CAMBIAR INVESTORS

CAMBIAR SMID FUND COMMENTARY 3Q 2024

MARKET REVIEW

U.S. equities closed the third quarter at record highs, with the S&P 500 Index posting a 5.9% return. The market shrugged off what has historically been a more challenging period for equities, as investors bid up stocks in response to the Federal Reserve's move to lower rates in the September meeting. It was also encouraging to see the other 493 stocks in the S&P start to pull their weight, as the 9.6% return for the S&P 500 Equal Weighted Index bested the cap-weighted benchmark by a wide margin for the quarter. Small cap stocks also rebounded after a challenging 2Q, with the Russell 2000 Index posting a 9.3% return for the quarter. On a style basis, value stocks outpaced their growth counterparts for the period, but still have some ground to make up – as growth stocks continue to hold the upper hand for the year as well as over much of the past decade.

As expected, the Federal Reserve lowered rates at their September meeting. The only debate was one of magnitude, i.e., 25 or 50 bps. Was the decision to cut by 50 bps a veiled acknowledgment that they stayed too tight for too long? Looking ahead, the Fed stated that employment and inflation data will determine the pace and magnitude of future monetary policy normalization efforts while signaling for additional easing in their final two meetings of 2024 and continuing into 2025. An orderly path to lower rates seems appropriate, as inflation is nearing the 2% target, and employment remains low in absolute terms.

BETTER TO TRAVEL THAN ARRIVE

While market participants are understandably upbeat by the prospects of a lower cost of capital, some caution about the forward path of equity returns may be warranted. To the extent that an inverted yield curve is closely linked with recessions, equity returns during the inversion period are typically positive. It is the un-inversion of the yield curve that brings with it the accompanying recession and increased market turbulence for equity investors. Granted, no two cycles are identical, and the current cycle has been even more unique with the inclusion of a global pandemic. The S&P 500 has an annualized return of 16% for the past five years, which includes the -18% drawdown in 2022. Any market pullbacks have been an opportunity to buy, as these dips have recovered to new highs. While above-trend equity gains may continue, one should guard against excessive complacency and continue to rebalance across asset classes as needed. Selectivity should also take on increased importance, and a value orientation may provide an additional tailwind to investors – given the outperformance of growth stocks in recent years. With no shortage of inputs to consider, Cambiar remains focused on constructing diversified portfolios that can perform double duty for our clients – i.e., participate in up markets while also providing a margin of safety in market drawdowns.

SMID FUND

	3Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	7.49%	4.85%	15.46%	6.06%	10.15%	9.06%	9.78%	-
CAMUX	7.53%	4.94%	15.63%	6.15%	10.25%	-	-	9.17%
R2500V	9.63%	11.28%	26.59%	6.06%	9.99%	8.47%	9.14%	8.08%

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 9/30/24, 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.*

Diversification does not protect against market loss.

CAMBIAR INVESTORS

The Cambiar SMID Fund registered a solid gain for the third quarter while falling short of the strategy benchmark.

The improved appetite for smaller cap stocks was largely in response to the lower rate environment put into motion by the Fed during the quarter. With inflation data approaching their 2% target, the Fed initiated the easing process that investors have widely anticipated. The 'yields lower = equity multiples higher' relationship was a welcomed event for the equity market at large, but in particular for smaller cap companies which typically have a greater percentage of floating rate debt and should therefore be outsized beneficiaries of a lower cost of capital.

In reviewing return drivers for the quarter, all sectors with the exception of Energy registered positive returns, illustrating the rising tide backdrop for equities. The downshift in interest rates boosted the more rate-sensitive sectors such as Real Estate, Utilities, and Financials.

There were no material changes to sector positioning in the quarter, as Financials, Healthcare, and Industrials comprise the three largest sector allocations in the SMID Fund. Trade activity was relatively light in the quarter, with the team initiating a new position in Willscot Holdings. Willscot is the largest provider of mobile office and storage solutions business in North America, and we view their scale to be a key competitive advantage in this more fragmented industry. The stock has underperformed in line with the drop in construction projects, resulting in what we view to be an attractive entry point. Lower rates should drive increased activity across Willscot's various business segments, which include commercial, industrial, energy, and government projects.

Positive contributors in the quarter included an overweight allocation to Utilities, as well as positive stock selection in the Materials and Energy sectors. After years of stagnant growth, electrical utility companies are seeing a bit of a renaissance via the massive power generation needs of AI and data centers that are due to come online. While much of the upward price action has been in the unregulated space, the associated earnings stream is more volatile as well. The portfolio has adopted more of a 'slow and steady' approach within the sector, where our holdings include a regulated gas provider, water utility, and a regulated electric company.

