CAMBIAR INTERNATIONAL EQUITY ADR COMMENTARY 4Q 2022

CAMBIAR INVESTORS

MARKET REVIEW

Global equities ended 2022 on a high note, as signs of slowing inflation in the U.S. and Europe, in tandem with the end to restrictive COVID policies in China, led to a broad-based rally in the fourth quarter. International equities benefited from an additional tailwind during the quarter in the form of a weakening U.S. dollar, which boosted returns on a currency-adjusted basis for U.S. investors. On a full-year basis, dollar strength took a considerable bite out of international returns – yet these dynamics may be poised to reverse in 2023.

Despite numerous challenges that included a land war in Europe and corresponding energy crisis, investors may be surprised to learn that international equities outperformed the U.S. in 2022. U.K. stocks have been a notable bright spot, as the U.K. equity market (FTSE 100) posted a positive return on a local currency basis in 2022 and is nearing its highest level since 2018. The MSCI EAFE Index returned -14.5% for the year, vs. -18.1% for the S&P 500. The lower representation of technology stocks was a key driver in the 'less-bad' returns of international averages, as tech stocks were particularly hard hit in 2022. Could this be the beginning of a more durable rotation in market leadership? Supportive variables for continued international outperformance include low relative valuations, upward earnings revisions, and an improving economic backdrop in Europe. Should value as an investment style remain in favor, that would be an additional tailwind for the international asset class, given the higher composition of traditional value industries such as financials, industrials, and energy/ basic materials. U.S. markets remain over-indexed to technology and related growth stocks – even after the most recent drawdown.

Inflation (and therefore monetary policy) was the dominant driver of returns in 2022. Similar to the posture of the Federal Reserve, central banks in the U.K. and Europe appear resolute in their commitment to rein in inflation via higher rates. While well above the 2% target, inflation levels in Europe were lower on a month-over-month basis in November and December, as unusually warm weather prompted a decline in energy prices. Although still relatively accommodative, even the Bank of Japan has begun to tighten, with the BOJ expanding its yield curve controls from 25 bps to 50 bps in the quarter. After years of suppressing rates in an effort to stimulate their economy, perhaps the BOJ is beginning to shift course; more clarity on this front will come once a new head of the BOJ is announced in the coming months.

While Cambiar continues to monitor the current macro backdrop, it is more in the context of potential impact to our company-specific investment cases. In aggregate, our team continues their research efforts on self-funding businesses that possess reasonable valuations, strong balance sheets, and through-the-cycle free cashflow.

INTERNATIONAL EQUITY ADR

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
ING Groep	2.64	1.03
Airbus	2.59	0.87
Covestro	2.68	0.87
Entain	2.69	0.87
KBC Group	2.56	0.82

DETRACTORS

Bottom Five	Avg. Weights	Contribution
UCB	2.27	-0.36
Sony Group	2.34	-0.51
Bayer	2.06	-0.47
AIA Group	2.76	-0.66
Adidas	2.00	-0.72

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy. The contribution to return is applied to gross 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.

	4Q 2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
ADR (gross)	16.2%	-17.8%	-17.8%	-3.9%	-2.3%	3.5%	4.3%
ADR (net)	16.0%	-18.4%	-18.4%	-4.5%	-2.9%	2.8%	3.5%
MSCI EAFE	17.3%	-14.5%	-14.5%	0.9%	1.5%	4.7%	3.3%

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

The Cambiar International Equity ADR strategy posted a strong absolute return for the fourth quarter, while falling short of the MSCI EAFE Index. The relative performance lag in the quarter was primarily a function of cash drag and below-benchmark returns in the Energy and Healthcare sectors.

Given the downward pressure in the market during 2022, the recipe for outperformance was (1) a bias towards defensive sectors (i.e., healthcare, consumer staples, utilities), and (2) one's allocation to the energy sector, which was the only sector to post a positive return for the year. The financials sector was another relative outperformer in 2023, benefiting from a steepening yield curve. Although the Cambiar portfolio had exposure to all of these sectors, underweight allocations to defensives and energy were performance headwinds for the year.

While stock selection was more challenged in the aggregate, the International portfolio had a number of positions that were able to post positive returns in 2022. Examples included names within the media, insurance, high-end luxury goods, aerospace and security, and multi-national food service industry. While these holdings varied by industry and end market, they each possess strong market positions within their respective verticals. In this regard, 2022 was a good example of how market leaders can use a challenging environment to widen their competitive moats.

