

CAMBIAR LARGE CAP VALUE COMMENTARY 4Q 2023



MARKET REVIEW

U.S. equity markets staged an impressive rally in the fourth quarter, as October fears of a massive budget deficit and 8% mortgage rates gave way to a continued decline in inflation data and a corresponding signal from the Federal Reserve for interest rate cuts in 2024.

In contrast to the narrow market leadership that had been in place for much of 2023, the upsurge in stocks (and all risk assets) was broad-based in nature. The S&P 500 Index gained 11.7% in the quarter, ending the year on a 9-week winning streak and closing the year just shy of a new all-time high. The price action in stocks was particularly explosive in small caps, with the Russell 2000 Index posting a 4Q return of 14.0%. Small cap stocks were largely shunned for much of 2023 due to recession fears and tighter credit conditions; as these headwinds may be poised to abate, we believe the outlook for the asset class should remain favorable.

After hampering stock valuations during the September/October timeframe, bond yields retreated in conjunction with the expectation for rate cuts – weakening the ‘higher for longer’ narrative that permeated the markets for much of the year. Upon briefly reaching the 5% level, the 10-year Treasury yield ended 2023 at 3.87% – almost exactly where it started the year (but still well above the July 2020 low of 0.55%). With inflation levels drawing closer to their 2% target, the Fed is in position to lower rates from current restrictive levels to something closer to a neutral level that can perform double duty in the economy; i.e., high enough to dissuade speculative behavior and excess risk-taking, while not so high so as to cause financial instability. Whether they can successfully thread this needle remains to be seen.

The end of the calendar year brings with it some reflection. There is a popular saying that markets climb a wall of worry, and this was certainly the case for U.S. equities in 2023. Entering the year, Cambiar anticipated that stocks would likely struggle to find direction, given uncertainties in corporate earnings, a high discount rate and the path of monetary policy. Our view for a somewhat rotational market characterized by multiple compression due to an elevated cost of capital generally held correct, with the P/E multiple of the equal-weighted S&P 500 compressing to 15x earnings at the end of October. We could not have anticipated the rapid failures of several major regional U.S. banks, nor the relatively smooth absorption by the financial system of their demises. Nor did we anticipate

the significant multiple expansion of a narrow group of mega-cap tech stocks amidst this backdrop. We did anticipate that the mixed return outlook across sectors would be favorable for active management, which was largely the case.

While increased breadth to end the year is a positive development for the market, there is still more work to be done on this front. The top 10 stocks in the S&P 500 Index contributed 86% of the total return in 2023. The combined weight of just Apple and Microsoft (13.9%) is greater than the collective weight of four **sectors** (Energy, Basic Materials, Real Estate and Utilities). Proponents of greater stock market breadth may recall a quote of Roman poet Horace:

“Many shall be restored that now are fallen and many shall fall that now are in honor.”

Looking ahead, it would be unusual for the narrow market breadth that reined in 2023 to continue for a second full year. As investors become more sanguine about the economic outlook, we would expect value to outperform growth and market breadth should continue to expand. Similarly, it would be unusual for industries that uniquely benefited from the extremely long period of ultra-low interest rates to reassert market leadership. Improved stock market breadth and less restrictive monetary policy likely coincide. We see a path toward such an environment in 2024.

LARGE CAP VALUE

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Uber Technologies	3.13	1.01
American Express	3.13	0.77
Amazon.com	3.42	0.68
Union Pacific	3.14	0.65
Goldman Sachs	3.11	0.63

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Constellation Brands	3.04	-0.13
Corteva	1.87	-0.16
Bristol-Myers Squibb	2.32	-0.34
Chevron	3.19	-0.47
Cenovus Energy	3.13	-0.79

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.

	4Q 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value _(gross)	9.9%	17.8%	17.8%	10.2%	16.0%	10.6%	8.8%
Large Cap Value _(net)	9.7%	17.1%	17.1%	9.5%	15.3%	10.0%	8.3%
Russell 1000 Value	9.5%	11.5%	11.5%	8.9%	10.9%	8.4%	7.1%

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

The Cambiar Large Cap Value (LCV) strategy ended 2023 on a high note, as investors bid up equities on hopes of a soft landing for the U.S. economy. The LCV portfolio posted a small margin of relative outperformance for the quarter, while outpacing the benchmark by a considerable margin in 2023. Longer-term returns also remain ahead of the index.

The portfolio's excess return for the year was a function of positive stock performance across most sectors of the portfolio. As opposed to being swayed by varying macro narratives, our team focused their efforts on identifying durable businesses that can perform well regardless of the prevailing market backdrop. Portfolio construction was an additional value-add in 2023, as an emphasis on diversification and varying return drivers contributed to outperformance in both market upswings as well as during the drawdown in September/October.

There were no material year-over-year changes at a sector level within the portfolio, as Financials and Industrials continue to represent the two largest sectors as of year-end. We did increase the portfolio's allocations to Healthcare and Energy over the course of 2023, given attractive valuations and company-specific catalysts. Cambiar's exposure to the 'Magnificent Seven' was limited to our longstanding positions in Alphabet (Google) and Amazon. While trimming both holdings throughout the year, we view these wide moat titans as

special businesses that continue to offer an attractive risk/reward.

