CAMBIAR INVESTORS

CAMBIAR SMALL CAP FUND COMMENTARY 3Q 2025

MARKET REVIEW

U.S. equities continued their ascent in the third quarter, with the S&P 500 Index gaining 8.1% to close at a record high. On a style basis, growth stocks outperformed their value counterparts, while small caps led the way with the Russell 2000 Index posting a 3Q return of 12.4%. A lagging asset class for much of this cycle, small cap companies should be outsized beneficiaries from a decline in interest rates, given their higher debt ratios vs. large caps.

With the exception of a few brief wobbles, the melt-up in risk assets has been relatively unabated since the Liberation Day lows. Tailwinds include generally strong corporate earnings, only a modest impact from tariffs on consumption trends, a more friendly M&A environment, and the potential for the One Big Beautiful Bill to stimulate economic growth via attractive tax incentives. Monetary policy is also shifting to an easing stance, with the Fed lowering its benchmark rate in September and likely on track for two additional cuts in the coming months. On the flip side, the economy is decelerating, consumer confidence is dropping, and the labor market is weakening. Investors thus far are maintaining a bullish bias, but clouds may be on the horizon.

On a valuation basis, small cap stocks are trading at reasonable levels, with the one year forward Price/Earnings ratio of the Russell 2000 Index at ~15x. In contrast, the large cap proxy S&P 500 is trading at valuations that have historically been difficult to sustain. The S&P is trading at a P/E of 23x (vs. a long-term average of 17-18x), while forward Price/Sales (can't manipulate revenues) of 3.3x is above the 2.9x peak reached in the late 90s internet period. It is worth noting that the operating margin for the S&P is also at a record high, providing some level of justification for lofty multiples. And valuation in isolation should not be a reason to sell, as it can remain elevated. That said, investors should acknowledge that the higher the valuation today, the lower the implied returns tomorrow.

Market concentration remains a concern, as the ten largest constituents in the S&P now comprise ~40% of the index and continues to do the heavy lifting on both an earnings and return basis (3Q return for the S&P 500 Equal-Weight Index was only 4.8%). With the exception of Berkshire Hathaway (#10), the top holdings are the well-known Mag7 and related technology/AI companies. The margins, returns and free cash flow within these tech giants have been impressive, and their massive investments in data centers are creating a halo effect of sorts within the broader economy (e.g., construction, power generation, etc.). The market is currently viewing all of these tech franchises as 'winners' – but can that be the case, given the balance of opportunities and threats that are likely to emerge? For now, follow the capex spend from the big hyperscalers – as this remains a key driver for the rally in equities. Any downshift will be an important datapoint that the market may be nearing a top.

SMALL CAP FUND

	3Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMSX	6.44%	7.75%	8.72%	12.37%	10.98%	7.59%	8.57%	-
CAMZX	6.51%	7.89%	8.96%	12.59%	11.19%	7.78%	-	10.44%
R2000V	12.60%	9.04%	7.88%	13.56%	14.59%	9.23%	7.91%	9.70%

Inception Date: CAMSX (8.31.2004) | CAMZX (10.31.2008). 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 9/30/25, expense ratios are CAMSX: 1.36% (gross); 1.15% (net) | CAMZX 1.11% (gross); 0.90% (net). Fee waivers are contractual and in effect until March 1, 2026. 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.*

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After posting solid margins of excess return in the first two quarters of 2025, the Cambiar Small Cap Fund was unable to match the strong rally in small cap stocks that paced the Russell 2000 Value Index in the third quarter. Despite positive stock selection in areas such as Technology and Consumer Discretionary, more challenged returns in Healthcare and Industrials – as well as an elevated cash position in the quarter – led to the relative performance lag.

All sectors posted a positive return for the quarter, illustrating the broad-based nature of the rally in small caps. Notably, the more speculative/higher beta pockets of the asset class led to the upside. Examples included gold exploration companies, bitcoin miners, and nuclear/alternative power producers. The leadership of lower quality issues (i.e., non-earners, levered balance sheets) is not all that surprising, given the risk on underpinnings and recognition that these companies will benefit from a decline in borrowing costs. This is not to suggest that small caps with strong financials and demonstrated free cash flow did not participate in the up-move; it was more about magnitude.

