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CAMBIAR SMID VALUE COMMENTARY 4Q 2022

MARKET REVIEW

U.S. equities reversed their downward trajectory and turned in a solid gain for the fourth quarter. The S&P 500 Index posted a 4Q return of 7.6%, while the small cap proxy Russell 2000 Index gained 6.2%. The move higher was largely a front-end loaded event, with stocks reacting positively to declining inflation data in October and November before pulling back in December as the Federal Reserve remained steadfast in their more restrictive stance on monetary policy. On a style basis, value again outperformed growth in the quarter – a trend that was in place for much of the year. Aggressive monetary policy in 2022 resulted in a challenging year for all risk assets, but it was a particularly painful period for growth stocks.

From a starting point of 0% to a year-end range of 4.25-4.50%, rate hikes over the course of 2022 effectively repriced the entire spectrum of financial assets. While there is no way to sugarcoat the -18.1% decline in the S&P 500 Index for 2022, it is worth noting that the S&P 500 had a 5-year cumulative return of 91.2% and was trading at an all-time high entering the year. Given the extended valuations assigned to many stocks, some giveback was largely a matter of time. As we progressed through the year, investor obsession on the potential for a Fed pivot only added to the volatility.

Inflation (and therefore monetary policy) was the dominant driver of returns in 2022. On this note, a quote from Milton Friedman rings true:

> ***"Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."***

Given the sharp deceleration in money supply (M2) during the second half of 2022, there should be a coincident decline in inflation over the course of 2023. While efforts to rein in demand via higher rates is starting to be seen in areas such as the housing market and used car prices, the Fed's reaction function has shifted from inflation to the labor market – which remains tight. Having been slow to act in responding to rising inflation, fears are now growing that the Fed may be compounding matters by overstaying its welcome on the back end, particularly given signs of disinflationary forces beginning to take hold.

The path forward for equities will continue to be influenced by Fed policy, although we anticipate that corporate earnings will be a more relevant consideration in 2023. This latter driver is where the Cambiar team is spending its time. We continue to focus on self-funding businesses with reasonable valuations, strong balance sheets, and through-the-cycle free cashflow. We believe these attributes will continue to be a winning combination – regardless of the macro backdrop.

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CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Burlington Stores	2.24	1.31
Arch Capital Group	2.65	0.94
Toro Company	2.62	0.79
Bruker Corp	2.57	0.76
Quest Diagnostics	2.60	0.73

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Masco Corp	2.48	0.02
East West Bancorp	2.51	0.00
Watsco	2.26	-0.03
V.F. Corporation	2.19	-0.12
Amedisys	2.07	-0.35

The Top 5/Bottom 5 chart provided is based on a representative account managed in the strategy. The contribution to return is applied to gross 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 2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
SMID Value (gross)	14.9%	-5.3%	-5.3%	9.6%	11.3%	13.0%	13.7%
SMID Value (net)	14.7%	-5.9%	-5.9%	9.0%	10.6%	12.3%	13.0%
Russell 2500 Value	9.2%	-13.1%	-13.1%	5.2%	4.8%	8.9%	9.8%

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

The Cambiar Small-Mid Value (SMID) strategy posted a strong 4Q return, on both an absolute basis and relative to the benchmark. Although unable to fully sidestep the drawdown in equities, the portfolio outpaced the index by a considerable margin for the year – building on the SMID strategy's strong long-term record since inception.

Elevated inflation levels and aggressive monetary policy made for a turbulent backdrop for risk assets in 2022, with the selling pressure more acute in high multiple 'concept stocks' where earnings/free cashflow are in the distant future. While continuing to operate from the mindset of continuous improvement, we were generally pleased with how the SMID portfolio fared in 2022. Given the downward pressure that permeated the small-mid asset class for much of the year, Cambiar's quality bias and strong stock selection enabled the strategy to provide material downside protection relative to the index (and peers). The portfolio's strong up capture in the fourth quarter further illustrates that Cambiar's Quality/Price/Discipline (QPD) approach can add value in a variety of market environments.

From a portfolio management perspective, the intent is for the power of compounding to work for our clients over a long-term arc. Protecting capital during market drawdowns is a critical input to this objective, as it allows the portfolio to then operate from a higher base as conditions normalize. On this latter point, what is normal? One could (should?) argue that the current monetary backdrop is closer to normal vs. the ultra-low rate environment that has been in place for much of the post-GFC environment. Given the number of smaller cap 'zombie' companies that are unable to generate sufficient operating revenue to satisfy their debt obligations, managing one's business in a 4.5% Fed funds rate will be considerably more difficult. Companies that generate free cashflow to sustain their business (vs. reliance on the credit markets) should be in much stronger position should liquidity conditions continue to tighten.

