1Q 2025
Socially*Responsible* Value Portfolio Review

Past performance is not indicative of future results. Returns are calculated using a time-weighted return and include the reinvestment of all income. Gross of fee performance is reduced by any transaction costs. Net of fee performance is further reduced by actual management fees. The securities identified are not a recommendation to buy or sell and do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. The number of contributors versus detractors are loosely dependent on how the strategy performed versus its benchmark. Depending on how well the strategy did versus its benchmarks, the number of meaningful contributors or detractors will change from quarter to quarter. In general, if the strategy outperformed/underperformed its benchmark significantly, there will likely be a larger/smaller number of contributors than detractors. When only a small number of stocks are responsible for the majority of relative performance versus the benchmark the opposite may be the case. Any discussion of underlying stock specific returns is not to be relied upon as performance to achieve and only discussed as a means to communicate the strategy's performance relative to the market. During the recently ended quarter, net of fees, the SociallyResponsible Value composite under-performed the Morningstar Large Cap Value by 523 basis points and out-performed the S&P 500 Value by 44 basis points. The 1-year net of fee return on the composite was 7.0%; the 5-year net of fee return on the composite was 19.9%; and the 10-year net of fee return on the composite was 8.9%.

The Socially*Responsible* fund performed mostly in-line with its value benchmarks and outperformed the broad market and growth benchmarks in the first quarter of 2025. With the market seemingly trying to find its footing amongst the increasingly complicated and adversarial political climate, it is no surprise that investors have once again shown a preference for less risky assets. How risk assets are defined, however, can sometimes change with the prevailing environment. Healthcare, consumer staples, utilities and telecom companies, for example, can typically be defined as less risky since they generally tend to be less cyclical.

However, there are environments where some of these sectors do not hold up well during periods of heightened volatility, the current market being a good example. Healthcare has been a notable exception, in part due to the presidential cycle as health care has been a "hot" political topic for several cycles. The prior administration had put effective price controls on a number of pharmaceuticals, which, at the time, was one of the biggest threats to the U.S. pharmaceutical market. This "killing the golden goose" depressed the multiples the market is willing to place on companies' ability to recover the high cost of drug discovery. Couple price controls with an administration bent on reducing reliance on the public sector's contribution to the health industry and even potentially limiting the amount of medicine available to the public, and this creates the potential for a near disastrous outcome for a number of companies in the healthcare sector.

Yet, the starting point is an important attribute to consider when deciding whether or not to invest in a particular company. Take some of the largest pharmaceutical/biopharma companies in the world today: AbbVie, Amgen, Johnson & Johnson, Merk, Pfizer, Eli Lilly, and Novo Nordisk. With the exception of Eli Lilly and Novo Nordisk, valuations have only come down over the last 25 years, where once the market awarded P/E multiples that ranged around 30X next year's earnings, its currently awarding somewhere between 8X and 14X next year's earnings. This is important because as the current administration's new Secretary of Health and Human Services is spooking the market through mass layoffs and speculation they will reduce the public's reliance on "traditional medicine", those companies with the lowest P/E multiple in the sector declined the least, particularly in the month of March. The new "growth" pharma stocks Eli Lilly and Novo Nordisk, driven by the GLP1 weight loss phenomenon, witnessed among the most significant stock price declines.

While we do not own Lilly or Novo, it is of little surprise that the Socially*Responsible* strategy's holdings in healthcare were the largest detractor to returns for the quarter. However, there are a few distinctions to make about the holdings as compared to the benchmark. Fortrea, Dentsply Sirona, and Avantor all declined more than the average benchmark holdings and are now in extreme valuation discount territory. Fortrea suffers from the pause in pharmaceutical companies spending on research and development due to the disincentives created by the current political environment. Combine that with a higher level of debt than the average health care company and the declines in the stock price can be explained. We don't believe this pause is sustainable and Fortrea remains well positioned once companies begin spending on R&D again. We nevertheless continue to monitor its competitive position and progress towards its milestones. Avantor supplies the basic materials used in the creation of health care products, mostly pharmaceuticals, and it too has seen somewhat modest declines in its top line which, when combined with higher levels of debt, has a deleterious effect on the bottom line. With interest rates heading lower and industry fundamentals poised to eventually rebound, we believe Avantor and Fortrea could rebound significantly off of a very low valuation. Some of the declines are offset by the strategy's largest holding in healthcare, Medtronic, which has been out of favor due to the overall pessimism surrounding the sector. However, Medtronic has been growing its revenues and increasing profitability for a number of quarters, which has only increased our confidence and portfolio weighting.

