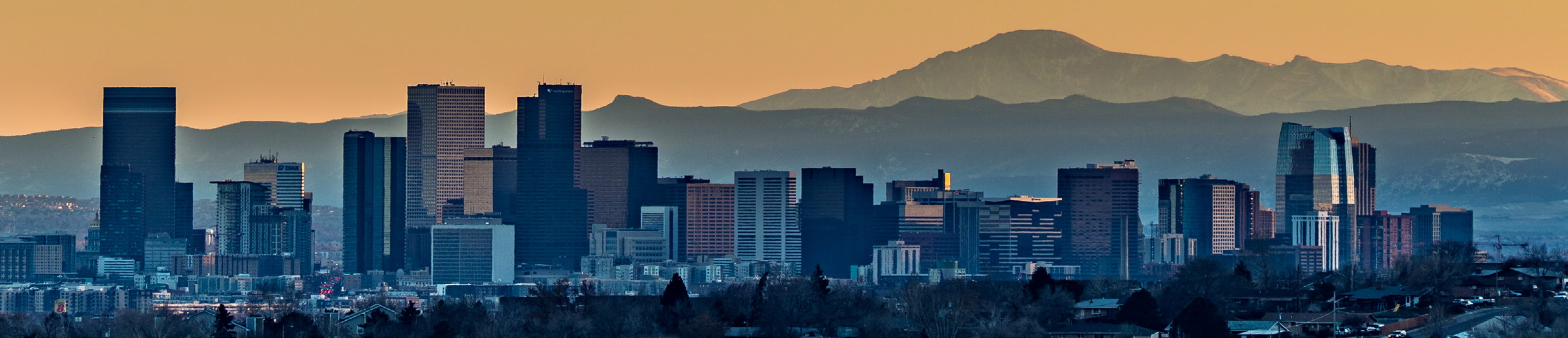
# CAMBIAR SMALL CAP VALUE COMMENTARY 2Q 2026



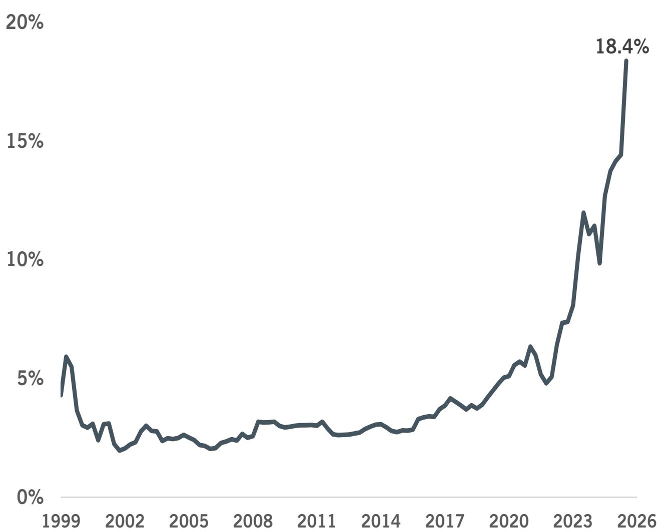
# MARKET REVIEW

After a sluggish start to the year, U.S. equity markets rebounded sharply in the second quarter. The S&P 500 Index registered a 2Q gain of 15.2%, while small caps (as measured by the Russell 2000 Index) rallied 21.5% for the period. On a style basis, growth stocks outpaced their value counterparts, although value is still leading the way on a year-to-date basis.

Stocks climbed a wall of worry in the quarter, overcoming the conflict in Iran, a 4-handle in inflation readings, triple-digit oil prices, and higher bond yields/mortgage rates. Some of these headwinds (e.g. oil prices) were viewed to be transitory and indeed normalized as conditions in Iran de-escalated. Yet the spike in market averages during the quarter was primarily due to the resurgence in technology and AI beneficiary stocks.