Returning to fourth quarter performance drivers, the expectation for multiple interest rate cuts in 2024 sparked an across-the-board rally in stocks, with Energy representing the sole sector that did not register a positive return. The prospect of more accommodative monetary policy was particularly welcomed by rate-sensitive sectors such as Real Estate, Utilities, and Financials, which were all in the red for the year entering the quarter. With valuations still on the lower end of their historical range for many bond-proxy stocks, there could be some additional positive follow through in 2024 should rate cuts materialize.

Cambiar's holdings in the Industrials sector comprised the largest positive contribution to performance in the quarter. Ride-share operator Uber was a notable outperformer in 2023. The company has built tremendous scale and a very strong market position in recent years that is now being reflected via strong free cashflow. The position was trimmed multiple times in the year in response to the strong move in the stock price; that said, Uber remains a high conviction holding in the portfolio.

Given the regional bank failures in March and associated stress on banks' balance sheets due to an

inverted yield curve, it is somewhat unexpected that the Financials sector would go on to outperform the broader value index in 2023. The sector was a notable standout in the fourth quarter, as investors saw the prospect of lower rates to be an outsized benefit for banks via lower deposit costs and higher margins. Cambiar registered positive stock selection in Financials – in both the quarter as well as on a full-year basis. The portfolio holds a mix of financial services companies that include credit cards, an investment bank, derivatives exchanges, and insurance. Banks comprise a relatively low weighting in the portfolio, consisting of J.P. Morgan and the more recent (October) purchase of regional bank PNC Financial Services. PNC has a history of conservative credit underwriting, a diverse revenue stream, and strong capital ratios. At a one-year forward P/E of ~8x and price/tangible book value of 1.5x (at purchase), we believe current valuations more than reflect current macro uncertainties. PNC offers the opportunity for attractive upside over a multi-year timeframe.

After being stuck in reverse for much of 2023, healthcare stocks moved higher in the quarter, although trailed the broader market advance. The sector's acyclical tendencies should have been a benefit in 2023, yet Healthcare stocks struggled in response to higher interest rates (a negative impact for biotech), patent cliffs and a lack of innovation in pharmaceuticals, and the negative ripple effects on medical device companies from a new category of weight-loss drugs. Cambiar was able to generate above-benchmark results within the sector (for both the quarter and full-year basis), as gains in Laboratory Corp and Waters Corp. overcame lagging returns for Johnson & Johnson and Bristol-Myers Squibb. Security selection remains paramount within the sector; that said, we believe the combination of low valuations/low expectations being assigned to many healthcare companies increases the odds for improved results in 2024.

Performance detractors in the quarter included modest cash drag (~10 bps impact), non-participation in the top-performing Real Estate sector, and the portfolio's overweight allocation to the lagging Energy sector. Cambiar's average cash balance of ~4.5% throughout 2023 also hampered full-year performance. Generally speaking, there will always be some level of dry powder in the portfolio as a by-product of trade activity; the self-canceling element of cash (e.g., helped in 2022, detracted from return in 2023) results in a negligible performance impact over longer-term timeframes.

Representing ~10% of the LCV portfolio, energy stocks lost ground during the quarter in response to an increase in global supplies that subsequently weighed on oil prices. Cambiar's energy holdings consist of an integrated (Chevron), exploration/production companies (ConocoPhillips and Cenovus), and a pipeline operator (Williams). While these positions will be influenced by fluctuations in energy prices, the underlying investment cases are based on longer-term dynamics – i.e., steady free cashflow that can be used for shareholder remuneration and share buybacks (which then leads to per share production growth and an eventual higher yield).

LOOKING AHEAD

U.S. equities closed out the year on a high note, with stocks rallying in response to continued progress on the inflation front and ongoing resilience in the economy and labor market. While the market may have been reasonably priced in October, the 4Q surge results in valuations that are now closer to historical fair/full multiples at an index level. As investors showed a clear preference for risk-taking and chasing upside participation in the quarter, some consolidation would not be unexpected as we head into the New Year.

The strength that the U.S. economy exhibited in the face of higher rates was certainly a surprise in 2023. Outside of a handful of regional banks, fears that Fed actions would 'break something' has yet to materialize. Softening inflation data now provides the necessary breathing room for the Federal Reserve to begin lowering interest rates. A reduced cost of capital should be a tailwind for stocks in the aggregate, but could create a catch up opportunity for smaller companies that were most negatively impacted by elevated refinancing rates and recession fears. On a style basis, growth stocks outpaced value by a wide margin in 2023, with the gap most pronounced in the large cap asset class. Yet lower bond yields and normalizing inflation pressures should be positive for multiple expansion within traditional value sectors in 2024.

Cambiar remains humble about our ability to make accurate macro forecasts; we instead channel our efforts on identifying competitively advantaged businesses that meet our Quality | Price | Discipline philosophy. We anticipate a wide range of outcomes for equities in 2024, with market volatility likely to be amplified by the upcoming Presidential election. The resulting backdrop should provide sufficient opportunity for active managers to add value via a combination of thoughtful stock-picking and abstention/selective

avoidance. Cambiar remains vigilant in evaluating fundamentals vs. valuation at a company level, while portfolio construction efforts attempt to strike a consistent balance between conviction and prudent diversification.

We wish you a happy and healthy 2024 and 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 9.86% (gross) and 9.72% (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.

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