CAMBIAR INTERNATIONAL EQUITY ADR COMMENTARY 3Q 2025

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MARKET REVIEW

International equities moved higher for a third consecutive quarter, with the MSCI EAFE Index posting a 3Q return of 4.8%. Non-U.S. stocks (as measured by the EAFE) have now gained 25.1% in 2025, well ahead of the 14.8% return for the S&P 500 Index. Emerging markets – led by Chinese equities – have outperformed both developed market proxies in 2025, with the MSCI Emerging Markets Index posting a year-to-date return of 27.5% (including a 3Q return of 10.6%).

On a style basis, international value stocks outperformed their growth counterparts – a reversal of leadership that we saw in the U.S. markets. Although some international companies with exposure to the AI trade have captivated investor attention, overall tech representation is much lower outside the U.S. For example, Information Technology comprises ~8% of the EAFE Index, vs. a ~35% allocation in the S&P 500 Index.

With the exception of a few brief wobbles, the melt-up in global risk assets has been relatively unabated since the Liberation Day lows. Catalysts include generally strong corporate earnings, a relatively resilient consumer, and stabilizing inflation levels. Easing monetary policy has been an additional tailwind, with central banks such as the Bank of England, European Central Bank, and more recently the Federal Reserve all lowering rates. On the flip side, uncertain trade policy is weighing on corporate investment and R&D outlays. In our conversations with various management teams, there remains an optimistic bias, but perhaps a bit more restrained vs. similar conversations six months earlier.

Market concentration remains a concern, as the ten largest constituents in the S&P comprise ~40% of the index and continue to do the heavy lifting in driving index returns in the U.S. These ten stocks – with an aggregate market cap of ~$25 trillion – *now account for almost a quarter of the entire global equity market.* Investors are currently viewing all of these tech franchises as 'winners' – but can that be the case, given the balance of opportunities and threats that are likely to emerge? For now, follow the capex spend from the big hyperscalers – as this remains a key driver for the rally in equities. Any downshift will be an important data point that the market may be nearing a top.

INTERNATIONAL EQUITY ADR

	3Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
ADR (gross)	4.3%	23.0%	14.5%	21.9%	9.0%	5.9%	6.1%
ADR (net)	4.1%	22.3%	13.5%	21.0%	8.2%	5.2%	5.2%
MSCI EAFE	4.8%	25.1%	15.0%	21.7%	11.2%	8.2%	5.1%

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

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
UCB	2.12	0.77
ING Groep	3.31	0.67
Daifuku Co	2.12	0.50
Mitsubishi Estate	2.11	0.49
Grab Holdings	2.40	0.49

DETRACTORS

Bottom Five	Avg. Weights	Contribution
CNH Industrial	1.75	-0.32
Kerry Group	1.63	-0.35
London Stock Exchange	1.56	-0.37
Shimano	1.49	-0.41
MonotaRO	1.78	-0.51

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy and is derived from the account's gross performance which does not reflect the deduction of all fees and expenses that a client or investor would have paid. Please refer to the composite gross and net performance to understand the overall effect of fees. See Disclosure – Top 5/Bottom 5 Chart for more information.

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The Cambiar International Equity ADR strategy closed the third quarter with an in-line gain vs. the MSCI EAFE Index. Stock selection within Healthcare, Financials, and Technology were positive contributors to performance for the period, while holdings in Industrials and Consumer Discretionary fell short of the index.

Despite investors' current infatuation with all things AI, the Cambiar team remains focused on well-managed franchises that possess strong balance sheets, durable earnings, and reasonable valuations. We believe this mix of desirable attributes – in combination with thoughtful portfolio construction that emphasizes diversification at both the sector and geographical levels – can generate strong risk-adjusted returns over a market cycle.

While not as plentiful as in the U.S., there are a number of international companies that have benefited from the boom in AI investments. Two such examples are Taiwan Semiconductor and ASML. Taiwan Semi makes the Nvidia chips, while ASML is the global leader in the production of lithography machines (which are used to manufacture semiconductor chips). Both stocks performed well in the quarter and are held in the Cambiar portfolio.

Yet the more notable factors behind the strong YTD performance for non-U.S. markets have been traditional value sectors – Financials, Industrials, and Utilities. The Cambiar portfolio has meaningful exposure to these high-performing segments of the market, which has been beneficial to year-to-date returns.

Buy/sell activity in the quarter consisted of one new purchase and two liquidations, in addition to adds/trims to existing positions. One of the sales was IT consulting company Capgemini, which had been a long-term holding in the portfolio. Capgemini has incurred some weakness in top-line revenues, as companies are shifting their spending budgets from management consulting services to AI and cloud-related investments. The market's message is that Capgemini may be on the wrong end of the disruptor/disruptee dynamic that AI will bring to various aspects of the IT services industry. Our conviction was further shaken by the company's announced takeover of IT services company WNS in an attempt to augment its capabilities in the agentic AI space. This may be a successful move when viewed over a longer arc, but it creates an elevated level of short-term uncertainty. The combination of a challenging market backdrop and questionable capital allocation led to our decision to move on from Capgemini.

