

# IMPORTANCE OF QUALITY IN SMALL & MID CAP EQUITIES

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FOR MORE INFO



# WHY CAMBIAR

A stable, client-first organization anchored by a tenured team whose sole objective is to deliver superior risk-adjusted returns over a full market cycle.

**YEAR FOUNDED**  
**1973**

**ASSETS UNDER SUPERVISION\***  
**\$8.1 B**

**EMPLOYEE-OWNED**  
**100%**

## INDEPENDENT

Mutually aligned interests

Entrepreneurial culture drives our commitment to continuously improve

Exceptional client-first focus in every facet of our business

## UNWAVERING ACTIVE MANAGER

Consistent implementation of our Quality, Price, Discipline (QPD) approach

High Active Share – willfully benchmark agnostic in pursuit of alpha

## INTELLECTUALLY CURIOUS

Deep fundamental research insight

ESG (Environmental, Social, Governance) forward mindset

Collaborative team structure that emphasizes idea meritocracy

2 \*Approximate as of 12.31.21. Assets under management were \$5.7 B. AUS includes UMA/model portfolios that are non-discretionary assets. For Investment Professional/Institutional Use Only; Not For Use With The Public.



# ANDY BAUMBUSCH

PORTFOLIO MANAGER  
CAMBIAR SMID & SMALL CAP VALUE



Andy Baumbusch is an Investment Principal at Cambiar Investors and has over 24 years of investment experience. In addition to his research responsibilities within Industrials and Communication Services, Mr. Baumbusch also serves as a Portfolio Manager of the Cambiar Small Cap Value and Small-Mid Value strategies.

Prior to joining Cambiar in 2004, Andy served in an investment analyst capacity at Franklin Templeton, Atrium Capital and Alex Brown & Sons.

Mr. Baumbusch received an MBA from the Stanford Graduate School of Business and a BA in Economics from Princeton University.

# QUALITY, PRICE, DISCIPLINE (QPD)

Be price sensitive buyers of high-quality assets.

## QUALITY

### Seek strong company internals:

- Durable franchise position
- Above avg: margins / ROIC\* / free cash flow generation
- Below avg: leverage / cash flow variability
- Track record of strong capital discipline / corporate governance

### Seek favorable industry externals:

- Rational industry structure
- Expanding or fully penetrated addressable market

## PRICE

### Adhere to guiding price principles:

- Price-sensitivity at entry is critical
- Valuation can provide downside protection
- Incoming positions should possess a 3:1 up/down return profile
- Quality must not be sacrificed to achieve low aggregate valuation

### Determine the right price:

- Seek attachment at attractive price relative to business value
- Utilize multiple industry appropriate valuation measures

## DISCIPLINE

- Follow stringent equity underwriting process
- Exercise patience to reach desired attachment point
- Be prepared to act when high quality companies go on sale
- Quality and price must align

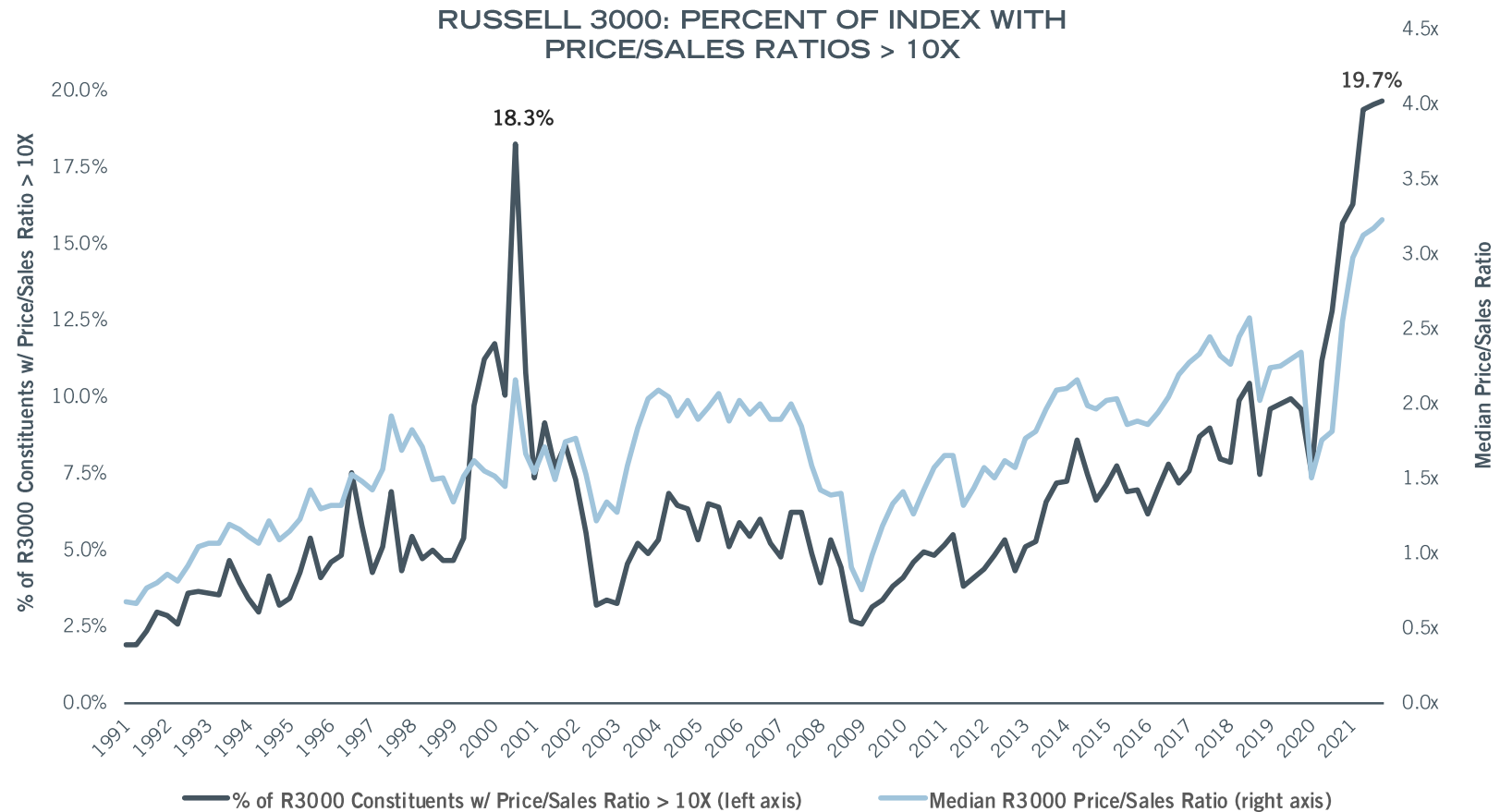
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INVESTMENT SELECTION

