially spun out from long-term portfolio holding Brookfield Corporation (BN), which retained majority ownership. With leading positions in attractive segments of the market, deep operational expertise, and a long-term owner's mentality, BAM has both the means and ability to make opportunistic, large scale investments. Current earnings are depressed by the terms of its separation from BN, which reduces reported carried interest, but this should reverse in upcoming years. With a healthy dividend yield, BAM is poised to continue to grow earnings power, offering current shareholders an attractive fundamental return.

Janus International (JBI) is a turnkey solutions provider that dominates the market for self-storage facility componentry and services, with a growing presence in the broader commercial overhead door market. While its portfolio of products and services is virtually unmatched, JBI still has attractive whitespace opportunities in categories such as self-storage access control and smart locks where it can grow content per unit as well as introduce higher margin subscription revenue streams. The company should also benefit over time from key demand drivers including greater existing home turnover, an aging self-storage installed base, and recent large-scale M&A activity among its customers.

Laboratory Corporation of America (LH) is one of the two largest clinical lab services providers in the U.S., and a leading global provider of preclinical and central lab services critical to the drug development process. As the industry's low-cost commercial lab services provider with a national footprint and scaled operations, LH is positioned to take market share from less efficient, smaller independent and hospital/physician affiliated labs as payors seek to manage costs. These market share gains combined with favorable demographics, technological advancement, increasing biopharmaceutical R&D spending, fixed cost leverage, and deployment of free cash flow should drive steady high single-digit EPS growth. The stock's recent underperformance created an attractive entry point.

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Eliminations

Baxter International (BAX) was eliminated to make room for better opportunities.

Helen of Troy (HELE) was eliminated due to a broken thesis, caused by heightened competition in several of its product categories. While the company is investing heavily in both brand support and new product development, we lost confidence that those investments would prove as effective as they have been in past periods and that HELE could return to sustainable growth.

Integra LifeSciences (IART) was eliminated due to a broken thesis, caused by recent execution missteps and spreading product quality and compliance issues.

PNC Financial Services Group (PNC) reached its price target and was eliminated.

Outlook

With inflation seemingly tamed, the economy still growing, and the Federal Reserve demonstrating its willingness to aggressively combat any signs of weakness, the stars appear aligned for equity investors. However, optimism should not give way to complacency – valuations, particularly in technology, remain high, and not all risks can be managed by the Federal Reserve. In our experience, it generally pays to be cautious when others are exuberant. Recent evidence that investors have broadened their horizons beyond a handful of perceived AI winners is encouraging, but we believe this is only the beginning of what may be a long process. The extended period of dominance by the Magnificent Seven has created significant opportunity in the vast areas of the market not involved in training large language models or selling chips to those that do. We believe this creates tremendous opportunities for diligent stock selection underpinned by thorough, disciplined research. We continue to actively seek out quality companies overlooked by other investors that can create long-term value for shareholders. Meanwhile, we meticulously monitor existing holdings to ensure they are tracking with our expectations, eliminating those whose prospects have dimmed or were improperly assessed, in favor of better opportunities. This process is not always as glamorous as more thematic approaches, but we believe it is key to adding value over time.

Sources: Bloomberg, FactSet

Additional Cooke & Bieler All Cap Value Performance Disclosures