CAMBIAR INVESTORS

CAMBIAR OPPORTUNITY FUND COMMENTARY 1Q 2023

MARKET REVIEW

The U.S. equity markets started 2023 on a positive note, with the S&P 500 Index registering a gain of 7.5% for the first quarter. After incurring a bruising drawdown in 2022, growth stocks paced the market advance and led value stocks by a wide margin in the quarter. The mega-cap FAANG+ stocks were notable outperformers, with seven stocks providing almost all of the uplift in the S&P 500 for the period. The increased appetite for tech stocks can be attributed to a number of factors – an anticipation of a pause/end to rate hikes, all things artificial intelligence (ChatGPT did not write this commentary), and safe haven status vs. the turmoil in the banks. The recent price strength notwithstanding, some caution towards big tech is warranted, as earnings remain under pressure for the group – i.e., the YTD gains are almost exclusively a function of multiple expansions. Small cap stocks also participated to the upside, although not to the same extent, with the Russell 2000 Index gaining 2.3% in 1Q.

Despite the appearance of a relatively healthy environment for equities, intra-quarter price action showed a more tumultuous path for the equity markets. Hopes for the market to return to valuing stocks based on company-specific fundamentals vs. a continued obsession with inflation and Fed policy appear to be wishful thinking, as macro variables remain front and center for investors. A risk-on rally fueled by hopes of a Fed pivot in January gave way to selling pressure as inflation data remains elevated and labor slack still tight. Two additional 25 bps rate hikes in the quarter resulted in the highest Fed Funds rate since October 2007, contributing to a liquidity crisis for regional banks in March as depositors sought higher return options. Yet the markets remained resilient and rallied into quarter-end.

Global Financial Crisis – Part II?

As discussed in our 3Q 2022 commentary, policymakers viewed some economic pain to be an acceptable casualty in their efforts to rein in inflation. Said pain surfaced in the quarter, as fissures in the financial plumbing began to appear, highlighted by the failing of two regional banks and elevated stress across many others. The weakness in banks was not contained to the U.S., as low capital levels resulted in the forced merger of Credit Suisse with UBS – an unfortunate end for a bank that was founded in 1856.

In aggregate, Cambiar views the failures of Silicon Valley Bank and Signature Bank to be outlier events vs. a broader liquidity crisis within the banking system. Specific to Signature (and Silvergate), regulators sent a more pointed message: crypto-oriented financial companies are unlikely to receive government agency help if they have funding or capital problems.

While bank failures are not a new phenomenon, the size of these institutions and the speed in which the closures took place were notable. Given that most depositors can access their bank accounts via smartphone apps these days, the swiftness of the bank runs was exceptional. To their credit, the Federal Reserve acted quickly to provide a funding backstop via the newly created Bank Term Funding Program, which will provide unlimited access to liquidity via collateral pledges that will be valued (at par) vs. their current mark-to-market values. In 2008, the collateral was not good (at all), creating a systemic problem. That is not the case in this situation. This is not to suggest that caution is not warranted, as it is increasingly clear that after an extended period of low interest rates, vulnerabilities within the financial system are now surfacing in response to one of the sharpest hiking campaigns in history.

Another read-through from current events is that a Fed Funds rate in the 4.75% - 5.00% range is overly restrictive. The steepest yield curve inversion since the peak rates of the Volcker era suggests that the market believes current Fed Funds rates are far above a longer-term neutral interest rate. It is entirely possible that the financial system "runs" better at a 3% 10-yr Treasury yield, a 2% Fed Funds rate, and 3% inflation going forward (vs. the Fed's 2% goal). This is just one hypothetical scenario, but we think it has a good chance of being correct. That would then entail interest rates becoming less onerous by 2025, but not revisiting the zero-interest rate environment and related asset price distorting features of the lowflation era.