The combined weight of the Technology sector and related AI stocks such as Amazon and Alphabet now comprise nearly 50% of the S&P 500 – a supposed diversified equity index. The fervor for all things AI that took place in the quarter was particularly evident in the semiconductor industry, as illustrated in the graph below:

**SEMICONDUCTORS AS A % OF S&P 500 INDEX**




Source Factset

Today's AI-driven semi cycle eclipses the last notable capacity cycle of the mid-late 90s – a period where demand was driven by the internet era and required computing infrastructure. As AI chips become more advanced with each subsequent iteration, they require a related increase in memory – creating a multiplier effect of sorts within the semiconductor complex. The massive stock price gains being seen suggest that AI demand is a structural opportunity rather than an industry-wide cyclical one. It is worth noting that margins and profits have been extremely strong, thus providing a degree of validation for investor optimism.

Whether we are in a more durable demand environment for semis that is reflected in the above graph remains to be seen; yet this degree of concentration – in tandem with extreme price moves – warrants some level of caution. Valuation should be an additional (primary?) consideration; for example, Micron is trading at 10-12x book value vs. trailing 10-year median of 2.0x. Bob Farrell's Rule #4 seems fitting here:

*"Parabolic advances usually go further than you think, but they do not correct by going sideways."*

At minimum, some degree of prudent trimming of one's exposure seems appropriate.

# SMALL CAP VALUE

| | 2Q 2026 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|---|
| Small Cap Value (gross) | 18.0% | 21.8% | 31.5% | 14.3% | 8.5% | 11.2% | 10.2% |
| Small Cap Value (net) | 17.8% | 21.3% | 30.5% | 13.4% | 7.6% | 10.2% | 9.2% |
| Russell 2000 Value | 17.2% | 23.0% | 43.0% | 18.7% | 8.2% | 10.9% | 8.2% |

Small Cap Value Composite Inception Date: 11.30.2004 / See Disclosure

## CONTRIBUTORS

| Top Five | Avg. Weights | Contribution |
|---|---|---|
| Ichor Holdings | 3.19 | 3.09 |
| Lattice Semiconductor | 3.19 | 1.70 |
| Diodes | 3.17 | 1.52 |
| Tower Semiconductor | 3.06 | 1.42 |
| Rambus | 2.99 | 1.27 |

## DETRACTORS

| Bottom Five | Avg. Weights | Contribution |
|---|---|---|
| WEX Inc. | 1.63 | -0.11 |
| Globus Medical | 2.27 | -0.13 |
| Sportradar Group | 1.73 | -0.15 |
| Atmus Filtration Technologies | 2.28 | -0.23 |
| Ingredion Incorporated | 1.88 | -0.33 |

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.

The Cambiar Small Cap strategy posted its strongest quarterly return since 4Q20, gaining 18% (gross of fees) for the period. While the broader small cap market moved higher in the quarter, the advance was largely paced by non-earning companies (vs. profitable businesses). Given the more speculative bias in place, we are pleased with the portfolio's ability to outperform for the quarter.

Bolstered by the AI capex trade, technology stocks were particularly strong in the quarter, with the sector posting an astounding 78% return. The Cambiar SCV portfolio benefited from both strong returns as well as an overweight allocation to Technology (~15% vs. 11%). Our tech exposure has been primarily allocated to semiconductor names, while we continue to sidestep the software space. Individual outperformers in the quarter included Lattice Semiconductor and Ichor Holdings. Ichor is an example of a high quality business that is off the radar for many investors; the company is a key provider of gas and chemical subsystems that play an essential role in the semi manufacturing process. We trimmed the position in response to the strong gain during the quarter, but continue to maintain exposure in light of accelerating demand trends.

While performance (vs. a benchmark) is primarily driven by what you own, selective avoidance can also impact returns. In a reversal from the first quarter, energy stocks lost ground in 2Q, as lower commodity prices weighed on operators in the sector. Cambiar anticipated this potential reversal if/when there was a de-escalation of kinetics in the Middle East, and our underweight positioning in the sector was thus a notable value-add vs. the index. We have historically had only moderate exposure to Energy due to the price-taker nature of the sector; that said, we may look to opportunistically increase our allocation as oil/natural gas prices begin to settle in the coming months.