PORTFOLIO CONSTRUCTION

# RUSSELL 3000 INDEX – PRICE/SALES

As of 12-31-2021

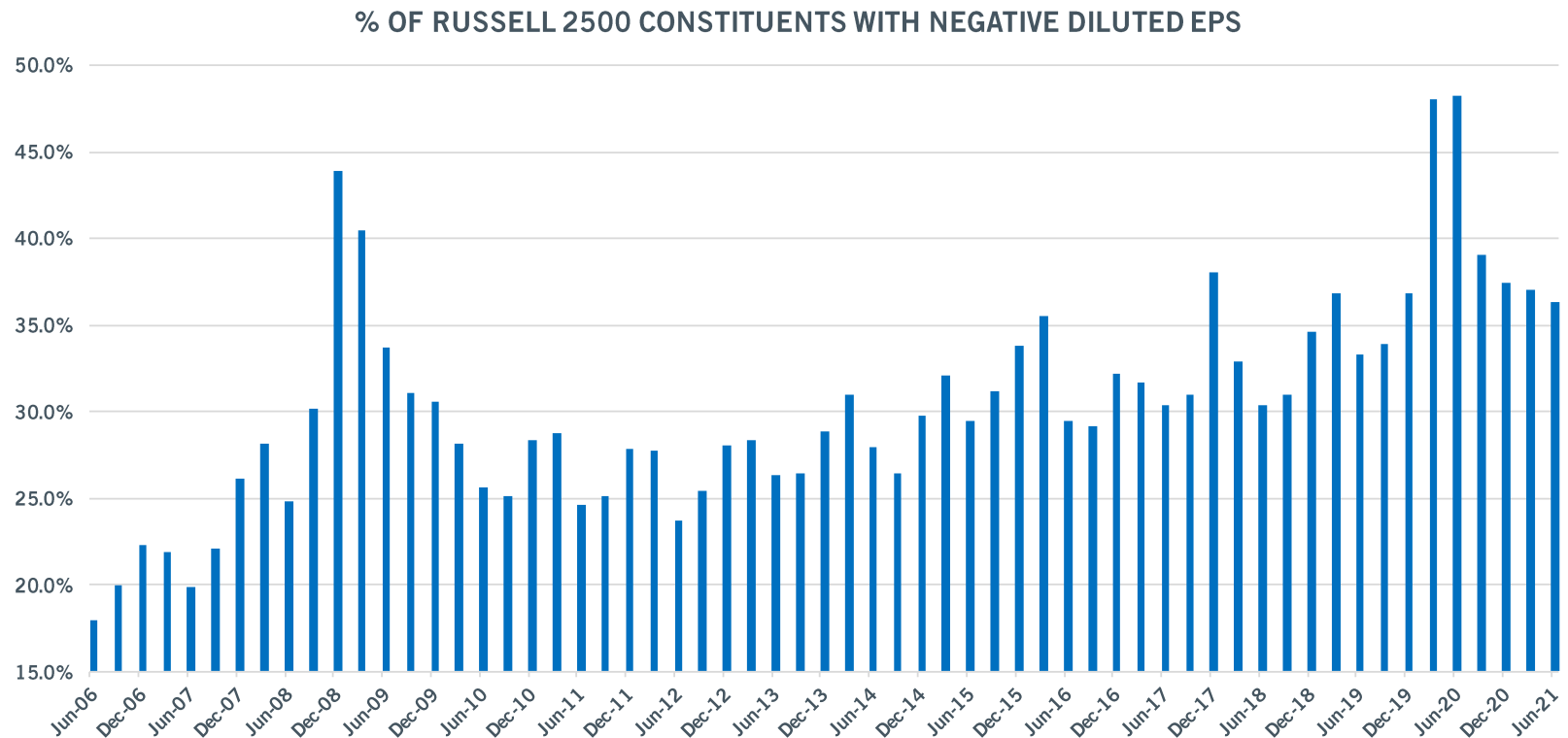


## CAMBIAR PERSPECTIVE

- Unprecedented liquidity conditions have resulted in US equities trading at euphoric levels.
- Current percentage of companies trading above 10x on a trailing price-to-sales basis now exceeds prior levels from the late 90s dot-com era.
- High valuations can stay high – but risk/reward looking asymmetric to the downside for an increasing percentage of the equity market.