Cambiar has had a more conservative allocation to banks across our domestic strategies, largely based on concerns that asset quality problems are likely to surface in areas that benefited from the prolonged accommodative posture that had been in place. The approximate $270 billion in commercial real estate mortgages coming due in 2023 (the highest figure on record according to data firm Trepp Inc.) is one such example. Tightening credit standards and higher

CAMBIAR INVESTORS

savings rates to stem deposit flight will also crimp profitability. Net, while the disinflationary impulse that results from reduced loan activity should enable the Fed to take their foot off the gas pedal, we view the forward outlook for bank returns to be challenged vs. other areas of the market.

OPPORTUNITY FUND

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception – Inv	Since Inception – Inst
CAMOX	1.89%	1.89%	-6.25%	18.99%	9.45%	9.88%	8.65%	-
CAMWX	1.94%	1.94%	-6.10%	19.22%	9.64%	10.11%	-	7.45%
R1000V	1.01%	1.01%	-5.91%	17.93%	7.50%	9.13%	6.87%	7.42%

Inception Dates: CAMOX (6.30.1998) | CAMWX (11.3.2005). 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 3/31/23, expense ratios are CAMOX: 0.98% (gross); 0.86% (net) | CAMWX: 0.77% (gross); 0.65% (net). Fee waivers are contractual and in effect until March 1, 2024. Absent these waivers, total return would be reduced.

The Cambiar Opportunity Fund posted a modest margin of outperformance vs. the Russell 1000 Value Index in the quarter. The excess return was a function of positive stock selection across multiple sectors, including Industrials, Financials, and Consumer Discretionary. Cambiar's emphasis on portfolio balance and diverse return drivers within and across sectors also helped the portfolio to sidestep some of the more challenged areas of the market (such as banks). Consistent with the underlying risk-on tone in the equity markets, technology and communication services companies outperformed, while traditional value sectors such as Financials, Healthcare, and Utilities all closed lower in the quarter. Energy stocks also pulled back in response to weaker commodity prices, with natural gas plunging to its lowest price in over two years.

Portfolio buy/sell activity in the quarter consisted of three new purchases and three sales. Two of the initiations were in the Energy sector, resulting in a modest overweight by quarter-end (~10.5% vs. 8.5% for the index). The higher allocation to energy stocks is a function of improved market structure (i.e., a more balanced global supply/demand backdrop), as well as what we view to be an attractive risk/reward at the company level. A change in management priorities from maximizing drilling output to de-levering and free cashflow has been another positive catalyst, contributing to a market that leans tight and rewards stable/predictable production. In contrast to the higher risk/higher return profile that often accompanies energy services or pure-play exploration and production companies, Cambiar continues to be biased towards lower beta operators that have a more 'oily' production profile. Recent additions Chevron and Cenovus Energy are consistent with this approach.

On the sale side, heightened liquidity concerns within Financials resulted in the decision to part ways with Charles Schwab. The sale is somewhat pre-emptive in nature, as Schwab did not incur deposit outflows (in fact, it was the opposite). Yet given the potential for investors to seek higher yielding options for their cash balances and increased regulatory scrutiny, we believe the upside case for Schwab is more muted at this time. Should there be more clarity on these issues, we would welcome the opportunity to revisit this company in the future. In aggregate, Cambiar's financial holdings performed relatively well in the sector, as positive returns in American Express and Fiserv helped to offset the pullback in Schwab. Cambiar's sole bank position

Diversification does not protect against market loss.

is in J.P. Morgan, which could be a beneficiary from the asset flight affecting the regional banks.

At a sector level, Industrials comprised the top contribution to performance in the quarter. Representing approximately 20% of portfolio capital, Cambiar's industrial holdings are diverse via the verticals in which they operate as well as end market. Uber and Airbus were two bright spots in the quarter, as both companies moved higher in response to solid earnings reports. While their day-to-day stock prices may be a bit more volatile, the longer-term progress for Uber and Airbus is demonstrated via their market leadership positions, strong returns/free cashflow metrics, and low leverage profiles.

