CAMBIAR INVESTORS

CAMBIAR SMID VALUE 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.

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SMID VALUE

	1Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
SMID Value (gross)	-1.6%	-1.6%	-7.6%	2.9%	16.0%	8.6%	12.3%
SMID Value (net)	-1.8%	-1.8%	-8.2%	2.2%	15.2%	7.9%	11.6%
Russell 2500 Value	-5.8%	-5.8%	-1.5%	2.3%	16.7%	6.8%	9.7%

SMID Value Composite Inception Date: 7.31.2010 / See Disclosure – Performance

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Fidelity National Financial	3.16	0.49
Sportradar Group	2.34	0.47
Cboe Global	2.73	0.40
Pinnacle West Capital	3.18	0.40
Quest Diagnostics	3.27	0.36

DETRACTORS

Bottom Five	Avg. Weights	Contribution
WillScot Holdings	2.24	-0.37
Lamb Weston	1.78	-0.40
Littelfuse	2.55	-0.43
Gentex Corp	2.14	-0.43
EPAM Systems	2.30	-0.67

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy and is derived from the account's gross performance which does not reflect the deduction of all fees and expenses that a client or investor would have paid. Please refer to the composite gross and net performance to understand the overall effect of fees. See Disclosure – Top 5/Bottom 5 Chart for more information.

While unable to fully sidestep the broad-based decline in small/mid cap equities during the quarter, the Cambiar Small-Mid (SMID) Value portfolio 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 portfolio 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 ~20% of portfolio capital, Financials is the largest allocation in the SMID portfolio, 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 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 slowdowns 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 expectations.

Thank you for your continued confidence in Cambiar Investors.

DISCLOSURE

Cambiar Investors, LLC (Cambiar) is an independent registered investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training. Cambiar claims compliance with the Global Investment Performance Standards (GIPS®).

Cambiar's SMID Value Composite includes discretionary, taxable and tax-exempt portfolios, including portfolios that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in equity securities of small- to mid-sized companies. Cambiar's SMID Value Composite primarily invests in stocks with a market capitalization between $2 and $12 billion. The typical number of securities in the SMID Value portfolio is 35-45 holdings. The SMID Value Composite contains proprietary assets. As of April 2020, there is no minimum asset level for the composite. Prior to April 2020, the minimum asset level for the composite was $100,000.

For the periods of 2013 and forward, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. From 2010 to 2012, the composite only contained accounts whose gross performance is reduced by transaction costs. "Pure" gross returns do not reflect the deduction of any expenses, including transaction costs. "Pure" gross returns are applicable to separately managed accounts that are part of broker-affiliated or broker-sponsored programs, including wrap programs, which waive commission costs or bundle fees including commissions (SMAs). Net returns are reduced by transaction costs and actual investment advisory fees and other expenses that may be incurred in the management of the account. SMAs often incur bundled fees, charged by the wrap sponsor or affiliated broker, that may include transaction costs, investment management, portfolio monitoring, consulting services, and custody fees. Net returns for SMAs are calculated by deducting the investment advisory fees from the client's account as reported by the wrap sponsor or affiliated broker, or as received by Cambiar. Cambiar clients may incur actual fee rates that are greater or less than the rate reflected in this performance summary. Fees will vary based on the assets in the accounts. Returns are reported in U.S. dollars.

Performance results for the SMID Value Composite are evaluated against the Russell 2500™ Value Index. The Russell 2500 Value Index is a float-adjusted, market capitalization weighted index comprised of firms in the Russell 2500™ Index that experience lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,500 smallest companies in the Russell 3000® Index, which consists of 3,000 of the largest U.S. equities. The index assumes no management, custody, transaction or other expenses. The Russell 2500 Value Index is a broadly based index that reflects the overall market performance and Cambiar's returns may not be correlated to the index. The index is unmanaged and one cannot invest directly in an index. Cambiar's performance and the performance of the Russell 2500 Value Index include the reinvestment of all income.

For additional information, including a GIPS Composite Report for the strategy presented herein and/or a list of composite descriptions, please contact: Cambiar Investors LLC, 200 Columbine Street, Suite 800, Denver, CO 80206, 1.888.673.9950, info@cambiar.com. **Past performance is no indication of future results and, as is the case with all investment advisors who concentrate on equity investments, Cambiar's future performance may result in a loss.** All information is provided for informational purposes only and should not be construed as an offer to buy or as a solicitation to buy or sell. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. **This communication is intended for non-wrap use only.**

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Top 5/Bottom 5 Chart: The quarterly contributors and detractors are based on the gross performance of a representative account in the strategy composite. As compared to the representative account, the composite performance shown is the asset-weighted performance of related accounts which may include accounts of varying types including pooled vehicles/mutual funds, separate accounts, and retail/wrap (directed) accounts. Cash flows, holdings and other activities may vary across accounts in the composite which can result in materially different performance between the composite (or other accounts in the composite) and the representative account. Please refer to the net performance of the composite which best represents the net performance an investor would have received if they had invested in the strategy for the period shown.A complete list of each security that contributed to the performance of the Cambiar portfolio mentioned above is available upon request. Please contact Cambiar at 1.888.673.9950 for additional information.

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