

# CAMBIAR LARGE CAP VALUE COMMENTARY 1Q 2025



# MARKET REVIEW

U.S. equities posted mixed returns in the first quarter, as heightened uncertainties regarding trade policy, sticky inflation data, and a retrenchment in government spending prompted investors to move to the sidelines. The S&P 500 Index registered a -4.3% return for the quarter, while the smaller cap Russell 2000 Index fell -9.5%.

On a style basis, growth stocks bore the brunt of the selling in the quarter, with the tech-heavy Nasdaq Composite logging its worst quarterly return (-10.4%) in three years. The quarter was a good reminder of what can happen when the momentum comes out of momentum stocks, as the AI trade that has buoyed markets stumbled hard over concerns of possible overinvestment and the launch of a lower cost AI model (DeepSeek). Large cap value equities managed to escape the selling pressure and closed the quarter with a positive gain, as the Russell 1000 Value Index posted a return of 2.1%.

The quarter saw a sharp reversal in sentiment, as optimism with regards to tax cuts, potential deregulation, and a more robust M&A environment subsequently gave way to growth-negative policies in the form of tariffs, reduced fiscal support, and tightening immigration. With a number of mega-cap growth stocks (that comprise a large weighting in passive indices) priced for perfection, the market was susceptible to a drawdown. While valuations don't necessarily convey what the future will bring, they do tell you what expectations are – in this regard, expectations were extremely elevated outside of more downtrodden areas such as the healthcare and consumer sectors.

Tariffs – Although not unexpected, the unveiling of tariffs has created a sharp air pocket in stocks, as the lack of visibility is causing corporations to pull back on investments and hiring. No one wins in a trade war, and the market must now adjust to a revised forecast of lower economic growth – with the potential for retaliatory actions by U.S. trade partners only adding to the uncertainty. The result is a widening distribution of economic outcomes and a corresponding widening distribution of equity return outcomes. Valuations will need to be recalibrated lower to account for the downshift in growth and murky economic outlook.

A more hands-off/passive approach may make sense during calm and upward trending periods; that said, active managers should be better equipped to adapt to the rapid change in market conditions. We believe

that Cambiar's Quality | Price | Discipline framework is well-suited for the current environment, and our team's long tenure and expertise in covering their sectors is an additional value-add in making prudent capital allocation decisions.

# LARGE CAP VALUE

	1Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value <small>(gross)</small>	0.5%	0.5%	6.2%	8.2%	18.4%	10.9%	9.0%
Large Cap Value <small>(net)</small>	0.3%	0.3%	5.5%	7.6%	17.7%	10.3%	8.5%
Russell 1000 Value	2.1%	2.1%	7.2%	6.6%	16.2%	8.8%	7.4%

Large Cap Value Composite (Institutional) Inception Date: 12.31.1998. See Disclosure – Performance

## CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Uber Technologies	3.58	0.62
Elevance Health	2.97	0.51
Chevron	3.18	0.50
CME Group	3.37	0.46
American Electric Power	2.03	0.36

## DETRACTORS

Bottom Five	Avg. Weights	Contribution
Amazon	2.90	-0.38
Diageo	2.39	-0.44
Sempra	2.77	-0.51
Alphabet	2.95	-0.55
Delta Air Lines	2.90	-0.61

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 Large Cap Value (LCV) portfolio registered a small gain for the first quarter – trailing our primary benchmark yet well ahead of the S&P 500 and growth peers. The strategy's longer-term returns remain ahead of the index on both an absolute and risk-adjusted basis.

Could the first quarter mark the beginning of the long-awaited rotation to value? If one embraces the concept of mean reversion, value stocks should be in a good position for a continued catch-up opportunity, while growth stocks are poised to encounter a number of headwinds – elevated valuations, more difficult comps, and peaking AI capex budgets.

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. We believe our focus on building a diverse portfolio of quality businesses that are trading at reasonable valuations should enable our clients to participate in up markets while also providing a margin of safety (vs. passively-managed benchmarks) during market declines.

Trade activity was relatively light in the quarter, consisting of two purchases and one sale. Within the

Healthcare sector, Johnson & Johnson was sold in favor of Regeneron. The decision to move on from JNJ was largely due to questionable capital allocation, as the company made two high-priced acquisitions that we viewed to be out of character vs. history. While the acquired businesses are innovative within their respective verticals, the payback period is at least 10 years (for each) and dilutive to returns. Capital discipline is a key consideration in our evaluation process – thus the decision to move on from JNJ.