Performance detractors included a marginal cash drag and an underweight allocation to Communication Services. The composition of the sector has expanded in recent years, and now includes media and internet platform businesses in addition to traditional telecom companies. A sharp rally in Meta Platforms constituted most of the sector's gains in the quarter. Cambiar's current exposure in comm services is a long-standing position in Alphabet, which remains a high-conviction holding (and performed well in the quarter). The media operators in the sector have been a good avoid over the past few years, given their significant investments in content to support streaming offerings. As subscriber numbers have not met expectations, the focus is now on reducing expenses in the wake of higher rates. We continue to follow the space but view there to be more attractive investment opportunities in other areas of the market.

LOOKING AHEAD

Although U.S. equity indices are positive to start the year, the gains thus far have been largely driven by narrow, top-heavy leadership. Whether the rally in growth stocks and related speculative instruments (e.g., Bitcoin) is a sign of resilience or denial remains to be seen. Given a declining earnings backdrop and the higher probability of the economy slowing (vs. accelerating), the recent price strength in tech stocks is all the more tenuous in our view.

The Federal Reserve and monetary policy continue to take center stage for many investors. Adding to a growing list of questionable decisions, the Fed's most recent move to continue tightening in the face of a potential banking crisis may result in a 'win the battle but lose the war' outcome. Economic signals are sending a mixed message – while the rise in interest rates has begun to filter its way into the economy via contracting manufacturing activity and lower residential construction, consumer spending patterns remain strong, and unemployment is low. With the S&P 500 index currently valued at ~19x 2023 earnings, a passive approach does not appear to offer compelling forward return potential. Yet underneath the surface, there are an increasing number of companies that, in our view, possess reasonable upside as conditions normalize. The opportunity in small/mid cap equities offers an even more attractive risk/reward proposition, on both an absolute valuation basis vs. history, as well as relative to large caps.

For Cambiar, buy and sell decisions remain based on company-specific fundamentals vs. macroeconomic predictions. We believe the current environment provides a two-sided opportunity to generate excess returns – via the companies we own as well as through selective avoidance. The recent turmoil in banks illustrates that alpha can be as much a function of abstention as it is stock selection. We are generally pleased with how the Cambiar portfolios fared in the quarter; that said, our focus remains on outperforming over a longer arc.

While acknowledging the uncertain forward outlook, Cambiar remains committed to the consistent implementation of our Quality, Price, Discipline (QPD) approach. Portfolio construction continues to favor self-funding companies with durable business models that we believe can generate strong through-the-cycle returns. We view attributes such as low leverage, steady free cashflow, and persistent margins to be key inputs in generating strong risk-adjusted returns over a cycle but should be even more consequential to success in periods of tightening liquidity conditions.

We appreciate your continued confidence in Cambiar Investors.

Diversification does not protect against market loss.

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." A company may reduce or eliminate its dividend, causing loses to the fund. There is no guarantee the fund will achieve its stated objective. Diversification does not protect against market loss.

The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Growth® Index measures the performance of the Russell 1000's growth segment which is defined to include companies whose share prices have higher price to book ratios and higher expected earnings growth rates. 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. Index returns do not reflect any management fees, transaction costs or expenses. 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 U.S. Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

As of 3.31.23, the Cambiar Opportunity Fund had a 4.0% weighting in Airbus, 3.6% in Alphabet, 2.8% in American Express, 3.2% in Chevron, 3.2% in Cenovus Energy, 2.2% in Fiserv, 3.5% in J.P. Morgan, and 2.1% in Uber. Cambiar had a 0.0% weighting in Charles Schwab, Signature Bank, Silicon Valley Bank, and Silvergate. Holdings subject to change. Current and future holdings subject to risk.

For characteristics and risk definitions, please visit www.cambiar.com/definitions.

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.

Cambiar Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Cambiar Investors LLC or its affiliates.

CAMBIAR INVESTORS