50 YEARS ANNIVERSARY 1973 2023

CAMBIAR INVESTORS

CAMBIAR LARGE CAP VALUE COMMENTARY 3Q 2023

MARKET REVIEW

The U.S. equity markets incurred a modest drawdown in the third quarter, with the S&P 500 Index posting a return of -3.6%. After moving higher in July, stocks retreated in August and September, with the selling pressure accelerating into quarter-end (reinforcing September as the most difficult month for equities). Large cap returns remain skewed by mega-cap tech, as evidenced by the YTD return of 0.27% for the S&P 500 Equal Weight Index (vs. 11.7% for the cap-weighted S&P). For reference, this is the widest gap since 1998. The growth over value trade that has been in place for much of 2023 was absent in the quarter, illustrating the broad-based nature of the decline. Commodities (led by energy stocks) bucked the downward trend and finished higher for the quarter.

The slide in stocks was a reaction function to changing market conditions that took place during the quarter; i.e., oil moved higher > stoking sticky inflation concerns > Fed reaffirmed its focus on reducing inflation > yields jump > equity multiples moved lower. Perhaps the yields higher/equities lower relationship was the real takeaway from the quarter. Given bulging deficits, fiscal credibility is becoming a more relevant issue, and investors are demanding higher coupons in order to digest the massive supply of issuance. Market participants anticipating a return to the low-rate environment of yesteryear may be waiting for a while (and should also consider the recessionary pressures that would need to precipitate a sharp move lower in rates).

While still elevated vs. historical peak/trough levels, the one-year forward P/E multiple for the S&P 500 is now ~17.8x, incrementally more reasonable than the 19x range earlier in the year. One way Cambiar is thinking about attachment points during periods of valuation compression is to consider sector/industry multiples as a % of one's expected market multiple. For example, if banks typically trade at 50-60% of the market multiple, and the market ex-FAANGs trade at ~16.5x, a reasonable P/E valuation for banks (in addition to Price/Tangible Book) may be in the 8-10x range. Similarly, if high-quality consumer franchises trade at 10-15% premiums to the broader market, a P/E of 17-19x may present an appropriate entry point. Some of the more favored sectors such as Technology can still hold high relative multiples, but reframing expectations to lower valuation levels is a necessary adjustment in light of a higher rate environment. There have been two distinct rounds of multiple expansion in recent years: the 2017-18 timeframe, and again in 2020-21. Real yields compressed to very low levels in both of these time periods, catalyzing P/E expansion. As the opposite conditions are taking place now, making the necessary attunements to entry/exit multiples is paramount.

LARGE CAP VALUE

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Cenovus Energy	3.22	0.66
ConocoPhillips	2.20	0.33
Alphabet	2.98	0.25
Uber Technologies	3.06	0.23
Chevron	2.85	0.23

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Medtronic	3.04	-0.34
TE Connectivity	3.00	-0.36
United Parcel Service	2.80	-0.38
American Express	2.91	-0.44
RTX	1.82	-0.57

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy. The contribution to return is based on net returns and considers factors including the individual security's total return and the average weight of the holding during the quarter. See Disclosure – Top 5/Bottom 5 Chart for more information.

	3Q 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value (gross)	-1.9%	7.2%	18.7%	12.2%	10.4%	10.5%	8.5%
Large Cap Value (net)	-2.1%	6.7%	18.0%	11.5%	9.8%	9.9%	8.0%
Russell 1000 Value	-3.2%	1.8%	14.4%	11.1%	6.2%	8.5%	6.8%

Large Cap Value Composite (Institutional) Inception Date: 12.31.1998. See Disclosure – Performance

CAMBIAR INVESTORS

The Cambiar Large Cap Value (LCV) strategy was unable to sidestep the selling pressure in the quarter, although the portfolio provided a solid margin of downside protection relative to the Russell 1000 Value Index. In reviewing sector performance of the benchmark, ten out of eleven sectors posted negative returns in the quarter, with Energy as the sole bright spot.

One by-product of the sharp rise in rates over the past 18 months has been a widening dispersion of returns at a sector and company level. Such an environment places a premium on price discovery and fundamental analysis, which in turn should favor active management (even in the large cap asset class). The excess returns generated in the LCV portfolio over the past few years provides some validation to the higher cost of capital backdrop favoring active managers. Cambiar views our Quality | Price | Discipline investment philosophy to be an all-weather approach that can add value across a market cycle, but our preference for companies with strong balance sheets and persistent free cashflow should be particularly well-suited during periods of tightening liquidity. At the portfolio level, we believe a focus on balance and intentional diversification across/within sectors has been an additional positive for the strategy in 2023.

Trading activity was light in the quarter, and primarily consisted of incremental adds/trims to existing positions. As of quarter-end, the top three sectors of the portfolio were Financials (19.3%), Healthcare (16.7%), and Industrials (16.6%).

Cambiar did initiate one new position, adding life sciences tools business Waters Corp. (Healthcare) to the portfolio. Waters possesses many of the attributes we seek in an investment: consistent profitability, high returns on invested capital (45%), strong free cashflow, and entrenched position with their clients. After overperforming in the 2020-21 period as companies raced to find a COVID vaccine, Waters has recently lagged in returning to a more normalized earnings/FCF environment – thus providing what we view to be an attractive entry point. On a valuation basis, Waters is trading near a 10-year low on both a P/E and FCF yield basis. One risk to the investment case is the company's exposure to China (~20% of revenue), although this concern is somewhat mitigated by Waters' growth in other regions.

