CAMBIAR OPPORTUNITY FUND COMMENTARY 1Q 2025

MARKET REVIEW

U.S. equities posted mixed returns in the first quarter, as heightened uncertainties regarding trade policy, sticky inflation data, and a retrenchment in government spending prompted investors to move to the sidelines. The S&P 500 Index registered a -4.3% return for the quarter, while the smaller cap Russell 2000 Index fell -9.5%.

On a style basis, growth stocks bore the brunt of the selling in the quarter, with the tech-heavy Nasdaq Composite logging its worst quarterly return (-10.4%) in three years. The quarter was a good reminder of what can happen when the momentum comes out of momentum stocks, as the AI trade that has buoyed markets stumbled hard over concerns of possible overinvestment and the launch of a lower cost AI model (DeepSeek). Large cap value equities managed to escape the selling pressure and closed the quarter with a positive gain, as the Russell 1000 Value Index posted a return of 2.1%.

The quarter saw a sharp reversal in sentiment, as optimism with regards to tax cuts, potential deregulation, and a more robust M&A environment subsequently gave way to growth-negative policies in the form of tariffs, reduced fiscal support, and tightening immigration. With a number of mega-cap growth stocks (that comprise a large weighting in passive indices) priced for perfection, the market was susceptible to a drawdown. While valuations don't necessarily convey what the future will bring, they do tell you what expectations are – in this regard, expectations were extremely elevated outside of more downtrodden areas such as the healthcare and consumer sectors.

Tariffs – Although not unexpected, the unveiling of tariffs has created a sharp air pocket in stocks, as the lack of visibility is causing corporations to pull back on investments and hiring. No one wins in a trade war, and the market must now adjust to a revised forecast of lower economic growth – with the potential for retaliatory actions by U.S. trade partners only adding to the uncertainty. The result is a widening distribution of economic outcomes and a corresponding widening distribution of equity return outcomes. Valuations will need to be recalibrated lower to account for the downshift in growth and murky economic outlook.

A more hands-off/passive approach may make sense during calm and upward trending periods; that said, active managers should be better equipped to adapt to the rapid change in market conditions. We believe that Cambiar's Quality I Price I Discipline framework is well-suited for the current environment, and our team's long tenure and expertise in covering their sectors is an additional value-add in making prudent capital allocation decisions.

OPPORTUNITY FUND

	1Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception – Inv	Since Inception – Inst
CAMOX	0.40%	0.40%	5.29%	7.35%	17.32%	9.96%	9.10%	-
CAMWX	0.44%	0.44%	5.53%	7.55%	17.56%	10.18%	-	8.22%
R1000V	2.14%	2.14%	7.18%	6.64%	16.15%	8.79%	7.34%	8.01%

Inception Dates: CAMOX (6.30.1998) | CAMWX (11.3.2005). 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 3/31/25, expense ratios are CAMOX: 0.98% (gross); 0.86% (net) | CAMWX: 0.77% (gross); 0.65% (net). Fee waivers are contractual and in effect until March 1, 2026. Absent these waivers, total return would be reduced.

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The Cambiar Opportunity Fund registered a small gain for the first quarter – trailing our primary benchmark yet well ahead of the S&P 500 and growth peers. The strategy's longer-term returns remain ahead of the index on both an absolute and risk-adjusted basis.

Could the first quarter mark the beginning of the long-awaited rotation to value? If one embraces the concept of mean reversion, value stocks should be in a good position for a continued catch-up opportunity, while growth stocks are poised to encounter a number of headwinds – elevated valuations, more difficult comps, and peaking AI capex budgets.

With sentiment shifting from upside participation to downside protection, Cambiar's portfolio construction efforts continue to prioritize a prudent balance of varying exposures/return drivers. We believe our focus on building a diverse portfolio of quality businesses that are trading at reasonable valuations should enable our clients to participate in up markets while also providing a margin of safety (vs. passively-managed benchmarks) during market declines.

Trade activity was relatively light in the quarter, consisting of two purchases and one sale. Within the Healthcare sector, Johnson & Johnson was sold in favor of Regeneron. The decision to move on from JNJ was largely due to questionable capital allocation, as the company made two high-priced acquisitions that we viewed to be out of character vs. history. While the acquired businesses are innovative within their respective verticals, the payback period is at least 10 years (for each) and dilutive to returns. Capital discipline is a key consideration in our evaluation process – thus the decision to move on from JNJ.

