CAMBIAR SMID FUND COMMENTARY 4Q 2024

MARKET REVIEW

In like a lion, out like a lamb - U.S. equities turned in a mixed quarter to close out 2024. Stocks initially rallied in response to both the timeliness and outcome of the Presidential election, with investors cheering on the prospects of the incoming administration's pro-growth agenda. The positive sentiment subsequently reversed post-Thanksgiving, as higher yields along with heightened policy uncertainty prompted investors to lock in profits. The S&P 500 Index posted a 4Q gain of 2.4%, while the small cap Russell 2000 Index managed to eke out a 0.3% return.

In terms of equity leadership, the market returned to the mega-cap technology/AI investing playbook that has been in place for much of the past two years. The strong preference for growth stocks came at the expense of value equities, with the Russell 1000 Value Index posting a -2% decline for the quarter. Small cap value stocks (as represented by the Russell 2000 Value Index) were the big winners following the last Trump election win (index was up 14.1% in 4Q16), but actually lost ground (-1.1%) this time around.

The positive 4Q return caps another strong year of gains for the S&P 500, with the index posting a 25% return. This comes on the heels of a 26.3% return in 2023 – the first back-to-back years of +20% gains since 1998 (interesting parallel). The rally in stocks has been understandable, given a backdrop of above-trend productivity, low unemployment, robust economic growth, and accommodative monetary policy. Yet one needs to consider the 'pull forward' effect of stock gains that now embed a high degree of optimism about the economy and corporate earnings.

With a one-year forward P/E of 22x for the S&P 500 (vs. ~17x at the start of 2024), the result is a more challenging starting point (for the S&P 500 Index) as we move into 2025. Valuation itself is often a poor predictor of returns in the short run, and it is worth noting that multiples are more reasonable below the surface. Should current concentration trends in the mega-cap tech space reverse, active managers who have demonstrated the ability to add value via a combination of stock selection/prudent avoidance may be well-positioned to outperform passive options. A broadening of market participation should also be beneficial for the small cap/SMID cap asset classes – which have trailed their larger cap peers by a wide margin over the past ten years (although positive).

The risk on bias that paced the markets in 2024 was further illustrated via the proliferation of single-stock leveraged ETFs, zero date to expiration options, and cryptocurrencies. It is one thing for a somewhat established cryptocurrency such as Bitcoin to march higher, but newly-launched Fartcoin (we wish this was a joke) reached a market cap of $1 billion in the quarter. While Cambiar is not in the business of calling out market tops (or bottoms), the speculative excesses permeating certain pockets of the market are indicative of bubbly environments that do not end well.

SMID FUND

	4Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	-5.85%	-1.28%	-1.28%	1.54%	7.19%	8.26%	9.11%	-
CAMUX	-5.82%	-1.17%	-1.17%	1.64%	7.29%	8.33%	-	8.29%
R2500V	-0.26%	10.98%	10.98%	3.81%	8.44%	7.81%	8.94%	7.84%

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 12/31/24, 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.*

Diversification does not protect against market loss.

CAMBIAR INVESTORS

The Cambiar SMID Fund lost ground relative to the benchmark for the quarter, closing out one of the more challenging calendar years for the strategy.

We operate in a performance-based business and recognize that there are no shortage of investment options competing for your capital. Entering 2024, the SMID Fund had outperformed the benchmark in five out of the past seven calendar years – a period that included both up and down years for the SMID equity markets. Suffice to say that performance in 2024 fell short of expectations – yours and ours. So, what happened?

Market Environment

The investing backdrop for much of the year had a 'risk on' underpinning, which has generally been a more challenging environment (on a relative basis) for Cambiar, given our skew towards profitable businesses and focus on capital preservation. When the top-performing factors are momentum and beta, and big index movers include companies like Carvana and Robinhood – it should be somewhat expected that Cambiar may struggle to keep pace. That said, the magnitude of the performance shortfall is admittedly wider than we would have expected.

Stock Selection

Strategy performance will be heavily influenced by stock selection, with sector over/underweighting historically having a lesser impact. Our willingness to be patient with lagging positions such as Dentsply and EPAM Systems clearly worked against us during the year. Both of these holdings declined on an absolute basis in 2024, representing a meaningful drag vs. the 11% return for the index.

Where do we go from here? We are hesitant to make reflexive decisions based on shorter-term price movement, nor are we going to engage in a chasing exercise. Actions were taken in cases of thesis drift and/or negative developments. Despite a more disappointing performance stretch, our investment conviction has not wavered – it is worth noting that the SMID Fund continues to own eight out of the bottom ten performers from the past twelve months (including Dentsply and EPAM). Our research team remains confident in the above-average business quality, medium-term earnings growth prospects, and low investor expectations as implied by compressed valuations. While painful in the moment, these conditions have historically been helpful in driving attractive forward returns. We do not believe these businesses are value traps. While stock price movement suggests otherwise, we are cognizant that the strong 2024 momentum factor performance works both ways – i.e., momentum can take strong performers potentially beyond rational upside levels and similarly move share prices of companies with transitory issues below reasonable floors.

Returning to return drivers for the quarter, index performance was mixed at a sector level. Energy, Technology, Financials, and Consumer Staples posted gains in the period, while Healthcare, Real Estate, and Industrials closed lower.

