



**CAMBIAR
INTERNATIONAL
EQUITY ADR
COMMENTARY
1Q 2025**

MARKET REVIEW

In a quarter where positive equity returns in the U.S. were hard to come by, international equities were a notable bright spot for the period (perhaps diversification is not a dirty word after all!). The MSCI EAFE Index gained 6.9% for the quarter, handily outpacing the -4.3% return for the S&P 500. On a style basis, value outperformed growth, while emerging market stocks also managed a positive return (the MSCI Emerging Markets Index gained 2.9%).

The 1Q outperformance for international stocks likely comes as a surprise for many investors, given the incessant focus on tariffs and related trade policy. Yet one positive for non-U.S. markets during the quarter is their modest exposure to the technology/AI trade, which stumbled over concerns of possible overinvestment and the launch of a lower cost AI model (DeepSeek). The EAFE Index is more heavily comprised of traditional value industries – pharmaceuticals, banks, and industrials. This mix of lower-growth businesses did not keep pace during the AI-fueled rally in recent years, but has helped provide a margin of safety in the recent tech/growth drawdown.

The 1100+ basis point spread between international and U.S. stocks was the largest quarterly differential (favoring international) since 2002. An obvious question now is whether investors with low/zero exposure have missed the move? While reticent to make predictions on future returns, we believe non-U.S. equities continue to offer an attractive risk/reward for investors with a multi-year timeframe.

INTERNATIONAL TAILWINDS BUILDING – FOLLOW THE FISCAL?

Led by Europe, international stocks are off to a strong start to 2025. Yet even after taking into account their recent outperformance, non-U.S. stocks trail their home country peers by a wide margin over the past decade. On a valuation basis, international developed markets continue to trade at a deep discount to the S&P 500:

EAFE FORWARD PRICE/EARNING DISCOUNT vs S&P 500 (LAST 20 YEARS)

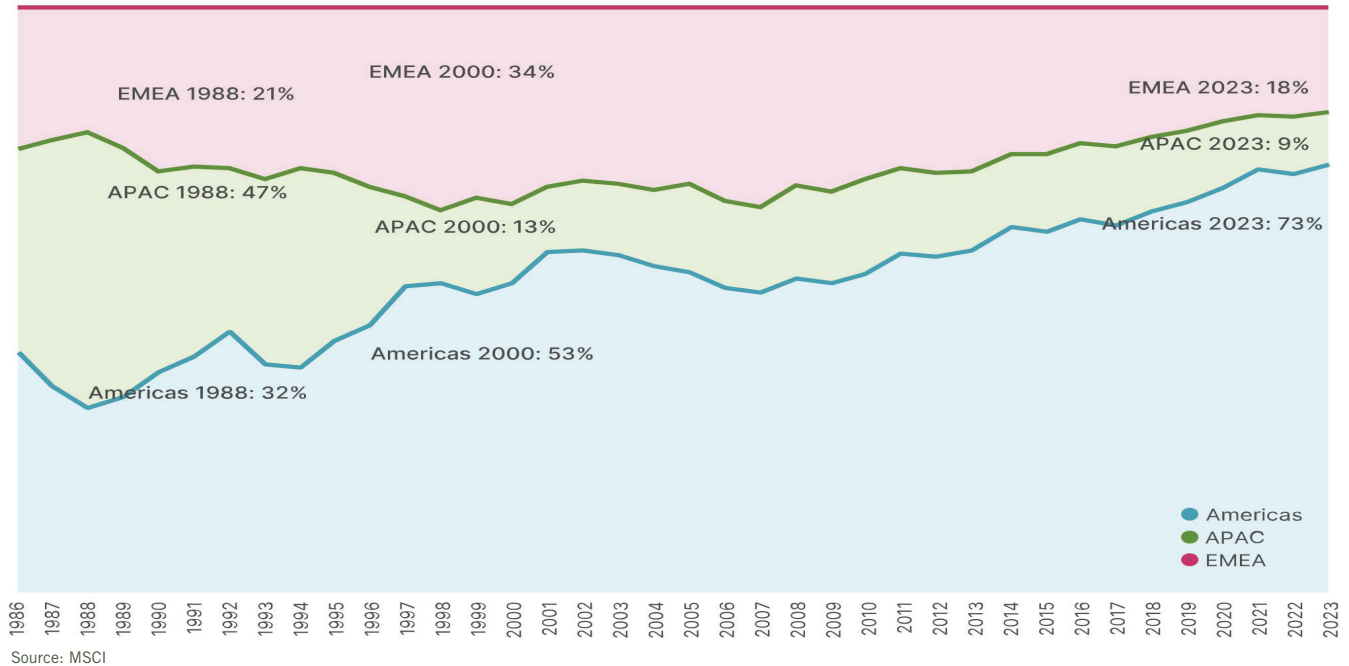


Are conditions in place to continue the recent strength in European stocks? It is Cambiar's view that there are a number of potential catalysts that could improve sentiment and create a more durable return opportunity for international equities.

