



**KERUSSO CAPITAL MANAGEMENT  
US LARGE CAP VALUE  
ANNUAL/FOURTH QUARTER 2025 REVIEW**

While positive performance is always the goal, the primary indicator of a manager's effectiveness is the frequency of outperformance across varying market cycles.

Historically, our strategy has exceeded its benchmark in more than 60% of all observed periods, meaning we have delivered a lead in nearly two out of every three years for over two decades.

We recognize that in 2025, portfolio performance albeit positively trailed the index; however, we view this as a rare hiccup in an otherwise consistent track record. At Kerusso, our "batting average" remains consistently high across multiple market cycles:

Our portfolio has outperformed 2 of the last 3 years, ~67% of the time.

Our portfolio has outperformed 3 of the last 5 years, 60% of the time.

Our portfolio has outperformed 6 of the last 10 years, 60% of the time.

Our portfolio has outperformed 15 of the last 23 years, ~65% of the time.

Despite this long-term consistency, no manager or asset class outperforms 100% of the time. 2025 happened to be a year and the fourth quarter a period of underperformance for our strategy. To provide context, this marks our first calendar year of underperformance since 2021.

Quite honestly, with the volatility of the contextual environment, the opportunity to outperform in a prudent fashion has become a bit more challenging. We are navigating a geopolitical landscape where the lines between sustainable technological shifts and speculative bubbles are constantly blurring. Investing for the long term without a significant possibility for a "hiccups" here or there is nearly impossible in an environment driven by rapid momentum shifts and unprecedented policy changes.

As I sit typing out this commentary, the market is reacting to the President's recent mandates regarding salary caps and a cessation of stock dividends and stock buybacks by defense companies until production meets his targeted goals.

While our antidote to such volatility is a prudent, disciplined and consistent investment approach, we are not immune to these sudden, systemic shifts.

Hence, we lagged our benchmark, the Russell 1000 Value\*, for the year and the quarter.



But, our intermediate and long-term performance gives us great confidence that we will prevail again.

And, my personal conviction is so great that nearly 100% of my own retirement funds are invested within this very strategy.

So, as the proverbial question goes, “Are you eating your own cooking?”

My response is, “Yes, two handfuls.”

### **Annual Review**

For the year, 3 out of 11 sectors outperformed the respective sector and/or the overall benchmark, the Russell 1000 Value. Both stock selection and sector allocation were negative.

Performance for the Russell 1000 Value was quite narrow with four sectors outperforming – Communication Services, Technology, Industrials, and Financials. These sectors mimicked the exposures that have driven the Growth indices over the past few years with limited opportunities for more broad-based managers to outperform.

For the year, the portfolio was primarily overweight Financials, Consumer Discretionary, Energy, and Materials. The portfolio was underweight Real Estate, Utilities, Health Care, Communication Services and Technology. The portfolio was market weight Consumer Staples and Industrials.

For the year, the sectors with the highest level of contribution were Consumer Discretionary, Health Care, and Industrials. In Consumer Discretionary, 2 out of 7 stocks outperformed the respective sector and/or the overall benchmark, the Russell 1000 Value, as off-price branded retailers such as Ross Stores and TJX Companies were the only holdings with a positive return as tariff pressure and concerns regarding the strength of the consumer overwhelmed investor sentiment. In Health Care, 3 out of 6 stocks outperformed as the pharmaceutical, biotechnology, and biopharmaceuticals all generated positive returns for the portfolio as the defensive orientation of the companies, illustrated by a combination of low valuations and attractive dividends, made them one of the few areas of safety in the market. In Industrials, 5 out of 9 stocks outperformed with the prospect of lower interest rates cushioning the economy as well as some tangential AI plays on the construction side of the wave with companies such as Cummins and Caterpillar which returned approximately 49% and 60%, respectively.

The sectors with the lowest level of contribution were Communication Services, Utilities, and Consumer Staples. In Communication Services, 4 out of 4 stocks underperformed the respective sector and the overall benchmark, the Russell 1000 Value, as social media companies with a great correlation with AI came to the forefront at the expense of more traditional holdings. In Utilities, 2 out of 2 stocks underperformed as AES was removed from the portfolio with a lag in



stock price related to the incoming administrations assault on cleaner energy and the subsequent holding, Vistra, also falling with concerns related to the AI buildout. In Consumer Staples, 5 out of 6 stocks underperformed as questions regarding tariffs plagued some of our multi-national holdings.

The five top positive individual stock contributors were Oracle (+18.16%), Synchrony Financial (+30.62%), American Express (+26.02%), United Rentals (+15.92%), and Ross Stores (+20.42%). These stocks represent holdings from the Technology, Financial, Industrial and Consumer Discretionary sectors. These stocks benefited from the excitement regarding AI and the prospects of lower interest rates.

The stocks with the greatest negative contribution were Clorox (-35.58%), AES (-18.69%), Vistra (-14.96%), Kimberly-Clark (-19.88%), and Apollo (-11.10%). These stocks represent holdings from the Consumer Staples, Utilities, and Financials sectors. Concerns regarding domestic growth as well as uncertainty pertaining to AI electricity demand impacted the first two sets of holdings while issues surrounding the alternative investment industry hindered Apollo.