# NON-EARNING COMPANIES WITHIN THE SMALL-MID CAP INDEX

As of 12-31-2021



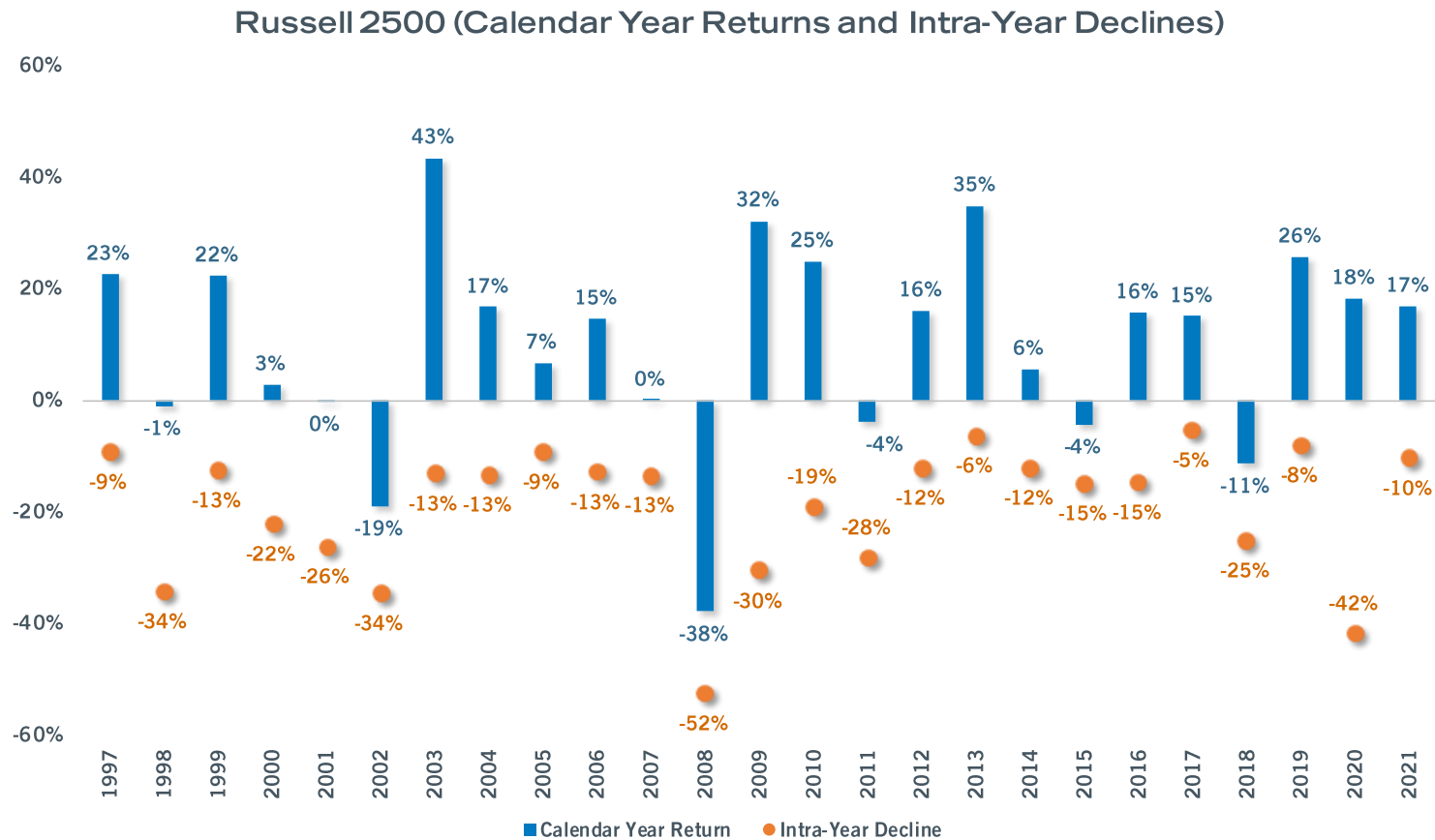
## CAMBIAR PERSPECTIVE

- The percentage of ‘zombie’ companies in the Russell 2500 Index remains elevated over 35%
- Persistently low interest rates translate into low cost of capital = a lifeline for marginal companies that should otherwise not be in business.
- Cambiar continues to prioritize companies with strong financials and demonstrated free cash flow/profitability.
  - The portfolio’s quality bias may result in lagging returns during more speculative-led rallies; however, we view these attributes to be essential to strategy outperformance over a cycle.



# SMALL-MID CAP INTRA-YEAR PERFORMANCE

As of 12-31-2021



## CAMBIAR PERSPECTIVE

- Market drawdowns are fairly common in small-mid cap equities, with the average intra-year decline for the Russell 2500 Index -19% over the last 25 years.
- Despite regular pullbacks, small-mid caps have recovered to a positive annual return in 18 of those years.
- Rigorous company research targeting specific business characteristics in combination with patience and valuation sensitivity can enable opportunistic capital re-deployment over periods of market stress.
- We believe Cambiar’s continuing focus on high return, consistent free cash flow businesses should allow the portfolio to successfully navigate these intra-year declines.

# THE IMPORTANCE OF QUALITY

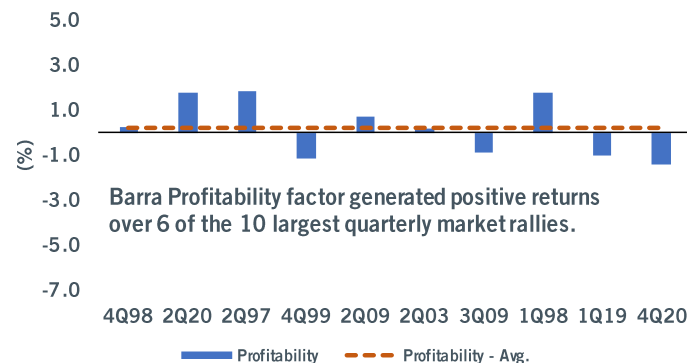
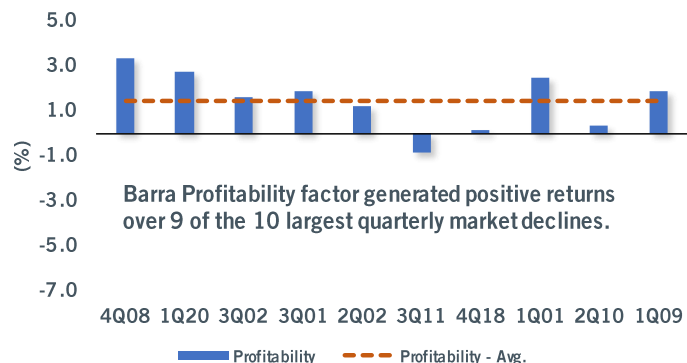
As of 12-31-2021

