



# Concentrated Value Equity

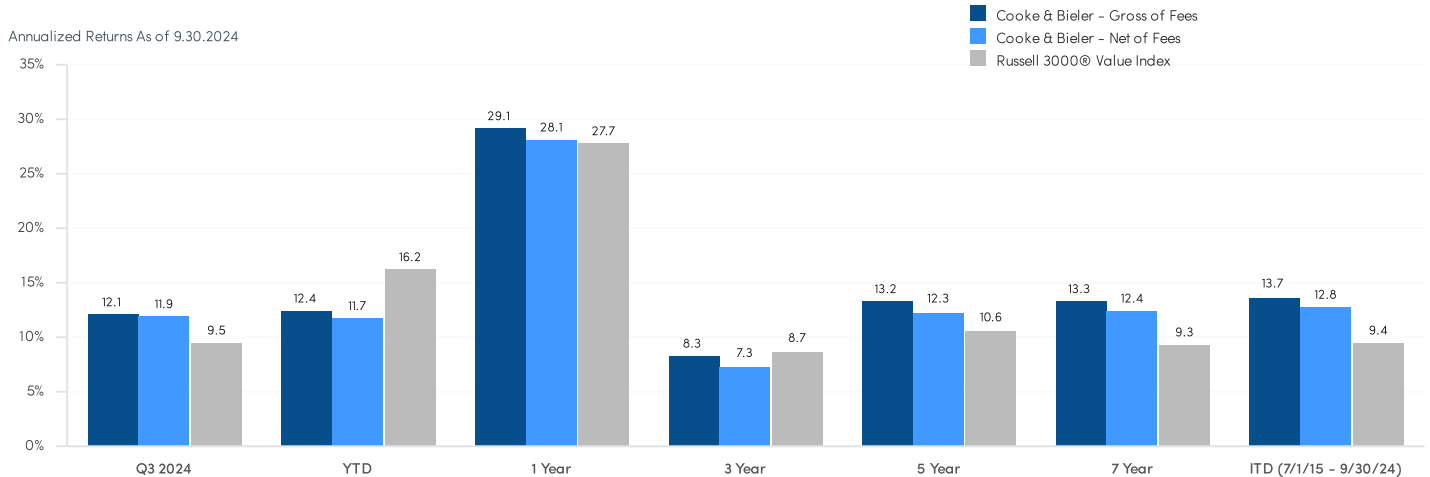
## Overview

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 Concentrated Value Strategy posted strong absolute performance and outperformed on a relative basis during the quarter, returning 12.11% gross of fees (11.90% 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. Consumer Staples and Health Care holdings also contributed to relative results. Conversely, Consumer Discretionary and Industrials holdings such as Helen of Troy and AerCap underperformed the benchmark.

## Concentrated 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.

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## Five Largest Contributors/Detractors

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)		Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Brookfield	8.8	27.9	226	Helen of Troy	0.4	-36.6	-99
Fidelity Nat'l. Financial	6.7	26.3	166	Charles Schwab	4.6	-11.9	-60
Philip Morris	6.5	20.9	140	ConocoPhillips	5.7	-7.5	-45
Gildan Activewear	5.7	24.6	133	TE Connectivity	3.8	0.6	5
Crown Castle	5.9	22.8	125	AerCap	4.7	1.7	12

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 Concentrated 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 Concentrated Value institutional portfolio returned 11.95% net of fees and 12.18% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Concentrated 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](mailto: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.

**Fidelity National Financial (FNF)**, the country's largest title insurer, was the second-largest contributor. FNF benefited from growing optimism about an upturn in the housing market fueled by lower interest rates.

**Philip Morris (PM)**, a leading global tobacco products manufacturer, was the third-largest contributor. PM posted positive results during the quarter, paving the way for its fourth consecutive year of consolidated volume growth. The company continues to target a smoke-free revenue mix of 50% in the next three years, an achievable goal considering the outsized growth of its heat-not-burn and oral nicotine portfolio. Waning currency headwinds should permit underlying strength to be more fully reflected in earnings growth.

