

“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 cyclicals/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 1000 Value, the best performing sectors were Information Technology, Industrials, and Financials, while the worst were Health Care, Energy, and Real Estate. The Large 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 Momentum 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 Real Estate and Utilities, 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		Top Five Detractors	Relative Effect on	
	Return (%)			Return (%)	
Goldman Sachs Group, Inc.	0.57		Bristol-Myers Squibb Company	-0.44	
Mosaic Company	0.52		AES Corporation	-0.26	
Synchrony Financial	0.48		Healthpeak Properties, Inc.	-0.25	
Citigroup Inc.	0.39		Coterra Energy Inc.	-0.23	
United Rentals, Inc.	0.37		Shell Plc Sponsored ADR	-0.23	

	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Large Cap Value Composite Gross	5.50	8.33	16.11	15.84	16.63	9.64
Large Cap Value Composite Net	5.42	8.11	15.60	15.30	16.08	9.11
Russell 1000 Value	3.79	6.00	13.70	12.76	13.93	9.19

Commentary Continued

- Over 75% of the active risk in the portfolio comes from stock specific risk, with concentrations in Financials, Industrials, Health Care, and Information Technology with the most significant individual stock contributions from Mosaic (MOS), Verizon (VZ), eBay (EBAY), Delta Airlines (DAL), 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 Communication Services, Utilities, and Health Care, 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. 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 Large Cap Value Composite, which includes the prior performance history of Foundry's Large 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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