Q4 2024

All Cap Value Equity

Overview

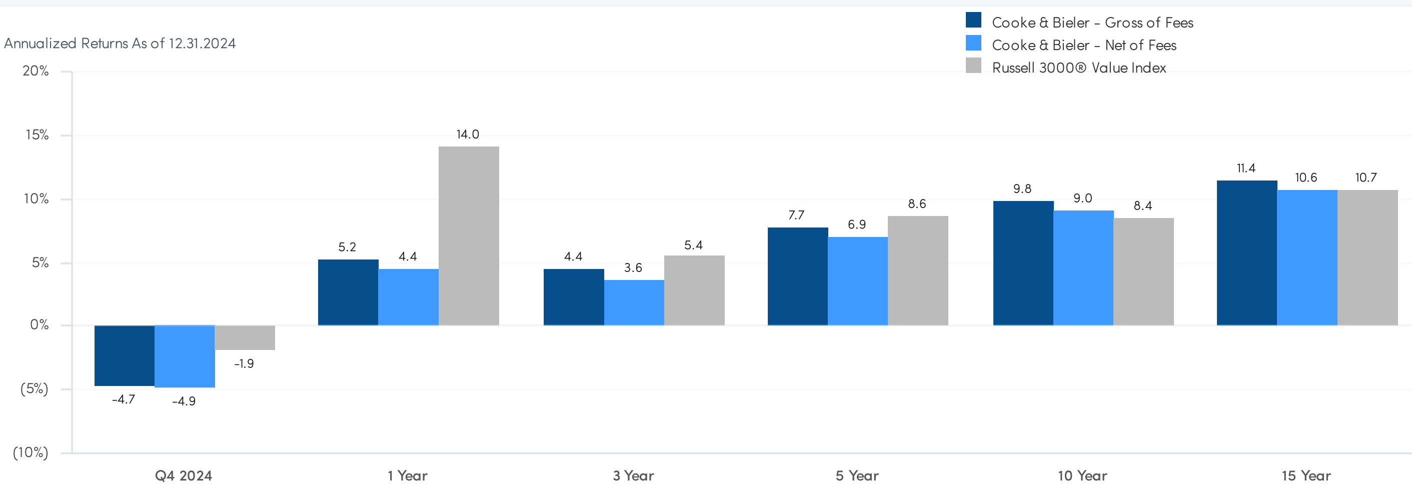
U.S. stocks were mixed in the fourth quarter – the S&P 500® returned 2.41%, while the Russell 1000® Value was down 1.98% – but performance was enough to cement another very strong year for equities overall. With the S&P 500® up for the fifth straight quarter and by 25.02% for the full year, 2024 marked the second consecutive year of 20%+ gains for the Index and the best two-year run of the century. Growth again outperformed value, as did stocks of larger cap companies for both the quarter and the year. And while the broadening strength exhibited by the market at the end of the third quarter carried into October, that trend faltered following the election and reversed forcefully in December, putting the capitalization-weighted S&P 500® Index solidly ahead of the equal-weighted Index for the quarter and the year. In general, sectors exposed to potentially lower government spending – such as Health Care – fared poorly, while mega-cap technology companies and banks performed well on a relative basis given higher 10-year Treasury yields and the potential for less regulation. While the Federal Reserve completed three rate cuts in the second half of 2024, it signaled in December that there would likely be fewer cuts in 2025 than previously expected. The optimism of investors was qualified with a degree of caution at the end of the year due to uncertainty regarding upcoming Fed moves and the incoming administration's policy agenda.

Portfolio Performance & Developments

Cooke & Bieler's All Cap Value Strategy underperformed the Russell 3000® Value Index during the quarter, returning -4.73% gross of fees (-4.92% net of fees) against the benchmark's -1.94% return. Sector allocation effect was positive but failed to offset the impact of negative stock selection. Information Technology holdings such as Open Text and Arrow Electronics lagged the most significantly, while Communication Services, Health Care, and Financials holdings also posed headwinds to results. Conversely, Utilities and Consumer Discretionary holdings such as Atmos Energy and Hanesbrands outperformed their respective benchmark constituents.

For the full year, though absolute performance was positive, relative performance lagged significantly. As was the case in the fourth quarter, negative stock selection effect overwhelmed the portfolio's positive allocation effect. Stock selection in the Financials and Health Care sectors caused the most substantial drag in 2024, while an underweight to Materials and overweight to Financials were additive.

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)
Charles Schwab	3.2	14.4	36
Tecnoglass	2.2	15.6	29
JPMorgan Chase	1.5	14.2	26
State Street	2.4	11.7	25
RB Global	2.5	12.2	25

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Teleflex	2.0	-28.1	-64
Crown Castle	2.5	-22.4	-59
Stanley Black & Decker	1.6	-26.6	-47
Ashtead Group	2.2	-20.1	-45
Janus International	1.8	-27.5	-45

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 -4.67% net of fees and -4.49% 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

Charles Schwab (SCHW), a leading provider of investment services to individuals and investment advisors, was the largest contributor. SCHW benefited from improving deposit trends, and their clients seem to have largely completed the process of rotating from low-interest cash to higher yielding investment instruments.

Tecnoglass (TGLS), a vertically integrated manufacturer of residential and commercial windows, was the second-largest contributor. TGLS continued to post impressive growth in its single-family residential segment, along with solid backlog growth in its commercial segment. With currency headwinds fading, margins have also improved, and further progress is likely in 2025 as more favorable sourcing contracts phase in.

JPMorgan Chase (JPM), a large commercial and investment bank, was the third-largest contributor. JPM posted strong performance in most of its businesses and benefited from continued strength in net interest income.

