



# CAMBIAR GLOBAL EQUITY COMMENTARY 2Q 2023



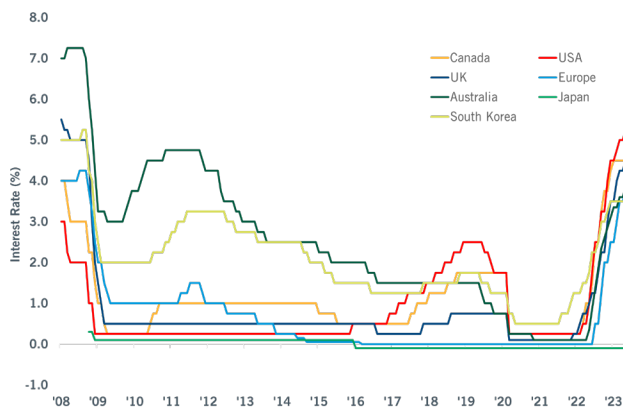
# MARKET REVIEW

Global equities continued to move higher in the second quarter of 2023, with the MSCI World Index registering a gain of 6.8%. The market rally peaked in June, as worries surrounding the debt ceiling gave way to fears of missing out on the upside in stocks. U.S. stocks have led the way thus far in 2023, with the 16.9% return for the S&P 500 one of the best first half returns on record. International equities have also participated to the upside, although not to the same extent, as the MSCI EAFE Index gained 2.9% for the quarter and is up 11.1% on a year-to-date basis. It is worth noting that on a local currency basis, Japan is the top performer this year, with a YTD return of 23.8%. Yet while a weaker yen is a tailwind for Japanese equities, the result is a more modest return of 13% in dollar terms for U.S. investors.

Valuation also remains a key consideration, given the 'overperformance' for many stocks thus far in 2023.

The onset of higher inflation has resulted in a synchronized tightening campaign by global central banks. Although the cadence and magnitude may vary, rates around the world are approaching their highest levels since the global financial crisis:

**CENTRAL BANK BENCHMARK INTEREST RATE  
(DEC '07 - JUN '23)**



Source: Bloomberg

The one non-participant (thus far) is Japan, where rates remain at accommodative levels. Yet core inflation in Japan has been above the central bank's 2% target for 14 straight months, and wage growth is also rising. Should trends continue, policymakers in Japan may need to rethink their position that rising price levels are temporary.

For Cambiar, the previous graph only further emphasizes our focus on companies with resilient business models, good pricing power, and strong balance sheets.

# GLOBAL EQUITY

## CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Uber Technologies	2.29	0.73
Marvell Technology	1.95	0.72
Amazon.com	2.64	0.64
Alphabet	2.72	0.48
Tokyo Electron	2.26	0.46

## DETRACTORS

Bottom Five	Avg. Weights	Contribution
Sysco Corporation	1.80	-0.07
Corteva	1.86	-0.10
Merck KGaA	1.59	-0.17
Bayer Aktiengesellschaft	1.57	-0.17
Burlington Stores	1.68	-0.46

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.

	2Q23	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Global Equity <sup>(gross)</sup>	6.8%	13.0%	17.7%	9.4%	6.0%	7.5%	8.1%
Global Equity <sup>(net)</sup>	6.6%	12.7%	17.0%	8.8%	5.3%	6.9%	7.5%
MSCI World	6.8%	15.1%	18.5%	12.2%	9.1%	9.5%	6.2%

Global Equity Composite Inception Date: 2.28.1998 / See Disclosure – Performance. Cambiar Model Net Return: calculated by subtracting the highest strategy fee (0.60% annually/0.05% monthly)

The Cambiar Global Equity strategy posted an in-line return with the MSCI World Index for the second quarter. In a continuing trend from 1Q, growth stocks (particularly in the U.S.) paced the advance. Given Cambiar's higher sensitivity to valuation and subsequent style headwind, performance thus far in 2023 has been in line (if not above) expectations. As an additional point of reference, the MSCI World Value Index gained 3.3% in the quarter and has a YTD return of 4.5%.

The Cambiar team continues to focus their research efforts on companies that meet our Quality/Price/Discipline criteria. Portfolio positioning remains an output of our team's rigorous underwriting process at the company level, as well as a focus on diversification across sectors, geographies, and end markets. Given the numerous macro crosscurrents, we want to build a portfolio that offers multiple shots on goal and a prudent balance of offense and defense.