On an attribution basis, Cambiar's holdings within Financials lagged the benchmark in the quarter. Despite having a benchmark weighting to Financials, the portfolio's underlying mix of companies are fairly different than the index. This is most obvious in the underweight to banks, which comprise almost 10% of the benchmark, but only 3% of the SMID Fund. Our lower allocation to regional banks is largely driven by the less differentiated nature of the industry, as well as a preference for a more diverse mix of financials that include insurance, payment businesses and exchanges. This positioning has served the portfolio well over time (notably during the Silicon Valley Bank-related weakness in 2023) but was a headwind in the quarter. The 4Q up move in banks was largely tied to optimism around lower regulation/capital requirements as well as an uninverted yield curve and abating pressure on spread income. We acknowledge the improved operating backdrop and continue to monitor the banking space for potential investment opportunities.

The portfolio also incurred weaker-than-expected performance in Industrials – for both the quarter and on a full-year basis. The Industrials sector covers a broad mix of companies and industries; many of the outperformers in the sector during 2024 were associated beneficiaries from the expected capex bulge in areas such as data centers, power generation and related infrastructure projects. Cambiar had some exposure to these end markets but sold at levels that we believe to have represented full valuation. Our research efforts continue to focus on businesses that have a resilient margin profile, defensible market position, and reasonable valuations – a more challenging intersection as of late.

Toro Company (mower/landscape equipment) and J.B. Hunt (intermodal transport services) are two examples of quality industrial businesses that meet many of our desired investment attributes but are dealing

Diversification does not protect against market loss.

with transitory headwinds. Toro has been adjusting to more normalized demand patterns after over-earning in the post-COVID period. The company continues to maintain a high market share and has a number of value-creation catalysts, including autonomous mowing. J.B. Hunt provides a helpful barometer on the overall economy, given the company's toll taker position in the transportation space. While volume growth and spot rates were stagnant for much of 2024, both metrics have begun to inflect higher, which should translate into stronger earnings for J.B. Hunt. Although disappointed by the sluggish price action in a number of our Industrial positions, we believe these businesses are in good position to deliver improved performance in 2025.

Positives in the quarter included Sportradar (Consumer Discretionary) and a modest recovery in french fry producer Lamb Weston. Sportradar is a data and analytics company serving the sports industry. Sportradar aggregates data rights from over 400 sports leagues around the world; they then package this content to media partners and betting operators. We believe the company represents a unique opportunity to indirectly participate in the growing sports gambling market.

Lamb Weston remains a work in progress, as the company continues to strike a balance between slowing end market demand and a more competitive pricing environment. The company raised its dividend and upsized a current share repurchase program, demonstrating confidence on improving free cashflow expectations. While Lamb Weston may be a 'show me' story for investors, we believe the appropriate steps are being taken to get the company back on track. Although not a key consideration in our decision to continue maintaining a position, the presence of activists and related M&A rumors further illustrate the underlying value in the company.

To summarize, we acknowledge the challenging performance period over the past year and believe the necessary portfolio attunements have been made as we look ahead to 2025. The key underpinnings that have contributed to the strategy's longer-term outperformance remain very much in place. Please be assured that our sole focus remains on generating strong risk-adjusted returns that you have come to expect.

LOOKING AHEAD

The past two years have been a rewarding period for equity investors, as market averages continued to march higher with low volatility. The Magnificent 7 cohort did a lot of the heavy lifting in 2024, benefiting from a positive flywheel of robust capex budgets, strong earnings growth, and strong price momentum. On a concentration basis, the top ten stocks in the S&P 500 now comprise approximately 38% of the index – one of the highest levels in history. Just as these names carried the index in recent years, any slippage can result in a proportionate impact on performance to the downside.

A key question is whether the upward trajectory for equities can continue into 2025 or are risk assets nearing the euphoric phase that typically coincides with the end of a bull market? This consideration is more relevant for U.S. large cap growth investors, as areas such as small/mid cap (and value) trade at much more reasonable valuations. Diversification has been less additive vs. keeping one's assets in the S&P 500 in recent years; that said, we believe broader participation beyond the ten largest U.S. stocks will be needed in order to maintain the upward trend in equities.

The rise in bond yields is another development that should be on the front burner for investors. While the impact on equities has been marginal thus far, the ~100 basis point rise in the benchmark 10-Year Treasury yield since the Fed pivot began in September is a potentially worrisome divergence. The more elevated cost of capital is particularly relevant for smaller cap businesses, as this segment of the equity market is more exposed to floating rate debt.

The transition to a new calendar year brings with it no shortage of predictions – equity returns, Fed policy, budget deficits, and inflation. Cambiar's view on this prediction exercise harkens back to a Warren Buffet quote that the only value of stock forecasters is to make fortune tellers look good. Our in-house research efforts continue to focus on the underlying fundamentals of our companies and the associated risk/reward that is expressed in current valuations. Portfolio construction seeks to optimize our bottom-up research by building diversified portfolios that can both capture returns and manage risk. In seeking to implement our Quality | Price | Discipline approach consistently, we anticipate that the 'D' will take on increased importance in the coming year, given the potential for higher volatility.

We wish you a happy, healthy, and prosperous 2025! Thank you for your continued confidence in Cambiar Investors.

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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." 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 2500TM Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500TM 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 12.31.24, the Cambiar SMID Fund had a 1.7% weighting in Dentsply, 2.8% in EPAM, 2.8% in J.B. Hunt, 2.2% in Lamb Weston, 2.2% in Sportradar, 2.1% in Toro Company. The Cambiar SMID Fund had a 0.0% weighting in Carvana and Robinhood. 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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