

CAMBIAR EUROPE SELECT ADR COMMENTARY 2Q 2021

MARKET REVIEW

European equities continued their positive momentum in the second quarter, with the MSCI Europe Index posting a gain of 7.4%. Although the region is trailing the U.S. as it relates to vaccination progress and corresponding reopening timelines, the global revenue footprint for many EU companies is providing sufficient visibility for investors to bid up the space in anticipation of an ensuing earnings recovery.

Given the asynchronized nature of the global rebound, European markets are in the earlier innings of their

recovery relative to the U.S. Cambiar's constructive outlook for Europe is a function of reasonable valuations (average P/E in Europe is 3-4 multiple turns below the S&P 500) and the region's high leverage to the more traditional value industries, which are poised to demonstrate a meaningful earnings acceleration over a forward 1–2 year timeframe. And although Europe/UK is incurring a rise in prices, inflation readings remain well below levels that would warrant consideration in altering the ECB's accommodative posture.

EUROPE SELECT ADR

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Deutsche Post	3.76	0.87
Entain	4.01	0.57
Carlsberg	2.78	0.53
ASML Holding	3.75	0.47
Compagnie de Saint-Gobain	3.28	0.45

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Siemens	3.76	-0.12
Enel	2.31	-0.15
Aena SME	1.54	-0.21
Koninklijke Philips	2.31	-0.26
Prosus	3.51	-0.44

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. Past performance is no guarantee of future results.

	2Q 2021	YTD	1 Year	3 Year	5 Year	Since Inception
Europe Select ADR _(gross)	7.0%	11.6%	28.8%	6.0%	8.7%	6.3%
Europe Select ADR _(net)	6.8%	11.2%	28.0%	5.2%	7.9%	5.7%
MSCI Europe	7.4%	11.8%	35.1%	8.7%	10.3%	6.1%

Europe Select ADR Composite Inception Date: 10.31.2014 / See Disclosure –Performance

The Cambiar Europe Select strategy posted a strong absolute gain for the second quarter, while trailing the MSCI Europe Index by a small margin. Positive stock selection in Financials and Industrials was offset by modest cash drag and lagging results in some of the portfolio's consumer discretionary holdings.

In contrast to reopening/reflation names that paced the market for the past two quarters, outperforming sectors in 2Q were Healthcare, Technology, and Real Estate. Lagging sectors included Utilities, Financials, and Energy. On a style basis, growth stocks led the market advance in 2Q, although value remains ahead

on a year-to-date basis. While sentiment towards value is clearly improving, the market still appears skeptical – such hesitation is not unexpected, given the dramatic underperformance of value stocks vs. growth over the past decade. Follow through in the form of a demonstrated (and durable) rise in revenues and earnings should help to provide further evidence of the attractive return-to-risk profile that exists in old economy sectors such as industrials and financials.

There were no material changes to the Europe Select portfolio by way of sector exposures. Our team remains focused on identifying resilient, high quality

investments whose valuations do not reflect the pending normalization of the business. We are less focused on whether such businesses fall in the value or growth camp. In our view, value and growth are not mutually exclusive considerations. Rather, a company's growth potential is a relevant input (along with other factors) as part of our research process. The key is determining an appropriate valuation to attach to these businesses – as well as remembering to sell when the risk/reward is no longer attractive.

Trade activity was relatively quiet in the quarter, with Cambiar executing two new purchases and one sale. The portfolio initiated a position in Aena, which is a Spanish-domiciled airport operator. Aena has a history of operating excellence, as defined by industry-leading returns. The investment case is predicated on a resumption of travel volume, which we believe should provide a material boost to Aena's business, given the company's skew to leisure travel (which is expected to recover more quickly than business) and significant exposure to low-cost carriers within Europe. The most notable risk is the potential for new COVID variants to limit/defer travel plans, but we believe this concern is manageable in the short term and should lessen as vaccination rates continue to climb in Europe.

On an attribution basis, Cambiar's positions in the Financials sector comprised the top value-add to performance in the quarter, with bank holdings Banco Santander and Nordea notable outperformers. The re-rating in the stocks was in response to strong earnings reports, as both companies delivered strong top-line growth as well as declining loss provisions and continued progress on expense controls. Cambiar views Return on Equity (ROE) to be a key metric in gauging the strength of our banks. On this measure, Santander and Nordea delivered double-digit ROE. Both stocks offer attractive upside as economic growth in their respective markets continues to normalize. At the broader sector level, the pending removal of dividend/share buyback restrictions that were put into place last year would be another positive catalyst for European financials. The restrictions were implemented to ensure that banks had sufficient reserves to digest any rise in losses that may have resulted from the pandemic. As these higher credit risks never materialized, it is expected that these limitations will be lifted in the coming months. A return to pre-pandemic payout policies would be another incremental return component for financial holdings.

