CAMBIAR INVESTORS

CAMBIAR SMID FUND 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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SMID FUND

	4Q22	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	14.78%	-6.09%	-6.09%	8.28%	10.12%	11.83%	9.73%	-
CAMUX	14.81%	-5.98%	-5.98%	8.38%	10.20%	-	-	8.94%
R2500V	9.21%	-13.08%	-13.08%	5.22%	4.75%	8.93%	8.18%	6.51%

Inception Date: CAMMX (5.31.2011) | CAMUX (11.3.2014). 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 12/31/22, expense ratios are CAMMX: 1.07% (gross); 0.93% (net) | CAMUX 0.99% (gross); 0.85% (net). Fee waiver are contractual and in effect until March 1, 2023. Absent these waivers, total return would be reduced. *The Fund imposes a redemption fee of 2.00% on shares held less than 90 days. Your return will be lower if a redemption fee is applied to your account.*

The Cambiar SMID Fund 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 Fund 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 l Price l 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 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-Global Financial Crisis (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 Fund that provides multiple shots on goal, vs. dependence on a given macro outcome.

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 Fund 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, posting an aggregate gain of ~19% (vs. 3.5% for the sector return in the index). WEX Inc. (corporate payment processing solutions) and MAXIMUS (business services) were two individual bright spots in the quarter, as both stocks moved higher in

Diversification does not protect against market loss.

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 ~18% 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 ~60% over the first nine months of 22, Burlington rallied 81% 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 end markets. 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 we believe often takes place in the small-mid asset class. 2022 saw a wide dispersion of returns across and within sectors. We feel 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.

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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." In addition to the normal risks associated with investing, investments in small companies typically exhibit higher volatility. 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 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns do not reflect any management fees, transaction costs or expenses. 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. 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 s a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The MSCI EAFE® Index (net) (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The MSCI indices are compiled by Morgan Stanley Capital International.   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 12.31. 22, the Cambiar SMID Fund had a 2.8% weighting in American Financial Group, 2.8% in Arch Capital, 2.5% in Builders FirstSource, 2.4% in Burlington Stores, 2.5% in East West Bancorp, 2.5% in Masco, 3.0% in MAXIMUS, and 2.6% in WEX Inc. Holdings subject to change. Current and future holdings subject to risk.

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

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