

**“The essence of investment management is the management of risks, not the management of returns.”**

– Benjamin Graham

## A Profile in Process Enhancements

Graham’s view remains especially relevant today as new data, tools, and market dynamics evolve. The Large Cap Value team at CS McKee continues to apply their long-standing philosophy with greater precision by refining the tools that manage both opportunity and risk. The strategy remains grounded in three core criteria: Statistical Cheapness, Valuation, and Timeliness, yet the way these elements are measured, weighted, and combined has steadily improved. Drawing on long-term back testing, expanded analytic tools, and a deeper review of historical factor behavior, the team has enhanced the information that supports their models and guides the overall process.

One important enhancement has been a more deliberate balance between Statistical Cheapness and Valuation. In an environment where opportunities for alpha increasingly depend on differentiated insights, the team has placed a greater emphasis on forward-looking valuation work informed by fundamental judgment and long-term expectations. Statistical Cheapness remains an essential starting point. However, the team’s valuation process, rooted in rigorous, risk-adjusted fair-value estimates, now plays a larger role in distinguishing the most compelling opportunities.

The team has also strengthened the Timeliness component of the process. Extensive back-testing revealed that stocks with the weakest timeliness characteristics had consistently underperformed, making negative timeliness particularly risky. In response, the team incorporated momentum-based signals and implemented a dynamic weighting approach that increases Timeliness’s influence as a stock’s score worsens. These enhancements have been validated by the significant performance spread between the results of their alpha tested highest- and lowest-ranking quintiles.

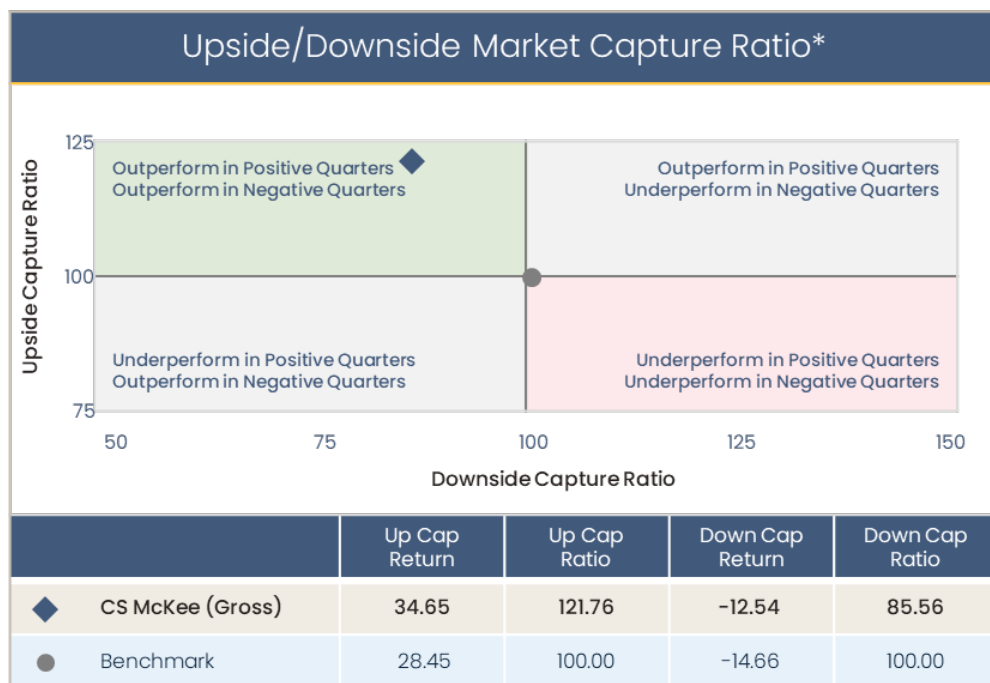
Risk budgeting and portfolio construction have also benefited from these refinements. Using portfolio risk-management tools, the team continuously evaluates the sources of active risk, aiming to ensure that the greatest contributions come from fundamental stock selection rather than unintended sector or factor exposures. Position sizes are adjusted as needed so that the team’s highest-conviction ideas are appropriately reflected via their weighting in the portfolio.

