Large Cap Value

CS McKee

Q1 | 2025

"Attractive stocks possess an elusive combination of three essential criteria: statistical cheapness, undervaluation, and timeliness. Our process is dedicated to identifying stocks that meet all three."

- Mary Jane Matts

- U.S. equities (as measured by the Russell 3000) returned -4.7% in the first quarter as investors grappled with uncertainty surrounding the economic outlook. Within the broader indices, large caps outperformed small caps, value outpaced growth, and defensives beat cyclicals/dynamics. The best performing style factors were Liquidity, Earnings Yield, and Leverage, while the worst were Beta, Volatility, and Momentum (source: FactSet Global Equity Risk Model MH). Within the Russell 1000 Value, best performing sectors were Energy, Communication Services, Health Care, Utilities, and Consumer Staples, while the worst were Information Technology, Consumer Discretionary, and Industrials. The Large Cap Value strategy outperformed the benchmark due to stock specific and style effects.
- During the quarter, the largest positive contribution to relative performance came from good stock selection, notably within Consumer Discretionary, Information Technology, and Consumer Staples. Among the largest contributors was Shell (SHEL-US, +17.3%) which benefitted from the sector lift as well as the company's improving cash flow, lower cap ex, and higher shareholder distributions. Style factors were also additive to relative performance, most significantly from an overexposure to Earnings Yield (low p/e), one of the quarter's best performing factors. An underexposure to Volatility, one of the worst performing factors, also aided results.
- The largest negative contribution in the quarter came from stock selection within Industrials and Financials. Within Industrials, Delta Air Lines (DAL, -27.8%) reacted poorly to a material cut in the outlook for first quarter revenue amid macro uncertainty, a drop in government related travel, and a number of aviation incidents. In terms of style exposures, overweights to Beta and Momentum hindered results during the market's flight to safety.
- Over 70% of the active risk in the portfolio comes from stock specific risk, with concentrations in Financials, Industrials, and Health Care, with the most significant individual stock contributions from eBay (EBAY), AES (AES), Verizon (VZ), Mosaic (MOS), and Citigroup (C). The remainder of the active risk derives from style and industry deviations from the benchmark. The portfolio is positioned somewhat defensively, with overweights to Utilities, Communication Services, Real Estate, and Energy, and underweights to Industrials, Information Technology, Consumer Discretionary, and Consumer Staples. Among style effects, with overexposures to Earnings Yield, Dividend Yield, and Book to Price, the portfolio maintains it positioning with deeper value characteristics than the benchmark.

Top Five Contributors	Relative Effect on Return (%)
Shell Plc Sponsored ADR	0.41
Verizon Communications Inc.	0.34
Duke Energy Corporation	0.33
Altria Group, Inc.	0.27
Fox Corporation Class A	0.26

Top Five Detractors	Relative Effect on Return (%)
Delta Air Lines, Inc.	-0.73
Synchrony Financial	-0.39
Sempra	-0.32
Cummins Inc.	-0.32
United Rentals, Inc.	-0.30

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Large Cap Value Composite Gross	2.68	2.68	8.71	9.01	18.49	9.17
Large Cap Value Composite Net	2.55	2.55	8.19	8.48	17.91	8.64
Russell 1000 Value	2.14	2.14	7.18	6.64	16.15	8.79

Disclosures

Effective April 25, 2025, CSM Advisors LLC purchased the assets of Foundry Partners LLC. CS McKee is an independent registered investment advisor specializing in institutional and retail investment management services and utilizing a variety of investment strategies and styles; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made. CS McKee maintains a complete list of composite descriptions and broad distribution pooled funds, which is available upon request. On January 10, 2002, C. S. McKee and Co., Inc. completed a senior management led buyback from Old Mutual, plc, resulting in the formation of C. S. McKee, L. P. On March 12, 2020, North Square Investments acquired substantially all the assets of C.S. McKee, L.P., resulting in the formation of CSM Advisors, LLC. CSM Advisors, LLC will continue to do business as CS McKee, and continues to operate independently as an investment advisory division.

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Performance attribution characteristics along with the Sectors and Holdings listed are taken from a representative or model account and may not mirror performance of your account.

Top Five Contributors and Detractors are calculated using the total effect (within attribution) of the portfolios individual stock attribution sorted from greatest positive to least (or negative) and using the top and bottom five.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees; the client's return will be reduced by the management fees and any other expenses incurred in the management of its account. For example, a US $100 million account, paying a .50% annual fee, with a given rate of 10% compounded over a 10 year period would result in a net of fee return of 9.5%. Investment advisory fees are described in Part 2A of CS McKee's Form ADV. Net Performance listed is Net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The Russell 1000® Value Index (the "Index") measures the performance of those companies in the Russell 1000® Index with lower price-to-book ratios and lower forecasted growth values. The Index is calculated on a total return basis with dividends reinvested and is not assessed a management fee. It is not possible to invest directly in an index.

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