

CAMBIAR EUROPE SELECT ADR COMMENTARY 2Q 2020

MARKET REVIEW

After incurring a sharp drawdown in the first quarter, European equities narrowed the year-to-date deficit with a strong snap-back rally in the second quarter. The MSCI Europe Index gained 15.3%, the benchmark's strongest return since the third quarter of 2010. All sectors except Energy posted positive returns in the quarter, illustrating the broad-based nature of the market rally. On a style basis, growth stocks continue to outpace their value counterparts, although the margin had narrowed relative to prior quarters.

The first six months of 2020 have been a tale of two quarters for the global equity markets, with stocks selling off in March in response to economic fallout from the COVID-19 virus, before surging off the bottom in the second quarter. In Cambiar's first quarter commentary, we noted that event-driven bear markets such as the one that took place in 1Q can often take on a 'faster in/faster out' profile. That said, the shift in investor sentiment from one of fear to one of missing out was certainly much quicker than expected, given the considerable uncertainty that still exists with regards to the coronavirus. Europe has seen greater compliance in safety measures intended to thwart the coronavirus,

and key economies such as Germany and the United Kingdom have begun to ease restrictions. Assuming the continent can side-step a second wave of the virus this fall, the expectation is for economic growth to recover in the second half of the year.

While oversold market conditions and announced progress on a COVID-19 vaccine contributed to investors' optimism towards the equity markets, another contributing factor has been the significant monetary and fiscal stimulus measures by policymakers. Not only did these measures provide a backstop of sorts for further losses, but the accompanying liquidity has made its way into all sorts of risk assets – including stocks. Many countries in Europe have announced large stimulus packages in an effort to re-boot their economies along with a separate €750 billion recovery plan that could bring additional investment programs to the region. The key takeaway is that an extraordinary amount of uncertainty regarding the forward economic outlook is being countered by an extraordinary monetary (and fiscal) response.

EUROPE SELECT ADR

CONTRIBUTORS

| Top Five | Avg. Weights | Contribution |
|------------------------|--------------|--------------|
| PagSeguro Digital Ltd. | 2.14 | 1.53 |
| Zai Lab Ltd. | 2.72 | 1.41 |
| Gerresheimer | 2.92 | 1.20 |
| Brenntag | 2.40 | 0.99 |
| Euronext | 2.28 | 0.90 |

DETRACTORS

| Bottom Five | Avg. Weights | Contribution |
|---------------------|--------------|--------------|
| Landis+Gyr Group | 1.48 | -0.11 |
| Greggs plc | 0.27 | -0.22 |
| Nokian Renkaat Oyj | 1.79 | -0.24 |
| Greencore Group Plc | 1.46 | -0.40 |
| Air France-KLM | 0.75 | -0.42 |

A complete description of Cambiar's performance calculation methodology, including 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. Past performance is no guarantee of future results.

| | 2Q 2020 | YTD | 1 Year | 3 Year | 5 Year | Since Inception |
|--------------------------------------|---------|--------|--------|--------|--------|-----------------|
| Europe Select ADR _(gross) | 18.9% | -11.8% | -5.1% | -0.4% | 1.9% | 2.8% |
| Europe Select ADR _(net) | 18.7% | -12.1% | -5.8% | -1.2% | 1.2% | 2.2% |
| MSCI Europe | 15.3% | -12.8% | -6.8% | 0.0% | 1.5% | 1.6% |

Europe Select ADR Composite Inception Date: 10.31.2014 / See Disclosure –Performance

The Cambiar Europe Select strategy posted a strong second quarter – on an absolute basis as well as relative to the MSCI Europe Index. The excess return was a function of positive stock selection, with Cambiar outperforming the benchmark in seven of eight sectors in which the portfolio was invested.

At a sector level, Technology stocks continued to lead the way – the pandemic has allowed many tech companies to pull forward profitability via solutions such as video conferencing, online commerce and increased cloud/software applications. It is worth noting that tech stocks comprise a smaller percentage of the European equity market when compared to the U.S. (7% weighting in the Europe Index vs. 27% for the S&P 500 Index). Given the risk-on undertone in the market, defensives such as Consumer Staples, Real Estate and Healthcare trailed the broader market (while still positive).

Trade activity for the Europe Select portfolio was relatively low in the quarter, with Cambiar liquidating three positions. The proceeds from the portfolio sales resulted in an uptick in cash – which subsequently hampered additional upside potential in the quarter. The Cambiar team continues to maintain a healthy pipeline of investment candidates, yet we are remaining patient for proper attachment points. While there is no shortage of ‘cheap stocks’ in the market, many of these companies do not possess the desired balance sheet and profitability characteristics we seek to own on behalf of our clients. We anticipate that the market volatility is likely to remain elevated, providing the opportunity for thoughtful deployment of the portfolio's cash position.

Given the aforementioned market drivers in the quarter, Cambiar's allocation to Technology represented the largest positive contribution to performance in the quarter. Value investing in the tech sector can be a challenge, as attractively priced companies are often on the wrong side of innovation and therefore deserving of a low valuation (i.e., value traps). Cambiar's approach to security selection in the tech sector emphasizes companies that are leaders in their respective verticals and are trading at a reasonable valuation that meets our 3:1 up/down potential return profile. There is additional focus on diversification by industry/end market. NXP Semiconductor and Capgemini (IT services companies) were two notable standouts in the quarter. Given Cambiar's concerns around global auto volumes (a large end market for NXP's chips) and a reduced upside profile, the position was sold in the quarter. Capgemini moved higher on expectations for a second half 2020 recovery and management's

re-affirmation of medium-term growth prospects. While an increasing number of tech companies are trading at elevated multiples, we believe Capgemini's current valuation provides for additional expansion potential, thereby continuing to offer a very attractive reward-to-risk profile.

