CAMBIAR LARGE CAP VALUE COMMENTARY 2Q 2023

MARKET REVIEW

The U.S. equity markets continued to move higher in the second quarter, with the S&P 500 Index advancing 8.7%. The market rally peaked in June, as worries surrounding the debt ceiling gave way to fears of missing out on the upside in stocks. Small cap companies also gained ground in the quarter, with the Russell 2000 Index posting a return of 5.2%. On a style basis, growth stocks remain firmly in control vs. their value counterparts.

Despite a 500 basis point surge in interest rates over the past 18 months, the much-anticipated recession has yet to materialize, as the U.S. economy remains resilient and a tight labor market continues to fuel strong consumer spend patterns. Delta Airlines CEO Ed Bastien recently used the term 'revenge travel' in characterizing the robust travel volumes that are poised to surpass pre-COVID levels. The realization that we are nearing the upper bound in the Fed's tightening campaign has been an additional tailwind for risk assets.

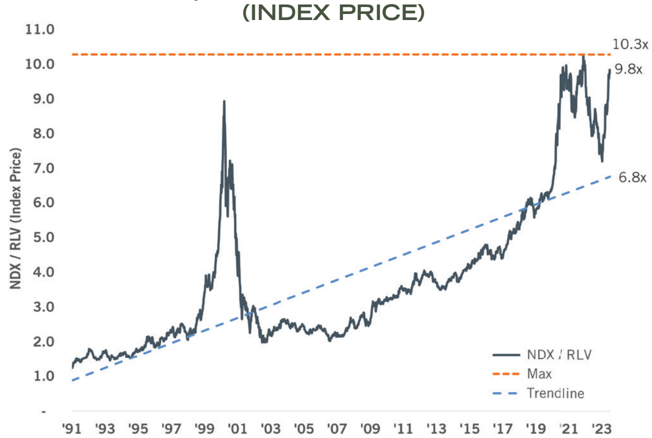
The strong back-to-back quarterly returns for the S&P 500 results in a year-to-date gain of 16.9%, one of the best first half returns on record. The market advance has been top-heavy in nature, evidenced by the more modest YTD return of 6% for the equal-weight S&P 500. Although mega cap tech stocks dominate the leaderboard, the rally has not been as skinny as one would assume. Through June 30th, 143 stocks within the S&P have posted above-market returns – spanning a variety of sectors. The risk-on sentiment has undoubtedly favored growth stocks thus far, but there have been opportunities to participate outside of the 'Enormous Eight' (FAANG+Microsoft/Nvidia/Tesla).

Nasdaq vs. Small Cap Value Stocks – A Tale of Two Markets

The year-to-date rally in tech stocks has been nothing short of exuberant, with the 31.7% gain for the Nasdaq Index the strongest first half return since 1983. Although still below peak levels in late 2021, the Nasdaq's advance has been relatively unabated since the start of the year. Investor optimism towards tech has been a combination of factors – an anticipated end to rate hikes, safe haven appeal during the banking collapse in 1Q, and more recently the hype around artificial intelligence (AI).

In contrast, small cap value stocks have been a virtual afterthought thus far in the year, with the Russell 2000 Value Index returning 2.5% through the end of June. The small value index has certainly been weighed down by the challenges incurred by the regional banks earlier in the year; that said, the Nasdaq-to-Russell 2000 Value price ratio is now revisiting prior peak levels last set during the pandemic period in 2020 (having already passed the tech bubble in the late 1990s):

NASDAQ 100 vs RUSSELL 2000 VALUE (INDEX PRICE)



Source: Factset

The initial reaction to the above may be 'this time it's different', and we acknowledge that many of today's tech businesses are proven business models with real revenue. Yet valuation is a key consideration, as future returns are a function on the price paid at attachment. On this basis, the Nasdaq is trading at 26.3x P/E (1-year forward) vs. 10.1x for the R2000V Index. Put another way, tech stocks are trading at historically expensive levels, while small cap stocks are priced for a recession…something has to give. We view the reward-to-risk profile for small caps to be extremely attractive for investors with a multi-year time horizon.

