

CAMBIAR LARGE CAP VALUE COMMENTARY 4Q 2025



The Manager of the Decade rating was announced on February 21, 2025 and is based on the gross returns of the Large Cap Value composite for the ten year period ending on December 31, 2024. The 5 Star rating was announced on August 22, 2025 and is based on gross returns of the Large Cap Value Retail composite for the five year period ending on June 30, 2025. Cambiar did not compensate Zephyr in order to achieve its ranking but did pay Zephyr a licensing fee to use its logo on Cambiar's website. Only firms that submitted PSN investment manager questionnaires were eligible for the award.

MARKET REVIEW

U.S. equities closed out 2025 on a high note, with market averages notching their third consecutive quarter of positive returns. After a slow start to the year, stocks were on an upward trajectory for the remainder of 2025, as the S&P 500 Index closed just shy of all-time highs with a full-year return of 17.9% (including a 2.7% gain in the fourth quarter).

The fourth quarter saw a reversal in the growth > value trade, as traditional value sectors such as Healthcare and Financials performed well while the Mag7 cohort largely lagged (with Alphabet an upside exception). Small cap stocks (as represented by the Russell 2000) trailed their larger cap counterparts for the year, while still posting a respectable gain of 12.8% in 2025 (2.2% return in 4Q).

We entered 2025 at elevated valuations, with the S&P 500 trading at ~22x P/E (one-year forward). Yet, except for the Deepseek moment in January and the tariff tantrum in April, the rise in equities was virtually unabated over the course of the year. The S&P 500 is now trading at ~24x – again, a lofty starting point entering the new year. Whether the market can continue to surprise to the upside or give way to financial gravity is a key question for 2026.

AN IMPRESSIVE RUN FOR THE S&P 500 INDEX

Since 1957, the S&P 500's average annual return has been 10.5%. The 17% return for the index in 2025 marks the third consecutive year (and six out of the past seven) of above-normal returns. Investors have understandably come to expect double-digit gains as the norm rather than the exception.

Yet to what extent are these outsized returns a pull-forward phenomenon – such that future returns are bound to disappoint? Given valuations, aggregate index gains from current levels will likely be more a function of earnings growth vs. multiple expansion. A reasonable forecast may be range-bound returns for the index, while more opportunities exist below the surface...an attractive backdrop for active management.

While the Cambiar team's primary focus is at the company level, we monitor macro trends to the extent they can affect the investment case. Within the U.S. economy, cracks are appearing. Discretionary spending has remained relatively steady, led by the top 10% of consumers (i.e., asset owners), who account for

~49% of consumption. Meanwhile, the middle/lower end consumers at the bottom of the 'k' are becoming increasingly stretched – i.e., high credit card balances, utilization of buy now/pay later (BNPL) programs, and subprime auto loan delinquencies at the highest levels since 2008. Rising unemployment is likely to amplify these pressures, while stimulus from the OBBA in the form of higher tax refunds may provide some relief. In the corporate sector, bankruptcies spiked in 2025, highlighting the growing financial pressure amid a still-elevated borrowing environment. The divergence between Wall Street and Main Street appears to be widening.

A comment on the AI trade, as this has been a key upward driver for equities. For much of the past few years, the market has priced in a near-flawless AI future, with almost all market participants tied to AI seeing stock price appreciation. Sentiment is now beginning to shift among tech leaders, as investors become more scrutinizing as the cycle matures. Within the Mag7, only two out of the seven outperformed the S&P in 2025 (Alphabet and Nvidia). While capital spending on data centers and related investments is expected to remain robust, the associated impact on corporate balance sheets is giving investors pause. After indiscriminately bidding up companies across the AI stack, the market is now more discerning, seeking greater clarity on how/when today's investments will translate into future financial returns. Given the increased use of debt to finance AI capex plans, any tightening of credit conditions would be another cautionary signal.

