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CAMBIAR GLOBAL EQUITY COMMENTARY 1Q 2023

MARKET REVIEW

Global equities started 2023 on a positive note, with most market indices posting mid-single digit gains for the first quarter. After incurring a bruising drawdown in 2022, growth stocks paced the market advance and led value stocks by a wide margin in the quarter. The improved sentiment toward tech stocks can be attributed to a number of factors – the anticipation of slowing inflation and a subsequent pause/end to rate hikes, increased focus by tech management on expense controls (i.e., layoffs), and safe haven status vs. the turmoil in the banks. The recent price strength notwithstanding, some caution towards tech is warranted, as earnings remain under pressure for the group – i.e., the YTD gains are almost exclusively a function of multiple expansion. Although multiples in techland are lower than a year ago, we do not believe that valuations reflect the risk to earnings/corporate profitability that are likely to surface in response to the higher cost of capital.

Global Financial Crisis – Part II?

Given the sharp rise in interest rates over the past year and variable lag before this higher rate structure makes its way into the economy, it was only a matter of time before signs of stress emerged. Said pain surfaced in the quarter, as fissures in the financial plumbing began to appear, highlighted by the failing of two regional banks in the U.S. and elevated stress across many others. The weakness in the banking industry was not contained to the U.S., as ongoing outflows and ultimate loss of investor confidence at Credit Suisse resulted in an arranged merger with UBS – an unfortunate end for a storied institution that has been around since 1856.

While bank failures are not a new phenomenon, the size of these institutions and the speed in which the closures took place were notable. Given that most depositors can access their bank accounts via smartphone apps, the swiftness of the bank runs was exceptional. To their credit, the Federal Reserve acted quickly to provide a funding backstop via the newly created Bank Term Funding Program, which provides unlimited access to liquidity via collateral pledges that will be valued (at par) vs. their current mark-to-market values. In 2008, the collateral was not good (at all), creating a systemic problem. That is not the case in this situation. This is not to suggest that caution is not warranted, as it is increasingly clear that after an extended period of low interest rates, vulnerabilities within the financial system are now surfacing in response to one of the sharpest hiking campaigns in history.

In aggregate, Cambiar views the 1Q bank failures to be outlier events vs. a broader liquidity crisis within the banking system. Specific to Signature (and Silvergate), regulators sent a more pointed message: crypto-oriented financial companies are unlikely to receive government agency help in the event they encounter funding or capital problems.

We would also note that although European bank stocks declined in sympathy with the heightened concerns surrounding U.S. banks, Cambiar views E.U. banks to be more insulated from the vulnerabilities that took place in the U.S. For example, the deposit base in Europe is predominantly retail in nature, which consequently results in much lower deposit betas (i.e., reduced competition for deposits). E.U. banks also have more stringent liquidity regulations (e.g., interest rate stress tests) and mark-to-market their bond portfolios, which is then reflected in capital levels. Lastly, alternative options such as higher-yield money market funds are much less prevalent in Europe, reducing the potential for deposit flight that created the stress in the U.S. banks.

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CONTRIBUTORS

Top Five	Avg. Weights	Contribution
LVMH	2.13	0.56
Uber Technologies	2.43	0.52
Alphabet	2.39	0.44
Liberty Media	1.96	0.44
Deutsche Post	2.00	0.43

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Roche	1.94	-0.13
Booz Allen Hamilton	1.70	-0.20
Johnson & Johnson	1.68	-0.21
Chubb	1.87	-0.22
Charles Schwab	1.46	-0.58

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy. The contribution to return is based on net returns and considers factors including the individual security's total return and the average weight of the holding during the quarter. See Disclosure – Top 5/Bottom 5 Chart for more information.

