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CAMBIAR AGGRESSIVE VALUE ETF COMMENTARY 4Q 2024

MARKET REVIEW

In like a lion, out like a lamb - U.S. equities turned in a mixed quarter to close out 2024. Stocks initially rallied in response to both the timeliness and outcome of the Presidential election, with investors cheering on the prospects of the incoming administration's pro-growth agenda. The positive sentiment subsequently reversed post-Thanksgiving, as higher yields and heightened policy uncertainty prompted investors to lock in profits. The S&P 500 Index posted a 4Q gain of 2.4%, the fifth consecutive quarter of positive returns.

In terms of equity leadership, the market returned to the mega-cap technology/AI investing playbook that has been in place for much of the past two years. The strong preference for growth stocks came at the expense of value equities, with the Russell 1000 Value Index posting a -2% decline for the quarter. Small cap stocks (as represented by the Russell 2000 Index) were the immediate big winners following the last Trump election win but posted a more subdued 0.3% 4Q return this time around.

The positive 4Q return caps another strong year of gains for the S&P 500, with the index posting a 25% return. This comes on the heels of a 26.3% return in 2023 – the first back-to-back years of +20% gains since 1998 (interesting parallel). The rally in stocks has been understandable, given a backdrop of above-trend productivity, low unemployment, robust economic growth, and accommodative monetary policy. Yet one needs to consider the 'pull-forward' effect of stock gains that now embed a high degree of optimism about the economy and corporate earnings.

With a one-year forward P/E of 22x for the S&P 500 (vs. ~17x at the start of 2024), the result is a more challenging starting point (for the S&P 500 Index) as we move into 2025. Valuation itself is often a poor predictor of returns in the short run, and it is worth noting that multiples are more reasonable below the surface. Should current concentration trends in the mega-cap tech space reverse, active managers who have demonstrated the ability to add value via a combination of stock selection/prudent avoidance may be well-positioned to outperform passive options.

The risk on bias that paced the markets in 2024 was further illustrated in areas such as single-stock leveraged ETFs, zero date to expiration options, and cryptocurrencies. It is one thing for a somewhat established cryptocurrency such as Bitcoin to march higher, but newly-launched Fartcoin (we wish this was a joke) reached a market cap of $1 billion in the quarter. While Cambiar is not in the business of calling out market tops (or bottoms), the speculative excesses permeating certain pockets of the market are indicative of bubbly environments that do not end well.

CAMBIAR AGGRESSIVE VALUE

The Cambiar Aggressive Value ETF (CAMX) registered a margin of downside protection in what was a more challenging market environment for value investors. The strategy posted a 4Q return of -1.27% vs. a -1.98% decline for the Russell 1000 Value Index. On a full year basis, the Aggressive Value ETF posted a gain of 12.5% - a strong return in most periods, but well short of the more explosive gains in tech stocks. As a reminder, our return objective is to outperform through-the-cycle via participation in up markets (even if not to the same extent as the index) and protecting capital in down markets. Investors showed a clear bias towards upside participation in 2024, with downside protection a distant second in priority.

It was very much a tale of two markets between growth and value in 2024. This is evident when comparing the 14.4% return for the Russell 1000 Value Index vs. the 33.4% gain for the Russell 1000 Growth Index. Optimism towards AI has been a key driver to returns in the growth space, and the favored stocks have delivered solid earnings growth – somewhat justifying higher valuations. In contrast, the lack of earnings growth in traditional value sectors such as Consumer Staples, Healthcare, and Energy contributed to the market's general disinterest. While easier year-over-year comparables within value may make for a lower hurdle in 2025, more tangible signs of earnings growth will be needed to improve sentiment towards these relatively unloved areas of the market.

Positive stock selection in Industrials was a notable bright spot for the portfolio – in both the quarter as well as on a full year basis. In our view, aerospace continues to represent an attractive return opportunity; portfolio exposure includes a high-quality carrier such as Delta Airlines as well as Airbus, who continue to maintain very high market share in the OEM space. Delta was the top performer for the portfolio in 2024, as the stock re-rated in response to robust travel demand and strategic cost management efforts. Despite gaining over 65% in 2024, Delta trades at a forward P/E multiple of ~8x (based on our earnings estimate of $7) – a deep discount to 22x P/E for the S&P 500.

Diversification does not protect against market loss.

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Cambiar's holdings within the Energy sector was an additional value-add in the quarter, led by pipeline operator Energy Transfer LP. The market's strong demand for data centers and related AI infrastructure is providing a strong tailwind to Energy Transfer, given the company's 20+% market share of the gas pipeline transport assets. This somewhat unprecedented spike in demand – in tandem with Energy Transfer's disciplined capital allocation strategy – is resulting in strong earnings/free cashflow as well as a higher valuation. Although the stock's price appreciation in 2024 results in a lower year-over-year distribution yield (still 6%), this is a positive tradeoff for shareholders.

One sector where stock selection was less successful during the quarter was Technology, as Applied Materials and Infineon lost ground for the period. The pullback in semiconductor equipment maker Applied Materials (AMAT) was largely in response to the company's November earnings report, where the outlook fell short of the 'beat and raise' reports in recent quarters. AMAT is a key player in leading edge semi production, and the stock has been a strong performer for the portfolio. We had trimmed the position's size multiple times over the course of 2024 – which helped to mitigate the portfolio impact from the recent weakness in the name. The drawdown in Infineon was similarly in response to earnings that fell short of market expectations; however, we believe the company's end markets should begin to show stronger demand in the coming quarters.