Despite a recovery in Brent oil prices during the quarter, the Energy sector did not participate in the broader 2Q market rally. Cambiar's non-ownership in Energy was thus a positive contribution to performance in the quarter. Looking ahead, the recovery in oil demand and curtailment in spending/deferral of major projects should result in a firming of oil prices – and subsequently, a more attractive return profile for energy companies. While not currently allocating capital to the space, Cambiar continues to closely monitor the energy sector for potential investment opportunities.

One sector where Cambiar's holdings trailed the index was Consumer Discretionary. Ongoing uncertainty surrounding the rollback of coronavirus restrictions has remained an overhang for discretionary industries such as travel, retail, and lodging. Cambiar holdings Accor and Industria de Diseno Textil (Inditex) were two individual laggards in the quarter. Hotel operator Accor should benefit from the steady rise in hotel re-openings and the resultant travel increases within the U.K. and Schengen (intra-Europe). Retailer Inditex (their flagship brand is Zara) has been under pressure due to store closures; that said, the company has done a very good job of maintaining gross margins, and Inditex is also making progress on their digital conversion efforts. In what has been a very challenging environment for traditional brick-and-mortar retailers, the management team at Inditex continues to execute at a high level.

LOOKING AHEAD

For the European equity markets, the first two quarters of 2020 have been somewhat extraordinary in the speed and magnitude of stock moves – from the quickest descent into a bear market on record to one of the strongest quarterly gains over the past ten years. The whipsaw in stocks over the past six months is just another example of how hard it is to time the market, vs. maintaining a long-term time horizon.

The obvious question on investors' minds is the direction of the markets from here. While strategists tend to look at similar patterns in history as a guide, the sample size for the move in stocks thus far in 2020 is fairly small – and certainly does not include a global health pandemic. Additional factors such as

the potential for a stimulus package will also determine investor sentiment and the forward trajectory for EU equities. Valuation is certainly not an issue, with the MSCI Europe Index trading at 13x earnings on a 1-year forward basis. That said, European equities have traded at a discount to the U.S. markets for much of the current cycle.

It is Cambiar's view that COVID-19 newsflow remains front and center for investors, with the stop-and-go impact on stocks likely to continue until there is more clarity to timing of a vaccine (in our opinion, an early/mid 2021 event). Despite the overly optimistic signals currently being given by rising stock prices, a sustainable recovery of the economy will be very difficult until there is some resolution on this front. Cambiar continues to closely monitor the pandemic situation and its impact on companies – current holdings as well as companies we would like to own. Protection of principal remains paramount; as such, our team remains biased towards companies whose earnings

and cashflow should be relatively more insulated, vs. companies whose business outlook is more closely correlated to the health backdrop.

We hope you and your families are staying safe, and we appreciate your continued confidence in Cambiar Investors.

DISCLOSURE

Performance: The performance information represents the respective Cambiar strategy composite and may be preliminary. Returns are presented gross (g) and net (n) of management fees and include the reinvestment of all income. Gross and net returns have been reduced by transaction expenses. Net returns are also reduced by actual investment advisory fees and other expenses that may be incurred in the management of the account. Gross returns for Cambiar's Europe Select ADR Composite include accounts with both gross and "pure" gross performance. "Pure" gross, applicable to separately managed accounts that are part of broker-affiliated or broker-sponsored programs, including wrap programs, that waive commission costs or bundle fees (including commissions), has not been reduced by transaction costs and is supplemental information. Net returns for SMAs are calculated by subtracting actual SMA fees reported by the SMA sponsor. Cambiar negotiates advisory fees with each individual client or relationship. Please refer to our Form ADV Part 2A for additional disclosures regarding our investment management fees. Net of fees performance reflects a blended fee schedule of all accounts within relevant composite. SMAs might also incur bundled fees that are charged by brokerage firms which sponsor SMA fee programs and that may include transactions costs, investment management, portfolio monitoring, consulting services, and in some cases, custodial service fees. Cambiar clients may incur actual fee rates that are greater or less than the rate reflected in this performance summary. Results are reported in U.S. dollars. Index returns include the reinvestment of all income, and assume no management, custody, transaction or other expenses. Each index is a broadly based index that reflects overall market performance and Cambiar's returns may not be correlated to the index against which it is compared for a number of reasons including investment approach and number and types of holdings. Each index is unmanaged, and one cannot invest directly in an index. Cambiar's past results do not necessarily indicate Cambiar's future performance and, as is the case with all investment advisors who concentrate on equity investments, Cambiar's future performance may result in a loss. The top/bottom contributors is for a representative portfolio in the strategy. A complete description of Cambiar's performance calculation methodology, including a complete list of each security that contributed to the performance of the portfolios, is available upon request. Please contact Cambiar at 1-888-673-9950 for additional information.

Europe Select ADR Benchmark: The MSCI Europe Index is a free float-adjusted, market capitalization weighted index that measures equity market performance of European developed markets. Benchmark returns are net of withholding taxes. Prior to July 2019, Cambiar typically followed each custodian's treatment of tax withholding and therefore dividends may have been presented as gross or net of dividend tax withholding depending on the custodian's treatment. As of July 2019, Cambiar typically records dividends net of withholding taxes although it may depend on various factors such as the issue country and custodian's treatment. Withholding taxes may vary according to the investor's domicile, and other reasons.

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