CAMBIAR INVESTORS

CAMBIAR LARGE CAP VALUE COMMENTARY 3Q 2024

MARKET REVIEW

U.S. equities closed the third quarter at record highs, with the S&P 500 Index posting a 5.9% return. The market shrugged off what has historically been a more challenging period for equities, as investors bid up stocks in response to the Federal Reserve's move to lower rates in the September meeting. It was also encouraging to see the other 493 stocks in the S&P start to pull their weight, as the 9.6% return for the S&P 500 Equal Weighted Index bested the cap-weighted benchmark by a wide margin for the quarter. Small cap stocks also rebounded after a challenging 2Q, with the Russell 2000 Index posting a 9.3% return for the quarter. On a style basis, value stocks outpaced their growth counterparts for the period, but still have some ground to make up – as growth stocks continue to hold the upper hand for the year as well as over much of the past decade.

As expected, the Federal Reserve lowered rates at their September meeting. The only debate was one of magnitude, i.e., 25 or 50 bps. Was the decision to cut by 50 bps a veiled acknowledgment that they stayed too tight for too long? Looking ahead, the Fed stated that employment and inflation data will determine the pace and magnitude of future monetary policy normalization efforts, while signaling for additional easing in their final two meetings of 2024 and continuing into 2025. An orderly path to lower rates seems appropriate, as inflation is nearing the 2% target and employment remains low in absolute terms.

BETTER TO TRAVEL THAN ARRIVE

While market participants are understandably upbeat by the prospects of a lower cost of capital, some caution about the forward path of equity returns may be warranted. To the extent that an inverted yield curve is closely linked with recessions, equity returns during the inversion period are typically positive. It is the un-inversion of the yield curve that brings with it the accompanying recession and increased market turbulence for equity investors. Granted, no two cycles are identical, and the current cycle has been even more unique with the inclusion of a global pandemic. The S&P 500 has an annualized return of 16% for the past five years, which includes the -18% drawdown in 2022. Any market pullbacks have been an opportunity to buy, as these dips have recovered to new highs. While above-trend equity gains may continue, one should guard against excessive complacency and continue to rebalance across asset classes as needed. Selectivity should also take on increased importance and a value orientation may provide an additional tailwind to investors – given the outperformance of growth stocks in recent years. With no shortage of inputs to consider, Cambiar remains focused on constructing diversified portfolios that can perform double duty for our clients – i.e., participate in up markets, while also providing a margin of safety in market drawdowns.

LARGE CAP VALUE

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
RTX Corporation	2.17	0.53
Bristol-Myers Squibb	2.17	0.52
Waters Corporation	2.04	0.44
PNC Financial	2.37	0.43
Medtronic	3.01	0.43

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Amazon.com	2.66	-0.11
Chevron	2.79	-0.16
Applied Materials	1.59	-0.26
Alphabet	2.90	-0.30
Cenovus Energy	2.67	-0.39

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.

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	3Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value (gross)	7.8%	15.6%	27.0%	10.2%	15.0%	11.4%	9.2%
Large Cap Value (net)	7.6%	15.1%	26.2%	9.5%	14.3%	10.8%	8.7%
Russell 1000 Value	9.4%	16.7%	27.8%	9.0%	10.7%	9.2%	7.5%

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

Value stocks rallied in the third quarter as the Fed's shift to more accommodative monetary policy provided a tailwind to rate-sensitive sectors such as Real Estate, Utilities, and Financials. The Cambiar Large Cap Value (LCV) portfolio participated in the rally, though not to the same extent as the benchmark.

The recent rotation into value stocks is a welcomed development after an extended period of outperformance for growth stocks. Should the recent broadening of market participation continue, we believe the LCV strategy is well-positioned to participate in such an environment. There were no material changes to sector positioning in the quarter, as Financials, Healthcare, and Industrials comprise the three largest sector allocations in the portfolio. Defensive stocks have historically outperformed in easing cycles, as they are less impacted by an economic contraction. However, the Fed's move to lower rates thus far seems more a response to overly tight monetary conditions in light of lower inflation vs. heightened uncertainty about the economy or jobs market. As opposed to letting the macro drive positioning, Cambiar's portfolio construction efforts continue to strike a balance between conviction and prudent balance/varying return drivers.

Trade activity was light in the quarter, consisting of one new purchase, two liquidations, and incremental adds/trims to existing positions. The team took advantage of the heightened market turmoil in early August to establish a new position in U.S. Bancorp (USB). Based in Minneapolis, USB is a regional bank with a predominant Midwest footprint. The company's revenue base is broadly diversified across traditional banking operations, fee-based wealth/investment management, and payment solutions. We believe USB is poised to benefit from positive operating leverage, as revenue accelerates across its various lines of business while expense growth slows. Given that the yield curve has been inverted since July 2022 (the longest inversion on record), a normalizing rate environment should be an additional tailwind for USB via increasing net interest income. With the company trading at a P/E of ~10.5x at purchase and a dividend yield of 4.4%, we believe USB offers the potential for meaningful upside on a forward 1-2 year timeframe.

