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CAMBIAR LARGE CAP VALUE COMMENTARY 4Q 2022

MARKET REVIEW

U.S. equities reversed their downward trajectory and turned in a solid gain for the fourth quarter. The S&P 500 Index posted a 4Q return of 7.6%, while the small cap proxy Russell 2000 Index gained 6.2%. The move higher was largely a front-end loaded event, with stocks reacting positively to declining inflation data in October and November before pulling back in December as the Federal Reserve remained steadfast in their more restrictive stance on monetary policy. On a style basis, value again outperformed growth in the quarter – a trend that was in place for much of the year. Aggressive monetary policy in 2022 resulted in a challenging year for all risk assets, but it was a particularly painful period for growth stocks.

From a starting point of 0% to a year-end range of 4.25-4.50%, rate hikes over the course of 2022 effectively repriced the entire spectrum of financial assets. While there is no way to sugarcoat the -18.1% decline in the S&P 500 Index for 2022, it is worth noting that the S&P 500 had a 5-year cumulative return of 91.2% and was trading at an all-time high entering the year. Given the extended valuations assigned to many stocks, some giveback was largely a matter of time. As we progressed through the year, investor obsession on the potential for a Fed pivot only added to the volatility.

Inflation (and therefore monetary policy) was the dominant driver of returns in 2022. On this note, a quote from Milton Friedman rings true:

> ***"Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."***

Given the sharp deceleration in money supply (M2) during the second half of 2022, there should be a coincident decline in inflation over the course of 2023. While efforts to rein in demand via higher rates is starting to be seen in areas such as the housing market and used car prices, the Fed's reaction function has shifted from inflation to the labor market – which remains tight. Having been slow to act in responding to rising inflation, fears are now growing that the Fed may be compounding matters by overstaying its welcome on the back end, particularly given signs of disinflationary forces beginning to take hold.

The path forward for equities will continue to be influenced by Fed policy, although we anticipate that corporate earnings will be a more relevant consideration in 2023. This latter driver is where the Cambiar team is spending its time. We continue to focus on self-funding businesses with reasonable valuations, strong balance sheets, and through-the-cycle free cashflow. We believe these attributes will continue to be a winning combination – regardless of the macro backdrop.

LARGE CAP VALUE

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Airbus	3.46	1.06
JPMorgan Chase	3.33	0.91
Raytheon Technologies	3.20	0.72
Applied Materials	2.54	0.64
Chubb Limited	2.95	0.61

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Uber Technologies	2.50	-0.14
Alphabet	2.78	-0.22
Adidas	0.40	-0.23
Marvell Technology	1.95	-0.28
Amazon.com	2.49	-0.73

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
Large Cap Value (gross)	10.8%	-7.2%	-7.2%	10.5%	9.4%	11.9%	8.5%
Large Cap Value (net)	10.6%	-7.8%	-7.8%	9.8%	8.8%	11.4%	8.0%
Russell 1000 Value	12.4%	-7.5%	-7.5%	6.0%	6.7%	10.3%	6.9%

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

The Cambiar Large Cap Value (LCV) strategy posted a strong absolute return for the fourth quarter, while falling short of the Russell 1000 Value Index. The relative underperformance for the quarter was primarily a function of an elevated cash position and below-benchmark returns sustained in the Consumer Discretionary and Staples sectors. Extending the time horizon, the LCV portfolio was able to outpace the index (gross of fees) by a small margin for 2022, while also remaining ahead of the index over most trailing-year performance periods.

Given the downward pressure in the market during 2022, the recipe for outperformance was (1) a bias towards defense (i.e., Healthcare, Consumer Staples, Utilities) and (2) one's allocation to the Energy sector, which returned a torrid 66% for the year (after gaining 56% in 2021). Although the LCV portfolio had exposure to all of these sectors, underweight allocations in Energy and Healthcare (and an overweight to the lagging Technology sector) were performance headwinds for the year. Cambiar was able to offset the weakness in sector positioning via stock selection, as the portfolio outgained the index in 7 of 11 sectors during the year. And despite representing a drag on performance in 4Q, Cambiar's cash position proved to be an additive downside buffer over the course of 2022.

