CAMBIAR INTERNATIONAL EQUITY ADR COMMENTARY 2Q 2024

50 YEARS ANNIVERSARY 1973 2023

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MARKET REVIEW

International developed equities posted a modest decline in the second quarter, with the MSCI EAFE Index registering a -0.4% return. U.S. stocks (as defined by the S&P 500 Index) gained 4.3% in the period, while emerging markets posted a return of 5.0%.

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 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.

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. Elections in 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.

Investors largely looked past the political headlines, as equities were generally unchanged. The one exception was in France, as French stocks declined by 7.5% (in dollar terms) in 2Q. There was also a widening in sovereign French yields, although comparatively low in magnitude vs. past European electoral disturbances.

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. To that extent, the election outcomes did not materially alter our view on fundamentals – Airbus will continue to 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.

INTERNATIONAL EQUITY ADR

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Taiwan Semiconductor	2.78	0.50
UCB	2.36	0.36
Barclays	2.69	0.27
Novartis	2.96	0.25
ING Groep	3.53	0.24

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Tokyo Electron	1.49	-0.22
Mitsubishi Estate Company	2.51	-0.27
Capgemini	2.94	-0.30
Airbus	1.54	-0.31
Diageo	2.50	-0.32

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.

	2Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
ADR (gross)	0.7%	7.9%	10.2%	-0.5%	3.5%	3.0%	5.2%
ADR (net)	0.5%	7.5%	9.4%	-1.2%	2.8%	2.3%	4.4%
MSCI EAFE	-0.4%	5.3%	11.5%	2.9%	6.5%	4.3%	4.3%

International Equity ADR Composite Inception Date: 2.28.2006 / See Disclosure –Performance

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The Cambiar International Equity ADR strategy registered a positive return for the second quarter, vs. a modest drawdown for the MSCI EAFE Index. While investors remain captivated by the A.I. rally in U.S. mega-cap tech stocks, we believe the combination of low valuations and attractive fundamentals that exist in non-U.S. markets offers a compelling risk/reward opportunity.

Trade activity in the quarter consisted of five purchases and five liquidations, in addition to trims and adds to existing positions. On the sale side, Cambiar moved on from Japan-based Hitachi and Fuji Electric, as both positions reached our estimate of fair value. Japan remains an attractive market in light of heightened corporate governance and an increased focus on shareholder returns. That said, company-specific fundamentals and valuation remain key considerations in the buy/sell process. Additional moves in the quarter include the sale of defense contractor BAE Systems and corresponding purchase of Thales. BAE has been a good performer for the portfolio as governments ramped up their defense spending in recent years. The swap into Thales is a relative value opportunity, with Thales poised to benefit from a continued strong defense cycle and a product suite focused on higher margin product lines such as digital security, connected defense networks and drones.

Returns across sectors were mixed for the quarter, as Financials, Healthcare, Energy, and Technology outperformed, while Consumer Discretionary, Industrials, Materials, and Real Estate lagged. In aggregate, Cambiar's sector positioning (as well as stock selection) contributed to the strategy's positive showing in 2Q. Our portfolio construction efforts continue to favor companies that can provide varying return drivers, complementing our ongoing focus on broad diversification across sectors and geographies.

The A.I. arms race remains a dominant theme in the global equity markets thus far in 2024. While many of the more notable beneficiaries such as Nvidia are based in the U.S., Cambiar holding Taiwan Semiconductor (TSMC) has also performed well, with the stock providing substantial returns year-to-date. Nvidia is currently recognized as the market leader in designing generative A.I. software and semiconductors; however, the extremely sophisticated process of manufacturing these chips is outsourced to TSMC. The anticipated growth in A.I. 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 Consumer Discretionary sector was an additional bright spot for the portfolio, as Cambiar was able to sidestep the broad-based sector weakness via positive stock selection as well as an underweight allocation (5% vs. 12% for the index). Discretionary stocks benefited in recent years from government stimulus and excess savings; with consumer spending now beginning to weaken, selectivity takes on increased importance. Cambiar's holdings skew towards goods/services that target higher income consumers. While not immune to a slowdown, spend patterns in this segment tend to remain relatively intact.

Cambiar's holdings in Industrials comprised a modest detraction from return in the quarter. Plane-maker Airbus was a notable laggard in the period, as the stock declined in response to lower earnings guidance and related announcement of reduced aircraft production. The drop in plane deliveries results from an ongoing shortage in engines and other essential components, factors that are somewhat out of Airbus' control. We viewed the decline in the stock to be an over-reaction, and subsequently added to our position. While improved execution is necessary, Airbus has a 10-12 year order backlog, and the company is led by a well-regarded CEO who we believe can overcome the current production shortfalls.

Food and beverage stocks (i.e., Consumer Staples) remain out of favor thus far in the year, as the sector has been largely shunned by investors in favor of technology and related growth opportunities. Disappointing earnings within the sector have also contributed to the negative sentiment, with portfolio holding Diageo one such example. Diageo is one of the largest and most diversified spirits companies, with a broad mix of brands and price points. The stock's recent weakness in recent quarters is due to a mix of factors – GLP-1 related demand concerns, general destocking trends, and modest price resistance/trading down activity given the end of the stimulus boost. As North America represents Diageo's largest market, recovering volume growth in the U.S. is a key driver for Diageo's earnings, valuation, and stock price. We believe the stock's current multiple embeds an abundance of negativity, such that any signs of stabilizing volumes will be well-received by investors. The arrival of new CFO Nik Jhangiani is also a positive, given Mr. Jhangiani's exceptional track record at Coca-Cola Europacific Partners. Although disappointed by the recent price action, we anticipate brighter days ahead for Diageo.

There were no material changes in regional allocations, as the portfolio remains primarily invested in Europe and the United Kingdom. We currently have a 16% allocation to Japan; the Japanese equity market pulled back in the quarter but remains one of the top-performing countries on a year-to-date basis. Cambiar continues to maintain minimal exposure to emerging markets, with TSMC our sole investment in EM. Despite the low direct allocation, EM remains an important segment for the portfolio on an indirect basis – as many of our companies have meaningful revenue exposure to the region.

LOOKING AHEAD

International equities took a breather in the second quarter, while remaining in positive territory on a year-to-date basis. 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. The rally in global equities has been extremely narrow, with stocks tied to the A.I. trade leading the way. 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?

Although markets currently appear fairly calm, the potential exists for a pickup in volatility over the coming months, as debates and party conventions leading up to the November U.S. Presidential election becomes more front and center for investors. Heightened political instability in Europe may also add to widening spreads in asset prices.

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.

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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 International Equity ADR 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 predominantly in foreign securities through American Depositary Receipts ("ADRs") and other securities which are traded on U.S. exchanges. Cambiar's International Equity ADR Composite primarily invests in stocks with a market capitalization greater than $5 billion. The typical number of securities in the International Equity ADR portfolio is 40-50 holdings. 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 2009 and for the periods of 2011 and forward, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. From 2009 to 2010, the composite only contained accounts whose gross performance is 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, 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. 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 International Equity ADR Composite are evaluated against the MSCI EAFE Index. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted, market capitalization weighted index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The index assumes no management, custody, transaction or other expenses. The MSCI EAFE 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. Cambiar's performance and the performance of the MSCI EAFE Index include the reinvestment of all income. Benchmark returns are net of withholding 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 0.71% (gross) and 0.56% (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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