	1Q 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Global Equity (gross)	5.8%	5.8%	-5.4%	13.5%	4.7%	7.3%	7.9%
Global Equity (net)	5.7%	5.7%	-5.7%	13.0%	4.2%	6.7%	7.1%
MSCI World	7.7%	7.7%	-7.0%	16.4%	8.0%	8.9%	5.9%

Global Equity Composite Inception Date: 2.28.1998 / See Disclosure – Performance

The Cambiar Global Equity strategy performed well on an absolute basis in the quarter while falling short of the MSCI World Index. The performance shortfall was largely due to the outsized impact that growth stocks had on the index in the quarter. In deconstructing the index between growth and value (i.e., MSCI World Growth vs. MSCI World Value), there was a 1400 basis point differential in favor of growth for the quarter. Although Cambiar's relative value approach provides a degree of opportunism to participate in areas such as Technology, the portfolio was hard pressed to keep pace.

Portfolio buy/sell activity consisted of three new purchases and two sales. On the sale side, heightened volatility within Financials led to a review of our exposure within the sector. We subsequently decided to part ways with Charles Schwab, swapping the sale proceeds into Goldman Sachs. The sale was somewhat pre-emptive in nature, as Schwab did not incur deposit outflows (in fact, it was the opposite). Yet given the potential for investors to seek higher yielding options for their cash balances and increased regulatory scrutiny, we believe the upside case for Schwab is more muted at this time. The investment case for Goldman is based on the company's strong market position in asset management and global banking. The firm can protect margins via adjustments to their compensation structure. The stock was trading ~1x book value at purchase, which we believe represents an attractive entry point for this high-quality franchise.

Consistent with the underlying risk-on tone in the equity markets, Technology and Communication Services companies outperformed, while traditional value sectors such as Financials, Healthcare, and Utilities all closed lower in the quarter. Energy stocks also pulled back in response to weaker commodity prices, with natural gas plunging to its lowest price in over two years.

Given the gain in equities, any cash balance was a drag on performance. Cambiar's average cash position of ~8% in the quarter was therefore a modest detractor to results. We anticipate there will be opportunities to deploy this cash position as we enter the upcoming quarterly earnings season.

Positive stock selection in Healthcare, Industrials, and Utilities was offset by Cambiar's underweight allocation to the top-performing Technology sector. Despite registering strong returns from Taiwan Semi and SAP, Cambiar's tech holdings were unable to match that of the index. One of the top performers in the index during 1Q was Nvidia, which gained 90% on investor optimism toward the company's artificial intelligence

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(A.I.) chips. In our view, the company is trading at extremely high valuations on a variety of metrics (Price/Earnings, Price/Sales), while the opportunity in A.I. remains to be seen. Our preference in Technology is to seek more balanced risk/reward opportunities, with a preference towards businesses that trade at reasonable valuations and possess strong market positions in end markets with durable growth prospects.

Representing approximately 19% of total portfolio capital (as of quarter-end), Cambiar's Financial positions comprise the largest sector allocation, and has been a positive contribution to performance over the trailing 1- and 3-year periods. The sector was a modest drag on performance, given stronger return opportunities in other areas of the market. The portfolio did not hold any investments in the regional banks that were hit hard in the quarter – our sole bank position is J.P. Morgan, which should ultimately benefit from the current liquidity episode. Our aforementioned position in Charles Schwab detracted from performance. In aggregate, the portfolio continues to own a diverse mix of financial services businesses that possess varying return drivers and collectively trade at an attractive valuation.

While less apparent in the quarter, we continue to believe the higher cost of capital environment provides a supportive backdrop for active management. In aggregate, the Cambiar team remains focused on well-managed companies that have low leverage, stable margins, and free cashflow that can be reinvested back into the business vs. being used to pay higher interest expense. Despite the risk-on sentiment that was in place for much of the quarter, downside protection should take on increased importance as the effects of higher rates and associated credit contraction have yet to be fully priced into the economy.

