



CAMBIAR GLOBAL EQUITY COMMENTARY 2Q 2024

MARKET REVIEW

Global equities closed higher for the second quarter, with the MSCI World Index posting a 2Q return of 2.6%. As has been the case for much of the current cycle, U.S. stocks did most of the heavy lifting, as the S&P 500 Index gained 4.3%, while international developed stocks (as measured by the MSCI EAFE Index) posted a small loss of -0.4% for the quarter.

The key investment narratives from 2023 (i.e., generative AI and GLP-1 diet drugs) continue to lead the way in 2024, with U.S. mega-cap technology companies and pharma standouts Eli Lilly and Novo Nordisk the most notable beneficiaries. The stock that received the most airtime was Nvidia, which gained 36% in the quarter. Nvidia has added \$2 trillion in market cap in 2024 and is up almost ninefold since the end of 2022. The company's explosive earnings growth in recent quarters certainly validates much of the stock's gains – to what extent investors are extrapolating this growth into the future remains a key question. The AI gold rush also provided a boost to non-U.S. semiconductor businesses, with Taiwan Semiconductor and ASML both posting strong gains in the quarter. The implied capitalization growth of AI (>\$11 trillion) since mid-2022 requires immense future profits to rationalize the investments made. At some point the market will want to see a return on these massive investments, but we are not there yet.

Consumer spending remains the biggest driver of the U.S. economy; i.e., so as the consumer goes, so goes the economy. On this front, the data is more indicative of a K-shaped divergence – whereby high earners with greater exposure to risk assets continue to show a propensity to spend, while lower income households are showing more restraint in their spend patterns. Despite positive wage gains, it seems declining consumer sentiment (as measured by the University of Michigan) may also be weighing on consumption. When nearly 80% of Americans consider fast food to be a 'luxury' purchase (results from a recent LendingTree poll), something is amiss as it relates to economic divergences in the U.S. A resilient consumer has been a key underpinning for above-trend economic growth – can it continue?

While U.S. investors are understandably focused on the upcoming U.S. Presidential election in November, there were a number of somewhat surprising election outcomes in Europe during the quarter. France and Germany saw a shift away from centrist policy to left and right wing parties, while the Conservative Party in the U.K. was overtaken by the Labour Party. What

is contributing to this shift in political preferences across Europe? In our view, it is likely a combination of factors – general unrest with COVID-era policies, frustration with the surge in inflation, and country-specific immigration policies. This discontent is now manifesting itself at the ballot box.

While acknowledging the possibility that we are entering a more volatile political period, the Cambiar team remains more focused on the potential impacts that these events could have on our companies. For example, election outcomes should not materially alter our view on corporate fundamentals – Airbus will still build airplanes, and TotalEnergies will continue to produce oil and related hydrocarbons. Our focus on building a diversified portfolio with varying exposures at both the sector and regional levels should provide an additional buffer to returns.

GLOBAL EQUITY

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Taiwan Semiconductor	2.29	0.59
Alphabet Inc.	2.56	0.52
Texas Instruments	2.71	0.34
Goldman Sachs	2.35	0.23
Colgate-Palmolive	2.11	0.20

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Centene Corp	1.84	-0.32
Capgemini	2.48	-0.35
Waters Corp	2.03	-0.37
Tokyo Electron	2.09	-0.43
Airbus SE	1.99	-0.56

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.

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Global Equity <small>(gross)</small>	-1.5%	6.0%	12.1%	2.1%	7.9%	6.6%	8.3%
Global Equity <small>(net)</small>	-1.7%	5.7%	11.4%	1.5%	7.2%	5.9%	7.6%
MSCI World	2.6%	11.8%	20.2%	6.9%	11.8%	9.2%	6.7%

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 was unable to keep pace with the MSCI World Index in the second quarter, posting a modest loss for the period. On a style basis, growth stocks once again took charge in 2Q, as evidenced by the ~740 basis point performance differential between global growth and value stocks (6.4% for MSCI World Growth vs. -1.0% for MSCI World Value). We believe that one attribute of our Quality | Price | Discipline approach is the fairly high degree of opportunism for the portfolio to participate in a wide range of sectors/industries. That said, the high valuations currently assigned to many of the market leaders result in limited exposure within the Global portfolio.

Trade activity was relatively light in the quarter, with one new purchase, one liquidation, and adds/trims to existing positions. We initiated a new position in Comcast Corp. – a diversified cable and media business, with an array of assets that we believe are undervalued relative to their combined earnings power. The bear case for the stock is declining growth in Comcast's traditional cable bundle, as more consumers are 'cutting the cord' in favor of non-linear options such as Netflix, Hulu, and Disney+. However, a fast and reliable internet connection remains a necessity, and Comcast's cable

internet service is a valuable solution. Comcast has additional assets that include its own non-linear offering (Peacock), original content (Universal Studios), theme parks, and a bundled mobile phone business. Given the company's strong balance sheet and free cashflow, in tandem with relevant valuation metrics such as P/E and EV/EBITDA that are at a deep discount to the broader market, we believe Comcast offers an attractive upside opportunity.

Returns across sectors were mixed for the quarter, as Technology and Communications led to the upside, while traditional value sectors such as Industrials, Materials, Healthcare, and Financials all lagged. Cambiar's trailing return was a combination of sector allocation decisions (e.g., underweight tech stocks), as well as below-benchmark stock selection in areas such as Healthcare.