In aggregate, large cap companies are generally better equipped (vs. small caps) to manage through the higher cost of capital environment now in place. Yet given a backdrop of elevated rates and slowing economic growth, stock selection remains paramount to success. Given the number of stocks that have incurred steep drawdowns, there are no shortage of investment candidates to consider. We remain focused on quality, while resisting the allure of 'fallen angels' whose business models are not suited for the current environment. Lastly, the Cambiar team continues to operate with a heightened level of conservatism as it relates to attachment points and related risk/reward, in light of the potential for downward earnings revisions.

Portfolio construction continues to emphasize balance and diversification. Buy/sell activity in the quarter was comprised of one new purchase and three sales. The team also used the elevated price volatility to add/trim around some of our core positions – Applied Materials and Goldman Sachs were two such examples in the quarter. In aggregate, the net selling resulted in a quarter-end cash position in the 10% range. We anticipate there will be opportunities to deploy capital as we go through what will likely to be a noisy earnings season. Industrials and Financials remain the largest sector allocations, comprising 20% and 18%, respectively.

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As it relates to fourth quarter return drivers, the advance was led by economically-sensitive sectors such as Materials and Industrials. In a continuing trend, Energy was again a notable outperformer, despite oil and natural gas prices sliding in the quarter. After trailing the broader market during the 2018-20 period, energy stocks have significantly outperformed over the past two years. Looking ahead, commodities have tended to underperform in non-inflationary global recessions, given high price elasticity to small changes in supply/demand. Is this time different owing to inflation and geopolitical dynamics? For now, we are choosing to have only modest exposure to energy stocks, with a bias towards pipeline/infrastructure companies such as Oneok and Williams Companies that are less dependent on commodity prices vs. the more volatile exploration/production operators.

Stock performance within Financials was a bright spot for the portfolio – in both the 4th quarter as well as on a full-year basis. Cambiar's intentional diversification enabled the portfolio to successfully navigate a challenging year for the sector – as weakness in J.P. Morgan and KKR was offset by strength in insurance and financial services operators such as Chubb and Charles Schwab. Banks remain underrepresented in the LCV portfolio, largely a function of peaking net interest margins (deposit costs are rising faster) and the likelihood for lower loan growth as the economy slows. While the market remains wary of rising credit losses in the event of a recession (2008 remains the benchmark for many investors), we believe the banks are in a much stronger position vs. the last down cycle. That said, catalysts for upside gains remain limited at this juncture.

Some comments on Amazon, which did not participate in the 4Q rally and endured a difficult 2022 due to a 1-2 punch of higher expenses and slowing growth. The increase in costs was primarily a result of the post-COVID expansion of fulfillment and distribution capacity. Amazon completed this build-out just in time for a slowdown in their e-commerce business. Adding to the pressure on the stock was decelerating growth in Amazon's cloud computing (AWS) business. Lastly, foreign exchange headwinds also contributed to the company's disappointing profit margins. While acknowledging the painful drawdown in the stock, we believe the combination of strong fundamentals and reasonable valuation results in an attractive risk/reward for Amazon – now is not the time to part ways with this position. Amazon management has signaled action on cost containment initiatives, which along with a reduction in inflationary pressures should provide an uplift to margins. The AWS Division remains the crown jewel of the business; any slowdown here should be viewed as temporary, given that overall penetration remains low (<20%). Lastly as it relates to valuation, Amazon now trades near an all-time low EV/EBITDA multiple, and on this metric is significantly cheaper than traditional peers such as Wal-Mart and Costco.

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 equity markets. A growing consensus is calling for a retest of market lows in the first quarter, followed by a rally in the second half of the year as forward earnings are reset and monetary policy becomes more neutral. It is worth noting that back-to-back years of negative returns for the S&P 500 are highly unusual (only four previous occasions, dating back to 1928). Of course, this is not to suggest that we are in any way out of the woods as it relates to the prevailing market headwinds.

While acknowledging the current investor pessimism, one should also consider to what extent concerns such as slowing economic growth and an elevated rate environment are reflected in lower equity valuations. Although uncomfortable in the moment, the sell-off in risk assets results in a more reasonable attachment point for investors with a multi-year time horizon. As opposed to trying to time a market bottom, Cambiar believes that adherence to a longer-term asset allocation strategy is the more appropriate path. Waiting for the '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 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 10.36% (gross) and 10.22% (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.