## FACTOR PERFORMANCE 10 WORST MSCI USA QUARTERS

## FACTOR PERFORMANCE 10 BEST MSCI USA QUARTERS

### PROFITABILITY FACTOR QTR RETURNS

### PROFITABILITY FACTOR QTR RETURNS

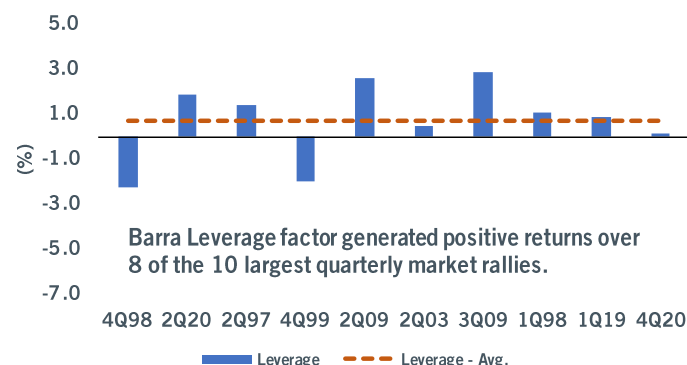
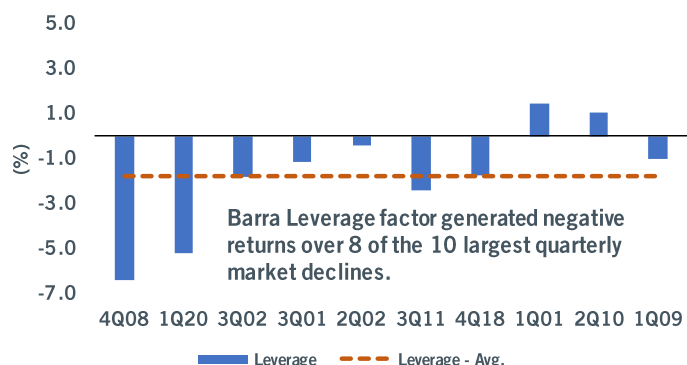


Businesses with high profitability attributes consistently outperform during periods of significant decline.

These companies also participate when markets rally.

### LEVERAGE FACTOR QTR RETURNS

### LEVERAGE FACTOR QTR RETURNS



Outcomes for highly levered stocks are much more binary.

Leverage isn't necessarily a concern for investors in up markets...

But over periods of decline, highly levered businesses incur sharper drawdowns vs. well-capitalized companies.

Source: MSCI Barra / Factset. Data is based on all MSCI USA quarterly returns since the inception of the MSCI Barra USSLOW model on June 30, 1995. Individual factor returns based off the performance of a mix of U.S. equities within the Barra USSLOW model that have an exposure of exactly 1.0 to that factor and 0 to all other factors, representing the performance of the individual factor in isolation from all others. See Disclosure – Market Outlook. See appendix for specific factor definitions. For Investment Professional/Institutional Use Only; Not For Use With The Public.





# SMID VALUE: CHARACTERISTICS

As of 12-31-2021

	Cambiar	R2500 Value
<b>OPERATING EFFICIENCY</b>		
ROA (Weighted Avg)	5.3%	2.4%
ROA (Median)	4.7%	1.4%
ROE (Weighted Avg)	9.3%	6.2%
ROE (Median)	10.1%	5.8%
ROIC (Weighted Avg)	8.2%	2.7%
ROIC (Median)	7.0%	2.2%
<b>LEVERAGE</b>		
LT Debt to Capital	38.7	39.7
Net Debt to EBITDA	1.6	3.4

## QUALITY

**Strong operating performance** - Above average internal financial/operating performance reflective of sound capital allocation, structural product and/or advantaged market position.

**Persistence** of these metrics is key.

**Low Leverage** - Owned companies should possess a strong balance sheet and low leverage (typically less than 3x for non-financial businesses).

	Cambiar	R2500 Value
<b>VALUATION</b>		
P/E - 1 Year Forecast	16.1x	13.9x
<i>% of Portfolio/Index Excluded</i>	<i>0.0%</i>	<i>26.4%</i>
P/B	2.5x	2.0x
Dividend Yield	1.3%	1.5%

## VALUATION

Individual stock valuation levels and associated price-sensitivity at entry are critical investment process inputs.

Portfolio will **not** sacrifice quality to achieve low aggregate statutory valuation metrics.

Value creation from intangible assets (and thus not considered in book value) also taken into consideration.

	Cambiar	R2500 Value
<b>CONVICTION</b>		
# of Holdings	39	1887
Active Share	95.0	-
Weight of Top 20	55.2%	8.4%
Avg. Position Size	2.5%	0.1%
<b>MARKET CAP</b>		
Weighted Avg. (\$B)	11.9	7.8
Median (\$B)	9.3	1.6

