COOKE & BIELER

Q3 2024

Large Cap Value Equity

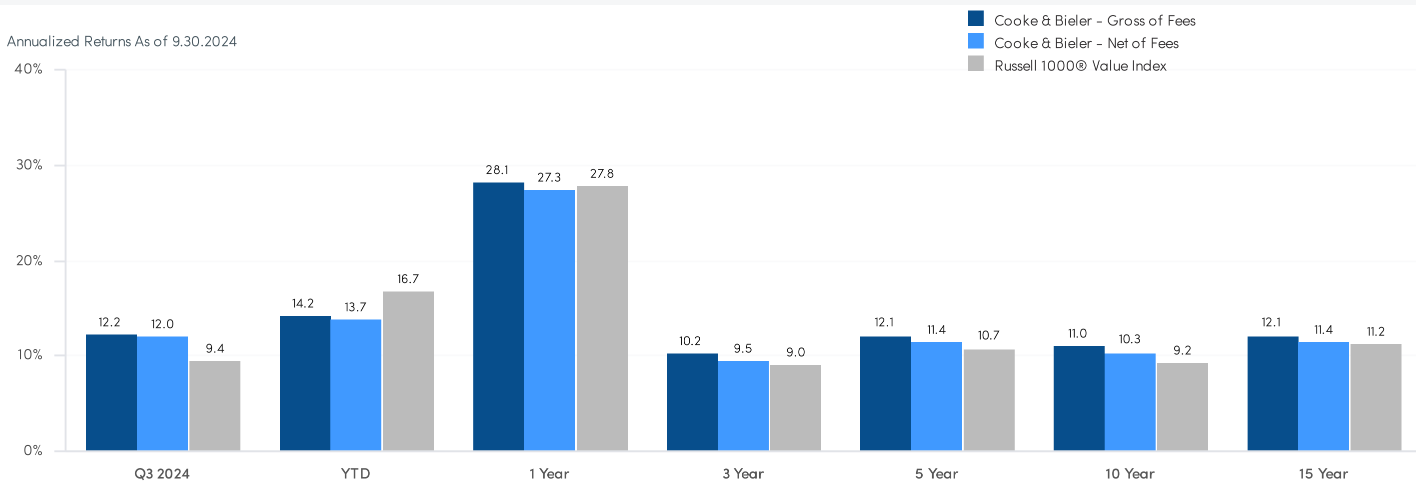
Overview

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 Large Cap Value Strategy posted strong absolute performance and outperformed on a relative basis during the quarter, returning 12.16% gross of fees (12.00% net of fees) against a 9.43% return for the Russell 1000® Value Index. Stock selection effect contributed meaningfully to results, while sector allocation effect generated a partial negative offset. Stock selection among the portfolio's Financials holdings, especially Brookfield Corporation and Fidelity National Financial, was the most significant driver of outperformance. Consumer Staples, Real Estate, and Health Care holdings also outperformed the benchmark. Conversely, Energy holdings such as Occidental Petroleum and ConocoPhillips detracted from relative results.

Large 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 Large Cap Value Performance Disclosures

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Five Largest Contributors/Detractors

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Brookfield	3.2	28.0	81
CBRE Group	2.1	39.5	75
Gildan Activewear	3.0	24.7	69
Fidelity Nat'l. Financial	2.6	26.4	65
Crown Castle	2.6	22.8	56

	Avg Weight (%)	Net Total Return (%)	Net Contrib. to Return (bps)
Occidental Petroleum	2.1	-18.1	-43
Charles Schwab	2.4	-11.9	-25
ConocoPhillips	2.4	-7.5	-19
LKQ	1.8	-3.5	-4
EOG Resources	2.0	-1.8	-3

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 Large Cap Value institutional portfolio's net of fees return relative to the Russell 1000® 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 Large Cap Value institutional portfolio returned 11.98% net of fees and 12.15% gross of fees during the quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended for Cooke & Bieler's Large 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

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

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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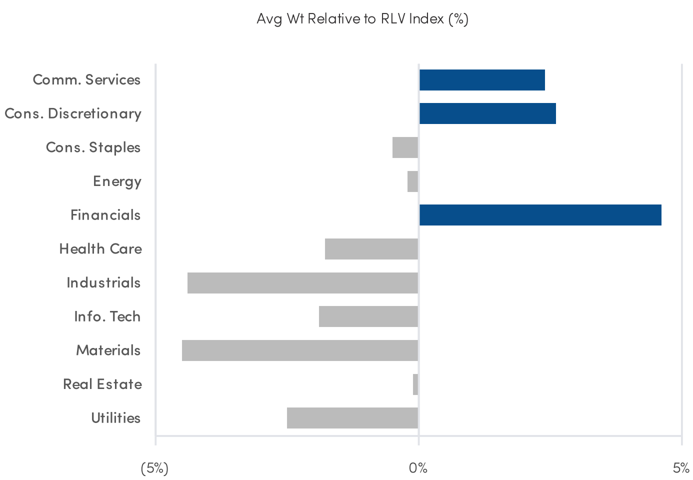
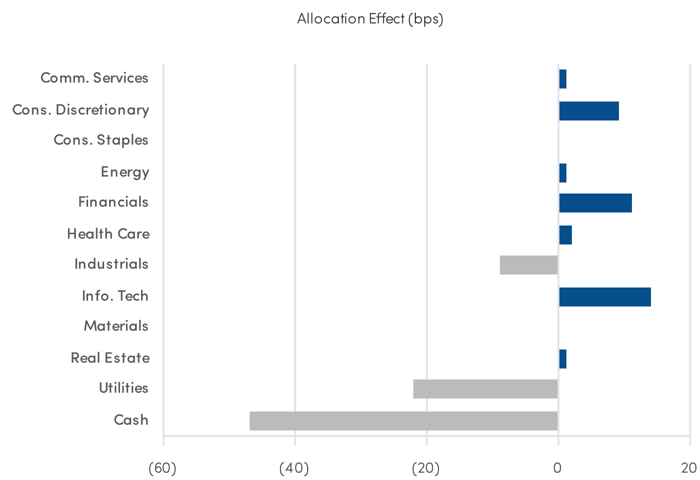
Sector Positioning

Sector allocation effect was moderately negative during the quarter. An underweight to Utilities posed the largest headwind as the sector outperformed the broader benchmark in reaction to easing monetary policy. The portfolio's underweight to Industrials also detracted from relative performance. Partially offsetting these negative results was an underweight to Information Technology, one of the worst performing sectors within the benchmark, as well as an overweight to Financials.





Source: FactSet

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Initiations

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.

Eliminations

PNC Financial Services Group (PNC) and **Williams Companies (WMB)** reached their price targets and were eliminated.

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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

Additional Cooke & Bieler Large Cap Value Performance Disclosures