Stock selection in the industrial sector also detracted from returns. Companies in this sector can be highly cyclical and suffer from the expectation of a slowdown in economic growth. Nvent is one such company, which has been a very successful investment for the Socially*Responsible* strategy over our holding period, but witnessed price declines in its stock as the market appears to be anticipating a slowdown in its industry. We believe the market is overreacting as a slowdown does not appear imminent and though the company is cyclical we believe it will continue to gain share in its end markets and any slowdown will only be temporary.

Holdings in the financial and information technology sectors mostly offset performance from healthcare and industrials. W. R. Berkley and AIG, both property and casualty insurance companies outperformed peers in the quarter. AIG is a long-term holding that has been improving its underwriting for years. Furthermore the proceeds from the spinoff of its life insurance company, Corebridge, are being used to repurchase a significant amount of its shares, not only providing support for the price of its shares but also improving its profitability metrics. W. R. Berkley, an astute underwriter, announced that Mitsui Sumitomo has taken a 15% position in the company during the quarter. This is a continuation in interest in American insurance companies from Japan, which has been ongoing for a number of years. The acquisition will not affect the daily operations of the company, but is a recognition of value inherent in such a well-run company. In IT, IBM and Intel both outperformed the benchmark's holdings. IBM is another long-term holding in the strategy that continues to go from strength to strength. We have discussed the transformation under CEO Arvind Krishna thoroughly, yet his stewardship continues to impress. You won't see IBM making headlines, yet compared to the *Magnificent 7* stocks, it has performed very well over the last three years with much less volatility in its day-to-day price. Intel; however, is coming from an entirely different place. It is still muddling through its transformation after losing its pole position as the most advanced chip manufacturing company years ago. During the quarter its board changed management again as Pat Gelsinger failed to impress upon the board that he was leading the company out of its troubles. The market seemed to appreciate the news that Lip-Bu Tan, a board member and former CEO of Cadence Design Systems, would have more success in turning around Intel's fortunes.

During the quarter we initiated a position in Hasbro and eliminated our holdings in AirLease. Hasbro is in the midst of a transition away from toys and games which have been declining and largely unprofitable for years, towards higher value products that carry more intellectual property and licensing revenue. For anyone who knows about Magic the Gathering, Dungeons & Dragons, or Wizards of the Coast, they could likely attest to how well Hasbro has managed the franchise over the years. These card games are increasingly popular as management has collaborated with other franchises to create demand while limiting supply to keep the franchise value high. Furthermore, management has turned the toy segment back to profitability, which might obviate the need to cut the dividend, which we believe could be trimmed from a capital allocation standpoint. AirLease is an astute operator in a difficult industry. While it has been a successful investment over our holding period, we believe that backlogs are as good as they are going to get. AirLease benefits from a normal yield curve and the improvements in aircraft deliveries, so we are not concerned from that standpoint. Yet as a lender, it exhibits characteristics not unlike some of our other holdings. As such, we invested recent proceeds elsewhere.

Building a portfolio of companies that have been neglected by years of the markets' near-singular focus on a small group of technology giants has produced, in our opinion, a great opportunity for investors in the Socially*Responsible* strategy. Owning companies whose fundamentals appear to us as mispriced provides us with confidence in what we believe are going to be turbulent markets going forward. It is our opinion that most of the market risk lies in the massive weights of the most highly valued stocks in many benchmarks and strategies.