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CAMBIAR SMID VALUE COMMENTARY 3Q 2026

MARKET REVIEW

U.S equity markets posted mixed results for the third quarter. The large cap proxy S&P 500 Index registered a 2.4% gain – getting a major assist from notable mega-cap tech stocks that are large constituents in the benchmark. Yet the aggregate index return masks the underlying deterioration in market breadth, as evidenced by the -1.9% return for the Equal Weight S&P 500 (RSP). The median stock in the S&P is trading at ~16% below its 52-week high at quarter-end – the weakest market breadth since the late 90s dot-com era. The outperformance of mega cap tech stocks is certainly not a new development; however, broader participation would reduce reliance on the AI capex trade that has been propping up the economy (and the stock market).

Small cap stocks were also dented by the tightening in financial conditions, with the Russell 2000 Index posting a 3Q return of -7.2%. Small caps had been leading to the upside through the first half of 2026, but gave way to a 3-punch combination of higher input prices, higher transport prices, and higher financing costs.

The quarter saw a sharp rise in oil prices, as prices for West Texas Intermediate ranged from $67 in July to $107 in mid-September. The higher price deck contributed to the decision by the Federal Reserve to raise rates at their September meeting. There was also a corresponding response in bond yields, as the 10-year Treasury yield ended the period at 5.2% - the highest level since mid-2007. The surge in borrowing costs has been a global event, with yields in Japan, Europe and the UK breaching levels not seen over the past 15 years. Key drivers include high energy prices, sticky inflation, hawkish central banks, widening budget deficits, and competition for capital amid the AI datacenter buildout.

Remember the "new normal" framework that surfaced during the post-GFC period? The impetus was that the U.S would be mired in a prolonged period of subdued economic growth, which would then validate exceptionally low interest rates and unorthodox central bank policies. Corporations (and investors) anchored to this ultra-low rate backdrop, with risk assets a key beneficiary. Suffice to say, that view is now in the rear-view mirror, replaced by the 'old normal' of nominal GDP and associated yields of the 1990s and 2000s. This does not necessarily equate to a bear thesis for equities (the stock market did pretty darn well in the 90s); yet given a substantial amount of corporate activity that only made sense in an ultra-low rate regime, some comeuppance may be necessary.

What are the implications of rising bond yields for equity investors? As Warren Buffett once said, 'Interest rates are to stocks what gravity is to matter.' Rising yields translate into a higher discount rate, which should be a headwind for aggregate equity valuations – in particular longer-duration growth stocks. On the flip side, if yields are simply repricing to reflect stronger-than-expected economic growth and corporate earnings remain strong, the market may be able to withstand the upward move in rates. Bond yields can and should track nominal GDP.

At a stock level, a higher cost of capital is likely to be more impactful for companies with elevated debt ratios that need to be rolled over in the current rate backdrop. In contrast, the adjustment to a higher neutral rate should not be as challenging for investment candidates prioritized by the Cambiar team – i.e., high quality businesses that we believe to possess durable earnings power, persistent margins, and more conservative leverage profiles. As always, selectivity remains paramount.

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SMID VALUE

	3Q 2026	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
SMID Value (gross)	-5.2%	11.3%	12.8%	7.1%	5.2%	10.4%	12.0%
SMID Value (net)	-5.4%	10.7%	11.9%	6.4%	4.5%	9.7%	11.3%
Russell 2500 Value	-4.4%	18.8%	22.5%	19.1%	9.8%	10.1%	11.1%

SMID Value Composite Inception Date: 7.31.2010 / See Disclosure – Performance

CONTRIBUTORS

Top Five	Avg. Weights	Contribution
HF Sinclair	2.41	1.03
ACV Auctions	1.47	0.81
Nutanix	2.45	0.67
WEX	2.55	0.40
Dolby Laboratories	2.27	0.37

DETRACTORS

Bottom Five	Avg. Weights	Contribution
Tower Semiconductor	0.21	-0.50
Southwest Airlines	2.63	-0.51
Sportradar Group	2.43	-0.55
Watsco	2.59	-0.74
WillScot Holdings	2.13	-1.02

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.

