50 YEARS ANNIVERSARY 1973 2023

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CAMBIAR SMALL 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.

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CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Marcus & Millichap	2.17	0.97
PGT Innovations	2.13	0.90
Innovative Industrial Properties	2.31	0.77
M.D.C. Holdings	2.06	0.72
United Bankshares	1.93	0.70

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Magnolia Oil & Gas Corp	2.29	-0.18
AMN Healthcare	2.22	-0.22
WNS Holdings	2.00	-0.22
Forrester Research	1.89	-0.24
HealthEquity	2.37	-0.27

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
Small Cap Value (gross)	11.9%	12.9%	12.9%	7.2%	12.2%	6.1%	9.5%
Small Cap Value (net)	11.6%	12.0%	12.0%	6.3%	11.3%	5.2%	8.5%
Russell 2000 Value	15.3%	14.7%	14.7%	7.9%	10.0%	6.8%	7.1%

Small Cap Value Composite Inception Date: 11.30.2004 / See Disclosure

Small cap stocks broke out of their year-to-date slump with a strong rally to end 2023. The Cambiar Small Cap Value (SCV) strategy participated in the 4Q advance, although not to the same extent as the benchmark.

Bringing to mind the saying 'time in the market vs. timing the market', small caps raced from a 52-week low in late October to a 52-week high in mid-December. In contrast to large cap stocks that were within close proximity to prior highs at year-end, the Russell 2000 Value Index is still ~12% below its high-water mark. And while small cap valuations are not at the bargain levels they were to start the quarter, the asset class continues to trade at a discount to their long-term median.

Elevated financing costs can have an outsized impact on the profit outlook for small cap businesses (vs. large caps), given reduced access to the capital markets. Not surprising then, the potential for alleviated funding pressures via lower rates provided an outsized boost to the asset class. The price action in the quarter was a rising tide lifting all boats (with energy stocks the sole exception). That said, the rally was somewhat skewed to more speculative companies. The increased risk appetite in the market is confirmed when reviewing index performance on a factor basis, as beta was the top-performing factor in the quarter by a wide margin.

While we believe Cambiar's opportunistic investment approach provides the opportunity to outperform in a variety of market environments, our bias towards businesses with lower earnings variability and above-average internal financial/operating performance typically results in the SCV strategy not keeping pace in risk-on environments such as 4Q. We are comfortable with the tradeoff of sacrificing some margin of upside participation in euphoric upswings if we are able to protect capital in market drawdowns.

Trade activity in the quarter consisted of incremental adds/trims to existing positions – there were no new positions added or full liquidations. The SCV portfolio received a modest M&A boost, as window/door manufacturer PGT Innovations received multiple unsolicited bids. Although the transaction has yet to close, the $41 offer price is an added bonus to what has been a strong run for the stock from its $18 starting point at the beginning of 2023.

The prospect of accommodative monetary policy was particularly welcomed by the rate-sensitive Financial sector, which was negative for the year entering 4Q. Banks rallied sharply in the quarter, given the potential for lower deposit costs, higher net interest margins and increased real estate/refi activity. Cambiar generated solid returns from the portfolio's bank holdings; yet these gains were offset by sluggish performance from

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lower beta insurance holdings such as RenaissanceRe and Axis Capital. The portfolio's non-credit positions are intended to provide complementary exposures to our bank holdings; for example, both RenaissanceRe and Axis provided ballast during the regional bank turmoil in March. The most recent quarter notwithstanding, Cambiar's intentional diversification within Financials has been a positive contributor to performance over a longer arc.

After hampering relative results in the third quarter, Cambiar's underweight allocation to energy stocks was a value-add in 4Q, as a decline in oil prices weighed on the sector. The portfolio's lower exposure to Energy is a function of higher conviction opportunities in other sectors, in addition to ongoing consideration of the financial durability and long-term hydrocarbon supply/demand structure for smaller cap energy companies. We are encouraged by the heightened fiscal discipline that has been undertaken within the sector in recent years, although the inconsistent nature of earnings and cashflow remains an area of concern.

Cambiar registered strong stock selection in Real Estate and Materials, while aggregate performance within Healthcare trailed for the period. Similar to Financials, performance in the Real Estate sector is negatively correlated to the path of interest rates; thus, any relief on the rate front would be welcomed news by REIT operators.

After being stuck in reverse for the first three quarters of 2023, Healthcare stocks rebounded strongly in the fourth quarter. Despite the sector's acyclical tendencies (which should have been a benefit in 2023), Healthcare constituents struggled in response to higher interest rates (a negative impact for biotechs), and the negative ripple effects from a new category of weight-loss drugs. Cambiar's overweight allocation to this outperforming sector was offset by lagging stock performance for the quarter (although positive on a full-year basis). HealthEquity and AMN Healthcare Services were two individual laggards in the quarter. Despite the more challenging return environment for Healthcare in 2023, we believe the combination of low valuations/low expectations being assigned to many companies in the sector increases the odds for improved results in 2024.

There is growing comfort in the markets that the cost of capital has peaked. Yet the impact of higher rates is being felt in the corporate sector, as there were 591 bankruptcy filings in 2023 (one of the highest totals since 2011). Even if the Fed lowers rates as expected, borrowing costs will almost certainly remain at elevated levels vs. the ZIRP (zero interest rate policy) environment that had been in place for much of the past 15 years. We attempt to mitigate this unknown variable by attaching to self-funding companies who are not reliant upon the capital markets to sustain their operations. Such companies should be in good position to generate strong through the cycle returns with less volatility.

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 I Price I 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.

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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.

From 2014 to 2021, the composite contained accounts with only gross performance. Prior to 2014 and as of January 1, 2022, the gross returns reflect accounts with both 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 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: For the quarter, the total portfolio return for the representative account was 11.64% (gross) and 11.44% (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.