LOOKING AHEAD

Global equities are off to a good start to the year, although the gains thus far have been fairly narrow in scope (i.e., mega-cap U.S. tech stocks). Whether the rally in growth stocks and related speculative instruments (e.g., Bitcoin) is a sign of resilience or denial remains to be seen. Given a declining earnings backdrop and the higher probability of the economy slowing (vs. accelerating), the recent price strength seen in the tech sector is all the more tenuous in our view.

Monetary policy continues to take center stage for many investors. The move by central banks to continue tightening in the face of a potential banking crisis is a curious decision (vs. a pause), with rates now approaching restrictive levels. The debate amongst Fed watchers is already beginning to shift from 'how many more rate hikes' to 'how long before central banks cut rates.'

For Cambiar, buy and sell decisions remain based on company-specific fundamentals vs. macroeconomic predictions. We believe the current environment provides a two-sided opportunity to generate excess returns – via the companies we own as well as through selective avoidance. The recent turmoil in banks illustrates that alpha can be as much a function of abstention as it is stock selection.

While acknowledging the uncertain forward outlook, Cambiar remains committed to the consistent implementation of our Quality, Price, Discipline approach. Portfolio construction continues to favor self-funding companies with durable business models that we believe can generate strong through-the-cycle returns.

We appreciate your continued confidence in Cambiar Investors.

DISCLOSURE

Cambiar Investors, LLC (Cambiar) is an independent registered investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training. Cambiar claims compliance with the Global Investment Performance Standards (GIPS®).

Cambiar's Global Equity 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 companies located throughout the world. Cambiar's Global Equity Composite includes portfolios that take a broadly neutral weight relative to the U.S. and international exposure found in the stated benchmark. The typical number of securities in the Global Equity portfolio is 45-55 holdings. The Global Equity 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.

For the periods of 2013 to 2017, the gross returns reflect accounts with both 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. Net of fees performance reflects a blended fee schedule of all accounts within the Global Equity Composite. 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 clients may incur actual fee rates that are greater or less than the rate reflected in this performance summary. Fees will vary based on the assets in the accounts. Returns are reported in U.S. dollars.

Performance results for the Global Equity Composite are evaluated against the MSCI World Index. The MSCI World Index is a free float-adjusted, market capitalization weighted index that measures large and mid-cap equity performance across countries with developed markets. The index assumes no management, custody, transaction or other expenses. The MSCI World Index is a broadly based index that reflects 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. Cambiar's performance and the performance of the MSCI World Index include the reinvestment of all income. Benchmark returns are net of withholdings taxes. Prior to July 2019, Cambiar typically followed each custodian's treatment of tax withholding and therefore dividends may have been presented as gross or net of dividend tax withholding depending on the custodian's treatment. As of July 2019, Cambiar typically records dividends net of withholding taxes although it may depend on various factors such as the issue country and custodian's treatment. Withholding taxes may vary according to the investor's domicile, and other reasons. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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Top 5/Bottom 5 Chart: For the quarter, the total portfolio return for the representative account was 5.84% (gross) and 5.68% (net). The net performance is calculated assuming the highest applicable fee rate currently being offered to prospective clients for the strategy. As compared to the representative account, the composite performance shown is the asset-weighted performance of related accounts which may include accounts of varying types including pooled vehicles/mutual funds, separate accounts, and retail/wrap (directed) accounts. Cash flows, holdings and other activities may vary across accounts in the composite which can result in materially different performance between the composite (or other accounts in the composite) and the representative account.

The net contribution for individual holdings is calculated by determining each security's contribution to return as a percentage of the account's gross performance, then multiplying that percentage by the account's net performance. Fees and expenses are not charged to individual investments, and net performance of individual holdings are provided for illustrative purposes only to meet regulatory requirements. Different calculation methodologies can result in materially different net returns for individual holdings. Please refer to the net performance of the representative account, which best represents the net performance an investor would have received if they had invested in the strategy for the period shown.

A complete list of each security that contributed to the performance of the Cambiar portfolio mentioned above is available upon request. Please contact Cambiar at 1.888.673.9950 for additional information.

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