CAMBIAR INTERNATIONAL EQUITY FUND 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 FUND

	4Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMIX	-7.45%	8.21%	8.21%	0.16%	1.05%	2.93%	6.11%	-
CAMYX	-7.45%	8.29%	8.29%	0.24%	1.15%	3.04%	-	4.09%
MSCI EAFE	-8.11%	3.82%	3.82%	1.65%	4.73%	5.20%	4.78%	5.90%

Inception Date: CAMIX (8.31.1997) | CAMYX (11.30.2012). All returns greater than one year are annualized. ***The performance quoted represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost, and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, please call 1-866-777-8227.***

As of 12/31/24, expense ratios are CAMIX: 1.25% (gross); 0.99% (net) | CAMYX 1.16% (gross); 0.90% (net). Fee waivers are contractual and are in effect until March 1, 2025. Absent these waivers, total return would be reduced. *The Fund imposes a redemption fee of 2.00% on shares held less than 90 days. Your return will be lower if a redemption fee is applied to your account.*

CAMBIAR INVESTORS

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 Fund managed to hold up moderately better than the index.

On a full-year basis, the Cambiar International Equity Fund 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 | Price | 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.

Diversification does not ensure a profit or guarantee against a loss.

CAMBIAR INVESTORS

IMPORTANT INFORMATION

To determine if a Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's summary or full prospectus, which may be obtained by calling 1-866-777-7227 or by visiting our website at www.cambiar.com. Please read the prospectus carefully before investing.

Risk Disclosures

Mutual fund investing involves risk, including the possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. The funds may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. A company may reduce or eliminate its dividend, causing loses to the fund. Diversification may not protect against market risk.

The MSCI EAFE® Index (net) (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The MSCI World Index USD (Net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI indices are compiled by Morgan Stanley Capital International. Nikkei Index is a price-weighted index consisting of 225 stocks in the Prime market of the Tokyo Stock Exchange. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index, with each stock's weight in the Index proportionate to its market value. Index returns do not reflect any management fees, transaction costs or expenses. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

As of 12.31.24 the Cambiar International Equity Fund had 0.0% weighting in Caterpillar, 1.9% in Epiroc, 2.2% in Julius Baer, 2.1% in Knorr-Bremse, 1.7% in RWE, 2.2% in SAP, 1.9% in SSE, 1.6% in Taiwan Semiconductor, 2.2% in Terumo, and 2.5% in UCB. Current and future holdings subject to risk.

For characteristics and risk definitions, please visit www.cambiar.com/definitions.

This material represents the Fund manager's opinion and is an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice or a specific recommendation of securities.

Cambiar Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Cambiar Investors LLC or its affiliates.

CAMBIAR INVESTORS