CAMBIAR SMID 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 are viewed to be outsized beneficiaries of 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.

On a valuation basis, small cap stocks are trading at reasonable levels, with the one year forward Price/Earnings ratio of the Russell 2000 Index at ~15x. In contrast, the large cap proxy S&P 500 is trading at valuations that have historically been difficult to sustain. The S&P is trading at a P/E of 23x (vs. a long-term average of 17-18x), while its forward Price/Sales (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 the operating margin for the index is also at a record high, providing some level of justification for lofty 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 now comprise ~40% of the index and continues to do the heavy lifting on both an earnings and return basis (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 Mag7 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.

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	3Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	0.18%	-1.56%	-7.32%	8.00%	9.28%	8.92%	8.50%	-
CAMUX	0.18%	-1.52%	-7.25%	8.09%	9.38%	8.98%	-	7.55%
R2500V	8.17%	9.29%	9.00%	15.39%	14.96%	9.68%	9.13%	8.16%

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 9/30/25, 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.*

The Cambiar SMID Fund posted a modest positive return in the third quarter, although it was unable to demonstrate the same level of upside participation as the Russell 2500 Value benchmark. Despite positive stock selection in areas such as Consumer Discretionary, Energy, and Materials, more challenged returns in Healthcare and Industrials (larger sectors for the portfolio) led to the relative performance lag.

The 3Q market environment was in many ways similar to the second quarter – i.e., top-performing factors were beta and momentum (where SMID has lower active exposure), while attributes that the portfolio favors (e.g., earnings quality) once again underperformed. Not unlike 2021, the speculative fervor in the markets remains a headwind for Cambiar's Quality I Price I Discipline approach.

Our core performance objective remains unchanged – we remain focused on providing attractive risk-adjusted returns across an economic cycle via an outsized emphasis on downside protection. In light of the SMID Fund's recent underperformance in strong up markets, there has been a lot of introspection within the team as it relates to aggregate portfolio positioning. More specifically, is there an opportunity to bring in the tails – such that the strategy can remain within our desired quality and profit metrics, but perhaps do a better job participating in up markets? Yet even with some recent moves along this path (e.g., adding to Financials and Industrials, reducing Healthcare), the SMID Fund is not built to keep pace in the current market backdrop where investors are chasing meme stocks and companies with little to no revenue but are tied to the AI trade.

We acknowledge that the performance shortfall is not solely a function of our philosophy being out of lockstep with current market trends. A number of our holdings have not performed as expected, and we accept accountability on this front. Some comments on a few of the bigger individual laggards – and it is worth noting that we continue to maintain a position in these companies:

- ACV Auctions: ACV is a leading operator in dealer-to-dealer car sales (e.g., when leased vehicles are returned). This is a fairly recession-proof business model that continues to grow at over 15% per year, at 35% incremental margins. The industry is currently in a bit of a lull, with dealer-to-dealer sales troughing at around 6-7M vs. the typical 8-9M traded vehicles. We anticipate volumes to recover in 2026, which should result in re-accelerating revenue growth and associated multiple expansion. We may have been early in our attachment, but we continue to maintain conviction in the core thesis.

- Align: Align is the leading manufacturer of clear aligners (i.e., Invisalign) in orthodontics. The company cut revenue guidance during 3Q in response to an unexpected slowdown in the number of prospective patients converted into final cases. The negative stock reaction was exacerbated by the fact that Align held an analyst day in early

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May during which they issued upbeat guidance for 2025, denting management credibility. We believe the longer-term growth opportunity for ALGN is intact, as 80% of teen cases are still performed with traditional wires/brackets. ALGN has unmatched scale, technology, and marketing advantages compared to its peers, in addition to a net cash balance sheet ($900 mil in cash, no debt). Stock trades at <11x EPS, and insiders were significant buyers of the stock (post-decline).

- Molina Healthcare: Molina is a health insurer, with a focus on managed Medicaid (90% of premiums). Like other insurers, Molina had to cut EPS guidance due to elevated medical utilization. They are now contracting with state Medicaid agencies for higher reimbursements and should be able to recover some portion of lost revenues/margins. A disappointing setback, but not a broken story. Assuming Molina can get back to $25 in EPS in the coming years (Cambiar views this is as conservative, as we are assuming they recover only 75% of their normal pretax margin), a historical P/E multiple of 15x equates to a target stock price of $375, well above its current price at the time of the writing of this commentary. Of course these are estimates, and the future may not develop as expected. There was also significant insider buying from management in the quarter.

Bright spots in the quarter included auto-related positions Gentex and BorgWarner (Consumer Discretionary), as well as HF Sinclair within the Energy sector. The portfolio also generated a strong return within Consumer Staples, while performance within Financials (the largest sector allocation at ~23%) was mixed. Buy/sell activity in the quarter consisted of three liquidations and one new purchase. We ended the quarter with a slightly elevated cash position (~8%), which we will seek to deploy as purchase candidates in our library reach actionable attachment points.

In a misery loves company moment, it is worth noting that we are not alone in our struggles to keep pace thus far in 2025. Jeffries recently put out a research piece titled 'Everything Has Gone Wrong for Active, Including Positioning'. Momentum has been the single biggest component of portfolio returns over the past year, as assets continue to flow into favored stocks at the expense of unloved segments of the market.

The SMID Fund is managed by a tenured team with decades of investment experience – we haven't forgotten how to pick stocks. We own a diverse collection of quality companies – many of which are trading at the intersection of trough valuations and low expectations. Given the current setup for many of our businesses, any indication of earnings stability could itself provide a positive upward catalyst. Similarly, a pause in the AI/tech melt-up trade and associated broadening into sectors that have not participated (e.g., Healthcare) would be an additional tailwind.

LOOKING AHEAD

Equity markets have surged higher since their April lows, with both small cap and large cap benchmarks solidly in positive territory on a year-to-date basis. The strength in equities despite a decline in job openings is a notable divergence, given the historically positive correlation between these data points. For now, investors continue maintain a glass half full bias, with downside protection a distant second in priority vs. upside participation.

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 Cambiar team remains focused on delivering attractive risk-adjusted returns by buying high-quality, wide-moat businesses that are trading at reasonable valuations. Our SMID Fund is currently valued at a forward 1-Year P/E of ~14.7x, a fairly undemanding level vs. the broader market. Portfolio construction continues to emphasize diversification and a prudent balance of offense and defense.

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 9.30.25, the Cambiar SMID Fund had 2.3% weighting in ACV Auctions, 2.4% in Align, 0.0% in Berkshire Hathaway, 2.9% in BorgWarner, 2.8% in Gentex, and 2.0% in Molina Healthcare. 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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