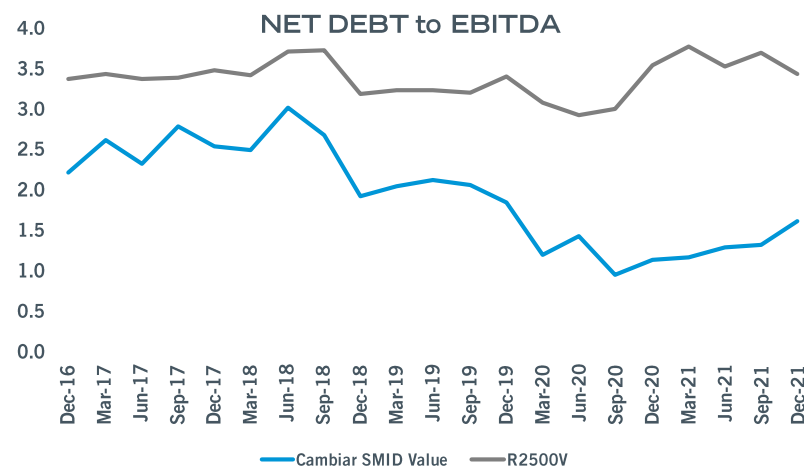
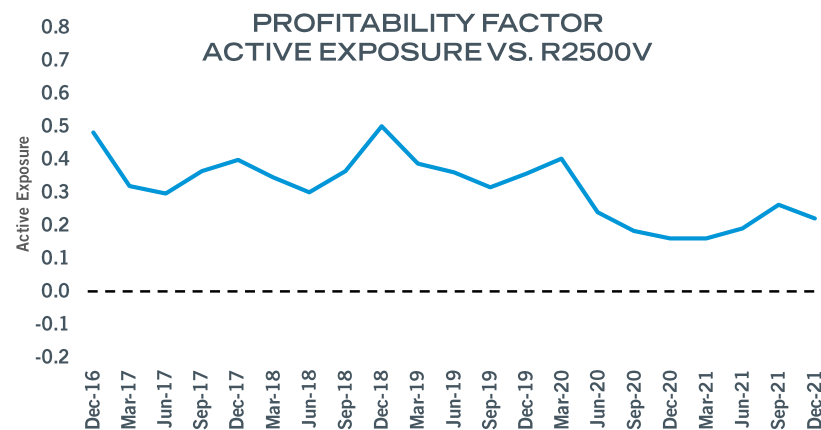
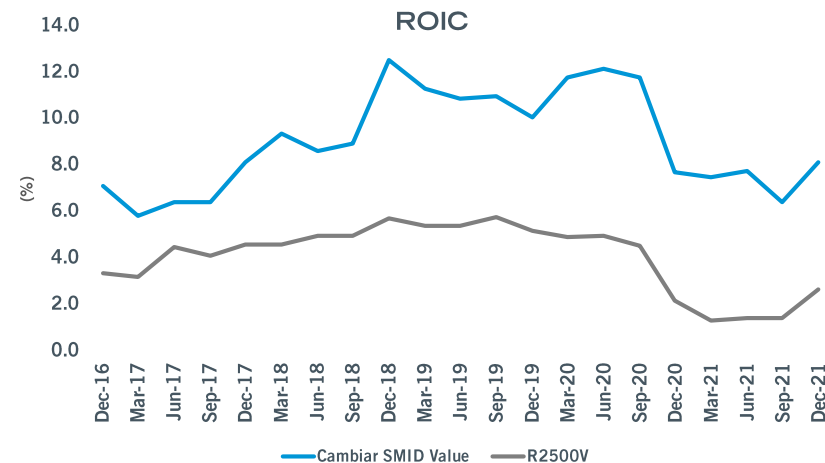
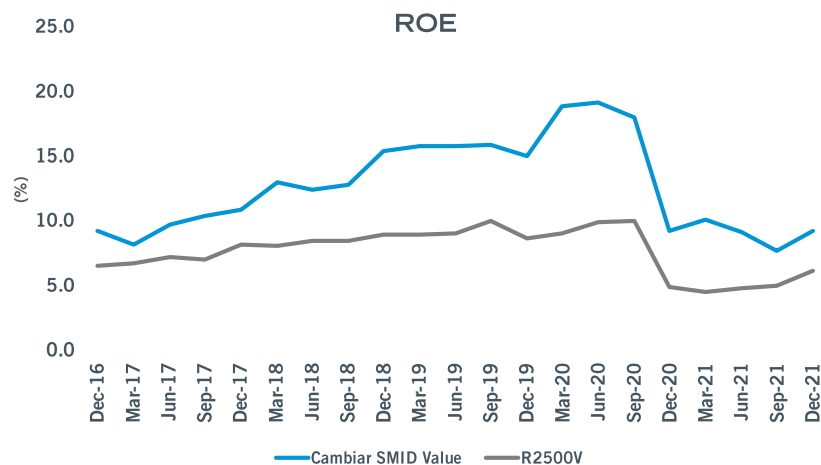
## CONVICTION

Portfolio seeks to achieve a balance between high conviction and prudent diversification across sector/industry and drivers of return.

Bottom-up portfolio construction is willfully agnostic to the index, yet PMs maintain an ongoing awareness of relative exposures.

# SMID VALUE: QUALITY PROFILE (Trailing 5 Years)

As of 12-31-2021



## CAMBIAR PERSPECTIVE

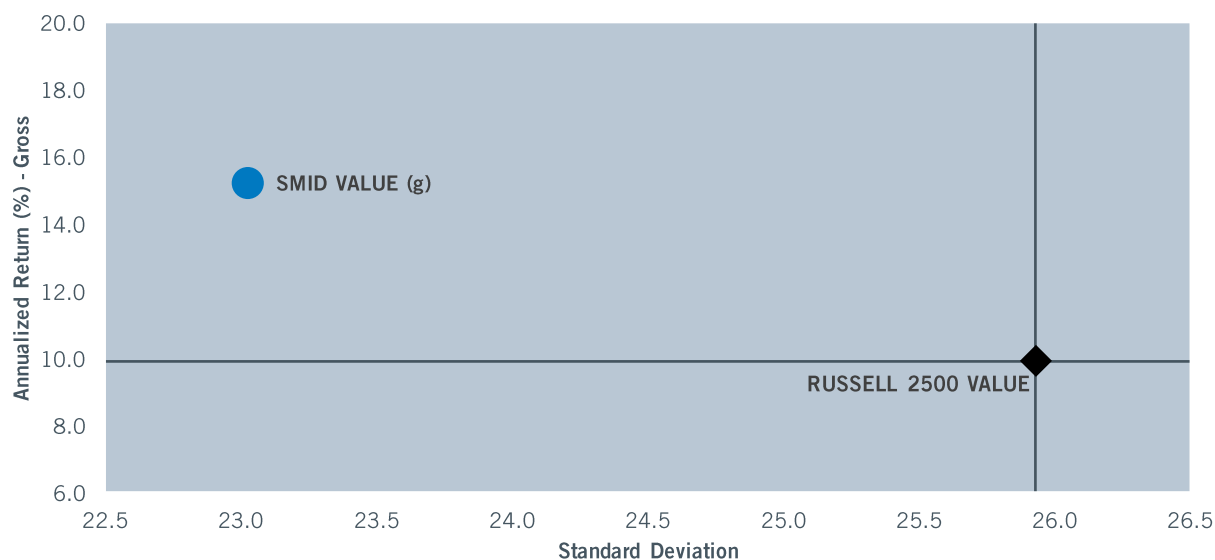
- Factor/attribute exposures are used to ensure that the ‘quantitative confirms the qualitative’.
- Cambiar’s emphasis on companies that demonstrate above average financial/operating performance and a strong balance sheet with low leverage is corroborated by the portfolio’s higher quality metrics relative to the Russell 2500 Value Index.