On the sale side, Cambiar parted ways with Colgate-Palmolive and ConocoPhillips. Colgate-Palmolive had been a strong performer for the portfolio, yet at 28x P/E, the stock was trading at the upper end of its historical range for this consumer goods franchise. For ConocoPhillips, the decision to sell was more about reducing exposure to the Energy sector vs. a company-specific change in fundamentals. Given the potential for moderating energy prices in light of a more balanced global supply/demand picture, we moved to reduce our allocation to the sector.

Cambiar's Healthcare holdings comprised the top contribution to portfolio performance in the quarter – a positive sign for this beaten-down sector. We have discussed the unloved nature of healthcare stocks in past commentaries despite the solid earnings and low multiples within the sector. Individual outperformers in the quarter included Waters Corporation and Bristol-Myers Squibb, as both companies moved higher in response to strong earnings reports. While encouraged by the recent catch-up in prices over the past few months, we believe the portfolio's healthcare positions continue to represent a strong value proposition within the portfolio. Although the sector's acyclical/defensive attributes have been largely disregarded in the risk-on rally that has paced stocks in recent years, investor sentiment towards healthcare stocks may turn more positive as we get later in the economic cycle.

Positive stock selection in Financials and Industrials were additional value-adds in the quarter. Within Financials, Cambiar's bank, insurance, and credit card holdings have continued to perform well – underlying pricing/credit fundamentals remain strong, and valuations continue to offer good upside as the yield curve begins to un-invert. Industrial stocks have been one of the top-performing areas of the market over the past year, as growth opportunities in reshoring of U.S. manufacturing, efficiency upgrades, and data center buildouts have boosted valuations in the sector. RTX Corporation (formerly Raytheon Technologies) was a notable outperformer for the portfolio in 3Q, as the company is benefitting from strong execution across its commercial aerospace and defense business segments. The position was reduced in light of the stock's gain this year, but ongoing tailwinds in the form of high backlogs and associated free cashflow growth still warrant exposure to RTX.

Detractors in the quarter included the portfolio's limited Mag 7 exposure (Amazon and Alphabet), as well as a higher allocation to Energy – which was the only sector that did not post a positive return in 3Q. Energy stocks declined in conjunction with the commodity as weaker global demand and the potential for Saudi Arabia to increase output weighed on oil prices. Pipeline operator Williams Companies was a bright spot in the Energy stack, as the company's volume-based business model provides a degree of insulation from commodity price volatility. In contrast, shares of integrated Cenovus Energy lagged in the quarter. Despite the shorter-term weakness in Cenovus, we remain constructive on the outlook for this position. The company recently reached its internal debt target, allowing Cenovus to use 100% of its free cashflow for share buybacks and increased dividend payouts – resulting in an attractive total return opportunity for shareholders.

After outpacing the market in the first two quarters of the year, the recent setback in Alphabet is more a case of the stock taking a breather after a strong run vs. a change in fundamentals. Alphabet continues to deliver strong revenue growth in search and the company's cloud business, while forward-looking investments in AI and data center infrastructure have been prudently offset with cost controls elsewhere in the company (protecting margins). On the topic of AI, it is Alphabet's view that the risk of under-investing far outweighs the risk of over-investing, and the company's generative AI solutions are already accretive to the overall business. Alphabet is the longest-tenured position in the LCV portfolio, with Cambiar's initial attachment in 2012. The company has been a tremendous compounder for the portfolio over time, and this high-quality, wide moat business remains a core holding.

LOOKING AHEAD

U.S. equities continue their year-long advance, bolstered by easing monetary policy and increased confidence in a soft landing for the economy. Thus far, the soft landing scenario is playing out – inflation has continued to trend downwards, with unemployment remaining low on a historical basis. Market breadth has also begun to strengthen, which could fuel additional gains.

While not at euphoric levels, investors' optimism towards corporate earnings is reflected via elevated market multiples, with the current one-year forward P/E for the S&P at 21.5x. Do valuations reflect economic reality, or are expectations overly bullish? Time will tell. It is worth noting that more reasonably-priced investment opportunities exist below the surface – this is where the Cambiar team is focusing our research efforts.

We acknowledge the supportive backdrop for the equity markets; that said, we are equally focused on potential risks at the company level and uncertainties such as the upcoming Presidential election, increased global geopolitical tensions, and an unsustainably high U.S. debt-to-GDP ratio. Broad portfolio diversification, attentiveness to valuation, and the consistent implementation of Cambiar's Quality | Price | Discipline approach remain valuable risk mitigation tools.

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. The Large Cap Value Composite (Institutional) contains proprietary assets. 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 7.73% (gross) and 7.60% (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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