Industrial companies comprise the largest segment of the Europe Select portfolio, as we view operators in this sector to be particularly well-positioned to gain from a

combination of strengthening global trade and positive operating leverage. While seeking differentiation by way of end market and business model, Cambiar has also sought to attach to companies that could benefit from longer-tailed structural opportunities - examples here include factory automation, renewables, and business-to-consumer commerce trends. Strong performance within the sector comprised an additional positive tailwind to performance in the quarter.

Further upside in the quarter was hampered by below-benchmark stock selection in the Consumer Discretionary sector. Prosus was the notable detractor, as the company declined 12% in 2Q. The negative pin action in the stock has been frustrating, as Prosus' various investments have performed well on an operational basis, and yet the stock continues to trade at a deep discount on a sum-of-the-parts basis. Some discount is warranted due to the company's unusual organizational structure; that said, the current gap is extremely wide. The most visible source of this discount is in the company's ownership position of Tencent – if this asset alone was given proper value, Prosus' stock price would be ~40% higher. The Prosus management team is taking steps to close this discount, and we are confident that their actions (share swap with parent Naspers, share buybacks) will help close this valuation gap over time.

Given the rally in stock prices, any cash position is a performance headwind relative to a fully invested benchmark. The portfolio averaged ~5% cash in the quarter, which subsequently detracted from return. Cash is a by-product of the buy/sell decision and will generally not have a material impact on performance over longer-term timeframes. As investment candidates reach actionable attachment points, the portfolio's cash balance will be deployed accordingly.

LOOKING AHEAD

As we reach the halfway mark of 2021, European equities have posted double-digit gains amid widespread optimism regarding economic growth and the corresponding positive impact on corporate earnings. The upswing in the global equity market for much of this cycle has been led by the U.S. markets. Could we be at an inflection point in market leadership?

With the path of least resistance remaining to the upside in the aggregate, Cambiar is particularly constructive on the outlook for European equity markets – with many EU companies possessing a potent combination of earnings growth and multiple

expansion. A quickening of economic activity and fiscal stimulus efforts such as the NextGenerationEU program could provide additional upside potential for European equities. Although inflation trends in Europe/UK are not at levels seen in the U.S., input prices and related cost pressures have begun to rise. A continuation of this trend could provide the needed push to get EU bond yields out of negative territory, which would be another positive catalyst for investors. For the first time in a long time, international markets may be poised to take the baton from their U.S. counterparts.

As bottom-up equity investors, Cambiar is more focused on the company-specific earnings drivers for our holdings in the Europe Select portfolio. Our team continues to seek out leading businesses with long runways to grow, clear competitive advantages, and strong pricing power that can translate to higher earnings as the global economic normalization process continues to unfold. While thinking about what needs to go right for our companies, we spend equal time considering what could go wrong. On this latter note,

the threat of new virus variants derailing momentum is the most pressing concern at present, yet we take comfort in the strength of our businesses to withstand this potential setback on the path to recovery.

We appreciate your continued confidence in Cambiar Investors.

DISCLOSURE

Performance: The performance information represents the respective Cambiar strategy composite and may be preliminary. Returns are presented gross (g) and net (n) of management fees and include the reinvestment of all income. 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. Gross returns for the Cambiar Europe Select ADR Composite include accounts with both gross and “pure” gross performance. “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. 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 negotiates advisory fees with each individual client or relationship. Please refer to our Form ADV Part 2A for additional disclosures regarding our investment management fees. Net of fees performance reflects a blended fee schedule of all accounts within relevant composite. Cambiar clients may incur actual fee rates that are greater or less than the rate reflected in this performance summary. Returns are reported in U.S. dollars. Index returns include the reinvestment of all income, and assume no management, custody, transaction or other expenses. Each index is a broadly based index that reflects overall market performance and Cambiar’s returns may not be correlated to the index against which it is compared for a number of reasons including investment approach and number and types of holdings. Each index is unmanaged, and one cannot invest directly in an index. Cambiar’s past results do not necessarily indicate Cambiar’s future performance and, as is the case with all investment advisors who concentrate on equity investments, Cambiar’s future performance may result in a loss. The top/bottom contributors is for a representative portfolio in the strategy. A complete description of Cambiar’s performance calculation methodology, including a complete list of each security that contributed to the performance of the portfolios, is available upon request. Please contact Cambiar at 1-888-673-9950 for additional information.

Europe Select ADR Benchmark: The MSCI Europe Index is a free float-adjusted, market capitalization weighted index that measures equity market performance of European developed markets. Benchmark returns are net of withholding taxes. Prior to July 2019, Cambiar typically followed each custodian’s treatment of tax withholding and therefore dividends may have been presented as gross or net of dividend tax withholding depending on the custodian’s treatment. As of July 2019, Cambiar typically records dividends net of withholding taxes although it may depend on various factors such as the issue country and custodian’s treatment. Withholding taxes may vary according to the investor’s domicile, and other reasons.

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