# SMID VALUE: RISK/RETURN PROFILE

As of 12-31-2021

## RISK REWARD (TRAILING FIVE YEAR)



## RISK METRICS (TRAILING FIVE YEARS)

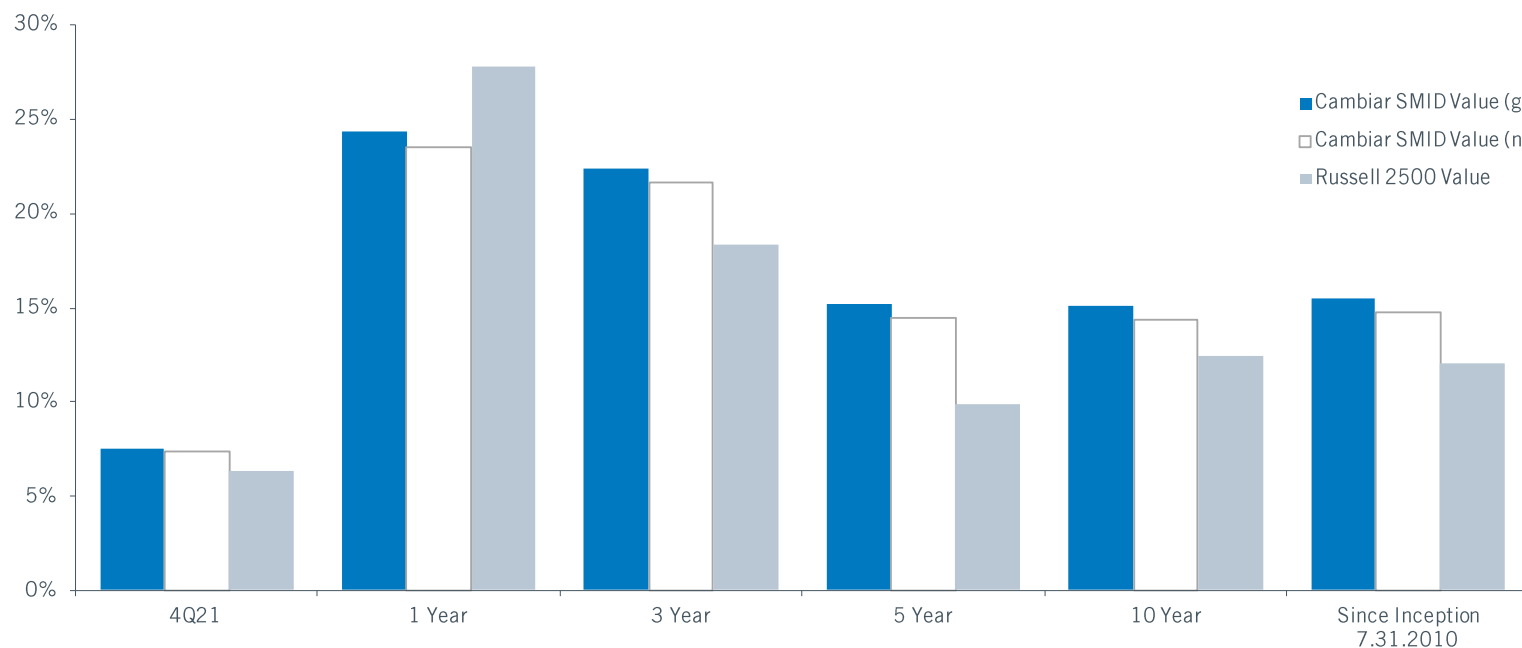
	Alpha	Beta	R-Squared	Sharpe Ratio	Information Ratio	Up Capture Ratio	Down Capture Ratio
SMID Value (g)	5.62	0.87	96.67	0.69	1.00	109.47	80.94
Russell 2500 Value	-	1.00	100.00	0.46	-	100.00	100.00

11 Source: Morningstar/Cambiar. Based On 5-year Trailing Returns (Quarterly). See Disclosure – Performance and Appendix A – SMID Value. For Investment Professional Use Only; Not for Use with the Public.



