CAMBIAR INTERNATIONAL EQUITY ADR COMMENTARY 4Q 2024

CAMBIAR INVESTORS

MARKET REVIEW

International equities declined in the fourth quarter, with the MSCI EAFE Index posting a -8.1% return for the period. The weakness in international equities was a notable divergence vs. U.S. stocks, as the S&P registered a 2.4% gain for the quarter. On a full-year basis, U.S. stocks outperformed their international counterparts by over 20% - the widest spread since 1997 (25% for the S&P 500 Index vs. 3.8% for the EAFE Index).

The primary catalyst for the 4Q drawdown in non-U.S. stocks was concerns surrounding the potentially protectionist agenda that could be enacted by the incoming Trump administration. While U.S. markets reacted in a positive manner to the prospects of less regulations and associated pro-growth prospects, international markets sold off as investors priced in tariff risks. Tariffs are widely viewed to be a tax on global economic growth; that said, the finer details of President-Elect Trump's economic policies have yet to be unveiled. Will the administration follow through on enacting stiffer tariffs, or is the threat itself enough to achieve desired policy goals in areas such as immigration and trade?

Additional factors contributing to the pullback in international stocks during the quarter were the strength in the U.S. dollar and the return of the U.S. mega-cap technology/AI investing playbook that has been in place for much of the past two years. Investors' strong preference for growth companies that are engaged in AI has resulted in a crowding-out effect, as inflows into this theme have come at the expense of value stocks, small caps, and international equities. The overall surge of flows in the U.S. equity markets has been somewhat staggering – U.S. stocks now comprise ~67% of the All-Country World Index despite only representing 27% of global GDP. Such concentration of equity capital is unprecedented.

With a one-year forward P/E of 22x, the S&P 500 is at a more challenging starting point as we move into 2025. In contrast, the MSCI Europe Index is trading at a P/E of 13.5x – one of the steepest valuation discounts (vs. U.S. stocks) on record. Valuation itself is often a poor predictor of returns in the short run, and the U.S. technology leaders have generated strong earnings growth. Yet any potential mean reversion on these fronts could be a strong positive for international stocks.

The risk-on bias that paced the markets in 2024 was further illustrated via the proliferation of single-stock leveraged ETFs, zero date to expiration options, and cryptocurrencies. It is one thing for a somewhat established cryptocurrency such as Bitcoin to march higher, but newly-launched Fartcoin (we wish this was a joke) breached the $1 billion market cap level in the quarter. While Cambiar is not in the business of calling out market tops (or bottoms), the speculative excesses permeating certain pockets of the market are indicative of bubbly environments that do not end well.

INTERNATIONAL EQUITY ADR

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Sony Group	2.50	0.32
Barclays	3.21	0.28
UCB	2.39	0.23
DBS Group	2.29	0.20
Taiwan Semiconductor	1.60	0.19

DETRACTORS

Bottom Five	Avg. Weights	Contribution
SSE	1.89	-0.43
Knorr-Bremse	2.13	-0.43
ING Groep	3.23	-0.44
Barry Callebaut	1.73	-0.57
Capgemini	2.30	-0.67

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.

	4Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
ADR (gross)	-6.9%	10.2%	10.2%	1.3%	2.4%	4.1%	5.2%
ADR (net)	-7.1%	9.3%	9.3%	0.6%	1.7%	3.4%	4.3%
MSCI EAFE	-8.1%	3.8%	3.8%	1.7%	4.7%	5.2%	4.1%

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

The fourth quarter proved to be a challenging period for the international equity markets, with stocks selling off in response to a variety of macro and currency-related concerns. The 4Q drawdown negated what was otherwise shaping up to be a strong year for non-U.S. stocks. While unable to avoid the widespread price weakness in the quarter, the Cambiar International Equity ADR strategy managed to hold up moderately better than the index.

On a full-year basis, the Cambiar portfolio outpaced the index by a fairly wide margin – a function of positive stock selection within the portfolio's larger sector allocations. Our goal is to build an all-weather portfolio of quality businesses that in aggregate, can outperform in a variety of market environments. We were thus encouraged by the strategy's ability to keep pace during market rallies throughout the year as well as provide a margin of safety during drawdowns that took place in August and again in the fourth quarter.

If success is defined as exceeding expectations, the natural inclination should then be to go where expectations are low – this thought process can certainly be applied to the international equity markets. As has been the case for much of the current cycle, international businesses continue to trade at a steep discount to the S&P 500. Investor appetite remains high for digital platform businesses and related AI plays – very little of these exist outside of the U.S. The subsequent neglect toward non-U.S. companies has resulted in what we view to be extremely attractive risk/reward opportunities for the asset class. Market-leading international brands possess strong balance sheets, durable pricing power, and persistent margins/returns. Whether it be areas such as aerospace, luxury goods, or semiconductor manufacturing, the top companies in these verticals often reside outside of the U.S. Although hesitant to offer a time/catalyst that will trigger a change in current market leadership, we remain of the view that international stocks offer compelling return potential for investors with a multi-year time horizon.

