

CAMBIAR SMID FUND COMMENTARY 4Q 2025

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.

SMID FUND

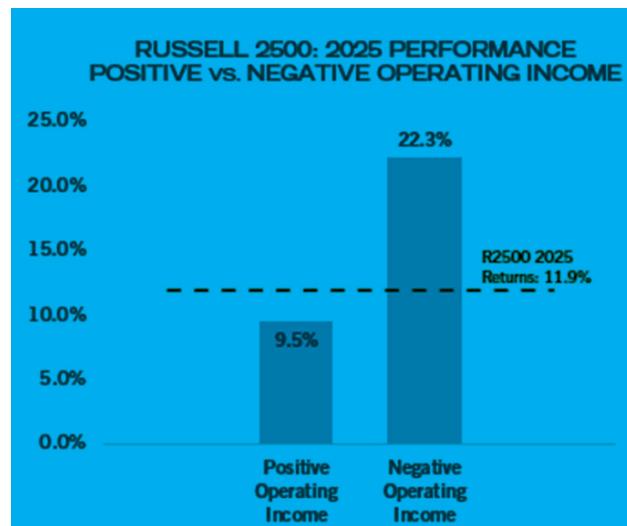
	4Q 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception - Inv	Since Inception - Inst
CAMMX	1.62%	0.04%	0.04%	3.70%	5.26%	9.06%	8.46%	-
CAMUX	1.66%	0.12%	0.12%	3.79%	5.35%	9.14%	-	7.53%
R2500V	3.15%	12.73%	12.73%	13.21%	10.02%	9.72%	9.20%	8.27%

Inception Date: CAMMX (5.31.2011) | CAMUX (11.3.2014). 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 12/31/25, expense ratios are CAMMX: 1.12% (gross); 0.96% (net) | CAMUX 1.02% (gross); 0.85% (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.

The Cambiar SMID Fund moved higher in the fourth quarter, while falling short of the Russell 2500 Value Index. The quarter closed out a challenging 2025 for the strategy, as Cambiar's quality bias and valuation sensitivity were out of lockstep with a market that prioritized upside via higher-beta, momentum stocks – many of which do not meet our investment criteria.

In the vein of 'a picture is worth a thousand words', we believe the chart below helps to frame the investment backdrop for 2025. In theory, companies that deliver persistent earnings and free cashflow should be rewarded with higher valuations; yet in 2025 it was the opposite, as small-mid companies with negative income outperformed by a wide margin:



source: Factset

The market environment in 2025 has many parallels to 2021 – another speculative period (e.g., meme stocks) where key driving factors (beta, momentum, valuation) moved counter to our Quality | Price | Discipline investment framework. Both 2021 and 2025 had a clear 'risk on' bias, with investors chasing thematic stocks with little regard to valuation, earnings or even the underlying feasibility of the business.

It is worth highlighting that the SMID Fund's quality approach was effective in protecting capital during the market drawdown in the first quarter. The bulk of the performance lag for the year occurred during the ensuing rally in the second and third quarters.

Diversification does not protect against market loss.

And while less evident on a return basis, the portfolio began to ‘act’ much better in the fourth quarter – a combination of a broadening market, proactive changes made in the portfolio, and rebounding performance from a number of oversold positions such as Align Technologies (Healthcare) and J.B. Hunt (Industrials). We realize that the portfolio is in a clear ‘show me’ position – but believe the strategy is in good position as we transition to 2026.

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

The Healthcare sector has traditionally been a target-rich sector for the portfolio – given diverse business models, relatively acyclical demand patterns, and reasonable valuations. One representative purchase in the quarter was The Cooper Companies (COO). Cooper Companies is a medical device company, deriving ~65% of revenues from contact lenses and the balance from women’s health products. A favorable aspect of Cooper’s lenses business is that the average contact wearer is brand loyal for seven years, which gives the company a predictable cadence of revenues. Sales have slowed in recent quarters due to capacity constraints of Cooper’s MyDay disposable lenses. The expansion in capacity (now complete) also hampered free cashflow. Our investment thesis is primarily based on the anticipated reacceleration of growth in the lens business, which should provide a catalyst for an upward re-rating in valuation. An additional positive (although not necessary) would be a potential split of the company’s vision and women’s health businesses.

In reviewing index sector returns for the quarter, Healthcare was a standout performer; Cambiar’s overweight allocation vs. the benchmark (17% vs. 8%) was thus a positive contributor to performance in 4Q. In contrast, rate-sensitive sectors such as Real Estate and Utilities trailed the broader small-mid market for the quarter. In what was a familiar theme (for both the quarter and the year), the Technology sector was again a positive performer. The portfolio benefited from a modest overweight to Tech, although our holdings in the sector trailed the benchmark during the quarter.

Comprising ~22% of portfolio capital as of year-end, Financials is the largest sector allocation in the Fund. While cognizant of the positive correlations within the sector, we attempt to diversify our exposure via line of business – regional banks, payments, insurance, an exchange, and an investment bank. Aggregate sector performance lagged the index for the quarter, as gains from Webster Financial and BOK Financial were overshadowed by drawdowns in non-bank holdings Euronet, Fidelity National, and Lazard. Assuming no material deterioration in economic growth expectations, we believe financials in general (and banks more specifically) continue to offer an attractive risk/reward. Sector tailwinds include a steepening yield curve and increased capital market activity. A less onerous regulatory environment could also spur higher merger activity vs. the weaker M&A environment in recent years.

Security selection within Industrials comprised the biggest drag on relative performance in the year, as positions in Masco, WillScot Holdings, and ACV Auctions all incurred pullbacks of varying magnitudes (vs. a positive return for the overall sector). The resultant sell-offs in WillScot and ACV in particular create what we view to be a potentially asymmetric return opportunity for both positions – should industry conditions in their respective industries (WillScot provides modular office/storage for construction sites, ACV is a leader in wholesale car auctions) normalize as anticipated.

We are disappointed that the SMID Fund did not do a better job participating in the 2025 up market; that said, we also recognize that the dynamics driving the index returns for the period were inconsistent with our lower-beta, quality-focused investment approach. To be clear, there were areas where our team could have executed better; on this note, we believe the necessary changes have been made. The fourth quarter marked a modest downshift in investor exuberance towards all things AI, with capital rotating into traditional value sectors such as Healthcare and Financials. A continuation of this trend should be a positive for the portfolio – with many of our businesses trading at valuations that result in compelling return opportunities should we see an improvement in fundamentals and earnings.

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. A recent Bloomberg survey showed that Wall Street strategists are uniformly optimistic about 2026, with an average outlook for a 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.

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.

Diversification does not protect against market loss.

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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.

The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns do not reflect any management fees, transaction costs or expenses. 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. Indexes are unmanaged and one cannot invest directly in an index. 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 S&P 500 Equal-Weight Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a an equal-weighted index, with each stock's weight in the Index proportionate to one another. Indexes are unmanaged and one cannot invest directly in an index.

As of 12.31.25, the Cambiar SMID Fund had 1.5% weighting in ACV Auctions, 2.9% in Align Technologies, 2.5% in BOK Financial, 2.7% in Cooper Companies, 2.0% in Euronet, 2.4% in Fidelity National, 2.5% in J.B. Hunt, 2.4% in Lazard, 2.4% in Masco, 2.4% in Webster Financial, and 1.9% in Willscot Holdings. The Fund has a 0.0% weighting in Alphabet and Nvidia. 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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