# SMID VALUE: PERFORMANCE

As of 12-31-2021

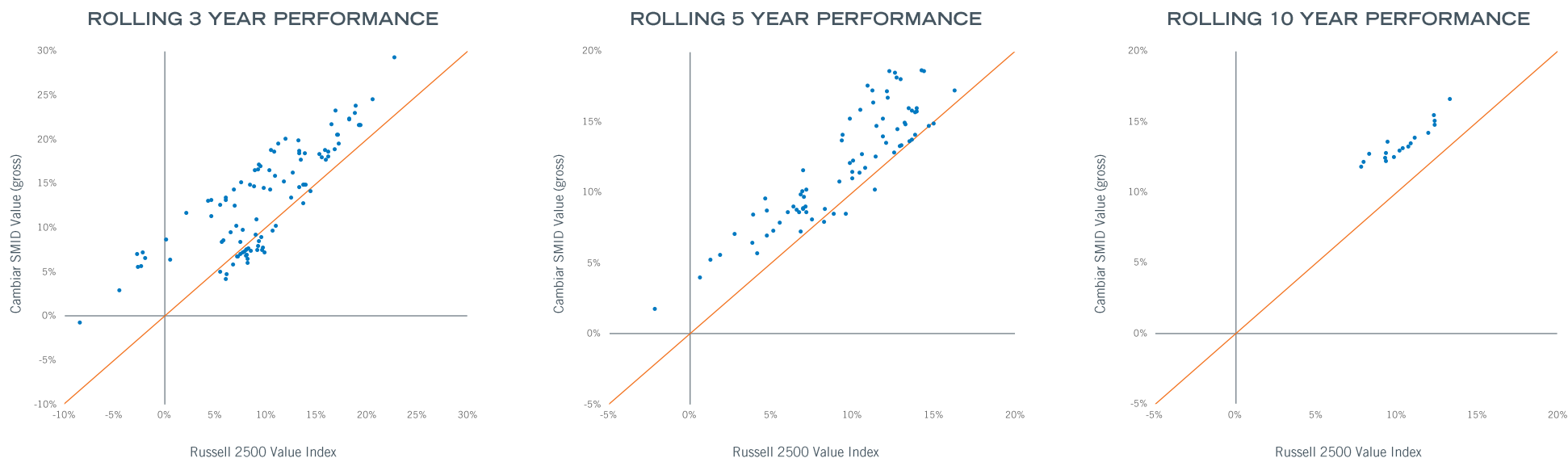


	4Q21	1 Year	3 Year	5 Year	10 Year	Since Inception
Cambiar SMID Value (g)	7.6%	24.3%	22.4%	15.2%	15.1%	15.5%
Cambiar SMID Value (n)	7.4%	23.5%	21.6%	14.5%	14.3%	14.8%
Russell 2500 Value	6.4%	27.8%	18.3%	9.9%	12.4%	12.1%

# CAMBIAR SMID VALUE: EXCESS RETURN

As of 12-31-2021

The Cambiar SMID Value strategy has an extensive track record of outperforming the Russell 2500 Value Index over rolling three, five, and ten year periods.



Since inception, the Cambiar SMID Value strategy has outperformed the Russell 2500 Value Index over:

- 73% of rolling 3 year periods (74 of 102)
- 94% of rolling 5 year periods (73 of 78)
- 100% of rolling 10 year periods (18 of 18)

# DISCLOSURE

**Performance:** The performance information represents the respective Cambiar strategy composite and may be preliminary. Returns are presented gross (g) and net (n) of actual management fees and include the reinvestment of all income. Net returns have been reduced by transaction expenses and by actual investment advisory fees and other expenses that may be incurred in the management of the account. Certain composites' gross returns include accounts with gross and "pure" gross performance. Gross returns have been reduced by transaction expenses. "Pure" gross, applicable to separately managed accounts that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees (including commissions), has not been reduced by transaction costs and is supplemental information. Please refer to Appendix A for additional information. Certain clients may receive differing net performance numbers based on their respective platforms and fee structures. Net of fees performance reflects a blended fee schedule of all accounts within the relevant composite. Cambiar clients and mutual fund investors may incur actual fee rates that are greater or less than the rate reflected in this performance summary. Please refer to our form ADV Part 2A for additional disclosures regarding our investment management fees. Results are reported in U.S. dollars. Index returns include the reinvestment of all income, and assume no management, custody, transaction or other expenses. Each index is a broadly based index that reflects overall market performance and Cambiar's returns may not be correlated to the index against which it is compared for a number of reasons including investment approach and number and types of holdings. Each index is unmanaged and one cannot invest directly in an index. Cambiar's past results do not necessarily indicate Cambiar's future performance and, as is the case with all investment advisors who concentrate on equity investments, Cambiar's future performance may result in a loss.

**SMID Value Benchmark:** The Russell 2500™ Value Index is a float-adjusted, market capitalization weighted index comprised of firms in the Russell 2500™ Index that experience lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,500 smallest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities.

**Russell 2500 Index:** The Russell 2500® Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,500 smallest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities.

**Russell 3000 Index:** The Russell 3000® Index is a market-capitalization-weighted equity index that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks.

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**Portfolio:** The listed characteristics, sectors and securities are presented for a representative Cambiar account. Portfolio and index characteristics are calculated by Factset and are based on Factset's methodology. The portfolio profile is shown as supplemental information only and complements Cambiar's respective GIPS® compliant presentation which is located in Appendix A. Portfolio holdings, characteristics, country breakdown, and sector weightings change over time and may differ between clients based upon their investment objectives, financial situations and risk tolerances. Cambiar makes no warranty, either express or implied, that the weightings shown will be used to manage your account. The securities presented do not represent all of the securities purchased, sold, or recommended by Cambiar and the reader should not assume that investments in the securities identified were or will be profitable. The information provided on the page should not be considered a recommendation to buy or a solicitation to purchase or sell any particular security. There can be no assurance that an investor will earn a profit or not lose money. There can be no assurance that the portfolio will continue to hold the same position in companies described herein, and the portfolio may change any portfolio position at any time. As with any investments, there are risks to be considered. Past performance is no indication of future results. The one-year forecast is included for illustrative purposes and accordingly, no assumptions or comparisons should be made based upon these ratios. Portfolio characteristics are based upon third party sources that are deemed to be reliable, however, Cambiar does not guarantee its accuracy or completeness.

**Market Outlook:** Certain information contained in this communication constitutes "forward-looking statements", which are based on Cambiar's beliefs, as well as certain assumptions concerning future events, using information currently available to Cambiar. Due to market risk and uncertainties, actual events, results or performance may differ materially from that reflected or contemplated in such forward-looking statements. The information provided is not intended to be, and should not be construed as, investment, legal or tax advice. Nothing contained herein should be construed as a recommendation or endorsement to buy or sell any security, investment or portfolio allocation. Securities highlighted or discussed have been selected to illustrate Cambiar's investment approach and/or market outlook and are not intended to represent the performance or be an indicator for how the accounts have performed or may perform in the future. The portfolios are actively managed and securities discussed may or may not be held in client portfolios at any given time. Any characteristics included are for illustrative purposes and accordingly, no assumptions or comparisons should be made based upon these ratios. Statistics/charts may be based upon third party sources that are deemed to be reliable; however, Cambiar does not guarantee its accuracy or completeness. Past performance is no indication of future results. All material is provided for informational purposes only and there is no guarantee that the opinions expressed herein will be valid beyond the date of this communication.

