CAMBIAR OPPORTUNITY FUND COMMENTARY 3Q 2025

MARKET REVIEW

U.S. equities continued their ascent in the third quarter, with the S&P 500 Index gaining 8.1% to close at a record high. On a style basis, growth stocks outperformed their value counterparts, while small caps also joined the party – with the Russell 2000 Index posting a 3Q return of 12.4%. A lagging asset class for much of this cycle, small cap companies should be outsized beneficiaries from a decline in interest rates, given their higher debt ratios vs. large caps.

With the exception of a few brief wobbles, the melt-up in risk assets has been relatively unabated since the Liberation Day lows. Tailwinds include generally strong corporate earnings, a modest impact from tariffs on consumption trends, a more friendly M&A environment, and the potential for the One Big Beautiful Bill to stimulate economic growth via attractive tax incentives. Monetary policy is also shifting to an easing stance, with the Fed lowering its benchmark rate in September and likely on track for two additional cuts in the coming months. On the flip side, the economy is decelerating, consumer confidence is declining, and the employment backdrop is weakening. Investors thus far are maintaining a bullish bias, but clouds may be on the horizon.

At current levels, the S&P 500 is trading at valuations that have historically been difficult to sustain. The one year forward Price/Earnings ratio is now 23x (vs. a long-term average of 17-18x), while the forward Price/Sales ratio (revenues cannot be manipulated) of 3.3x is above the 2.9x peak reached in the late 90s internet period. A final measure of current market exuberance is the Buffett Indicator, which is the total value of the U.S. stock market divided by GDP. This metric is now at an unprecedented 217%. It is worth noting that operating margin for the index is also at a record high, providing some level of justification for higher multiples. And valuation in isolation should not be a reason to sell, as it can remain elevated. That said, investors should acknowledge that the higher the valuation today, the lower the implied returns tomorrow.

Market concentration remains a concern, as the ten largest constituents in the S&P comprise ~40% of the index and continue to do the heavy lifting in driving index returns (3Q return for the S&P 500 Equal-Weight Index was only 4.8%). With the exception of Berkshire Hathaway (#10), the top holdings are the well-known Mag 7 and related technology/AI companies. The margins, returns, and free cash flow within these tech giants have been impressive, and their massive investments in data centers are creating a halo effect of sorts within the broader economy (e.g., construction, power generation, etc.). The market is currently viewing all of these tech franchises as 'winners' – but can that be the case, given the balance of opportunities and threats that are likely to emerge? For now, follow the capex spend from the big hyperscalers – as this remains a key driver for the rally in equities. Any downshift will be an important datapoint that the market may be nearing a top.

OPPORTUNITY FUND

	3Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception – Inv	Since Inception – Inst
CAMOX	3.36%	7.69%	7.47%	16.88%	13.23%	11.41%	9.21%	-
CAMWX	3.41%	7.85%	7.69%	17.11%	13.44%	11.63%	-	8.39%
R1000V	5.33%	11.65%	9.44%	16.96%	13.88%	10.72%	7.56%	8.30%

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 9/30/25, 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.

The Cambiar Opportunity Fund rose in the third quarter, although it fell short of the Russell 1000 Value Index. The relative performance deficit for the period can be attributed to below-benchmark returns in the Consumer Discretionary and Healthcare sectors, as well as a modest overweight allocation to Consumer Staples (which lagged in the quarter).

Market action for the quarter had a tortoise vs. the hare equivalent, as value stocks trudged modestly higher while investors chased more speculative upside opportunities in the technology/AI space. Equity investing is a constant balance between risk and reward; on this basis, the speculative price action in the markets is a worrisome sign. Momentum has provided a powerful boost for the equity rally in recent years (particularly the tech space), but investors should be mindful of the downside when momentum comes out of momentum stocks.

Buy/sell activity was fairly muted in the quarter, consisting of one new purchase and one full liquidation. Our team was more active making incremental trims/adds to existing positions – shifting basis points from shorter-term outperformers such as Alphabet, RTX and TE Connectivity, and adding to positions that we believe to offer a more attractive risk/reward. Examples here included Centene, PNC, Comcast, and our Energy positions.

Sector returns within the large cap value index illustrated the broad-based nature of the rally, with every sector posting a positive return with the exception of Consumer Staples. Communication Services and Utilities led to the upside – the former getting a boost from Alphabet, while the latter benefited from the anticipated data center buildout and associated increase in power generation needs.

Stock selection within Industrials continues to be a value add for the Fund in 2025, with Delta Air Lines and Airbus being two notable outperformers in the third quarter. The strength in Airbus stems from the company's massive order book in its commercial aerospace business, as well as an improving Defense/Space segment. The investment thesis for Delta is a market share gain opportunity in what has become an increasingly less cyclical industry, in tandem with higher pricing/margins that should result in a material lift in earnings and cash flow. As one of the higher beta holdings in the portfolio, Delta will incur its share of price fluctuations, which we will use to trim/add to our position accordingly. Delta currently trades at ~9-10x P/E – up from our initial attachment (~6x), but continues to offer, what we believe is good upside vs. our 12x P/E exit multiple.