Largest Detractors

Teleflex (TFX), a global developer and manufacturer of a diverse portfolio of single-use medical devices used to diagnose and treat patients, primarily in acute care settings, was the largest detractor. TFX's valuation contracted in response to modestly disappointing organic revenue growth reported for the third quarter.

Crown Castle (CCI), a leading operator of cell towers and small cells in the United States, was the second-largest detractor. CCI underperformed as interest rate cut expectations for 2025 declined.

Stanley Black & Decker (SWK), an industrial and household tool manufacturer, was the third-largest detractor. The stock suffered from persistent weakness in DIY projects due to low housing turnover.

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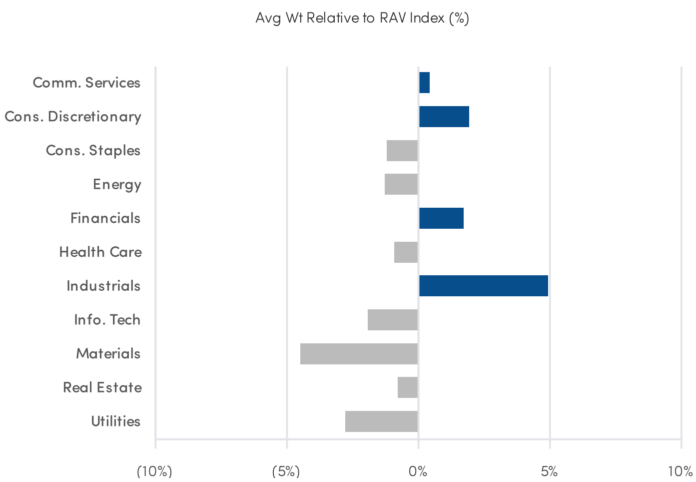
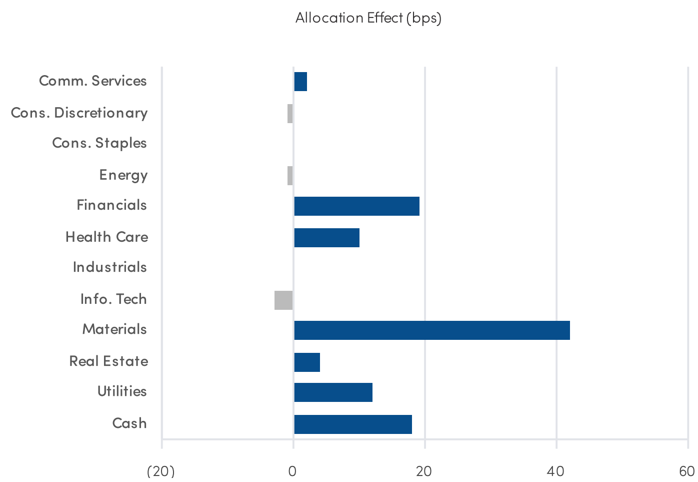
Sector Positioning

Sector allocation effect was positive for the quarter. The strategy's underweight to Materials, the worst performing benchmark sector, was the most significant tailwind as investors grew apprehensive about the potential effect of future tariffs. The portfolio's overweight to Financials, the top performing sector within the benchmark, was also beneficial as the sector soared following the election on the potential for less regulation in the future. An underweight to Information Technology was a partial negative offset.





Source: FactSet

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Initiations

There were no initiations.

Eliminations

There were no eliminations.

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Outlook

While we enter the new year optimistic about the portfolio's prospects, we have to acknowledge 2024 was not a good year. Our stock selection results across portfolios were marred by significant declines among several holdings – a few struggling with major fundamental deterioration, and a few suffering valuation contraction as they dealt with more minor, short-term setbacks. We eliminated those we judged to be permanently impaired and increased exposure to those we see as fundamentally sound – decisions we expect to pay off over time.

Disappointed as we are, we remain confident in our process and people. Our post-mortem analysis of problem stocks did not indicate systemic process or risk control failures. Weak results were also spread across team members. Thus, we humbly and steadfastly move forward, determined to learn from our experiences in a challenging year. Cooke & Bieler's long history reminds us that we are neither as bad as we appear when we underperform significantly, nor as good as we appear when we outperform significantly, as we did in 2023. The concentrated nature of our strategy can create large relative performance fluctuations – in both directions – over shorter periods of time, particularly when thematic sentiment dominates. Such was the case in 2024 with investors fixated on the Mag Seven, Big Tech, and AI stocks, while being uninterested in most everything else.

Looking forward, the backdrop for equity investing appears mixed entering 2025. Positively, current economic conditions are favorable. Pandemic-related supply and demand factors have mostly normalized. The push to build out domestic supply chains, advance AI capabilities, and incorporate related technologies into products, services, and operations has created pervasive demand drivers across sectors and industries that should persist. Inflation seems manageable and monetary policy is loosening. On the other hand, possible policy changes from the new administration, structural fiscal budget deficits, unstable geopolitics, and weakness in important economies outside the U.S. create uncertainty and risk. Valuations are a mixed bag with many high-profile growth stocks priced to perfection, while large swaths of the broad market are reasonably valued.

History suggests that valuation gap will shrink eventually as popular market leaders struggle under the weight of lofty expectations, while a decent economy provides opportunities for companies with lower valuations to meet or exceed expectations. We believe the portfolio – full of attractively valued stocks of good businesses with favorable underlying economics and strong balance sheets – is well positioned for that environment. Additionally, the gap between our estimates of intrinsic value and current prices increased across many portfolio holdings in the past year, providing another source of potential upside. Finally, we believe the portfolio's unique combination of quality and value should cushion the blow of an unexpected downturn should it occur.

Sources: Bloomberg, FactSet, International Monetary Fund, SS&C APX, Vanguard

Additional Cooke & Bieler All Cap Value Performance Disclosures