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# APPENDIX A – SMID VALUE

												Annualized (as of December 31, 2020)				
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	1 YR	3 YR	5 YR	7 YR	10 YR
Performance	Cambiar Gross Return* (%)	11.9	31.8	-1.9	12.9	18.4	-6.0	7.1	48.4	13.4	-1.5	11.9	13.1	14.1	10.0	12.4
	Cambiar Net Return (%)	11.2	31.0	-2.5	12.2	17.5	-6.7	6.5	47.4	12.5	-1.9	11.2	12.4	13.4	9.3	11.7
	Russell 2500 Value (%)	4.9	23.6	-12.4	10.4	25.2	-5.5	7.1	33.3	19.2	-3.4	4.9	4.3	9.4	6.8	9.3
Risk Measures	Composite 3 Yr Ann. Standard Deviation (Gross, %)	22.0	13.2	12.8	12.7	13.8	13.1	13.1	20.6	-	-					
	Russell 2500 Value 3 Yr Ann. Standard Deviation (%)	25.1	14.2	13.6	11.8	13.2	12.0	11.3	18.4	-	-					
	Composite Dispersion (%)	0.6	0.4	0.3	0.3	0.5	0.7	0.4	-	-	-					
Statistics	# of Portfolios in Composite	19	22	23	23	21	15	12	5	3	3					
	Composite Assets (USD Millions)	190.5	164.2	121.8	118.6	105.3	72.6	55.2	17.2	2.2	2.0					
	Total Firm Assets (USD Millions)	6,408.9	9,350.6	10,519.3	14,009.4	12,861.0	11,188.4	9,180.2	8,415.5	6,591.5	6,604.3					
	Percentage of Wrap-Fee Portfolios (%)	28.9	26.7	28.2	29.3	33.3	2.5	3.5	4.8	-	-					
	Non-Fee-Paying Assets (% of Composite Assets)	0.9	1.0	1.0	1.0	0.9	1.1	1.3	3.3	17.2	17.2					

\* Cambiar Gross Return: includes gross returns and "pure" gross returns, which are supplemental information

Cambiar claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Cambiar has been independently verified for the periods from January 1, 1987 through December 31, 2020. The verification reports are available upon request. A firm that claims compliance with the GIPS Standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**Definition of the Firm:** Cambiar Investors, LLC (Cambiar) is an independent registered investment adviser with the United States Securities and Exchange Commission. Cambiar was founded in August 1973.

**Composite Description:** Cambiar's SMID Value Composite includes discretionary, taxable and tax-exempt portfolios, including portfolios that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in equity securities of small- to mid-sized companies. Cambiar's SMID Value Composite primarily invests in stocks with a market capitalization between \$2 and \$12 billion. The typical number of securities in the SMID Value portfolio is 35-45 holdings. The SMID Value Composite contains proprietary assets. As of April 2020, there is no minimum asset level for the composite. Prior to April 2020, the minimum asset level for the composite was \$100,000. The composite inception and creation date is July 31, 2010.

**Performance Returns & Metrics:** The composite contains accounts with gross and "pure" gross performance. Gross returns are reduced by transaction costs. "Pure" gross returns do not reflect the deduction of any expenses, including transaction costs. "Pure" gross returns are applicable to separately managed accounts that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commissions (SMAs). "Pure" gross returns are supplemental information. Net returns are reduced by transaction costs and actual investment advisory fees and other expenses that may be incurred in the management of the account. SMAs often incur bundled fees, charged by the wrap sponsor or affiliated broker, that may include transaction costs, investment management, portfolio monitoring, consulting services, and custody fees. Net returns for SMAs are calculated by deducting the investment advisory fees from the client's account as reported by the wrap sponsor or affiliated broker, or as received by Cambiar. Cambiar's performance and the performance of the Russell 2500™ Value Index include the reinvestment of all income. All information is reported in U.S. dollars. The three-year annualized standard deviation is not presented from 2011 to 2012 because the composite did not yet have 36 monthly returns as of the end of each period. Composite dispersion is based on gross returns and is calculated using an asset-weighted standard deviation. Dispersion (individual account return differential within the composite) occurs for various reasons, including investment restrictions mandated by the client, which cause an account to be invested differently than a typical, fully discretionary account. Internal dispersion is not applicable from 2011 to 2013 as there were five or fewer portfolios in the composite for the full year. Past performance is no indication of future results. All information is provided for informational purposes only and should not be construed as an offer to buy or as a solicitation to buy or sell.

**Investment Management Fees:** Cambiar negotiates advisory fees with each individual client or relationship. The management fee schedule for separate accounts managed to the SMID Value strategy is as follows: 0.70% on the first \$25 million; 0.60% on the next \$25 million; 0.50% thereafter. Please refer to our form ADV Part 2A for additional disclosures regarding our investment management fees. Net of fees performance reflects a blended fee schedule of all accounts within the SMID Value Composite. Cambiar clients and mutual fund investors may incur actual fee rates that are greater or less than the rate reflected in this performance summary.

**Benchmark Information:** Performance results for the SMID Value Composite are evaluated against the Russell 2500™ Value Index. The Russell 2500 Value Index is a float-adjusted, market capitalization weighted index comprised of firms in the Russell 2500™ Index that experience lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,500 smallest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities. The index assumes no management, custody, transaction or other expenses. The Russell 2500 Value index is a broadly based index that reflects the overall market performance and Cambiar's returns may not be correlated to the index. The index is unmanaged and one cannot invest directly in an index.

**List of Composites/Pooled Funds, Policies, & Records:** A list of composite descriptions and a list of broad distribution pooled funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Cambiar has complete records supporting the composite performance provided in this presentation. For certain periods prior to January 1, 2015, however, Cambiar does not have all of the records that support the basis of the performance for certain non-marketed portfolios and composites that are part of the firm's claim of GIPS compliance. The lack of records for certain non-marketed composites is a result, in part, of third-party computer file deletions or purges and/or the inability of certain sponsors to provide Cambiar with complete historical performance data or system access and the firm's historical record retention or related practices. The firm has performed an exhaustive review to locate such records. The firm is relying on the "Act of God" record exclusion to enable the firm to claim GIPS compliance for these periods.

This report is intended for institutional/non-wrap use only.