At a sector level, returns were positive in all areas except Consumer Staples, which posted a slight loss for the quarter. Financials and Consumer Discretionary led to the upside, while more defensive sectors such as Healthcare and Utilities were relatively weaker for the period.

As mentioned, stock performance within Healthcare was a notable positive for the portfolio in the quarter. Individual outperformers were UCB and ICON. UCB has been particularly additive over the past two years, as the company continues to generate strong sales from Bimzelx (psoriasis) and is now seeing solid revenues from its other drugs (e.g., Cimzia, which treats inflammation in autoimmune diseases).

ICON is a contract research organization (CRO) that assists pharma and biotech companies in conducting late-stage clinical trials and aftermarket services. CROs such as ICON are used to avoid fixed costs and assist with pipeline success. Icon had been under pressure in recent quarters due to heightened uncertainty and related delays in investment/trial activity by the bigger pharma companies. The 3Q gains were in response to an encouraging earnings report that showed an uptick in gross wins for ICON and an improving outlook for the CRO space.

Within Financials, European/UK banks continued their impressive year-to-date rally, boosted by a combination of higher loan growth and net interest income, resulting in increased earnings guidance. Despite registering strong price gains and the continued prospect for attractive forward returns, portfolio holdings such as Barclays and Bank of Ireland continue to trade at less than 1x book value. For comparison purposes, U.S. banks such as JP Morgan trade at over 2.5x Price/Book.

Cambiar's holdings in Consumer Discretionary comprised the largest detraction from relative performance, as Shimano and Flutter Entertainment both posted losses for the quarter. Based in Japan, Shimano produces high-end gearing/components for bicycles, fishing tackle, and rowing equipment. The slide in the stock price was due to sales decline in Shimano's China segment, as well as elevated costs and a resulting drop in margins. While frustrated by this setback, we believe the excess inventory in China should be bottoming, and Shimano can offset higher input costs with pricing action. The company still has a strong market share in its traditional markets as well as the fast-growing e-bike segment.

Flutter is a global leader in sports betting and gaming, offering through sites such as Paddypower.com, Pokerstars.com, and FanDuel in the U.S. The 3Q pullback was in response to a growing presence in ‘prediction markets’, which are platforms that allow one to bet on future events – e.g., election outcomes, Oscar winners, S&P index predictions, and sporting events. The concern is that these alternative platforms could pull volumes from established players such as Flutter. This is a somewhat unexpected competitive threat that could indeed lead to some share loss – e.g., ‘I can use Robinhood to handle my stock trades and sports bets’. We hold the management team at Flutter in high regard and believe they have the expertise to navigate the current environment successfully. That said, expecting multiple expansion over the next year while waiting for additional clarity may be overly optimistic. Upon review (this will technically be a 4Q transaction), our team made the decision to lock in our gains and move on from Flutter.

The portfolio’s cash position was again an additional performance headwind in the quarter, as any cash will detract from potential upside in a broad-based market rally. Cash levels remain a by-product of the buy/sell process, vs. a timing tool in the portfolio. Given the strong year-to-date move in equities, we’re hesitant to chase valuations for the sole purpose of being fully invested. That said, our team has several investment candidates nearing our desired attachment points, and cash should decrease from the current level in the coming months.

LOOKING AHEAD

As we enter the final quarter of 2025, global equity markets have staged a very strong rebound from their lows in April. Investors have shrugged off the impact of the tariffs and continue to bid up stocks, with the S&P 500 and MSCI EAFE Index trading at or near all-time highs.

Equity investing is a constant balance between risk and reward. On this basis, the upside/downside profile for a widening segment of the U.S. equity market has begun to take on a negative skew. In contrast, valuations and associated risk/return for international stocks remain attractive – even in light of strong year-to-date returns.

On a valuation basis, the one forward P/E for the MSCI EAFE Index is 14.6x, which compares favorably to the ~23x P/E for the S&P 500 Index. While U.S. markets may deserve a premium multiple due to higher growth rates and operating margins, this valuation discount currently assigned to international stocks remains wide vs. historical levels.

Investors remain drawn to the AI narrative, with fundamentals a distant second in consideration. While not dismissive of current macro/industry trends, the Cambiar team remains more focused on the numbers – earnings, debt ratios, operating margins…and most importantly, valuations. We believe international stocks can provide prudent diversification and mitigate the increased concentration risk that exists in U.S. markets.

Thank you for your continued confidence in Cambiar Investors.

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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: The quarterly contributors and detractors are based on the gross performance of a representative account in the strategy composite. 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. Please refer to the net performance of the composite 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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