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Hi, I'm John Flynn, a portfolio manager here at Pzena Investment Management, coming through with an update on our Mid Cap Value strategies for the third quarter of 2025.

Overall, I'd say it was a pretty volatile market during the quarter, where we saw a lot of momentum driving the market. We saw this with companies that were beating expectations and exceeding, and people who disappointed were being pretty severely punished as well.

During the quarter, our Mid Cap strategies lagged the broader value index. What we really saw in the quarter was that the big detractors for us were in telecommunications, healthcare, and industrials, whereas on the contributor side we saw consumer discretionary, financials, and energy being the biggest contributors.

When you take that a step further and look at the individual names where the puts and takes were, two names really stand out on the detractor side. One would be Baxter. This is a medical device company, and Baxter's earnings were disappointing. You may recall earlier in the year they had a hurricane take out their IV-bag facility, and the recovery from that has been a little bit slower on the demand side, which led to some revenue weakness. They also had a pump voluntary recall. It's a small piece of their overall revenue, but I think it spooked people overall. We think it's manageable for the long term and certainly think the company remains well positioned within that business. So we actually took advantage of the weakness during the quarter to add to our position in Baxter.

Another detractor in the quarter was Charter Communications. This is the broadband company where their net internet adds in the quarter were weaker than what people were expecting. What's begun to concern us about the stock is that the competitive dynamic has been changing, where some of the incumbents — the wireless players — have been more aggressive in rolling out capacity, and they've started to talk about how the economics of laying down new fiber have changed such that they are going to pursue more projects. As a result of this changing competitive dynamic, we actually chose to exit the name on the weakness, accepting that the range of outcomes had changed and there were better places where we wanted to be deploying capital.

On the flip side of the ledger, on the contributors in the quarter, two names to comment on here. One would be Advance Auto Parts. This is the auto-parts retailer that's been in the midst of a turnaround. I think both margins and the progress they've made exceeded market expectations, and the stock was quite strong on that news.

The other one would be Magna. This is the auto supplier. Recall that auto volumes have been weak. We've seen a recovery there in Magna's volumes, and they have a number of self-help initiatives that have come through to the bottom line and helped with the earnings beat in the quarter. Those were two strong performers during the quarter.

We also had two new names that we added during the quarter. The first would be Solventum. Solventum is a spin-out from 3M, and as part of the spin-out there are a lot of moving pieces in terms of supply agreements and what the positions of the business actually are. As the company

has existed for almost a year now as an independent company, we're starting to get some more incremental clarity. We still think it takes a fair amount of work to dig through and understand their positioning and where their markets are. They have a really nice position in advanced wound care and infection prevention, and we like these franchises. We think the stock is a bit misunderstood just from the spin-out and some of the vagaries that come with that, so we were excited to get that into the portfolio during the quarter.

The second name we added was a company called Sensata. They make sensors for automobiles — think tire-pressure and temperature sensors. The biggest controversy overhanging this stock is the transition from legacy internal-combustion engines to electric vehicles. Approximately 70 to 80 percent of their existing product base coexists both in ICE engines and in battery-electric. We think that gives a good buffer. Under previous management teams, they did a bunch of misguided acquisitions trying to get into EV. A lot of those have been written off, but there is one solid business in there that we think is a good long-term prospect for the company to offset some of that headwind from the transition to battery-electric vehicles.

Finally, to fund this during the quarter, we exited our position in TE Connectivity. We did that on strength, and we also trimmed SS&C, Advance Auto Parts on some of the strength there, and Delta as well.

That's it for the quarter. Thanks for spending the time, and we look forward to updating you next quarter.

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