We view Regeneron to be one of the highest-quality operators in the biopharmaceutical industry. A founder-led company with a strong foundation in R&D, Regeneron has produced five blockbuster products (sales > $1B) over the years. The company has a fortress-like balance sheet with $14B of excess cash (16% of the market cap), generating a best-in-class 25% return on capital. The weakness in the stock price that provided our attachment point is due to a revenue slowdown for EYLEA, Regeneron's ophthalmology product. We believe this is a transitory issue, as Regeneron has several regulatory milestones coming up in the first half of 2025 that should reignite growth for EYLEA. The company's other products (as well as a strong pipeline) results in what we view to be a very favorable risk/reward opportunity over a forward 18-24 month timeframe.

At a sector level, defensives such as Utilities, Healthcare, and Communication Services (i.e., telecoms) performed well, while Industrials, Technology, and Consumer Discretionary lagged. With oil prices remaining in a supportive price level (the $70s range), energy stocks comprised another area of strength in the quarter.

The Fund benefited from positive stock selection in the Industrial and Healthcare sectors, and our underweight allocation to Technology was another value-add. At a stock level, Uber and Airbus posted double-digit gains in the quarter. After losing ground last year on robotaxi concerns, Uber rebounded in the quarter, as investors appear to have come around to our view that autonomous driving (when it is approved) should not have a material impact on Uber's business model. The gain in Airbus was in response to a solid earnings report that showed good execution on the manufacturing front and a still-robust order backlog.

Stock selection in Consumer Staples comprised the largest detractor from performance, as Constellation Brands and Diageo both lost ground in the quarter. Beer/spirits companies remain out of favor for investors, with uncertainty surrounding consumption patterns in a GLP-1 world a key issue. More recent consternation about the impact of tariffs has been an additional headwind. Yet the underlying fundamentals for both companies remain stable/improving across most of their markets – thus the disconnect. With strong balance sheets and steady free cashflow that can be used for capital returns, we believe Constellation and Diageo can surpass the low expectations currently embedded in both companies' stock prices.

LOOKING AHEAD

As we entered 2025, equity markets were richly priced, and investor optimism was high on the pro-growth prospects of the Trump 2.0 administration. This high valuation/high expectation bias is now materially diminished, as the magnitude of tariffs and ongoing trade uncertainty is almost sure to have a negative impact on the economy and business confidence, weighing on equity valuations.

Market conditions are rapidly changing – such that the road forward will almost certainly be a bit bumpier vs.

Diversification does not protect against market loss.

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recent history. With ~58% of assets held in passive vehicles, stocks may be poised to exhibit the downside of indexation – i.e., similar to uptrends, indiscriminate liquidations pay no heed to price discovery.

The Cambiar team is reviewing portfolio exposures with a more discerning eye towards holdings that may be more vulnerable in a global slowdown (e.g., commodity stocks). While it has been some time, our tenured team has experience investing in adverse market environments. Above all, we remain focused on protecting client capital while taking advantage of potential market dislocations as asset markets seek to find some level of equilibrium in a backdrop of lower economic activity and reduced growth expectations.

Thank you for your continued confidence in Cambiar Investors.

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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 loss of principal. The Fund pursues a "value style" of investing. If the Adviser's assessment of market conditions, or a company's value or prospects for meeting or exceeding earnings expectations is inaccurate, the Fund could suffer losses or produce poor performance relative to other funds or market benchmarks. In addition, "value stocks" can continue to be undervalued by the market for long periods of time, and may never achieve the Adviser's expected valuation." A company may reduce or eliminate its dividend, causing loses to the fund. There is no guarantee the fund will achieve its stated objective. Diversification does not protect against market loss.

The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Growth® Index measures the performance of the Russell 1000's growth segment which is defined to include companies whose share prices have higher price to book ratios and higher expected earnings growth rates. The Russell 2000® Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. 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. The S&P 500 Equal-Weight Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a an equal-weighted index, with each stock's weight in the Index proportionate to one another. Indexes are unmanaged and one cannot invest directly in an index.

As of 3.31.25, the Cambiar Opportunity Fund had a 2.6% in Airbus, 2.1% in Constellation Brands, 2.3% in Diageo, 0.0% in Johnson & Johnson, 2.0% in Regeneron, and 3.8% in Uber. Current and future holdings subject to risk. For characteristics and risk definitions, please visit www.cambiar.com/definitions.

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