After successive quarterly gains to start the year, small/mid cap equities posted a modest loss for the third quarter. The Cambiar Small-Mid (SMID) Value strategy was unable to sidestep the weaker environment, registering a relatively in-line return with the Russell 2500 Value Index. The portfolio benefited from positive stock selection in Financials and Energy, while below-benchmark performance within Healthcare and Industrials weighed on 3Q results.

Buy/sell activity was more elevated in comparison to past quarters, consisting of four initiations, six liquidations, and incremental adds/trims to existing positions. New purchases spanned various sectors, and our underwriting process remains focused on identifying company-specific catalysts that can drive earnings/multiple expansion, vs. trying to fit a specific market narrative. Examples include Hasbro (leading game/toy manufacturer that is ramping into the digital gaming space) and Gartner (tech-focused research and advisory services).

In contrast to the broad-based positive returns in 2Q, sector performance was more mixed in the third quarter. The sharp rise in oil/diesel prices was a notable tailwind for the Energy sector but was a drag on the transport-heavy Industrials sector. The resulting smaller wallet share for consumers due to higher prices at the pump was also a negative for Consumer Discretionary stocks. Meanwhile, bond-proxy sectors such as Utilities and Real Estate posted weaker returns in response to higher bond yields, while Healthcare stocks closed higher in the quarter. Finally, the all-important Technology sector was essentially flat for 3Q, which we would consider a win – given the parabolic move in tech stocks over the first half of the year.

The quarter was a good example of the reduced operational/financial flexibility that smaller cap stocks possess (vs. large caps) in dealing with macro variables such as rates and energy prices. For example, the move in rates resulted in a flatter yield curve, which often leads to lower net interest margins (NIM) for many banks. While large cap banks can offset lower NIMs with other lines of business such as financial services, trading and asset management, smaller regional banks often generate the bulk of their revenues via traditional loan activity. Thus, while the large cap Financial Sector ETF (XLF) was flat for the quarter (-0.04%), the S&P Regional Banking ETF (KRE) returned -6.7% in 3Q.

Staying with Financials, Cambiar's holdings in the sector held up well vs. the index, resulting in a positive contribution to relative performance for the quarter.

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Although the portfolio incurred drawdowns in Prosperity Bancshares and Lazard, strong gains from non-bank holdings such as WEX, Reinsurance Group of America, and CBOE Global Markets provided a good offset. While cognizant of the positive correlations that exist within the sector, our team remains focused on building a diverse set of quality financial companies that can provide varying exposures; examples include regional banks, payments/transaction processing, an exchange, and insurance providers.

The wide move in energy prices has been a prominent headline in 2026. Given the potential for oil prices to contract upon resolution of the Middle East conflict, we chose to have limited exposure in the Energy sector with a single position in HF Sinclair – which operates branded gas stations and also has a refining segment. The blowout in crack spreads (measures how much refiners earn from turning oil into diesel and gasoline) has resulted in windfall profits for Sinclair in recent quarters, with the stock more than doubling in 2026. Given the reduced upside, we sold the position in favor of Expand Energy, which is the largest natural gas producer in the U.S. Natural gas prices are currently low due to expectations for a warmer winter (El Nino), but should recover over a longer arc due to stronger demand trends (e.g., the ongoing datacenter buildout). Expand hedges a portion of its production, providing some level of revenue visibility. The company's recent acquisition of Twin Eagle (natural gas storage/pipeline assets) should provide additional synergies and free cashflow upside.

The outsized move in diesel prices during the quarter contributed to weaker returns in Southwest Airlines and SAIA Inc. – two of the portfolio's holdings in the Industrials sector. SAIA is a shorter-haul transport company (trucking); the company can offset higher diesel prices via fuel surcharges, and reduced competition due to the more challenging environment will ultimately be a positive for the industry and SAIA. Consistent with our focus on low leverage, SAIA's net cash balance sheet provides the company with good optionality as it relates to enhancing shareholder returns.

On a more positive note, the portfolio incurred a takeout during the quarter, as ACV Auctions (wholesale vehicle auction marketplace) was acquired by Copart, a larger player in the industry. Although the all-cash offer resulted in a meaningful gain in the stock during the quarter, it is our view that Copart is getting a very good deal vs. our fair value estimate for ACVA. In light of the expanded market position and added technology capabilities that this transaction now provides Copart, we initiated a position in the company.