The Fund also benefited from a longstanding position in Alphabet, which posted its strongest quarterly return (38%) since 2005. The rally in the stock can be attributed to a strong quarterly earnings report, a favorable ruling in the company's antitrust case, and rumors of a potential partnership with Apple to use Alphabet's AI model (Gemini). We trimmed the position late in the quarter but remain constructive on our outlook for Alphabet – the company maintains a monopoly position in search and is executing at a high level across all segments of the business. Alphabet is investing heavily in AI but is seeing returns from their efforts and still generates positive free cash flow on a post-AI spend basis.

While skeptics attempt to draw parallels between the current environment and the late 90s internet bubble (and may be right at some point), there is a key difference: the dot-com era was more supply-driven in nature (i.e., lay the fiber, and use cases will follow). In contrast, the AI buildout thus far has been demand-driven, with the expectation that AI will influence an ever-growing range of applications. We continue to stress-test our assumptions in Alphabet (and Amazon), as well as look out for possible threats and/or cannibalization risk. Yet, for now, both companies are performing well and trade at reasonable valuations (below-market multiples for Alphabet).

After making a positive contribution to performance in the second quarter, Flutter Entertainment and Airbnb (Consumer Discretionary sector) posted modest declines in 3Q, which weighed on returns for the period. We reviewed the pullback in both names, reaching different conclusions. To level set, Airbnb and Flutter both have lengthy runways in building market share within their respective verticals. Airbnb's most recent earnings report showed attractive top-line growth, margin expansion, and free cash flow generation. We believe the company is executing well, and in aggregate, our investment thesis remains intact. Flutter is a global leader in online sports betting, anchored by FanDuel in the U.S. The weakness in the stock price was in response to a growing presence in 'prediction markets', which are platforms that allow one to bet on future events – e.g., election outcomes, Oscar winners, S&P index predictions, and sporting events. The concern is that these alternative platforms could pull volumes from established players such as Flutter. This is a somewhat unexpected competitive threat that could indeed lead to some share loss – e.g., 'I can use Robinhood to handle my stock trades and sports bets'. We hold the management team at Flutter in high regard and believe they have the expertise to navigate the current environment successfully. That said, expecting multiple expansion over the next year while waiting for additional clarity may be overly optimistic. Upon review (this will technically be a 4Q transaction), our team made the decision to lock in our gains and move on from Flutter.

Aggregate performance sustained in the Healthcare sector was an additional detractor in the quarter. While Cambiar registered double-digit gains in Labcorp and Medtronic, their contributions were overshadowed by drawdowns in managed care providers Centene and Elevance. Healthcare insurers have had to reduce earnings guidance this year due to elevated medical utilization within the Medicaid segment of their business – i.e., participants fearful of losing coverage increased their doctor visits beyond projections made by the companies. Centene and Elevance recovered some of their losses over the course of the quarter, yet both companies are trading at/near trough multiples. Earnings remedies include higher pricing, better utilization management, and cost cuts. Elevance also announced a $15 billion share buyback, and both companies had insider buying during the quarter. The market is understandably in 'show me' mode given challenging industry dynamics over the past 18 months within the Medicaid market; yet it is worth noting the companies' other segments (Medicare Advantage, commercial) remain stable. We believe Elevance and Centene have the potential to generate strong returns in the coming years if they can demonstrate a recovery in earnings/margins.

LOOKING AHEAD

The S&P 500 has advanced almost 40% since its April lows, paced by the Mag 7 (and related) technology cohort. The rally in stocks, despite declining job openings, is a notable divergence, given the historically positive correlation between these data points.

While not at euphoric levels, equity markets reflect an abundance of optimism and heightened expectations. Upside participation has begun to broaden beyond tech leaders, although outperforming year-to-date sectors such as Industrials and Utilities are largely tied to the AI infrastructure buildout trend. How long the AI capex trade can continue to shoulder the load is a key question; that said, management teams in big tech view AI as existential to their future and thus remain committed to their capex plans for now.

The increasing weight of tech companies has the potential to put stress on the underlying market plumbing – i.e, the bigger these companies get, the more systemically important they become. Non-price sensitive index funds are then forced to buy ever-increasing amounts of the largest stocks, creating a powerful feedback loop that leads to continually higher prices (until it doesn't). Given retail investors' record-high allocation to passive indices, any reversal in the current trend could be a painful adjustment.

Diversification does not protect against market loss.

The Cambiar team remains focused on our core objective of providing attractive risk-adjusted returns by buying quality wide-moat businesses that are trading at reasonable valuations. Our Opportunity Fund is currently valued at a forward 1-Year P/E of ~15.4x, a material discount compared to the broader market. Portfolio construction continues to emphasize diversification and a prudent balance of offense and defense. While the path of least resistance appears to be continued upside, we are actively trimming exposures where the risk/reward appears stretched vs. historical peak/trough levels.

Thank you for your continued confidence in 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 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 9.30.25, the Cambiar Opportunity Fund had a 2.7% weighting in Airbnb, 3.2% in Airbus, 2.9% in Alphabet, 3.4% in Amazon, 3.2% in Centene, 2.7% in Comcast, 3.0% in Delta Air Lines, 3.3% in Elevance, 2.9% in Flutter Entertainment, 3.1% in Labcorp, 3.0% in Medtronic, 3.1% in PNC, 1.5% in RTX, and 2.1% in TE Connectivity. For characteristics and risk definitions, please visit www.cambiar.com/definitions.

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