

“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 11.0% in the second quarter. Large caps outperformed small caps, growth strongly outpaced value, and cyclical/dynamics beat defensives. The best performing style factors were Beta, Momentum, and Volatility, while the worst were Dividend Yield, Liquidity, and Leverage (Source: FactSet Global Equity Risk Model MH). Within the Russell 3000 Value, the best performing sectors were Information Technology, Industrials, and Financials, while the worst were Health Care, Energy, and Real Estate. The All Cap Value strategy outperformed the benchmark due to positive stock specific, style, and industry effects.
- During the quarter, the largest positive contribution to relative performance came from stock selection, notably within Financials, Materials, and Information Technology. In Financials, Goldman Sachs Group (GS, +30%) was a leading contributor, driven by improving sentiment toward investment banking and trading activity. In Materials, Mosaic Company (MOS, +36%) benefited from strong global demand for fertilizer, as well as better than expected operating results. Style factors were additive to relative performance, most notably from overexposures to Beta and Book To Price. Industry effects also added value, particularly in Health Care, Consumer Discretionary, and Financials, with the largest contributions coming from zero weights to the underperforming Financial Services and Life Sciences Tools & Services industries.
- Detractors from performance included adverse stock selection in Utilities and Real Estate, as well as select style factor and industry exposures. Within Utilities, AES Corp. (AES, -14%) reacted poorly to disappointing earnings and growing concerns about the new administration's potential lack of favorability toward renewable energy. Among style exposures, an overweight to dividend yield and an underweight to volatility had the largest drag on performance. Among industry effects, an underexposure to Aerospace & Defense was most impactful, as A&D was the single best performing industry during the quarter amid heightened geopolitical risk and escalating hostilities in the Middle East.

Commentary continued on the back

Top Five Contributors	Relative Effect on Return (%)	Top Five Detractors	Relative Effect on Return (%)
Goldman Sachs Group, Inc.	0.51	Bristol-Myers Squibb Company	-0.39
Mosaic Company	0.47	AES Corporation	-0.23
Synchrony Financial	0.42	Healthpeak Properties, Inc.	-0.22
Oracle Corporation	0.39	Coterra Energy Inc.	-0.21
United Rentals, Inc.	0.33	Shell Plc Sponsored ADR	-0.20

	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
All Cap Value Composite Gross	5.58	6.72	14.57	15.09	16.71	9.40
All Cap Value Composite Net	5.49	6.50	13.93	14.45	16.08	8.82
Russell 3000 Value	3.84	5.55	13.30	12.48	13.87	9.04

Commentary Continued

- Almost 75% 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 Mosaic (MOS), eBay (EBAY), Verizon (VZ), Darden Restaurants (DRI), and Delta Airlines (DAL). 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, and Real Estate, and underweights to Consumer Discretionary, Consumer Staples, Information Technology, and Industrials. Among style effects, the most impactful exposures include overexposures to Momentum and the value factors, and an underexposure to Volatility. The portfolio is overexposed to small caps, although the risk contribution is less significant than other factors. With overexposures to Earnings Yield, Dividend Yield, and Book to Price, the portfolio maintains its positioning with deeper value characteristics than the benchmark.

Disclosures

CS McKee is an independent registered investment adviser specializing in institutional and retail investment management. Registration does not imply a certain level of skill or training. On April 25, 2025, CS McKee acquired the assets of Foundry Partners LLC. Historical Foundry performance has been retained for all Foundry strategies that were adopted by CS McKee. A list of composite descriptions and broad distribution pooled funds are available upon request.

Effective with the acquisition of Foundry Partners LLC, CS McKee created the CS McKee All Cap Value Composite, which includes the prior performance history of Foundry's All Cap Value strategy and CS McKee's performance from the acquisition date forward. The legacy Foundry composites continue to be managed in a similar manner by the same portfolio managers, with no accounts excluded from the composites shown. Accordingly, the performance presented includes historical/predecessor performance.

The securities or positions shown or discussed do not represent a complete listing of portfolio holdings. Actual holdings will vary based on account size, client-imposed restrictions, cash flows, and other factors. There is no assurance that any securities discussed remain in the portfolio or that securities sold have not been repurchased. It should not be assumed that past decisions were or will be profitable. A complete list of holdings is available upon request.

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.

Performance is presented in U.S. dollars and reflects total returns. "Gross" returns are shown before deduction of investment management fees, while "Net" returns are after deduction of such fees. For illustrative purposes, a \$100 million account paying a 0.50% annual management fee, with a 10% gross return compounded over 10 years, would yield a 9.5% net return. Fees are detailed in Part 2A of CS McKee's Form ADV. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Information shown is as of the date indicated. All data, including top holdings and characteristics, is subject to change without notice. Holdings shown are for illustrative purposes only and are not a recommendation to buy or sell any security. Holdings and characteristics may differ between client accounts managed under the same strategy. CS McKee does not guarantee the accuracy of third-party data.

Benchmark returns are shown for comparison and reflect reinvested dividends. Benchmarks are unmanaged, not investable, and do not incur fees or expenses. Strategy differences—such as risk, holdings, or asset mix—may materially affect results. Benchmark data is from sources believed reliable, but accuracy is not guaranteed.

CS McKee claims compliance with the Global Investment Performance Standards (GIPS®). Composite characteristics, including the number of accounts, assets under management, and dispersion measures, are provided in the GIPS® Composite Report. Please refer to the report for additional important information or to view a list of composite descriptions by visiting: <https://csmckee.com/gips/>

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