Detractors in the quarter included cash drag and lagging stock selection in Healthcare and Consumer Staples. Any allocation to cash will hamper results in a strong up-market, and this was the case in the quarter, as our team used the price strength in areas such as Technology to trim exposures. We continue to maintain a healthy bullpen of investment ideas but want to remain disciplined in our desired attachments…small cap companies are small cap for a reason.

Within Healthcare, Globus Medical and Align Technology both incurred modest drawdowns during the quarter. Recent price action notwithstanding, we



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remain constructive on the earnings outlook for both companies. In Consumer Staples, Ingredion sold off in response to an earnings shortfall. Ingredion is a leading supplier of raw and processed ingredients that are used to improve the texture, taste, and nutritional profile of various consumer products. We view the earnings setback to be a transitory event for Ingredion, as new processing facilities are poised to come online – which should boost the company's revenue/free cashflow profile. Ingredion remains an innovator in its space and has a favorable shareholder orientation in terms of a reasonable dividend payout and moderate share buyback program.

# LOOKING AHEAD

We have reached the halfway mark of 2026, and equity markets have performed well thus far. Participation has broadened away from the Mag 7 into areas such as small caps and value. Yet there is still an underlying penchant for risk-taking, with price action particularly explosive to the upside for AI 'winners' such as semis. The S&P 500 remains extremely concentrated, with the top 10 stocks comprising almost 40% of the total index. On a valuation basis, approximately 50% of the S&P 500 trades at>10x price-to-sales (!) – leaving very little margin for error. Small cap stocks have not outperformed their large cap counterparts on a calendar year basis since 2020 – is this the year small caps have the upper hand?

With no shortage of crosscurrents to consider, the Cambiar team endeavors to remain disciplined in managing the Small Cap Value portfolio. When enormous capital flows into a few popular themes, valuation disparities often emerge elsewhere. While remaining constructive on the revenue/earnings outlook for our technology positions, we have been more inclined to move towards the exit via prudent position management. Sales proceeds are being reallocated into companies that possess robust cash flows, strong balance sheets, and reasonable valuations. Cambiar's Quality I Price I Discipline framework is intended to be a 'singles and doubles' approach to compounding capital over a longer arc, vs. reaching to take on excess risk in order to keep pace in more euphoric market environments.

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 Small Cap 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-cap companies. Cambiar's Small Cap Value Composite includes portfolios that primarily invest in stocks with a market capitalization range between $500 million and $5 billion. The typical number of securities in the small cap value portfolio is 45-55 holdings. As of January 1, 2022, the Cambiar Small Cap Value Composite (Institutional) was renamed the Cambiar Small Cap Value Composite and was redefined to include portfolios that are part of broker-affiliated or broker-sponsored programs, including wrap programs. Prior to this redefinition, for the period 2014-2021, the composite included only institutional and high net worth portfolios that were not part of these programs. Prior to 2014, the composite included all institutional, high net worth and program small cap accounts. These program accounts have been reintroduced because they are managed with similar policies, objectives, and holdings. There is no minimum asset level for the composite. From 2014 to March 2020, the minimum asset level for the composite was $1,000,000 and prior to this timeframe it was $100,000. The Small Cap Value Composite includes proprietary assets.

For the periods of 2005 to 2013 and 2022 and forward, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. Prior to 2005 and for the periods of 2014 to 2021, 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 Small Cap Value Composite are evaluated against the Russell 2000® Value Index. The Russell 2000 Value Index is a float-adjusted, market capitalization weighted index comprised of firms in the Russell 2000® Index that experience lower price-to-book ratios and lower forecasted growth values. 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. The index assumes no management, custody, transaction or other expenses. The Russell 2000 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 2000 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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