CAMBIAR INVESTORS

CAMBIAR SMID 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).

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 magnitude of the tariff hikes 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 in a good position 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 are additional value-adds in making prudent capital allocation decisions.

SMID FUND

	1Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	-1.87%	-1.87%	-8.37%	2.14%	15.10%	7.68%	8.79%	-
CAMUX	-1.87%	-1.87%	-8.28%	2.23%	15.20%	7.75%	-	7.89%
R2500V	-5.83%	-5.83%	-1.47%	2.27%	16.65%	6.84%	8.30%	7.03%

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 3/31/25, expense ratios are CAMMX: 1.12% (gross); 0.96% (net) | CAMUX 1.02% (gross); 0.85% (net). Fee waivers are contractual and in effect until March 1, 2026. 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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While unable to fully sidestep the broad-based decline in small/mid cap equities during the quarter, the Cambiar SMID Fund was able to provide strong downside protection vs. the benchmark.

The quarter saw a sharp reversal in sentiment as investor priorities shifted from upside participation to loss aversion. Although Cambiar's lower beta skew and focus on profitable businesses hampered relative performance in 2024's risk on environment, this same positioning should provide a margin of safety in periods of elevated market stress – which was the case in the first quarter. While pleased with the portfolio's strong start to 2025 (vs. the benchmark), we recognize that we still have some ground to make up on the performance front. Our team continues to maintain an outsized bias towards providing strong down capture, while also looking for opportunities to further high-grade the portfolio should quality businesses in our research library become unanchored vs. underlying fundamentals/normalized earnings.

Trade activity in the quarter was comprised of two liquidations and two new purchases. Within the Financial sector, we moved on from our position in property/casualty insurer American Financial Group and used the proceeds to initiate a position in Webster Financial Corp. American Financial has been a good performer for the portfolio over our holding period (first purchased in 2019) and epitomizes a Cambiar company – i.e., well-managed business with a track record of consistent free cashflow that can be returned to shareholders via dividends and share buybacks. In addition to their standard quarterly dividend, AFG paid ~$50 in special dividends per share over the past four years. Given current valuation and stalling earnings growth (exposure to the wildfires in California will be a setback), we made the decision to sell in favor of Webster Financial.

Webster is a regional bank with a desirable branch footprint in the Northeast (based in Connecticut). The stock has trailed peers due to lower net interest income metrics, yet we believe Webster is now at an inflection point on a number of fronts that should trigger a positive re-rating in the shares. The bank has a stable core deposit base, excess capital position, and a generally diversified loan portfolio. With the stock trading at ~8x P/E at purchase (vs. peers at ~11x), we believe Webster offers an attractive reward-to-risk opportunity.

In reviewing market performance via a sector lens, defensives such as Utilities and Consumer Staples posted positive returns for the period, while Financials and Energy also held up better. The selling pressure was more acute in pro-cyclical sectors such as Industrials, Technology, and Consumer Discretionary, while Healthcare stocks were an additional laggard in the quarter.

Cambiar's relative outperformance in the quarter was largely driven by stock selection, with holdings in Healthcare and Utilities notable bright spots for the portfolio. In contrast to the high concentration of pharma companies comprising the large cap healthcare sector, the opportunities down cap are more idiosyncratic. Quest Diagnostics (clinical testing provider) and Molina Healthcare (managed healthcare) both managed to bypass the weakness in the sector and register positive returns for the quarter. Selectivity remains paramount; that said, healthcare stocks should be somewhat buffered from trade concerns that are roiling other segments of the equity market.

The Utilities sector has behaved more like a technology stock over the past year, as accelerating power demand for data centers and related investments should provide a boost to earnings and underlying valuations within the space. The SMID Fund benefited from an overweight allocation as well as positive stock performance within the sector. Arizona-based Pinnacle West Capital was a standout performer for the quarter; the company's operational footprint has seen growth in both population and corporate projects (e.g., Taiwan Semiconductor is building a major facility in AZ). Given the upward revision in capex budgets across the sector (which reflect project commitments), we believe utilities continue to offer good value and return opportunities, while also providing prudent diversification within the portfolio.

Cambiar also registered above-benchmark returns in Financials, as the portfolio's non-bank positions in areas such as title insurance and exchanges (areas that lagged last year) posted solid gains for the quarter. Comprising ~21% of portfolio capital, Financials is the largest allocation in the SMID Fund, although there is a focus on owning a diverse mix of businesses within the sector.

Detractors in the quarter included Packaging Corporation of America (Materials), Innovative Industrial Properties (Real Estate), and Lamb Weston (Consumer Staples). After delivering a strong return in 2024, Packaging Corp. sustained a modest pullback in the first quarter – more a case of broader macro concerns vs. company-specific issues. Although a downturn in

Diversification does not protect against market loss.

the economy (and thus lower order/shipment volumes) would be a headwind for the company, Packaging Corp has shown the ability to successfully navigate such environments and can also use cyclical weakness to increase market share. The weakness in Innovative Industrial Properties is attributed to the company's recent churn within its tenant base – we continue to hold but are closely monitoring the situation. Lastly, french fry producer Lamb Weston incurred a pullback as investors remain wary of the company's restructuring efforts. We have discussed this holding in past commentaries; despite the more recent struggles in recent quarters, we remain of the view that Lamb Weston is taking the appropriate steps to right-size the business.

LOOKING AHEAD

As we entered 2025, small/mid-cap businesses were poised to benefit from a combination of a broadening profits cycle, lower cost of capital via ongoing rate cuts, and supportive economic growth. Yet, thus far this optimistic outlook has been overshadowed by tariffs and related trade uncertainty which has had a negative impact on business confidence and equity valuations.

Market conditions are rapidly changing – such that the road forward will almost certainly be a bit bumpier vs. 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. Smaller cap businesses may undergo further pressure – depending on business model, supply chains and associated margin pressures due to higher cost-of-goods-sold from tariffs.

The Cambiar team is reviewing portfolio exposures with a more discerning eye toward 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.

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." 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 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 SMID Fund had a 1.3% weighting in Innovative Industrial Properties, 1.9% in Lamb Weston, 2.9% in Molina Healthcare, 2.9% in Packaging Corporation of America, 3.6% in Pinnacle West Capital, 3.4% in Quest Diagnostics, and 2.6% in Webster Financial Group. The Cambiar SMID Fund had a 0.0% weighting in American Financial Group, and Taiwan Semiconductor. Current and future holdings subject to risk.

This material represents the portfolio manager's opinion and is an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice or a specific recommendation of securities. There is no guarantee that any forecasts made will come to pass.

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