50 YEARS ANNIVERSARY 1973 2023

CAMBIAR INVESTORS

CAMBIAR SMID FUND COMMENTARY 1Q 2024

with. Intelligence

Mutual Fund & ETF Awards 2023

Winner

Active Equities Mutual Fund of the Year

Cambiar Investors
Cambiar SMID Fund

MARKET REVIEW

U.S. equity markets continued to march higher in the first quarter, with the S&P 500 posting a 10.6% return for the period – surpassing the average election year return of 7.4%. The 5,200 level for the S&P reached at quarter-end is already higher than most Wall Street strategists' full-year 2024 targets. Although the pendulum may be leaning more towards risk vs. reward at present, markets can stay in overbought conditions for some time. Rotating capital to stock market laggards because the market seems expensive in the moment is also generally not a good plan. It is worth noting that valuations are more diffuse at an individual stock level.

While artificial intelligence continues to be a dominant investment theme, market participation is broadening beyond the mega cap tech stocks, evidenced by the equal-weighted S&P Index outperforming the cap-weighted S&P in March. After taking the pole position in 4Q, small cap stocks moved higher in the quarter, but faded a bit vs. their large cap counterparts; the Russell 2000 Index advanced 5.2% for the period. On a style basis, growth stocks led value, with the margin of outperformance more apparent down cap.

The unabated rally in stocks since last November was largely predicated on the expectation for six interest rate cuts by the Fed, and inflation levels retracing to the 2% target. Despite both of these catalysts unlikely to cooperate as expected, equities continued to churn higher. The record highs have not been limited to the S&P 500, as the Nikkei 225 Index, gold, and bitcoin also notched all-time highs in the quarter.

The timing and number of rate cuts remain a key focus for the markets; that said, the ongoing resilience of the U.S. economy and employment has lessened the urgency on this front. With current short-term rates at somewhat restrictive levels, a move closer to neutral while financial markets are relatively calm is probably the right decision versus waiting for a not peaceful moment before acting.

In Cambiar's view, we are most likely in a "it's better to travel than arrive" stock market. As opposed to letting a given macro narrative guide decision-making, the Cambiar team continues to lean into businesses that meet our Quality I Price I Discipline philosophy and preferably operate in less crowded areas of the market.

SMID FUND

	1Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	5.73%	5.73%	15.47%	6.03%	11.32%	9.44%	10.26%	-
CAMUX	5.73%	5.73%	15.56%	6.11%	11.41%	-	-	9.77%
R2500V	6.07%	6.07%	21.33%	5.36%	9.38%	7.68%	9.10%	7.98%

Inception Date: CAMMX (5.31.2011) | CAMUX (11.3.2014). 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 3/31/24, expense ratios are CAMMX: 1.11% (gross); 0.93% (net) | CAMUX 1.04% (gross); 0.85% (net). Fee waivers are contractual and in effect until March 1, 2025. Absent these waivers, total return would be reduced. *The Fund imposes a redemption fee of 2.00% on shares held less than 90 days. Your return will be lower if a redemption fee is applied to your account.*

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The Cambiar SMID Fund posted an in-line return for the first quarter. Strategy performance remains strong on both an absolute and relative basis over most rolling timeframes, and we remain focused on delivering through-the-cycle excess returns with an outsized emphasis on margin of safety.

Performance across sectors was generally positive for the quarter, with Real Estate and Communication Services the only sectors to finish lower. There were no notable themes when evaluating sector returns; pro-cyclicals such as Energy and Industrials outperformed, but so did Utilities. Consumer Discretionary was an additional upside performer, while Financials and Technology lagged.

Aggregate buy/sell activity was low in the quarter, and portfolio construction continues to prioritize broad diversification both across and within sectors. The SMID Fund made one new purchase, one liquidation, and incremental adds/trims to existing positions. On the sell side, we moved on from defense contractor Mercury Systems after a challenged holding period. The investment thesis has simply not panned out as expected, and the turnaround currently undertaken by new management may be a multi-year process.

On the buy side, Cambiar initiated a position in electric utility Pinnacle West (PNW). Our general investment criteria in the utility space includes rate base investment tailwinds, a clean balance sheet, solid regulatory relations, and reasonable valuation. We believe that PNW possesses all of these attributes. The company's Arizona footprint is seeing positive trends in both population growth and corporate investment, which should result in positive forward load growth (i.e., utilization). Modest multiple expansion, in combination with a current 4.75% dividend yield, equates to an attractive total return profile over a forward 1-2 year timeframe.

In reviewing strategy return drivers for the quarter, Cambiar's outperformance within Financials was a notable contributor. The positive separation relative to the index was a function of strong gains from the Fund's insurance and financial services positions, in addition to an active underweight to banks (which declined in the quarter). Our lower participation in the banking space is based on varying considerations that include a focus on diverse return drivers (vs. the homogenous business model of banks) as well as a view that potential left tail uncertainties (exposure to commercial real estate, stubbornly inverted yield curve, higher regulatory scrutiny) may weigh on valuations and associated upside potential.