While stock selection will largely drive portfolio performance, sector allocation (i.e., underweight or overweight vs. the index) can also impact returns. This was the case in Financials – as Cambiar's lower exposure (~8% vs. 23% for the index) was a performance headwind in 4Q. Banks and related financials gained on the anticipation of less regulations with the incoming administration – improving spread income was an additional positive for the banks. It is worth noting that Cambiar's holdings in the sector outperformed (for 4Q as well as on a full year basis), but our lower allocation to this strong performing segment of the market hampered relative performance.

LOOKING AHEAD

The past two years have been a rewarding period for equity investors, as market averages continued to march higher with low volatility. The Magnificent 7 cohort did a lot of the heavy lifting in 2024, benefiting from a positive flywheel of robust capex budgets, strong earnings growth, and positive price momentum. On a concentration basis, the top ten stocks in the S&P 500 now comprise approximately 38% of the index – one of the highest levels in history. Just as these names carried the index in recent years, any slippage can result in a proportionate impact on performance to the downside.

A key question is whether the upward trajectory for equities can continue into 2025, or are risk assets nearing the euphoric phase that typically coincides with the end of a bull market? Diversification has been less additive vs. keeping one's assets in the S&P 500 in recent years, yet we believe broader participation beyond the ten largest stocks will be needed in order to maintain the upward trend in equities.

The rise in bond yields is another development that should be on the front burner for investors. While the impact on equities has been marginal thus far, the nearly 100 basis point rise in the benchmark 10-year Treasury yield since the Fed pivot began in September is a potentially worrisome divergence. The rise in yields is largely a function of our nation's widening budget deficit and rising inflation data – which in turn led to a more hawkish reduction in anticipated rate cuts for 2025. Continued strength in yields is likely to be a headwind for the residential real estate market, the general economy, and equity valuations.

The transition to a new calendar year brings with it no shortage of predictions – equity returns, Fed policy, budget deficits, and inflation. Cambiar's view on this prediction exercise harkens back to a Warren Buffet quote that the only value of stock forecasters is to make fortune tellers look good. Our in-house research efforts continue to focus on the underlying fundamentals of our companies and the associated risk/reward that is expressed in current valuations. Portfolio construction seeks to optimize our bottom-up research by building diversified portfolios that can both capture returns and manage risk. In seeking to consistently implement our Quality | Price | Discipline approach, we anticipate that the 'D' will take on increased importance in the coming year.

We wish you a happy, healthy, and prosperous 2025! Thank you for your continued confidence in Cambiar Investors.

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PERFORMANCE (as of 12.31.2024)

	4Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
CAMX - NAV	-1.17%	12.49%	12.49%	6.00%	8.96%	6.39%	7.58%
CAMX - Market Price	-1.27%	12.50%	12.50%	5.97%	8.95%	6.39%	7.58%
R1000V	-1.98%	14.37%	14.37%	5.63%	8.68%	8.49%	7.31%

Inception Dates: CAMX (2.13.2023). ***All returns greater than one year are annualized. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than the original cost. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. The Fund's most recent month-end performance can be found in the fund material section. As of 12/31/24, expense ratio for CAMX: 0.59%.***

Effective as of the close of business on February 10, 2023, in a tax-free reorganization, the Fund acquired the assets and liabilities, and assumed the performance, financial, and other historical information of the Cambiar Aggressive Value Fund ("predecessor fund"), an open-end mutual fund which was incepted on August 31, 2007. The Fund has an identical investment objective and similar investment policies, guidelines, restrictions, and investment risks as the predecessor fund. The NAV returns for relevant periods include returns for Investor Class shares of the predecessor fund prior to the Fund's commencement of operations. Performance for the Fund's shares has not been adjusted to reflect the lower annual expenses than those of the predecessor fund. The market price returns showing prior to February 13, 2023, reflects the predecessor mutual funds' NAV. The NAV of the predecessor mutual fund was the investor class and is used as proxy for the market price returns. Please refer to the current prospectus for further information."

Returns for less than one year are not annualized. Net asset value ("NAV") returns are based on the dollar value of a single share of the ETF, calculated using the value of the underlying assets of the ETF minus its liabilities, divided by the number of shares outstanding. The NAV is typically calculated at 4:00 pm Eastern time on each business day the New York Stock Exchange is open for trading. Market returns are based on the trade price at which shares are bought and sold on the NYSE Arca, Inc. using the last share trade or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share. Market performance does not represent the returns you would receive if you traded shares at other times. Total Return reflects the reinvestment of distributions on ex-date for NAV returns and payment date for Market Price returns. The market price of the ETF's shares may differ significantly from their NAV during periods of market volatility

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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

Investing involves risk, including the possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging Markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. With short sales, you risk paying more for a security than you received from its sale. Short sales losses are potentially unlimited and the expenses involved with the shorting strategy may negatively impact the performance of the Fund. The Cambiar Aggressive Value ETF is a non-diversified fund. The Fund pursues a "value style" of investing. Value investing focuses on companies whose stock appears undervalued in light of factors such as the company's earnings, book value, revenues or cash flow. 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. The Fund may trade securities actively, which could increase its transaction costs (thereby lowering its performance) and could increase the amount of taxes you owe by generating short-term gains, which may be taxed at a higher rate. There is no guarantee that the Fund will meet its stated objectives.

The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. 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 12.31.24, the Cambiar Aggressive Value ETF had a 4.8% weighting in Airbus, 1.1% in Applied Materials, 6.7% in Delta Airlines, 4.6% in Energy Transfer, and 4.1% in Infineon. Current and future holdings subject to risk.

This material represents the portfolio manager's opinion and is an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice or a specific recommendation of securities. There is no guarantee that any forecasts made will come to pass.

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