CAMBIAR LARGE CAP VALUE COMMENTARY 2Q 2025

MARKET REVIEW

U.S. equities rebounded sharply in the second quarter, with the S&P 500 Index posting a gain of 10.9% for the period. Small cap stocks also finished higher for the quarter, although not to the same extent, as the Russell 2000 Index notched a 2Q return of 8.5%.

The quarter was truly a tale of two markets – stocks incurred a sharp April drawdown in response to the initial Liberation Day tariff agenda, only to close at all-time highs as the Trump administration softened many of the more restrictive measures and trade tensions with China de-escalated. The reversal from a bearish posture in early April to new record highs at quarter-end was a stunning turnaround. According to Strategas, the 55 trading days from the April 8th low to the new market high on June 27th marked the fastest roundtrip following a 15% correction in history. Given this euphoric recovery – in tandem with outsized gains in recent years – the obvious question is whether investors are becoming too complacent/optimistic in their return expectations for equity markets.

It has been Cambiar's view that the extreme tariff rates initially put forth were more a function of negotiating leverage, with the final outcome more likely a flat rate in the 10% range (perhaps higher for more mercantilist countries such as China). While ongoing trade decrees remain very much in flux, we believe this general view will likely prevail.

Although the rally in equities was broad-based in nature, more speculative pockets of the market led the way; examples include AI stocks, meme stocks, crypto, and quantum computing companies. A stronger IPO market provided additional fuel for the markets. The risk on bias is further evident when evaluating 2Q returns on a size/style basis:

Category	Returns
Russell 1000 Value	3.8%
Russell 2000 Value	4.9%
S&P 500	10.9%
Nasdaq	18.0%
Bitcoin	30.1%

With price action driven more by momentum and headlines than by company-specific attributes, it should not be surprising that Cambiar's Quality | Price | Discipline approach did not keep pace with the broader market returns for the quarter. While market averages may continue to push higher from here, rallies of this nature are susceptible to a reversal as market momentum subsides and investors return to valuing stocks based on a combination of revenues and earnings. Our team was opportunistic during the quarter; however, we resisted the urge to chase performance in the more speculative pockets that do not meet our quality and valuation criteria.

LARGE CAP VALUE

	2Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value (gross)	4.0%	4.5%	12.7%	14.7%	15.1%	11.1%	9.1%
Large Cap Value (net)	3.9%	4.2%	12.0%	14.0%	14.4%	10.5%	8.6%
Russell 1000 Value	3.8%	6.0%	13.7%	12.8%	13.9%	9.2%	7.5%

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

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Uber Technologies	3.99	1.13
Flutter Entertainment	2.24	0.79
Delta Air Lines	3.49	0.64
Airbus	2.99	0.63
Amazon.com	3.26	0.60

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Regeneron Pharmaceuticals	2.25	-0.40
Cenovus Energy	0.66	-0.42
Chevron	2.19	-0.49
ConocoPhillips	0.17	-0.50
Bristol-Myers Squibb	2.68	-0.86

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.

In what was an absolute rollercoaster of a quarter for the U.S. equity markets, the Cambiar Large Cap Value (LCV) portfolio finished ahead of the Russell 1000 Value Index by a narrow margin for the period. After declining sharply in response to President Trump's initial 'reciprocal' tariff agenda, stocks rebounded as the likelihood of a more moderate trade policy took shape (although it is still yet to be finalized).

Buy/sell activity was more active in the quarter, as our team worked through the day-to-day (often contradictory) news flow and potential impacts on the LCV portfolio. The bulk of our sales were in commodities, as we viewed areas such as Energy to be particularly more vulnerable to an economic slowdown. Sales included Cenovus and ConocoPhillips, as well as Corteva (seeds and crop protection) in the Materials sector.

On the buy side, the Cambiar team deployed capital into a number of quality businesses where we identified a combination of strong market position, defensible margin profiles via scale and network effects, and attractive valuations. New purchases in the quarter included Weyerhaeuser, Target and Flutter Entertainment. There is no common theme across any of these companies; i.e., each possesses unique attributes that should be additive to aggregate portfolio exposures. Target is an example of an exercise in patience – as we have been watching this name for the past year. The company has proven pricing power and sourcing agility, which should enable Target to take market share in the event of tariff-related competitor struggles within the discretionary space. At our attachment price in the $95 range (~11x P/E, 4.5% yield), we believe Target offers an attractive upside case should management address the inventory and operational shortcomings that have hampered earnings in recent years.

The risk on tone in the markets was evident in reviewing performance drivers at a sector level – Technology, Industrials, and Financials led to the upside, while more defensive sectors such as Healthcare, Energy and Utilities trailed. (Healthcare and Energy actually closed the quarter with losses.)