On occasion, the best investments can be the most basic businesses; one such example is Packaging Corporation of America (PKG), which produces packaging boxes. The company moved higher in response to a positive earnings report that showed strength in volume and pricing. We view PKG to be a best-in-class operator based on a record of strong capital discipline and high returns.

While not comprising a sizable percentage of aggregate portfolio capital (~5.3% as of quarter-end), Cambiar's holdings in the Energy sector were a notable positive in the quarter. Energy stocks often tend to ebb and flow in line with underlying commodity prices – this elevated unpredictability is one reason for our more limited allocation to the space. Despite the downward pressure in commodity prices during 3Q, pipeline operator Targa Resources posted a solid gain for the period. Targa's business model is more about transporting volume through its network, and earnings are thus less impacted by price. Our other holding in the sector is Magnolia Oil and Gas, a more traditional exploration and production operator. As an unhedged producer, Magnolia is more susceptible to oil/gas price fluctuations; however, the company has a longstanding history of cost discipline and prioritizing free cashflow that can be used for a combination of debt reduction, share buybacks, and dividends.

Stock selection was more challenged in Consumer Staples, where french fry producer Lamb Weston fell in response to a disappointing earnings report. After adding capacity in recent years due to high demand, Lamb Weston is now seeing this imbalance shifting to excess supply, weighing on prices. The company has significant exposure to the quick service restaurant (QSR) space, and McDonald's is the company's largest customer. Consumers have balked at menu price inflation in recent years, so less fries are being sold. The reintroduction of value meals results in higher traffic, and Lamb Weston has taken action to reduce costs and reduce capacity. These announced moves helped the stock recover some lost ground, but investors will likely remain on the sidelines until more tangible signs of progress are evident. In conversations with management, we believe the company is taking the appropriate steps to restructure the business in light of the lower demand outlook, which should set the stage for incremental earnings improvements in the coming quarters.

As discussed, the Real Estate space was a notable area of strength in the quarter, as investors were drawn to the higher yields in the sector in response to the

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anticipation of lower rates in the fixed income market. Cambiar's REIT holdings closed higher in the quarter while trailing the index. The portfolio's lower allocation to the sector was an additional headwind relative to the index for the period.

The sizable performance lag for small/smid companies vs. their large cap counterparts in recent years has led to a material divergence in valuation, with small caps at one of the widest discounts over the past 40 years. We believe the Fed embarking on a rate-cut cycle could be an important catalyst to begin reversing this dynamic. Strong earnings may be an additional inflection point for smaller cap companies, as the 'Mag 7' are poised to come up against difficult year-over-year comparisons, while the earnings expectations bar is set fairly low for small caps. Given the more atomized nature of the small/smid equity market, we continue to believe that thoughtful selectivity remains the cornerstone to generating strong risk-adjusted returns and downside protection over a market cycle.

LOOKING AHEAD

U.S. equities continue their year-long advance, bolstered by easing monetary policy and increased confidence in a soft landing for the economy. Thus far, the soft landing scenario is playing out – inflation has continued to trend downwards, with unemployment remaining low on a historical basis. Market breadth has also begun to strengthen, which could fuel additional gains.

While not at euphoric levels, investors' optimism towards corporate earnings is reflected via elevated market multiples, with the current one-year forward P/E for the S&P at 21.5x. Do valuations reflect economic reality, or are expectations overly bullish? Time will tell. It is worth noting that more reasonably-priced investment opportunities exist below the surface – this is where the Cambiar team is focusing our research efforts.

We acknowledge the supportive backdrop for the equity markets; that said, we are equally focused on potential risks at the company level and uncertainties such as the upcoming Presidential election, increased global geopolitical tensions, and an unsustainably high U.S. debt-to-GDP ratio. Equity markets do not appear to be priced for any of these uncertainties. Broad portfolio diversification, attentiveness to valuation, and the consistent implementation of Cambiar's Quality | Price | Discipline approach remain valuable risk mitigation tools.

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 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 9.30.24, the Cambiar SMID Fund had a 2.0% weighting Lamb Weston, 2.8% in Magnolia Oil and Gas, 0.0% in McDonalds, 2.9% in Packaging Corporation of America, 2.6% in Targa Resources, and 2.3% in Willscot. 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.

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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