BACKGROUND

At present, U.S. assets comprise ~73% of global savings, compared to ~45% in 2010. It has been a rewarding trade to be over-indexed to U.S. assets, given a number of supportive factors: the high returns generated from a strong dollar, elevated exposure to leading edge technology businesses, and the overall higher growth rates that have existed in the U.S. economy relative to other developed markets. The U.S. consumer has also been an attractive end market for non-U.S. economies due to its growth profile and attractive pricing. This dynamic has created a trade deficit for the U.S. and a surplus elsewhere, a portion of which is then re-invested back into U.S. assets and supports the dollar.

Evolution of Regional Weights within MSCI World



THE OPPORTUNITY FOR EUROPE

Europe has been characterized by fiscal prudence and subsequently made fewer investments in secular growth areas such as technology relative to the U.S. (and China). Should pro-growth initiatives accelerate in Europe (while at the same time fiscal cuts are taking place in the U.S.), a case can be made for increased capital flows into the region.

Pro-growth policies in the form of scaled back capital requirements and lower energy costs (as an energy importer, Europe has some of the highest prices in the world) would be welcomed developments for the continent – potentially boosting loan growth/investments as well as reducing the high input costs that have hindered Europe’s competitive position in manufacturing vs. China. Additionally, any relaxation of punitive climate policies (or holding importers to the same environmental standards) would further benefit operators in the region.

GERMANY’S SPUTNIK MOMENT?

We acknowledge the market’s enthusiasm around the recently announced fiscal package put forth by Germany as a potent inflection point for Europe. The under levered and largest Eurozone nation announced a €500 billion infrastructure fund to invest in transportation, energy grids and housing, while putting forth a similarly-sized boost in defense spending, which

would fall outside the country’s fiscal spend limits. The investments in defense are largely in response to the announced rollback of U.S. military support and associated security guarantees for the region.

FOLLOW THE FISCAL

Eurozone manufacturing PMIs have stagnated in contractionary territory since Russia invaded Ukraine, while combined goods and services in the U.S. have been in expansionary territory as growth and jobs were supported by robust government spending. These relationships look poised to reverse, as identified fiscal cuts alone pose a mid single-digit percent threat to U.S. GDP, and we suspect air pockets in regulatory and tariff certainty will create hesitancy in private investments over the short term. Meanwhile, fiscal initiatives in Europe offer a GDP boost to Western Europe’s similar-sized economy (at least in the near term). Europe now appears to be a rare safety play in the business cycle.

In the long term, some strategists have called the announcements by Germany a ‘paradigm shift’, given the country’s historically conservative fiscal stance. This sea change in government priorities may lead to upgrades in GDP growth expectations and create a domino effect via similar changes in spending priorities across Europe.

This is not to suggest that there won’t be bumps in the road, as earnings derived from the U.S. vs. a more restrictive marketplace would be offsetting

factors. As such, the looming tariff policies bear close watching. That said, a commitment to higher spending should lead to a more robust economic outlook and improved investor sentiment for Europe and companies in the region. Time will tell, but we believe these developments could awaken animal spirits and be an important step forward for the European equity markets.

In summary, international equities in general – and more specifically, Europe at the outset – look

more attractive than they have in some time. While acknowledging the higher composition of fast-growing tech businesses in the U.S. (and thus a higher market multiple), we believe some valuation convergence between U.S. and international markets is plausible. We also think there is rationale for believing that incremental capital flows will support equities and bonds in Europe to a larger extent.

INTERNATIONAL EQUITY ADR

	1Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
ADR (gross)	7.8%	7.8%	11.0%	6.3%	10.4%	4.2%	5.5%
ADR (net)	7.6%	7.6%	10.1%	5.5%	9.6%	3.5%	4.7%
MSCI EAFE	6.9%	6.9%	4.9%	6.1%	11.8%	5.4%	4.4%

International Equity ADR Composite Inception Date: 2.28.2006 / See Disclosure –Performance

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Thales SA	2.14	1.35
ING Groep	3.38	0.80
Sony Group	3.35	0.62
Barclays	3.57	0.62
Roche Holding	2.82	0.50

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Taiwan Semiconductor	1.57	-0.22
Porsche	1.34	-0.23
ICON	1.71	-0.32
Diageo	1.91	-0.37
PUMA	0.87	-0.60

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 International Equity ADR strategy posted a solid gain for the first quarter – on both an absolute basis and relative to the EAFE Index. The excess return for the period was primarily driven by favorable stock selection – with Cambiar's holdings in the Industrial sector a notable bright spot. As opposed to allowing prevailing macro cross currents to overly cloud decision-making, our team remains focused on identifying resilient businesses that can navigate the current environment via a combination of market leadership/ moat, pricing power, and acyclical demand patterns.

With sentiment shifting from upside participation to downside protection, Cambiar's portfolio construction efforts continue to prioritize a prudent balance of varying exposures/return drivers at both a sector and

country/regional level. We believe our focus on building a diverse portfolio of quality businesses that are trading at reasonable valuations should be able to perform double duty for our clients, i.e., participate in up markets, as well as provide a margin of safety during market declines.