For the LCV portfolio, stock selection in Consumer Discretionary was a key value add for the period, with Amazon and newer holding Flutter Entertainment both posting strong returns. Amazon continues to execute at a high level across its various lines of business, with the impact of tariffs likely to be manageable. Flutter is a global leader in online sports betting (OSB), anchored by FanDuel in the U.S. With a domestic market share of ~40-45% and expansion across 39 states, Flutter is capitalizing on a powerful network-driven growth cycle in a projected $200 billion global market. A key consideration in investing in digital businesses is the company's market penetration and moat. Once these leaders become entrenched and customer acquisition costs can be spread across a larger base, the resulting increase in margins and free cashflow should provide a tailwind to the stock price. We believe Flutter has reached this point, with margins moving into positive territory and several large states (CA, FL, TX) still awaiting legalization.

In a continuation of the first quarter, Cambiar's industrial positions again contributed to performance, with Uber and Airbus both registering outsized gains in 2Q. In addition to their traditional rideshare model, Uber is showing success in the autonomous vehicle space, highlighted by their partnership with Waymo. We project Uber to generate ~$9B in free cashflow in 2025, which can be used for stock buybacks and further fortifying their net cash balance sheet. Given the stock's strong YTD return, we trimmed the position during the quarter – yet Uber remains a high conviction holding.

After showing signs of turning a corner in 1Q, healthcare stocks rolled over again in the second quarter, trailing the broader markets by a wide margin. Despite market participation beginning to broaden beyond the mega-cap tech space, investor sentiment towards healthcare remains in the doldrums. The sector has not done itself any favors, with heavyweight names such as UnitedHealthcare (not a Cambiar holding) pulling earning guidance and adding to the overhang. Cambiar's healthcare positions held up better than the benchmark, but our higher allocation to this lagging sector detracted from 2Q performance. Bristol-Myers Squibb (BMY) was a downside exception, as generally positive earnings results were overshadowed by the potential for lower prescription prices and tariff headwinds (the company has offshore manufacturing facilities in Ireland and Singapore). While we acknowledge the short/intermediate term uncertainty, BMY's drug portfolio targets a number of critical end markets – and thus a more inelastic demand profile. With a 5% dividend yield and a deeply discounted valuation vs. peers, we view the current negativity towards BMY to be overly punitive and continue to maintain a position in the company.

Cambiar's activity in the Energy sector comprised the largest drag on return for the quarter. After trading in the $70 range for the first three months of the year, oil prices sank to the upper $50s in response to the initial tariff rollout before recovering to the low $60s by quarter-end. Given the anticipated contraction in economic growth that would likely result from a global tariff backdrop, we felt it was prudent to reduce the portfolio's exposure to commodities. The April sale prices unfortunately locked in lower returns for Cenovus and Conoco – although it is worth noting that areas where our team subsequently deployed the proceeds, in some cases, have recovered to a greater extent than if we had maintained our energy positions. In other words, bad sells in energy for better buys in other sectors.

We added some capital back to energy late in the quarter with a new investment in Schlumberger (SLB). SLB is a leading oil services provider; the company has a global footprint, strong balance sheet (<1x net debt/EBITDA), and a growing order book in areas such as subsea drilling/development. While much of the oil production in the U.S. has been comprised of shorter cycle shale projects, we may be seeing signs of 'shale stress' via a combination of maturing basins and reduced efficiency gains. Such an environment would likely result in longer cycle projects of greater complexity and capex – a tailwind for Schlumberger. With a valuation of ~10x P/E at attachment, we view the risk/reward to be compelling for this market leader.

LOOKING AHEAD

Stocks wrapped up the first half of 2025 at new all-time highs, a stark reversal from the risk-off environment that was in place during the first quarter. Similar to the COVID crash in 2020 and the market correction in September 2023, the recovery time for markets is speeding up, now spanning weeks versus what used to take months. The 'buy the dip' playbook continues to pay dividends.

Despite the bullish sentiment in the market, we believe that a more balanced approach is appropriate, given lingering uncertainties regarding trade policy, heightened geopolitical tensions, and softening labor and economic data. The full effects of tariffs have yet to make their way into the U.S. economy; on this front, the upcoming earnings season will be an interesting tell on how companies are dealing with the shifting sands of trade policy. Large cap companies may be able to offset cost increases in other segments of their business, but will small and mid-sized firms have adequate financial depth to absorb potential price increases from tariffs?

The fiscal backdrop remains generally supportive for equities, as policy priorities have shifted away from DOGE and spending cuts to now prioritizing growth as the path to addressing the deficit. On the monetary front, the Fed has thus far resisted pressure from the White House to lower rates, choosing instead to maintain a wait-and-see position. We anticipate that Fed Chair Powell will attempt to reset the Fed's monetary policy framework at the Jackson Hole Economic Policy Symposium in late August, with the likelihood of one to two rate cuts in the second half of the year.

In considering how the second half of 2025 will unfold, a 'Curb Your Enthusiasm' approach may be one's best course of action. Given the euphoric run in equities to close out the quarter, we would not be surprised if there were a consolidation period. The S&P 500 is now trading at a forward P/E of 22x – valuation leaves little room for error. This is not to say that attractive investment opportunities do not exist below the surface, and the Cambiar team has been opportunistic in areas outside of the AI/tech craze. We remain focused on generating strong through-the-cycle returns via constructing diversified portfolios of high-quality businesses that are trading at reasonable valuations.

Thank you for your continued confidence in Cambiar Investors.

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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.

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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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