LARGE CAP VALUE

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Uber Technologies	2.82	0.92
Marvell Technology	2.29	0.85
Amazon.com	3.08	0.76
Alphabet	3.32	0.61
Applied Materials	2.26	0.41

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Corteva	1.94	-0.11
Sysco	2.84	-0.11
Sempra Energy	2.94	-0.12
United Parcel Service	2.87	-0.23
Bristol-Myers Squibb	2.27	-0.27

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 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value (gross)	7.0%	9.3%	15.8%	15.7%	11.6%	11.2%	8.7%
Large Cap Value (net)	6.9%	8.9%	15.1%	15.0%	11.0%	10.6%	8.2%
Russell 1000 Value	4.1%	5.1%	11.5%	14.3%	8.1%	9.2%	7.0%

Large Cap Value Composite (Institutional) Inception Date: 12.31.1998. See Disclosure – Performance

The Cambiar Large Cap Value (LCV) strategy posted a strong second quarter return, outpacing the Russell 1000 Value Index for the period. In what has been a more sluggish start to the year for value equities (vs. growth), the LCV portfolio benefited from above-benchmark stock selection across a number of sectors, including Technology, Healthcare, and Consumer Discretionary. While not a linear up and to the right glidepath (not many actively managed strategies are), the LCV portfolio remains ahead of the benchmark over all rolling timeframes.

In a continuing trend from the first quarter, the value index was paced by cyclically-geared sectors – Industrials, Technology, and Consumer Discretionary. Communication Services was again the top performing sector, led by Meta and Alphabet. In contrast, defensive sectors such as Healthcare, Consumer Staples, and Utilities lagged in the quarter. After rallying sharply in 2021 and 2022, energy stocks are in consolidation mode thus far in 2023, as demand concerns and robust supply contributed to oil prices falling to the $70 range – a sharp drop vs. the $120 price level in June 2022. Cambiar remains constructive on the intermediate-term earnings/capital return potential for our energy holdings – given a supply dynamic that leans tight, low capital investment and an increased focus on 'green' alternatives.

Exposures within the LCV portfolio continue to reflect a rigorous underwriting process at the company level and broad diversification across sectors/industries and end markets. We believe this focus on balance and staying true to our Quality/Price/Discipline approach has contributed to the portfolio's outperformance thus far in 2023. Buy/sell activity in the quarter consisted of four initiations and four liquidations. There were no outsized changes in sector positioning, with Financials (20.6%), Industrials (20.2%), and Healthcare (13.7%) constituting the top three sectors in the portfolio at quarter-end.

On an attribution basis, Cambiar's semiconductor positions in the Technology sector were a notable value-add in the quarter. Marvell Technology was the standout performer, as the stock surged in response to a strong earnings report and increased optimism around the company's AI capabilities. Marvell has exposure to a wide range of end markets; after dealing with a bulge in inventories for areas such as storage and traditional networking chips in 2022, these businesses appear to be bottoming, while secular growth opportunities (i.e., AI, custom silicon solutions) are accelerating. We trimmed the position in response to the sharp move in price but remain constructive on the future earnings trajectory for Marvell.

While not technically categorized as technology stocks, Cambiar's positions in Amazon and Alphabet (Google) have been additional bright spots for the portfolio in 2023 (including 2Q). After a period of above-trend investment, both companies are now exercising more fiscal discipline on the cost front, which should help margins. Alphabet is seeing stabilization in the company's YouTube/YouTube TV and cloud segments, while fears about AI competition infringing on their dominant core search franchise appear to be overdone. After challenging performance in the 2021-2022 timeframe, Amazon has rebounded strongly in 2023. Amazon possesses many of our desired quality attributes we seek: a thick business moat, strong balance sheet, proven pricing power (i.e., Prime subscriptions), and a stable/growing TAM (total addressable market) for many of the company's key lines of business. The offset is a higher valuation vs. traditional value businesses such as a pharmaceutical or financial – the latter two comprise higher allocations in the LCV portfolio vs. our 3% position in Amazon. Looking ahead, we anticipate a step up in earnings and free cashflow for Amazon as the company continues to make progress on the cost front while higher-margin segments such as third-party retail, advertising sales, and Amazon Web Services (AWS) begin to normalize. Similar to Marvell, we trimmed our positions in Alphabet and Amazon for position management purposes.

The LCV portfolio also benefitted from positive stock selection in Healthcare and Consumer Staples, and our overweight allocation to Industrials was an additional positive contribution to performance in the quarter. Medical device maker Medtronic has been a bright spot in 2023 after lagging its sector peers over the past few years. Procedure volumes (which were suppressed during COVID) continue to recover, and the company has a number of upcoming product launches in addition to their market leadership position in cardiovascular implants. The positive move in Medtronic helped to offset the pullback in Bristol-Myers Squibb, which was purchased in early 2Q. Bristol-Myers has trailed its large cap pharma peers in recent years; yet at 9x P/E and 8% free cashflow yield, we believe the company offers an attractive risk/reward. Continued sales growth within their existing franchise drugs, along with accelerating sales within their new product portfolio, should help the stock re-rate higher over the next 12-24 months.