Buy/sell activity in the quarter consisted of four new purchases and six sales, as our team used the elevated stock-level price volatility to make adjustments to portfolio positioning. Within the Utilities sector, RWE was sold in favor of E.ON; we view E.ON as having a more straightforward path to re-rating based on Germany's recently announced fiscal plans. Additional actions included a reduced allocation to Energy with the sales of Equinor and Santos, as both companies' high

exposure to the global gas market may be an earnings headwind if low-cost gas from Russia is allowed back onto the market as part of the conflict resolution in Ukraine. A portion of the sales proceeds were used to increase our position in Schlumberger, which we view to be more insulated from macro-driven commodity price fluctuations.

On the buy side, the team initiated a new position in Ryanair, which has a dominant market share in the European intra-regional travel market. As the most profitable airline in the developed world, Ryanair benefits from a structurally advantaged cost base that enables the company to be aggressive with pricing while maintaining industry-leading margins. Despite uncertainties such as travel cyclicity and market share saturation, we believe Ryanair's moat, skilled management team, and record of disciplined execution should provide long-term value creation.

As discussed, the portfolio's industrial positions provided outsized contribution to return in the quarter. Thales SA was the most notable standout name in the quarter, as the defense contractor is viewed to be a key beneficiary of the significant increase in European defense spending. We anticipate that Thales' defense portfolio should see a strong uptick in orders over the coming years as the Eurozone addresses its defense priorities.

Additional contributors in the quarter included Air Liquide (Materials) and Nintendo (Communication Services). Nintendo is poised to launch an updated gaming console (Switch 2); the stock has historically performed well in new console launch cycles, and additional upside may come from Nintendo's ongoing efforts to adapt the company's video game franchises into movies (e.g., the 2023 Super Mario Bros. movie).

Detractors in the quarter included below-benchmark performance in the Healthcare sector and continued weakness in spirits producer Diageo (Consumer Staples). Within Healthcare, specialty pharma holding UCB incurred a modest pullback; as there was no material change in fundamentals, we viewed the decline to be more of a shorter-term consolidation after a very strong performance in 2024. Regarding Diageo, beer/spirits companies remain out of favor as investors look for clarity on consumption patterns in a GLP-1 world and more recent consternation about the impact of tariffs. The underlying fundamentals at Diageo are actually stable/improving across most of their markets – thus the disconnect. While acknowledging the value trap potential, we believe current uncertainties are more reflected in current valuations, and that Diageo can/

should act better once there is greater visibility on trade policy.

European banks rallied in the quarter as a steepening yield curve provided investors with increased visibility on the potential for more sustainable net interest income to go along with continued capital returns (in the form of dividends and share buybacks). An additional catalyst for banks may be a more attractive loan growth environment should Europe's pro-growth fiscal agenda spread to the broader EU economy. Despite registering strong returns from our bank holdings, the portfolio's lower allocation to the sector and quality bias (lower quality banks led to the upside) were modest performance headwinds in the quarter. While we are of the view that EU banks offer an attractive risk/reward, we want to balance our exposure with select non-bank holdings (i.e., offense and defense). So while the portfolio's insurance and exchange positions trailed the banks in the quarter, we view these non-credit financials to provide complementary exposures over time.

LOOKING AHEAD

Coming into 2025, international stocks have trailed the U.S. markets (as measured by the S&P 500) for eight out of the past 10 calendar years – to characterize this period as a drought for non-U.S. stocks would be an understatement. Led by mega-cap technology businesses, ~73% of global capitalization is represented by U.S. companies – an all-time high. Is a reversal now underway, or is the 1Q outperformance for international stocks just a blip? Time will tell, but with recent developments such as the announced stimulus by Germany, we believe that underlying market conditions may begin to be tilted in favor of non-U.S. companies. The “better valuations offshore” drum has been beaten for some time – but an increased focus on pro-growth policies should translate into higher GDP growth, thus creating a positive ripple effect within non-U.S. economies.

The Cambiar International Equity portfolio is off to a good start in 2025, and our team continues to focus on the consistent implementation of Cambiar's Quality | Price | Discipline approach via a prioritization of wide-moat businesses that reside at the desired intersection of strong balance sheets, durable pricing power and reasonable valuations.

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 International Equity ADR 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 predominantly in foreign securities through American Depositary Receipts ("ADRs") and other securities which are traded on U.S. exchanges. Cambiar's International Equity ADR Composite primarily invests in stocks with a market capitalization greater than \$5 billion. The typical number of securities in the International Equity ADR portfolio is 40-50 holdings. As of April 2020, there is no minimum asset level for the composite. Prior to April 2020, the minimum asset level for the composite was \$100,000.

Prior to 2009 and for the periods of 2011 and forward, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. From 2009 to 2010, 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 International Equity ADR Composite are evaluated against the MSCI EAFE Index. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted, market capitalization weighted index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The index assumes no management, custody, transaction or other expenses. The MSCI EAFE 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 MSCI EAFE Index include the reinvestment of all income. 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.

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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