With sentiment running high towards all things AI, technology stocks were very strong in the quarter – for both the index as well as the Fund. Two individual highlights were Rambus and Tower Semiconductor, as both companies have become beneficiaries of the AI capex boom. We have owned Rambus since 2016; the company makes chips that go onto DRAM memory boards (DRAM = dynamic random access memory). Rambus more recently won other sockets on the memory board, such as power management and clock drivers. AI requires massive amounts of memory, thus the boost to Rambus. Consensus earnings have moved higher, but we anticipate continued upside from current levels.

Tower Semi is an analog foundry with a strong position in specialty materials fabrication, enabling high-performance communications applications (wireline and wireless). Tower has established a first mover status in 1.6t silicon photonics (sipho) components, which we believe are being sole sourced to Nvidia for their next generation offerings. The demand for optics in AI datacenters is very high, which should lead to upward revisions in both earnings and price targets for Tower.

As mentioned, stock selection within Healthcare and Industrials was disappointing, with holdings in these two sectors comprising the bulk of the strategy's lag in return. Some comments on two individual underperformers – and it is worth noting that we continue to maintain a position in both companies:

- ACV Auctions: ACV is a leading operator in dealer-to-dealer car sales (e.g., when leased vehicles are returned). This is a fairly recession-proof business model, and continues to grow >15%/year @ 35% incremental margins. Industry is in a bit of a lull at present, with dealer-to-dealer sales troughing @ ~6-7M vs. typical 8-9M traded vehicles. We anticipate volumes to recover in 2026, which should result in re-accelerating revenue growth and associated multiple expansion. We may have been early in our attachment, but continue to maintain conviction in the core thesis.

- Align: Align is the leading manufacturer of clear aligners (i.e., Invisalign) in orthodontics. The company cut revenue guidance during 3Q in response to an unexpected slowdown in the number of prospective patients converted to final cases. The negative stock reaction was exacerbated by Align's analyst day in early May, during which they issued upbeat guidance for 2025, denting management credibility. We believe the longer-term growth opportunity for ALGN is intact, as 80% of teen cases are still performed with traditional wires/brackets. ALGN has unmatched scale, technology and marketing advantages vs peers, in addition to a net cash balance sheet ($900 mil in cash, no debt). Stock trades at <11x EPS, and insiders were significant buyers of the stock (post-decline).

We are encouraged by the more recent outperformance in small caps. After an extended period of lagging their larger cap peers, could this be the beginning of a more durable opportunity for the asset class? Time will tell on this front, yet we believe small cap in general (and more specifically the Cambiar Small Cap Fund) may be poised to benefit in two ways – higher earnings and multiple expansion. Our team continues to focus on well-managed businesses that possess strong balance sheets, steady margin profiles, and high returns on invested capital.

LOOKING AHEAD

Equity markets have surged higher since their April lows, with both small cap and large cap benchmarks solidly in positive territory on a year-to-date basis. The strength in equities despite a decline in job openings is a notable divergence, given the historically positive

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correlation between these data points. For now, investors continue to maintain a glass half full bias, with downside protection a distant second in priority vs. upside participation.

While not at euphoric levels, equity markets (particularly large caps) reflect an abundance of optimism and heightened expectations. Upside participation has begun to broaden beyond the tech leaders, although outperforming year-to-date sectors such as Industrials and Utilities are largely tied to the AI infrastructure buildout trend. How long the AI capex trade can continue to shoulder the load is a key question. That said, management teams in big tech view AI to be existential to their future and thus for now remain committed to their capex plans.

The Cambiar team remains focused on delivering attractive risk-adjusted returns by buying quality wide moat businesses that are trading at reasonable valuations. Our Small Cap Fund is currently valued at a forward 1-Year P/E of ~15.5x, a fairly undemanding level vs. the broader market. Portfolio construction continues to emphasize diversification and a prudent balance of offense and defense.

Thank you for your continued confidence in Cambiar Investors.

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 losses to the fund. There is no guarantee the fund will achieve its stated objective. Diversification does not protect against market loss. High short-term performance of the fund is unusual and investors should not expect such performance to be repeated.

The Russell 2000® Value Index measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. 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. 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 Nasdaq 100 is a stock market index made up of 101 equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. 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 9.30.25, the Cambiar Small Cap Fund had a 2.4% weighting in ACV Auction, 2.2% in Align, 0.0% in Berkshire Hathaway, 3.5% in Rambus, and 3.2% in Tower Semiconductor. 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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