## 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.

**Charles Schwab (SCHW)**, a leading provider of investment services to individuals and investment advisors, was the second-largest detractor. SCHW underperformed as clients continued to move cash to higher yielding investments and some competitors raised the rates paid on cash held in brokerage accounts, raising fears of increased competitive intensity. Asset flows, however, continue to be strongly positive, and SCHW's advantaged cost position should allow them to work through any near term earnings pressure.

**ConocoPhillips (COP)**, one of the largest international E&P companies with a scaled and well-diversified portfolio of assets, was the third-largest detractor. COP was affected by lower natural gas prices in the Permian basin that continued to offset higher oil prices.



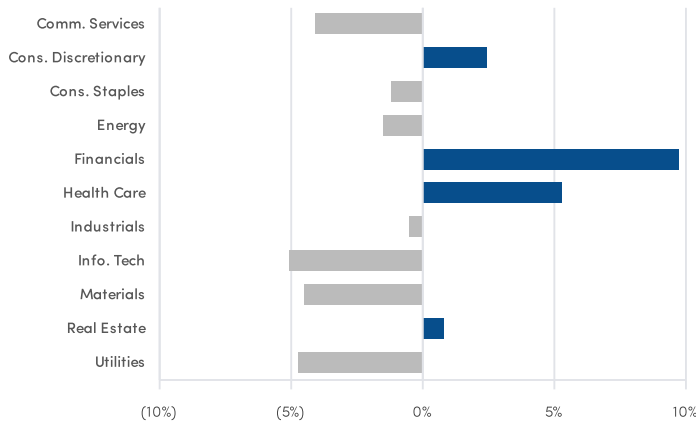


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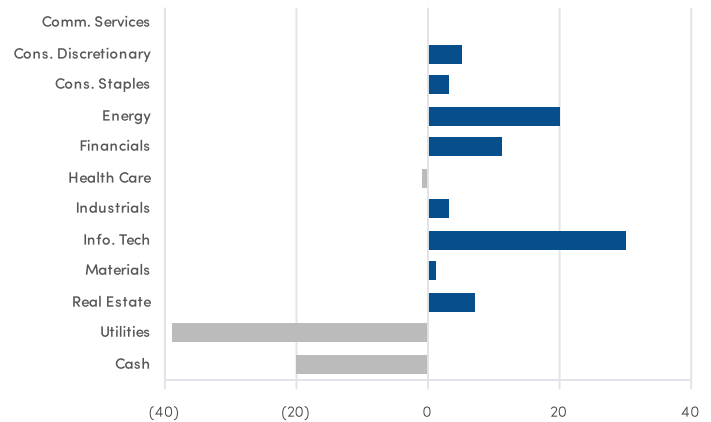
## Sector Positioning

Sector allocation effect was positive during the quarter. The most notable bright spot was an underweight to Information Technology, one of the worst performing sectors within the Index. An underweight to Energy, the only benchmark sector to post a negative absolute return as sentiment within the oil and gas space weakened, 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.

Avg Wt Relative to RAV Index (%)



Allocation Effect (bps)



Source: FactSet

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## Initiations

**RenaissanceRe (RNR)** is a best-in-class reinsurer with superior human capital, underwriting tools, and customer relationships. In addition, they are a leading outsourced underwriter for third-party capital, generating accretive and growing fee income. Having managed well through a difficult reinsurance market over most of the last 5+ years, they've opportunistically deployed capital into an attractive underwriting environment more recently. The recent acquisition of Validus further improves their market position and operating leverage in a very favorable environment.

## Eliminations

**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.





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## 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

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 Concentrated 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 Concentrated Value institutional portfolio for the quarter ending 9/30/24. 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 3000® Value Index. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Concentrated 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](mailto:contact@cooke-bieler.com).

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