Title: Large Cap Value Update 2Q2025

Description: Portfolio Manager Ben Silver provides an update on the second quarter for our Large Cap Value strategies.

Transcript:

Hi, my name is Ben Silver, and over the next few minutes I'm going to take you through the activity and performance for the second quarter of 2025 for our large cap U.S. products.

Markets were volatile throughout the second quarter of 2025, as Liberation Day tariff announcements created uncertainty around U.S. demand as well as increased recession fears. As the Trump administration gradually moderated its stance over the course of the quarter, equities rebounded to above pre-Liberation levels. The U.S., Europe, Japan, and emerging markets were all up low double digits, and growth vastly outperformed value, reducing its year-to-date performance gap.

Our portfolio performed mostly in line with its value benchmark. On the sector level, financials and consumer discretionary were the largest contributors, while healthcare and industrials were the largest detractors.

Financials' strong performance was supported by a number of factors, including benign credit losses, favorable stress test results, a more accommodating regulatory backdrop, robust capital markets, and significant returns on capital. Within financials, Citigroup was among our top contributors in the quarter, delivering low single-digit revenue growth while at the same time expenses were declining, resulting in improved returns on capital. Capital One was another key contributor, as it continued on its solid execution and with the successful closing of the Discover acquisition. This is a transaction that the market views as offering significant cost savings.

Discount retailer Dollar General also appreciated meaningfully, as same-store sales growth grew, as well as margins improved from increased traffic from consumers trading down to the discount channel. Improved inventory control measures that reduced theft also significantly helped, and their announcement that most of their items are not sensitive to tariffs helped as well.

On the detractors, drugmaker Bristol Myers Squibb was a significant detractor, along with sector-wide issues including concerns regarding most-favored-nation policies as well as taxes. They reported disappointing results from an antipsychotic drug trial and the acquisition of a Chinese drug compound at a higher-than-expected price.

The chemical industry remained under pressure as well, and Dow continued to struggle as the company further delayed its Alberta capex while announcing additional facility closures in Europe.

Also detracting was merchant acquirer Global Payments, on the announcement of a transformative acquisition of Worldpay during the quarter. The deal surprised investors quite a bit, as management's prior emphasis was on returning capital in lieu of M&A. After meeting with the company and conducting extensive due diligence on the transaction, we think the combined entity will have unparalleled scale — processing over $4 trillion in transaction payments and volumes — and also allow Global Payments the opportunity to expand distribution of its Genius point-of-sale product to Worldpay’s small and medium business customers.

In addition to increasing our position size in Global Payments, we also added to Corebridge, formerly AIG's life and retirement unit, and Skyworks, a smartphone component supplier.

We exited our position in JPMorgan at close to the estimate of our fair value, and in addition trimmed positions in Charter Communications, Dollar General, and Equitable Holdings — all on strength.

Although markets remain quite volatile amid ongoing government actions and macroeconomic uncertainty, we remain constructive on the portfolio, where valuations continue to appear attractive across a broad range of sectors.