The Cambiar team took advantage of market dislocations in the quarter to attach to a number of businesses that had been in our investment pipeline. Buy/sell activity was comprised of four new purchases and two liquidations. The purchases spanned a number of sectors, including Energy, Healthcare, Industrials, and Financials. One of the new initiations was Julius Baer, which is a Swiss-based private bank/asset management firm. The crux of the investment thesis is predicated on the company's ability to grow net assets, which should drive an upward valuation re-rating. We also anticipate that incoming CEO Stefan Bollinger (previously at Goldman Sachs) will look to lift margins, which would be an additional positive for the stock. Lastly, Julius Baer is in a strong capital position, which should translate to ongoing shareholder returns in the form of dividends/share buybacks.

With all sectors registering a negative return in the quarter, strategy performance quickly became a relative exercise for the period. In somewhat of a role reversal vs. typical declines, defensive sectors such as Healthcare, Consumer Staples, and Utilities led to the downside, while Financials, Consumer Discretionary, and Industrials held up better for the quarter. A portion of the outsized weakness in defensive sectors can be attributed to the increased likelihood of fewer rate cuts than expected – which can be a headwind for bond proxy sectors such as Utilities.

In addition to stock selection, active management can at times provide two additional advantages vs. a fully-invested index: selective avoidance of sectors/regions that are viewed to offer a poor risk/reward, and the ability to hold cash when stocks are not at actionable attachment points. Both of these options were additive to performance in the quarter, as our sizable underweight to Basic Materials (the worst performing sector in 4Q) and a modest cash position assisted in limiting portfolio downside. The underweight to Materials is a by-product of our investment discipline and a more limited opportunity set. Cash was subsequently reduced over the course of the quarter to fund new purchases; the intent is not to be tactical in managing our cash position.

Stock selection in Healthcare has been a notable value-add for the portfolio in 2024, and was again a relative bright spot for Cambiar in the quarter. Specialty pharmaceutical UCB and Japan-based medical instrument manufacturer Terumo both posted positive returns in 4Q, in contrast to the double-digit decline for the overall sector. UCB is an example of patience paying off – after a challenging performance period in the 2020-2022 timeframe, the company attained broad-based approval for its psoriasis drug in 2023 and the stock subsequently outperformed in 2024. While we have trimmed the position for risk management purposes, the surge in price has been accompanied by a corresponding rise in earnings – resulting in a fairly balanced risk/reward.

Cambiar's Technology positions, which comprised 10% of the portfolio, were an additional positive contributor to return – for the quarter as well as on a full-year basis. While international equities do not have their version of the Mag 7 mega-cap tech stocks that exist in the U.S., there are opportunities to participate in this investment theme. Taiwan Semiconductor and SAP are two such examples of positions in the tech sector that were bright spots for the portfolio in 2024.

One sector where stock selection lagged the index was Industrials; Knorr-Bremse and Epiroc were two individual underperformers for the period. Knorr-Bremse produces high-quality braking systems for the rail and commercial vehicle industries. The company is poised to benefit from both a supportive market structure (i.e., improving rail demand) as well as company-specific efforts to expand margins. The pullback in the quarter was in response to a modest miss in their topline sales. We view this to be a transitory issue and the longer-tailed elements to our investment case remain intact. Sweden-based Epiroc produces mining and excavation equipment – similar to Caterpillar in the U.S. The company has seen good order growth in the mining segment while construction volumes remain weak. Epiroc's stock price has been somewhat correlated to copper prices – a narrow view in our opinion, given the company's diverse product mix. Similar to Knorr-Bremse, we believe Epiroc continues to offer an attractive investment opportunity over a forward 12-18 month timeframe.

Cambiar's holdings in the Utilities sector were an additional drag on performance in the quarter. As discussed, the sector was negatively impacted by revised expectations for less interest rate cuts in 2025. We view the weaker price action in the quarter to be an overreaction, as our holdings in the sector (RWE and SSE) have largely delivered on the earnings front. While not constituting a significant weighting in the portfolio (~4%), utilities possess an attractive investment opportunity, given the combination of reasonable valuations and secular growth tailwinds in the form of increased power demands.

LOOKING AHEAD

After posting solid gains for the first three quarters of 2024, international equities ended the year with a whimper, as policy and currency headwinds prompted investors to move to the sidelines. International stocks now trade at a significant valuation discount vs. U.S. markets. While some of this discount is warranted (given less innovation/growth opportunities), we believe the combination of solid fundamentals, attractive dividends, and low valuations results in a potentially low risk/high reward investment profile for non-U.S. stocks as we enter 2025.

A key question is whether the upward trajectory for equities can continue into 2025, or are risk assets nearing the euphoric phase that typically coincides with the end of a bull market? This consideration is more relevant for U.S. large cap growth investors, as areas such as small cap value and international equity have trailed for much of the current cycle. Diversification has been less additive vs. keeping one's assets in the S&P 500 in recent years; that said, we believe broader participation beyond the ten largest U.S. stocks will be needed in order to maintain the upward trend in equities.

The transition to a new calendar year brings with it no shortage of predictions – equity returns, Fed policy, budget deficits, and inflation. Cambiar's view on this prediction exercise harkens back to a Warren Buffet quote that the only value of stock forecasters is to make fortune tellers look good. Our in-house research efforts continue to focus on the underlying fundamentals of our companies and the associated risk/reward that is expressed in current valuations. Portfolio construction seeks to optimize our bottom-up research by building diversified portfolios that can both capture returns and manage risk. In seeking to consistently implement our Quality I Price I Discipline approach, we anticipate that the 'D' will take on increased importance in the coming year.

We wish you a happy, healthy, and prosperous 2025! Thank you for 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.

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 -6.86% (gross) and -7.00% (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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