As mentioned, energy stocks were one of the few areas of the market to generate positive returns in the quarter. Cambiar's overweight allocation to the sector was therefore a value-add to performance for the period. The upward catalyst came in the form of higher oil prices, which rallied from $70 to $90 in response to tightening inventories and OPEC's decision to extend production cuts into 2024. Cambiar's constructive bias towards energy companies is based on a supportive market structure (i.e., supply/demand leans tight) and continued capex restraint that has resulted in strong free cashflow. Canadian integrated Cenovus was an individual standout in 3Q, as investors are increasingly more positive on the company's upstream/downstream earnings power. In contrast to the high depletion rates that exist in many shale assets, Cenovus has significant proven reserves via the company's oil sands deposits. As the company reaches its net debt target (likely by year-end), we anticipate that free cashflow will almost exclusively be used to fund share buybacks and dividends.

The LCV portfolio also benefited from positive stock selection in Consumer Discretionary, as both Amazon and TJX Companies outperformed in the quarter. Amazon posted a small loss in 3Q, but showed signs of firing on all cylinders, as the company's e-commerce margins continue to move higher and Amazon's cloud business (AWS-Amazon Web Services) inflected to the upside. TJX (parent company of TJ Maxx, Marshalls, and HomeGoods) gained in response to strong same store sales; the company also reported an uptick in margins as recent headwinds such as freight costs have begun to abate. We believe that TJX's value proposition as a quality off-price retailer should continue to resonate with consumers – particularly if spending patterns begin to weaken.

Cambiar's holdings in Industrials comprised the largest detractor from performance in the quarter, as RTX and United Parcel Service (UPS) both declined in excess of the index. Upon review/discussion, Cambiar used the price weakness to add to our existing positions. For RTX, the sell-off was in response to an announced inspection/repair of one of the company's aircraft engines. The issue should be resolved by mid-2024, but the expense to undertake the fix results in lower free cashflow. While disappointing in the short run, we view this to be a transitory event, and the company's other lines of business are performing well. Turning to UPS, the company has incurred a number of recent headwinds that include a decline in volumes/revenues and a fairly public Teamster strike/settlement. UPS is now facing some front-end cost absorption that will weigh on near-term earnings, while setting the stage for positive comparisons in 2024. Given the company's duopoly market position, a track record of positive free cashflow, and a 4% dividend yield, we are inclined to remain patient with our investment in UPS at this time.

After representing a strong positive for the portfolio in recent quarters, Cambiar's semiconductor positions posted softer returns in 3Q. Given no material change in fundamentals, the pullback in TE Connectivity, Marvell Technology, and Texas Instruments was more a function of profit-taking after strong year-to-date gains. Cambiar similarly trimmed into price strength (multiple times in the case of Marvell). Technology currently comprises 9.1% of the LCV portfolio, which is in line with the benchmark.

LOOKING AHEAD

As we transition into the final three months of 2023, we are encouraged by how the Cambiar Large Cap Value portfolio has fared thus far in the year – outperforming to the upside in the first two quarters, as well as providing a margin of safety in the most recent drawdown. We continue to believe the current environment provides a two-sided opportunity to generate excess returns – via stock selection and abstention. We remain focused on the consistent implementation of Cambiar's Quality | Price | Discipline approach at a company level, while portfolio construction efforts continue to emphasize balance and diversity of return drivers.

The strength that the U.S. economy has exhibited in the face of higher rates has been a surprise thus far in 2023. That equities have moved higher in the face of a rising 10-year Treasury yield is a bit of a disconnect vs. history – i.e., equity valuations typically compress in the face of a higher cost of capital. Is this cycle different? Or is the lag simply longer vs. past cycles? Investors are increasingly beginning to process the potential of a higher for longer rate environment, although such a scenario may not be fully priced into the equity markets yet. While hesitant to make a forecast on the path of interest rates, we believe the current backdrop should favor companies with durable business models, proven pricing power, and low leverage. And although multiples have come down in recent months, valuation remains a critical input to the buy/sell decision. On this basis, we are seeing an increasing number of companies in our investment library that are nearing actionable attachment points.

We appreciate 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 Large Cap Value Composite (Institutional) includes discretionary, tax-exempt and taxable institutional and high net worth portfolios that are not part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. Effective July 31, 2021, the Cambiar Large Cap Value Composite (Institutional) was redefined to include taxable portfolios. Prior to this date, the composite excluded taxable portfolios due to the impact of tax loss harvesting, which has been lessened through composite membership policy changes. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in large cap equities. Cambiar's Large Cap Value Composite (Institutional) primarily invests in stocks with a market capitalization greater than $10 billion. The typical number of securities in the large cap value portfolio is 35-45 holdings. As of April 2020, there is no minimum asset level for the composite. From July 2016 to March 2020, the minimum asset level for the composite was $1,000,000. From 1998 to June 2016, the minimum asset level for inclusion in the composite was $5,000,000.

Returns are presented gross (g) and net (n) of management fees. Gross and net returns have been reduced by transaction costs. Net returns are also reduced by actual investment advisory fees and other expenses that may be incurred in the management of the account. Net of fees performance reflects a blended fee schedule of all accounts within the Large Cap Value Composite (Institutional). 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 Large Cap Value Composite (Institutional) are evaluated against the Russell 1000® Value Index. The Russell 1000 Value Index is a float-adjusted, market capitalization weighted index of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest 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 1000 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 1000 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: For the quarter, the total portfolio return for the representative account was -1.99% (gross) and -2.12% (net). The net performance is calculated assuming the highest applicable fee rate currently being offered to prospective clients for the strategy. 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.

The net contribution for individual holdings is calculated by determining each security's contribution to return as a percentage of the account's gross performance, then multiplying that percentage by the account's net performance. Fees and expenses are not charged to individual investments, and net performance of individual holdings are provided for illustrative purposes and to meet regulatory requirements. Different calculation methodologies can result in materially different net returns for individual holdings. Please refer to the net performance of the representative account, 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.