In a review of underlying performance drivers in the quarter, the market's 'risk on' bias was evident via returns at the sector level – with Technology, Consumer Discretionary, and Communication Services all notable outperformers. Defensives such as Healthcare, Utilities, and Consumer Staples lagged, as did the Energy sector.

After registering strong gains in 2021 and 2022, energy stocks are in consolidation mode thus far in 2023. Cambiar remains constructive on the intermediate-term earnings/capital return potential for our energy holdings – given a supply dynamic that leans tight, low capital investment and an increased focus on 'green' alternatives.

On an absolute basis, Cambiar's Technology holdings comprised the best-performing sector for the portfolio in the quarter. However, the portfolio was unable to keep pace with the index, which was led by high P/E stocks such as Nvidia, Apple, and Microsoft. Cambiar had one position that participated in the AI buying frenzy, as semiconductor company Marvell Technology surged in response to a strong earnings report and increased optimism around the company's AI capabilities. Marvell has exposure to a wide range of end markets; after dealing with a bulge in inventories for areas such as storage and traditional networking chips in 2022, these businesses appear to be bottoming, while secular growth opportunities (i.e., AI, custom silicon solutions) are accelerating. We trimmed the position in response to the sharp move in price but remain constructive on the future earnings trajectory for Marvell.

The portfolio's holdings in the Industrials sector were a value-add in the quarter – on an absolute basis as well as relative to the index. Individual highlights included Booz Allen Hamilton (management consulting) and Uber Technologies (ride sharing). Despite the association with traditional 'metal banging' businesses, the Industrials sector also includes asset-light companies. While we anticipate some moderation in cost pressure, the ability to maintain price and preserve (if not expand) margins remain key inputs to the underlying investment case for our Industrial positions.

The Global portfolio also registered positive stock selection in Energy and Healthcare for the quarter. Despite these sectors trailing thus far in 2023 vs. higher beta alternatives, Cambiar remains constructive on the risk reward that these companies possess and the balanced exposure they provide in the portfolio.

The portfolio's cash position was a drag on return in the quarter. Stock selection in the Consumer Discretionary sector weighed on results, with a modest loss in Sony Group and a drawdown in Burlington Stores as notable detractors in the quarter. Burlington's earnings shortfall was attributed to the timing of tax refunds and cooler weather heading into the Easter holiday. The company did re-affirm their full-year earnings forecast, implying an acceleration in business trends over the balance of 2023. We were anticipating a more normal environment for Burlington after a difficult 2022, so the quarter was a mild setback on this basis. That said, we remain constructive on the intermediate-term earnings trajectory for Burlington and have confidence in the company's experienced management team to execute their business plan.

While U.S. stocks continue to lead the way, Japanese equities have also performed well thus far in 2023. The positive sentiment towards Japan has been a combination of factors: macro tailwinds in the form of supportive monetary and fiscal policy, and a focus on improved corporate governance/shareholder return and reasonable valuations at the company level. The result is a price level for the Nikkei Index that is at its highest level in 33 years. Cambiar has been selectively increasing our allocation to Japan in recent quarters, including the purchase of Terumo Corporation (Healthcare) in the second quarter.

## LOOKING AHEAD

As we reach the halfway mark of 2023, the double-digit return in global equities has been somewhat surprising – given a market backdrop of rising interest rates, elevated inflation, and uncertain economic growth expectations. Yet stocks have climbed this wall of worry, as corporate earnings remain solid and a tight labor market continues to fuel strong consumer spend patterns.

Given the underlying market momentum, the path of least resistance may continue to be to the upside. That said, year-to-date gains have largely been a function of multiple expansion, and valuations are becoming stretched in certain pockets of the market – tech stocks are one such example. As we look ahead to the second half of the year, upside participation from traditional value sectors such as Financials, Energy, and Healthcare would be a positive development from a market breadth perspective.

U.S. large cap stocks (particularly growth) may be facing more limited upside over the balance of the year, yet Cambiar believes international equities continue to offer an attractive reward-to-risk opportunity for investors. While selectivity remains paramount, our constructive outlook for the non-U.S. markets is based on reasonable valuations and tailwinds in the form of continued earnings growth and multiple expansion.

The Cambiar team remains focused on constructing a global portfolio that can both protect capital in market declines, while also participating in equity rallies. We view our bias to companies that possess low leverage, strong pricing power, and steady free cashflow to be an all-weather investment approach. That said, these attributes should take on even more importance in periods of higher rates and an elevated cost of capital.

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 6.86% (gross) and 6.70% (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 and 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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