Taken together, these enhancements have strengthened both the offensive and defensive qualities of the strategy. Offensively, the team has improved its ability to identify attractively valued opportunities and position them effectively. Defensively, the process appears better equipped to avoid notable underperformers by steering clear of positions exhibiting deteriorating sentiment, which has enhanced downside protection.

As the following indicators demonstrate, the team has implemented these improvements into noteworthy results over the past five years while maintaining their style and discipline.

	1-Year Trailing Ret.	3-Year Trailing Ret.	5-Year Trailing Ret.	Batting Average	Annulized Alpha	Information Ratio
Large Cap Value (Gross)	25.39	17.87	15.77	0.80	3.04	1.26
Large Cap Value (Net)	24.86	17.33	15.24			
Russell 1000 Value Index	15.91	13.90	11.33	---	---	---
eVestment Lg Cap Value Peer Rank	5%	21%	9%	1%	22%	4%

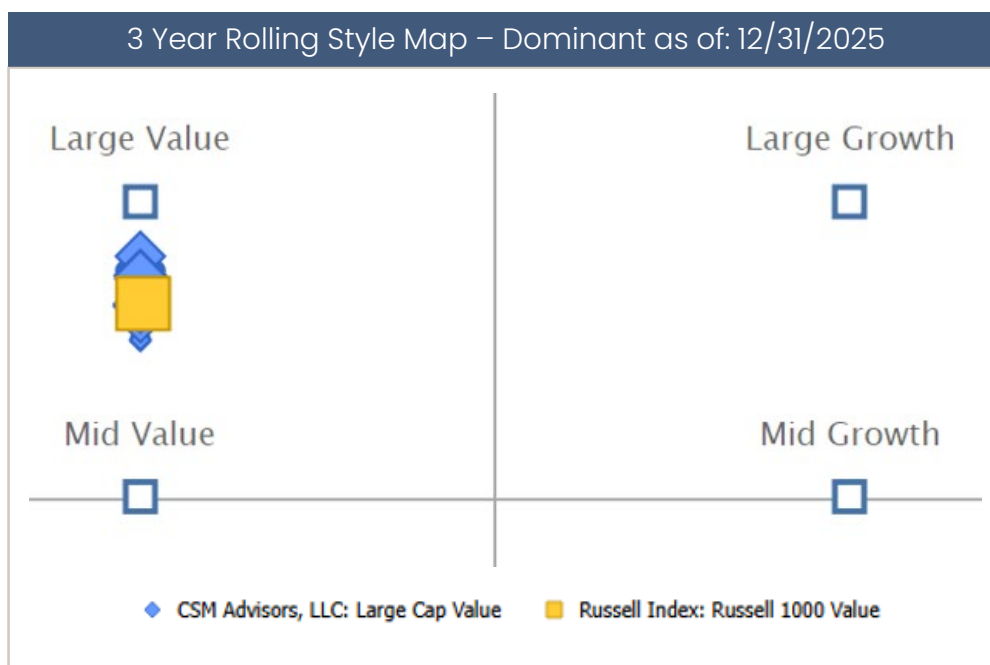
Source: eVestment & CS McKee (information as of 12/31/2025)



Source: eVestment & CS McKee (\* Period: Q1 2021 - Q4 2025)

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Source: eVestment & CS McKee (style chart is rolling 3-year mo. returns for the past 5 years)

Performance is presented in U.S. dollars and reflects total returns. "Gross" returns are shown before deduction of investment management fees, while "Net" returns reflect the deduction of actual investment management fees charged to client accounts included in the composite, which may vary. For illustrative purposes only, a \$100 million account paying a 0.50% annual management fee and earning a 10% gross return compounded over 10 years would result in an approximate 9.5% net return. This example is hypothetical and not representative of actual client performance or fee arrangements. 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.

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