Cambiar's overweight exposure to Technology added value from an allocation perspective but was overshadowed by below-benchmark performance for the period. At a stock level, ON Semiconductor and Lattice Semi each registered declines in the July rotation out of hardware names. Given the strong gains in both stocks during the first half of the year, perhaps some giveback was warranted in 3Q, and we remain constructive on the multi-year earnings outlook for both positions. The recent purchase of Nutanix (NTNX) is off to a good start, with the stock moving higher in response to a positive earnings report. Nutanix utilization software allows servers to run multiple independent operating systems simultaneously, maximizing server efficiency. With the anticipated growth in on-premises hardware (see Dell), NTNX should be in excellent position to grow revenues/earnings. The stock had been weak due to tightness in the memory market and server delays, providing an attractive attachment point. Looking ahead, we believe consensus estimates for the company are too conservative, resulting in the potential for meaningful upside should fundamentals evolve as anticipated.

LOOKING AHEAD

As we transition into the final quarter of 2026, a glance at market averages shows double-digit gains for the year and a remarkably resilient equity market. However, a deeper look below the surface tells a different story, with many stocks trading well below their 52-week highs and struggling from the combination of higher input prices, higher energy prices and now higher financing costs.

The year-to-date gains in stocks (as well as the broader economy) have been largely propped up by the massive investment in AI compute and datacenters – which to this point appears immune to the rise in yields. As long as hyperscalers continue their role as hyper-spenders, the AI capex flywheel will continue. These are odd times we are living in when companies such as OpenAI and Anthropic claim that their products could potentially trigger human extinction, and yet they are allowed to raise trillions of dollars via an IPO.

Suffice to say, any slowdown in AI spending could pull a major support beam out from underneath the broader market. And with free cashflow dwindling for many of the hyperscalers, the result is an increased reliance

on external financing via the debt and private credit markets. AI companies have tapped the debt markets to such an extent in 2026 that they are now pushing up interest rates for the entire economy. If this AI buildout is able to generate persistent returns on capital, today's spending will look brilliant. At present, demand exceeds supply – resulting in impressive pricing power, margins and earnings. But it is the longer-term sustainability of return on investment that should define a quality business. For now, it is full steam ahead, with the recent introduction of personal AI agents unlocking another avenue of growth (and competition).

We continue to closely monitor the developments in AI and their impact (both direct and indirect) on the SMID Value strategy. When significant capital flows into a few popular themes, valuation disparities often emerge elsewhere…that is where our team is more focused on identifying attractive investment candidates for the portfolio.

Thank you for your confidence in Cambiar Investors.

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Cambiar's SMID Value Composite includes discretionary, taxable and tax-exempt portfolios, including portfolios that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees including commission costs. The records of the portfolios in the composite are maintained on Cambiar's systems. Portfolios in the composite invest in equity securities of small- to mid-sized companies. Cambiar's SMID Value Composite primarily invests in stocks with a market capitalization between $2 and $12 billion. The typical number of securities in the SMID Value portfolio is 35-45 holdings. The SMID Value Composite contains proprietary assets. As of April 2020, there is no minimum asset level for the composite. Prior to April 2020, the minimum asset level for the composite was $100,000.

For the periods of 2013 and forward, the composite's gross returns include accounts with gross and "pure" gross performance and are presented as supplemental information. From 2010 to 2012, the composite only contained accounts whose gross performance is reduced by transaction costs. "Pure" gross returns do not reflect the deduction of any expenses, including transaction costs. "Pure" gross returns are applicable to separately managed accounts that are part of broker-affiliated or broker-sponsored programs, including wrap programs, which waive commission costs or bundle fees including commissions (SMAs). Net returns are reduced by transaction costs and actual investment advisory fees and other expenses that may be incurred in the management of the account. SMAs often incur bundled fees, charged by the wrap sponsor or affiliated broker, that may include transaction costs, investment management, portfolio monitoring, consulting services, and custody fees. Net returns for SMAs are calculated by deducting the investment advisory fees from the client's account as reported by the wrap sponsor or affiliated broker, or as received by Cambiar. 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 SMID Value Composite are evaluated against the Russell 2500™ Value Index. The Russell 2500 Value Index is a float-adjusted, market capitalization weighted index comprised of firms in the Russell 2500™ Index that experience lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is a float-adjusted, market capitalization weighted index that measures the performance of the 2,500 smallest 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 2500 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 2500 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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