Cambiar's exposure to the Energy sector has been somewhat limited in recent years, given a smaller opportunity set of companies that meet our quality bias. Comprising approximately 5% of the SMID portfolio, the energy positions that we do own (Targa Resources and Magnolia Energy) both posted strong gains in the quarter. The outperformance was a combination of strong company-specific execution and a more general uptick in M&A activity that provided a boost to smaller operators with good acreage, such as Magnolia. Targa is a midstream pipeline company with operations across the U.S. The company's tollkeeper business model is based on volume flowing through their assets, making them less impacted by commodity price fluctuations. Magnolia continues to grow oil production while being mindful of capital expenditures – resulting in strong free cashflow that is being used to increase dividends and continue share buybacks.

Additional bright spots in the quarter included positive stock performance in Materials and Healthcare. Investor pessimism/neglect towards healthcare stocks in 2024 provided an opportunity for Cambiar to increase our allocation in the sector – which currently represents approximately 20% of the SMID Fund. In a market where many stocks are trading at elevated valuations, we believe healthcare offers an attractive return profile via a combination of earnings growth and multiple expansion.

Mixed stock selection in Industrials comprised the largest detractor from performance in the quarter. The aforementioned Mercury Systems was the primary downside outlier for the portfolio, followed by modest pullbacks in Expeditors International and Toro. Expeditors is an asset-light freight and logistics service provider. The company has been a strong long-term compounder and possesses many of our desired corporate characteristics: management with a track record of strong capital allocation, consistent profitability, net cash balance sheet, and high free cashflow. Toro provides turf and landscape equipment, with a variety of models geared to professional and residential use. The company's sales cycle and earnings are often uneven due to the seasonality of the company's product offerings, but Toro has overall continued to execute in line with our expectations.

Stock performance was also more challenged in Technology for the quarter; Littelfuse and IPG Photonics were two individual laggards. Littelfuse

Diversification does not protect against market loss.

is the largest circuit protection company in the world and a key beneficiary of the long-term trend towards electrification. However, the company's shorter-term revenues have been negatively impacted by excess inventories with some of their customers. In conversations with management, we are confident that fundamentals are nearing a bottom and should improve in the second half of the year. IPG is a global leader in fiber laser technology that is used in varying industrial applications. Not unlike Littelfuse, IPG's earnings power has been weaker in recent quarters due to a slowdown in various end markets (e.g., electric vehicles), which has been subsequently reflected in a lower stock price. We are continuing to monitor the situation, as IPG is poised to benefit as current cyclical pressures abate. The company's strong balance sheet (~25% of the current market cap is cash) should provide an additional backstop.

As evidenced by the low turnover within the SMID Fund in recent quarters, we remain relatively constructive on the strategy's aggregate exposures and sector positioning. While not detached from prevailing macro/top-down considerations, we believe our time is better spent assessing individual companies and related industry/competitive dynamics. We remain focused on identifying quality businesses that can generate persistent returns and free cashflow, coupled with strong balance sheets and capable management teams. Such attributes may not be as additive in periods of elevated risk tolerance but are critical inputs to delivering strong risk-adjusted returns (with less volatility) over a longer arc.

LOOKING AHEAD

Valuations within the U.S. equity market remain extended, with the first quarter gains for many stocks more a function of multiple expansion vs. organic earnings growth. Below the surface, there are pockets of opportunity – particularly in the smaller cap space that has remained largely out of favor for many investors. We continue to believe the diffuse nature of the small/mid cap segment of the market provides an attractive area for active managers to deliver alpha; that said, selectivity remains key.

With funding costs still at elevated levels, investors seeking exposure to the small/mid cap asset class should favor companies with low leverage, consistent returns on capital, and steady free cashflow. Despite the relative performance lag of smaller cap stocks in recent years, an improving backdrop of moderating inflation, normalizing interest rates, and a still growing U.S. economy should provide a favorable catch-up opportunity for down cap equities.

We appreciate 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." In addition to the normal risks associated with investing, investments in small companies typically exhibit higher volatility. A company may reduce or eliminate its dividend, causing losses to the fund. There is no guarantee the fund will achieve its stated objective. Diversification does not protect against market loss.

The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns do not reflect any management fees, transaction costs or expenses. 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. 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 Nasdaq 100 is a stock market index made up of 101 equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

As of 3.31.24, the Cambiar SMID Fund had a 2.3% weighting in Expeditors International, 1.8% in IPG Photonics, 2.6% in Littelfuse, 2.9% in Magnolia Energy, 0.0% in Mercury Systems, 2.5% in Pinnacle West, 2.7% in Targa Resources, and 2.1% in Toro. Holdings subject to change. Current and future holdings subject to risk.

Price/earnings ratio – The ratio for valuing a company that measures its current share price relative to its per-share earnings.

The With Intelligence Awards was judged based on 2022 performance and flows. Funds must have at least $50 million in assets under management.

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