There were no material changes to overall portfolio positioning during the quarter. Trade activity was fairly muted, consisting solely of incremental adds/ trims to existing positions. Portfolio construction continues to emphasize broad diversification across and within sectors. The intent is to build a portfolio that provides multiple shots on goal, vs. dependence on a given macro outcome. Cash (~6% at quarter-end) is slightly elevated, although we anticipate there will be opportunities to deploy capital as pipeline candidates reach actionable attachment points.

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All sectors posted a positive return in the quarter, led by Materials, Consumer Discretionary and Industrials. Defensive-minded areas such as Healthcare and Utilities were relative laggards, illustrating the risk-on bias. The 4Q excess return posted by the SMID strategy was broad-based in nature, with the portfolio registering positive stock selection in eight out of nine sectors. Cambiar's Technology holdings comprised the largest contribution to performance. WEX Inc. (corporate payment processing solutions) and MAXIMUS (business services) were two individual bright spots in the quarter, as both stocks moved higher in response to strong earnings reports. While tech stocks as a whole endured a difficult 2022, Cambiar's bias towards businesses with incrementally lower earnings variability enabled the portfolio to hold up better than the index for the year.

Comprising ~17% of portfolio capital, Cambiar's holdings in the Financials sector were an additional value-add for the portfolio – in the quarter as well as on a full-year basis. The sector is a good example of our focus on diversification, as the mix of positions includes regional banks, reinsurers, title insurance/ escrow services, and a securities exchange. While recession fears limited the upside for banks during the year, insurance companies benefitted from an uptick in pricing and rising rates that translated into higher investment income. For the quarter, insurers Arch Capital and American Financial Group posted solid gains, helping to offset modest weakness in East West Bancorp.

A brief comment on Burlington Stores, whose stock price has been a roller coaster of sorts over the past twelve months. After declining over the first nine months of 22, Burlington rallied signficantly in the fourth quarter, as the off-price retailer appears to have turned the corner and is poised to see better execution in 2023. Burlington's business model has been impacted by a combination of reduced inventories, a more challenged customer demographic, and merchandise mix. These headwinds are now beginning to dissipate as freight expenses are coming down, excess inventories at larger retailers results in more supply, and the potential for an economic slowdown increases Burlington's value proposition (i.e., trade down).

Detractors from performance in the quarter included Cambiar's non-participation in the top-performing Materials sector, below-benchmark performance in Industrials, and modest cash drag. The shortfall in Industrials was a function of lagging returns from Masco and Builders FirstSource, given the companies' exposure to the slowing residential real estate market. We view these concerns to be transitory in nature, as both companies have diverse endmarkets. The rally in Materials was largely in response to stronger commodity prices. While we continue to monitor the sector for potential investment, we have chosen to tread carefully in light of the cyclical characteristics of many operators as well as valuations that still do not reflect sufficient reward relative to risk.

LOOKING AHEAD

Suffice to say that investors are more than ready to turn the page on 2022. As we look ahead to the coming year, one can envision a range of outcomes for the equity markets. A growing consensus is calling for a retest of market lows in the first quarter, followed by a rally in the second half of the year as forward earnings are reset and monetary policy becomes more neutral. It is worth noting that back-to-back years of negative returns for the S&P 500 are highly unusual (only four previous occasions, dating back to 1928). Of course, this is not to suggest that we are in any way out of the woods as it relates to the prevailing market headwinds.

While acknowledging the current investor pessimism, one should also consider to what extent concerns such as slowing economic growth and an elevated rate environment are reflected in lower equity valuations. Although uncomfortable in the moment, the sell-off in risk assets results in a more reasonable attachment point for investors with a multi-year time horizon. As opposed to trying to time a market bottom, Cambiar believes that adherence to a longer-term asset allocation strategy is the more appropriate path. Waiting for the 'all clear' signal will likely result in missed gains, given the potential for equities to have already begun re-rating to the upside. As Peter Lynch once said, "Everyone has the brainpower to make money in stocks. Not everyone has the stomach."

The Cambiar team remains focused on identifying durable businesses that can execute their business plan regardless of the current environment. We continue to lean into quality via companies with strong balance sheets, steady free cashflow, and low leverage. Businesses that possess such attributes should enable them to widen their competitive moats during periods of market stress. We also want to remain opportunistic to the extent we can take advantage of outsized dislocations between valuations and normalized earnings that often take place in the small-mid asset class. 2022 saw a wide dispersion of returns across and within sectors. Such an environment is almost certain to continue in 2023, resulting in a supportive backdrop for active management.

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 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.

The composite contains accounts with gross and "pure" gross performance. Gross returns are 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, that waive commission costs or bundle fees including commissions (SMAs). "Pure" gross returns are supplemental information. 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: For the quarter, the total portfolio return for the representative account was 14.64% (gross) and 14.44% (net). The net fee 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.

A complete description of Cambiar's performance calculation methodology, including 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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