LARGE CAP VALUE

	4Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Large Cap Value <small>(gross)</small>	5.6%	14.3%	14.3%	15.9%	12.1%	12.4%	9.3%
Large Cap Value <small>(net)</small>	5.5%	13.6%	13.6%	15.2%	11.4%	11.8%	8.8%
Russell 1000 Value	3.8%	15.9%	15.9%	13.9%	11.3%	10.5%	7.7%

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

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
Regeneron Pharmaceuticals	2.65	0.87
Alphabet	3.19	0.87
Delta Air Lines	3.21	0.73
Applied Materials	2.91	0.69
Estee Lauder	2.53	0.53

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Diageo	1.99	-0.15
Comcast	2.23	-0.17
Sysco	2.27	-0.24
Labcorp Holdings	2.81	-0.37
Uber Technologies	3.31	-0.63

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 posted a solid gain in the fourth quarter, outperforming both the broader market and the Russell 1000 Value Index. The upside for the period was driven by positive stock selection in Financials, Consumer Discretionary, and Healthcare. The excess return in the quarter also helped to narrow the performance gap vs. the index for the calendar year. Looking ahead, we remain constructive on the earnings trajectory and the portfolio's return potential in 2026.

Given the underlying 'risk on' sentiment that powered equities for much of 2025, the large cap growth style once again paced the U.S. equity markets – a trend that has been in place for eight out of the last ten years. Within the large cap value space, performance was bifurcated for the year, as procyclical/AI beneficiary sectors such as Financials, Industrials, Utilities and Communication Services performed well, while defensives (e.g., Consumer Staples, Healthcare, Real Estate) lagged.

As always, the Cambiar team views the investment landscape as a market of stocks, not the stock market. We are seeing increased dispersion of returns within and across sectors; such an environment should provide an attractive backdrop for active management. While

sensitive to more lofty valuations in certain pockets of the equity market, we continue to maintain a library of investment candidates that meet our Quality | Price | Discipline criteria. Portfolio construction remains an exercise in selectivity, balance, and varying return drivers. Our team was reasonably active in the quarter, with trade activity consisting of four new purchases and three liquidations.

One of the new additions to the portfolio was FedEx. FedEx operates one of the world's most extensive logistics networks, delivering ~17 million packages daily across 220+ countries. We believe FedEx is in the midst of a turnaround that can lift earnings/margins, offsetting the sluggish growth that has weighed on the stock price in recent years. Notable catalysts include anticipated market-share gains versus peers (UPS, USPS), the planned spinoff of FedEx's less-than-truckload (LTL) FedEx Freight business, and ongoing cost savings from FedEx's Network 2.0 transformation strategy. Given our attachment point at the low end of long-term ranges on both a P/E and EBITDA basis, we view FedEx as offering an attractive risk/reward should the investment case develop as expected. So far, so good, with FedEx reporting a strong earnings beat and raising full-year guidance in December.

At a sector level, it should be no surprise that Technology and Communication Services (which includes Alphabet) were the top performers within the large cap value index for 2025. Although the LCV portfolio has exposure to both sectors, the aggregate contributions to performance were mixed for the year. For example, the value-add from holding Alphabet within Communication Services was offset by our position in Comcast, which struggled in 2025. Stock selection within Technology was a net positive contributor to returns on a full-year basis (a modest deduction in 4Q), while our lower allocation to the sector limited the potential for additional upside. In aggregate, the impressive rally in the tech space over the past few years has resulted in a smaller strike zone for Cambiar's more valuation-sensitive approach. While not vacating this segment of the market, new names entering the portfolio in recent quarters reside well outside of the tech/AI capex trade. This is not an intentional contrarian move, but rather a function of where our team is finding attractive return opportunities at this point in the cycle.

Comprising ~18% of portfolio capital as of year end, Financials is the largest sector allocation in the LCV portfolio, with representative holdings in banks, insurance, credit cards, and an owner of exchanges. The sector was a notable positive contributor to performance in the quarter, highlighted by double-digit gains in American Express and U.S. Bancorp. The outperformance from U.S. Bancorp was notable, as regional banks lagged their larger money center bank peers for most of 2025. Assuming no material deterioration in economic growth expectations, banks should be in position to benefit from a steepening yield curve, increased capital market activity, and a less onerous regulatory environment. Trading at ~10x P/E with supportive return policies via dividend yields and share buybacks, we believe U.S. Bancorp (along with PNC Financial) continues to represent an attractive risk/reward profile.