#### **Fourth Quarter Review**

For the quarter, similar to the year, 3 out of 11 sectors outperformed the respective sector and/or the overall benchmark, the Russell 1000 Value. Both stock selection and sector allocation were negative.

Performance for the Russell 1000 Value was narrow with just three sectors outperforming – Technology, Communication Services, and Health Care. The quarter had a decidedly challenging environment with the government shutdown being at the forefront of investors' minds. As a result, capital retreated to what had been working for most of the year with the exception of Health Care.

For the quarter, our portfolio was predominantly overweight Financials, Consumer Discretionary, and Energy. The most significant underweights were Real Estate, Communication Services, Utilities, Health Care, Technology, and Industrials while maintaining close to an equal weight position in Consumer Staples and Materials.

The three sectors with the highest contribution for the quarter were Financials, Health Care, and Real Estate. In Financials, 8 out of 14 stocks outperformed the respective sector and/or the overall benchmark, the Russell 1000 Value. Leadership primarily came from Consumer Finance and Asset Management related companies. In Health Care, 4 out of 6 stocks outperformed as valuation juxtaposed versus fundamentals has appeared to make the sector more attractive as well as the administration being seen as less onerous regarding pricing. In Real Estate, our lack of exposure bode well for the portfolio as the benchmark sector declined 2.46%.



The sectors with the lowest level of contribution were Technology, Communication Services, and Consumer Staples. In Technology, 3 out of 4 stocks underperformed the respective sector and/or the overall benchmark, the Russell 1000 Value. The underperformance mirrored concerns regarding AI spending, funding, and financing with Oracle being at the epicenter. In Communication Services, 4 out of 4 stocks underperformed as the focus on social media stocks within the sector proved to be at odds with the current positioning of the portfolio. In Consumer Staples, 3 out of 5 stocks underperformed as consumer spending came under pressure with the government slowdown.

The stocks with the greatest positive contribution were Ross Stores (+18.48%), Synchrony Financial (+17.90%), American Express (+11.67%), Amgen (+16.80), and Schlumberger (+12.51%). These stocks represent holdings from the Consumer Discretionary, Financial, Health Care and Energy sectors. A rotation to more Value-oriented stocks brought these stocks into the forefront of investor interest.

The stocks with the greatest negative contribution were Oracle (-30.58%), Cheniere Energy (-17.05%), Vistra (-17.54%), United Rentals (-15.05%), and Kimberly-Clark (-17.87%). These stocks represent holdings from the Technology, Energy, Utilities, Industrials, and Consumer Staples sectors. AI sentiment has whipsawed many stocks as well as concerns arose during the government shutdown.

One new stock was purchased during the quarter, Amcor in the Materials sector. No stocks were sold.

Coupled with purchases of existing holdings resulted in an increase in Energy and Financials offset by decreases in Industrials and Consumer Discretionary. Any other changes occurred on the basis of capital appreciation and depreciation of individual securities.

All was related to our quest of seeking out *Value Creating Opportunities* for our clients.

### **First Quarter Outlook**

When the New Year began, instead of wishing people a Happy New Year, I blessed them with a Joyous New Year.

Subtle but impactful difference.

Happy is moment by moment.

Joy is focused on the long-term, more persistent movement.

Our investment approach is more focused on Joy than Happy.



While we would like to outperform every week, month, quarter and year, the pursuit of this is reflective of a more trading mentality than one of investing, investing where gains are accrued over time by discerning the worth of assets, seeing the disconnect in the current valuations, and patiently waiting for the market to agree with you.

We did not abandon our investment approach in 2025 and we are not going to adopt a new one in 2026. We have been doing the same thing since 2002 and, as you see in our introduction, it has led to outperformance almost 65% of the time.

The turmoil that we are currently experiencing, either obsessively focusing on AI to the detriment of the bulk of the other parts of the market, rightfully expressing concern regarding the way that America's economic and political interests are currently being deployed, and the just plain fact that we do not know what will be the substance of the next announcement from the administration, all lead to pockets of uncertainty that we have been able to, historically, exploit for the benefit of our clients.

We believe that 2026 is a perfect backdrop for that to occur.

Oh, and in case you missed it, the President just announced that he wants to increase defense spending by 50%.

So, the seesaw continues to rise and fall.

How do you play it?

You have to have a discipline and you know that you have a discipline when you continue to do the same thing, the right thing, the discipline thing when it is not working because you believe that it will work again.

We are banking on our 60%+ experience, and we think you should as well.

Joyous New Year!!!

Be blessed,  
Randell A. Cain, Jr., CFA  
Partner  
Founder/CEO/CIO/Portfolio Manager  
Kerusso Capital Management  
January 7, 2026



\*The Russell 1000 is composed of approximately 1,000 large and mid-cap US equities that exhibit value characteristics. It is an unmanaged index and includes dividends, and distributions but does not reflect advisory fees, brokerage commissions, withholding taxes or other expenses of investing. Investors cannot invest directly in an index.

The specific investments shown are for informational purposes only and represent only the top contributors and detractors for the relevant performance time period. The selection criteria used to determine the top contributors and detractors remains the same across performance measurement periods.

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