We view Regeneron to be one of the highest-quality operators in the biopharmaceutical industry. A founder-led company with a strong foundation in R&D, Regeneron has produced five blockbuster products (sales > \$1B) over the years. The company has a fortress-like balance sheet with \$14B of excess cash (16% of the market cap), generating a best-in-class 25% return on capital. The weakness in the stock price that provided our attachment point is due to a revenue slowdown for EYLEA, Regeneron's ophthalmology product. We believe this is a transitory issue, as Regeneron has several regulatory milestones coming up in the first half of 2025 that should reignite growth for EYLEA. The company's other products (as well as a strong pipeline) results in what we view to be a very

favorable risk/reward opportunity over a forward 18-24 month timeframe.

At a sector level, defensives such as Utilities, Healthcare, and Communication Services (i.e., telecoms) performed well, while Industrials, Technology, and Consumer Discretionary lagged. With oil prices remaining in a supportive price level (the \$70s range), energy stocks comprised another area of strength in the quarter.

The LCV portfolio benefited from positive stock selection in the Industrial and Healthcare sectors, and our underweight allocation to Technology was another value-add. At a stock level, Uber and Airbus posted double-digit gains in the quarter. After losing ground last year on robotaxi concerns, Uber rebounded in the quarter, as investors appear to have come around to our view that autonomous driving (when it is approved) should not have a material impact on Uber's business model. The gain in Airbus was in response to a solid earnings report that showed good execution on the manufacturing front and a still-robust order backlog.

Stock selection in Consumer Staples comprised the largest detractor from performance, as Constellation Brands and Diageo both lost ground in the quarter. Beer/spirits companies remain out of favor for investors, with uncertainty surrounding consumption patterns in a GLP-1 world a key issue. More recent consternation about the impact of tariffs has been an additional headwind. Yet the underlying fundamentals for both companies remain stable/improving across most of their markets – thus the disconnect. With strong balance sheets and steady free cashflow that can be used for capital returns, we believe Constellation and Diageo can surpass the low expectations currently embedded in both companies' stock prices.

## LOOKING AHEAD

As we entered 2025, equity markets were richly priced, and investor optimism was high on the pro-growth prospects of the Trump 2.0 administration. This high valuation/high expectation bias is now materially diminished, as the magnitude of tariffs and ongoing trade uncertainty is almost sure to have a negative impact on the economy and business confidence, weighing on equity valuations.

Market conditions are rapidly changing – such that the road forward will almost certainly be a bit bumpier vs. recent history. With ~58% of assets held in passive

vehicles, stocks may be poised to exhibit the downside of indexation – i.e., similar to uptrends, indiscriminate liquidations pay no heed to price discovery.

The Cambiar team is reviewing portfolio exposures with a more discerning eye towards holdings that may be more vulnerable in a global slowdown (e.g., commodity stocks). While it has been some time, our tenured team has experience investing in adverse market environments. Above all, we remain focused on protecting client capital while taking advantage of potential market dislocations as asset markets seek to find some level of equilibrium in a backdrop of lower economic activity and reduced growth expectations.

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 Large Cap Value Composite (Institutional) includes discretionary, tax-exempt and taxable institutional and high net worth portfolios that are not part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. Effective July 31, 2021, the Cambiar Large Cap Value Composite (Institutional) was redefined to include taxable portfolios. Prior to this date, the composite excluded taxable portfolios due to the impact of tax loss harvesting, which has been lessened through composite membership policy changes. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in large cap equities. Cambiar's Large Cap Value Composite (Institutional) primarily invests in stocks with a market capitalization greater than \$10 billion. The typical number of securities in the large cap value portfolio is 35-45 holdings. The Large Cap Value Composite (Institutional) contains proprietary assets. As of April 2020, there is no minimum asset level for the composite. From July 2016 to March 2020, the minimum asset level for the composite was \$1,000,000. From 1998 to June 2016, the minimum asset level for inclusion in the composite was \$5,000,000.

Returns are presented gross (g) and net (n) of management fees. 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. Net of fees performance reflects a blended fee schedule of all accounts within the Large Cap Value Composite (Institutional). 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 Large Cap Value Composite (Institutional) are evaluated against the Russell 1000® Value Index. The Russell 1000 Value Index is a float-adjusted, market capitalization weighted index of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest 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 1000 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 1000 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:** 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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