In a reversal from the first nine months of 2025, Healthcare was one of the top-performing sectors in 4Q. The LCV portfolio benefited from both an overweight allocation and positive stock selection within the sector. Regeneron and Bristol-Myers were two outperformers, each gaining over 20%, respectively. The boost in Regeneron was in response to a strong earnings report, as the company's three key products (Dupixent, Eylea, and Libtayo) exceeded consensus expectations. The company is using excess free cash flow to repurchase

stock and bolster the balance sheet (cash comprises ~20% of total market cap).

Even after accounting for its recent price strength, Bristol-Myers is still trading at a one-year forward P/E of 9x – a deep discount to both the pharma sector and overall equity market. While some of the low valuations can be attributed to upcoming patent cliffs in BMY's Revlimid and Eliquis franchises, the company's newer growth portfolio of drugs is performing well (now representing over 50% of sales) and remains undervalued within the market. The potential for positive readouts in cardiology, neuroscience, and oncology (all expected in 2026) provides additional out-year earnings upside for the stock.

Cambiar's holdings in Consumer Staples represented the largest deduction from performance in 2025. With few exceptions, food and beverage businesses lagged by a wide margin in a market dominated by AI, semiconductors, and higher-beta cyclicals. For Cambiar, Diageo and Constellation Brands were notable underperformers, as both companies were hampered by mixed sales trends and earnings shortfalls. These high-quality businesses are now trading at low valuations on low expectations – a potentially attractive setup. While sensitive to value trap risk, we believe a recovery in volumes would be well-received by investors. At a higher level, any wobble in the current growth narrative could prompt investors to shift from momentum names to more durable businesses – a potentially additional catalyst for the broader staples sector. Our team recently added to our overall position in the sector with the purchase of Pepsi. In our view, Pepsi is a classic blue chip company – well-known brands with high market share, a track record of investment/innovation, and a financially sound business, as evidenced by 53 consecutive years of dividend increases.

LOOKING AHEAD

The S&P 500 has now returned 15+% returns for three consecutive years – an impressive feat that has only taken place twice over the past fifty years (the mid/late 90s and the 2019-21 timeframe). Given behavioral biases that lead to extrapolation of current trends (rather than mean-reversion thinking), the path of least resistance for equities remains to the upside. On that note, in a recent Bloomberg survey, Wall Street strategists are uniformly optimistic about 2026, projecting an average 9% gain for the S&P 500. While hesitant to make any sweeping forecast for overall

market returns, we believe the return potential for value stocks is attractive in the coming year. The fourth quarter saw a shift in leadership to value – let's see if it can continue.

As we enter 2026, there is no shortage of big-picture questions to ponder: Can massive AI capex translate into productivity gains as expected? How will a new Fed Chair impact the term structure for bond yields? What will it take for small caps to outperform? What is the outlook for inflation and the jobs market? With so many cross-currents to consider, a quote from broadcast journalist Edward Murrow comes to mind: "Anyone who isn't confused really doesn't understand the situation".

The above questions make for thought-provoking conversations, but are not overly top-of-mind considerations for the Cambiar team. In large part, we believe that stock prices follow earnings; as such, our efforts are more focused on getting the earnings right for our companies.

While autopilot (i.e., passive investing) may have been the correct path in recent years, we believe the potential for increased turbulence warrants an active approach that can potentially provide two-sided alpha – i.e., what you own as well as what you avoid. Our relative value discipline seeks to participate in up markets, while also providing a margin of safety in drawdowns. We would not be surprised if both market scenarios occur in 2026.

Cambiar's outlook is best described as cautiously optimistic, with a strong dose of selectivity. We continue to seek out well-managed companies that possess strong balance sheets, steady margin/return profiles, and durable competitive advantages. We then want to buy these great businesses at a great price; i.e., valuation remains a paramount input to the buy decision. Lastly, we want to hold these 35-40 high conviction positions in a diversified portfolio that balances opportunity/upside with prudent diversification and risk management.

On behalf of everyone at Cambiar Investors, we want to wish you a Happy New Year! May 2026 be filled with health and prosperity.

DISCLOSURE

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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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