Portfolio construction continues to emphasize balance and diversification. We adjusted portfolio exposures over the course of the year in response to changing geopolitical and economic conditions on the ground. For example, Cambiar entered 2022 with no allocation to energy, given inconsistent returns and the price-taker nature of the sector. We became incrementally more constructive on the sector due to the war in Ukraine and a resulting tighter market for oil/natural gas. Given the number of stocks that incurred steep drawdowns over the past year, there are no shortage of investment candidates to consider. That said, selectivity remains key – the Cambiar team continues to focus on quality while resisting the allure of 'fallen angels' whose business models are not suited for the current environment.

As it relates to fourth quarter return drivers, the advance was broad-based in nature, led by more economically-sensitive sectors such as materials, industrials, and energy. Given the combination of underinvestment in the physical economy and still-low valuations, the positive momentum in these sectors may be poised to continue as the economic growth in Europe begins to recover. Cambiar's holdings in materials comprised the top contribution to return in the quarter, with Covestro and Agnico Eagle Mines both notable outperformers.

The financials sector was an additional bright spot in the quarter – for both the index and the Cambiar portfolio. Banks led to the upside, benefiting from higher net interest income, solid loan growth, and the prospect of increasing shareholder returns via some combination of higher dividends and share buybacks. Cambiar's balanced allocation within the sector served the portfolio well on a full-year basis, and includes a mix of banks (offense) and insurance operators (defense). Thus, while the insurers held up better during the more intense selling pressure in the second and third quarters, the portfolio's bank positions were positive contributors in the fourth quarter. In aggregate, valuations within the financial sector remain depressed, resulting in what we believe is an attractive risk/reward over the coming year.

Detractors in the quarter included lagging returns in energy as well as a modest decline in Roche (healthcare). Despite not keeping pace with peers for the period, we believe that Shell and Santos continue to offer meaningful upside potential from current levels. With regards to Roche, the company incurred softer sales across a few of its drugs, while maintaining full-year earnings guidance. In addition to their current drugs on the market, we believe Roche's strong pipeline is set up for several indication wins in areas such as oncology and macular degeneration.

A comment on currency, as dollar strength in 2022 had a considerable impact on international returns. The dollar was a safe haven in light of the invasion in the Ukraine and runaway energy prices/recession fears in Europe. While not currency forecasters, it is our position that some of these factors driving dollar strength will abate in 2023. The dollar should continue to weaken in conjunction with declining inflation dynamics (and subsequently a less hawkish Fed) in the U.S. We saw this in 4Q, and expectations are for inflation to continue to normalize in the coming quarters. Improving economic growth and lower inflation in Europe/U.K. may also translate into a strong Euro and Pound vs. the dollar. Lastly, the move by the Bank of Japan to allow yields to expand to 50 bps has also resulted in Yen strength vs. the dollar, and the higher yield may result a shift of funds back to Japan. In aggregate, some alleviation of conditions that contributed to dollar strength in 2022 would be a positive for U.S. investors in the coming year.

LOOKING AHEAD

Suffice to say that investors are more than ready to turn the page on 2022. As we look ahead to the coming year, one can envision a range of outcomes for the global equity markets. Recession fears continue to build in the U.S., while there is a view that Europe is already experiencing an economic downturn. While we acknowledge the current uncertainties, one should also consider to what extent these concerns are already reflected in lower equity valuations.

Despite all of the negative headlines over the past year, international equities managed to hold their own in 2022. A key question for investors is whether the relative outperformance of international equities in 2022 is a one-off event or the beginning of a longer-tailed rotation in market leadership. While not drawing a direct comparison (although there are some similarities), the bursting of the late 90s tech bubble in the U.S. led to an extended period of outperformance for international stocks during the 2000-2010 period.

In aggregate, international stocks continue to reside at the intersection of low valuations and low expectations. This alone is not a reason to invest (i.e., cheap stocks can always get cheaper); that said, we believe the forward earnings and return prospects for international companies results in an attractive risk/reward opportunity for investors with a multi-year time horizon. Given the potential for recency bias, we would not be surprised if more evidence of international outperformance is necessary before sentiment towards the asset class become more positive. Yet waiting for an 'all clear' signal will likely result in missed gains, given the potential for equities to have already begun re-rating to the upside. As Peter Lynch once said, "Everyone has the brainpower to make money in stocks. Not everyone has the stomach."

The Cambiar team remains focused on identifying durable businesses that can execute their business plan regardless of the current environment. We remain biased towards companies with strong balance sheets, steady free cashflow, and low leverage – as financial strength can enable these franchises to widen their competitive moats during periods of market stress. We also want to remain opportunistic to the extent we can take advantage of outsized dislocations between valuations and normalized earnings. 2022 saw a wide dispersion of returns across and within sectors. Such an environment is almost certain to continue in 2023, resulting in a supportive backdrop for active management.

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 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.

The composite contains accounts with 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. 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 16.09% (gross) and 15.91% (net). The net fee 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.

A complete description of Cambiar's performance calculation methodology, including 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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