There were no material setbacks at a holdings level in the quarter. Crop science company Corteva posted a small loss in response to revised 2023 earnings guidance, and UPS incurred a similarly small drawdown after reporting another decline in package volumes. UPS has been trying to cull lower profit business; that said, the shift in consumer preferences from goods to services has been a headwind. We view the current environment to be a transitory situation for UPS, but will continue to monitor the situation.

Given the upward skew for the markets in the quarter, Cambiar's cash balance (average of 4.5% in 2Q) was a modest detractor vs. the fully-invested benchmark. In a repeat from 1Q, Cambiar's lower allocation to Communication Services was a performance headwind, as the sector was again paced by a torrid rally in Meta (formerly Facebook). With the recent change in benchmark composition, returns in the sector will likely be more tempered, as Meta and Alphabet will be moving out of the Russell 1000 Value Index and back into the Growth Index. Moving forward, the Communication Services sector will now be comprised of more traditional value businesses such as telecom companies, media, and gaming.

LOOKING AHEAD

As we look ahead to the second half of 2023, the U.S. equity markets will have a tough act to follow, with the rise in stocks over the first six months of the year surpassing many strategists' full-year forecasts. Given the current market momentum, the path of least resistance may continue to be to the upside. That said, there is a lot of optimism priced into certain segments of the market at present – tech stocks are one such example. We would not be surprised if the second half of 2023 saw a rotation in market leadership from growth to value. The combination of elevated multiples and law of large numbers (e.g., the market cap for Apple exceeds the entire Russell 2000 Index) may result in more restrained price gains for many mega cap tech stocks, yet upside participation from lagging areas such as small caps, financials, energy, and healthcare would be a positive development from a market breadth perspective.

The recession obsession remains a focal point for investors, and we anticipate the macro news flow to remain noisy. Positive signals include low unemployment, tightening credit spreads, and a strengthening in residential real estate, while warning signs include inverted yield curves that continue to deepen, deteriorating credit conditions, and ongoing contraction in the manufacturing sector. No shortage of conjecture within Cambiar on these issues, while openly acknowledging that we offer no new insights to the mixed macro picture.

Correlation within equities (as measured by the CBOE Implied Correlation 1-Year Index) continues to fall, providing a healthy backdrop for active management. In aggregate, we are generally pleased with how the Cambiar strategies have performed thus far in 2023, with the portfolios exhibiting positive stock selection across a number of sectors. Buy and sell decisions remain an output of our fundamental work at the company level, with the goal of finding investments that can outperform regardless of the macroeconomic backdrop.

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 Large Cap Value Composite (Institutional) includes discretionary, tax-exempt and taxable institutional and high net worth portfolios that are not part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. Effective July 31, 2021, the Cambiar Large Cap Value Composite (Institutional) was redefined to include taxable portfolios. Prior to this date, the composite excluded taxable portfolios due to the impact of tax loss harvesting, which has been lessened through composite membership policy changes. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in large cap equities. Cambiar's Large Cap Value Composite (Institutional) primarily invests in stocks with a market capitalization greater than $10 billion. The typical number of securities in the large cap value portfolio is 35-45 holdings. As of April 2020, there is no minimum asset level for the composite. From July 2016 to March 2020, the minimum asset level for the composite was $1,000,000. From 1998 to June 2016, the minimum asset level for inclusion in the composite was $5,000,000.

Returns are presented gross (g) and net (n) of management fees. Gross and net returns have been reduced by transaction costs. Net returns are also reduced by actual investment advisory fees and other expenses that may be incurred in the management of the account. Net of fees performance reflects a blended fee schedule of all accounts within the Large Cap Value Composite (Institutional). 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 Large Cap Value Composite (Institutional) are evaluated against the Russell 1000® Value Index. The Russell 1000 Value Index is a float-adjusted, market capitalization weighted index of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities. The index assumes no management, custody, transaction or other expenses. The Russell 1000 Value 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 Russell 1000 Value Index include the reinvestment of all income.

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 6.89% (gross) and 6.76% (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.

CAMBIAR INVESTORS