Overall investor sentiment towards healthcare stocks remains low, outside of diet drug manufacturers such as Eli Lilly and Novo Nordisk. Investors appear willing to 'weight' it out, despite low valuations and attractive shareholder returns via dividends and share buybacks. Health insurance provider Centene (a current holding) is one such example – despite executing well and

posting strong earnings, the stock posted a double-digit decline in 2Q. Centene is the #1 market share leader in the three important government insurance markets, as well as in the individual health insurance vertical (Marketplace). Each of these business segments offers the potential for multi-year expansion opportunities. Centene is also three years into an operational turnaround in which significant non-core operations were divested and expenses reduced, setting the company up for additional margin gains. An announced \$3 billion share buyback (8% of current market cap) is an additional catalyst. In aggregate, we see significant value in Centene, with the stock currently trading at a 10-year low forward P/E of 9.7x relative to the company's 14% earnings growth estimates over the next three years.

The AI arms race remains a dominant theme in the global equity markets and has been a key performance driver for the Technology sector. Cambiar holding Taiwan Semiconductor (TSMC) has benefitted from the rise of AI, with the stock providing substantial returns year-to-date. Nvidia is currently recognized as the market leader in designing generative AI software and semiconductors; however, the extremely sophisticated process of manufacturing these chips is outsourced to TSMC. The anticipated growth in AI should continue to drive future earnings growth for TSMC; that said, semis remain a cyclical business and trees do not grow to the sky. We aggressively trimmed our position in TSMC during the quarter, while continuing to maintain an allocation to this high-quality, wide moat business. The 2Q gains in TSMC helped to offset lagging returns from Tokyo Electron and IT services company Capgemini.

Comprising ~19% of portfolio capital as of quarter-end, Financials remains the largest sector allocation for the Global strategy. Despite weaker price action in the sector for the quarter, Cambiar's holdings outperformed the index and were thus a positive contribution to relative performance. Goldman Sachs and American Express were two individual highlights, with both companies posting solid earnings and raising forward guidance. An inverted yield curve in the U.S. continues to weigh on net interest income for the banks, contributing to our decision to maintain a lower allocation to the space. Portfolio holding PNC Financial posted a small loss in 2Q, despite a solid earnings report. Despite the quarterly setback, we continue to see solid upside for PNC. The company's strong balance sheet and diverse business mix should have PNC well-positioned for the increased likelihood of lower rates in the back half of 2024 and into 2025.

LOOKING AHEAD

Global stocks continue to grind higher – largely due to the continued strength in the U.S. equity market. Markets remain relatively complacent, as evidenced by tight credit spreads and the VIX Index probing multi-year lows. On a valuation basis, the S&P 500 Index is trading at a forward one-year P/E multiple of 21-22x, pulled higher by a narrow sleeve of mega-cap tech stocks (and Eli Lilly). The increase in valuations for mega-cap tech stocks has been accompanied by strong earnings growth but may be starting to reach logical limits. Is market sentiment beginning to reach euphoric levels for certain pockets of the technology sector? Nvidia, Apple, and Microsoft have each surpassed the \$3 trillion market cap level, while the gross domestic product (GDP) for the country of Japan is \$4.2 trillion?

As has been the case for much of the current cycle, non-U.S. stocks trade at relatively inexpensive valuations relative to the S&P 500 Index. This is particularly the case for European equities, with the P/E multiple spread between Europe and the S&P at one of the widest levels in the past 30 years.

There seems to be a growing chorus amongst investors that budget deficits and valuations don't matter – the outperformance of growth stocks (over value) strengthens this view. Suffice to say that we disagree with this viewpoint – price discovery and the concept of financial gravity remain critical inputs to the buy/sell decision. The Cambiar team continues to channel our efforts to identifying high-quality businesses that can offer an asymmetric investment opportunity over a forward 1-2 year timeframe. In our view, companies with durable business models, proven pricing power, and low leverage should be in good position to outperform regardless of the macroeconomic backdrop. In a nod to baseball season, while the market seems preoccupied with finding the next home run, our team is more focused on hitting singles and doubles and minimizing strikeouts.

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.

Prior to 2013 and for the periods of 2018 and forward, the composite only contains accounts whose gross performance is reduced by transaction costs. For the periods of 2013 to 2017, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. "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, which waive commission costs or bundle fees including commissions (SMAs). 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. The management fee schedule for separate accounts managed to the Global Equity strategy is as follows: 0.60% on the first \$25 million; 0.50% on the next \$50 million; 0.35% thereafter. 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.

For additional information, including a GIPS Composite Report for the strategy presented herein and/or a list of composite descriptions, please contact: Cambiar Investors LLC, 200 Columbine Street, Suite 800, Denver, CO 80206, 1.888.673.9950, info@cambiar.com. **Past performance is no indication of future results and, as is the case with all investment advisors who concentrate on equity investments, Cambiar's future performance may result in a loss.** 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. 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. **This communication is intended for non-wrap use only.**

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Top 5/Bottom 5 Chart: For the quarter, the total portfolio return for the representative account was -1.53% (gross) and -1.67% (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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