

MAR VISTA

U.S. Quality

Portfolio Commentary | September 30, 2025

Summary

- The third quarter of 2025 marked a standout period for U.S. equities, powered by optimism over the Federal Reserve's dovish pivot and the ongoing boom in artificial intelligence (AI). The "Magnificent Seven"—Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla—now account for nearly 37% of the S&P 500® Index's market cap, the highest share on record, propelled by AI-driven enthusiasm.
- The S&P 500® Index advanced to fresh record highs—one of its strongest Septembers in 15 years—while the Nasdaq Composite surged, reflecting technology's unrelenting momentum.
- Mar Vista's U.S. Quality strategy returned +3.29% net-of-fees in the third quarter of 2025. The Russell 1000® Index and the S&P 500® Index returned +8.00% and +8.12%, respectively.
- The third quarter's top portfolio contributors were Oracle, Apple, and Amphenol. The top detractors were Intuit, Salesforce, and SAP.
- During the quarter we did not initiate any new positions; however, we increased our holdings in NVIDIA, Apple, and Alphabet. At the same time, we exited our position in Adobe and trimmed our allocations to Broadcom and Equifax.
- The outlook for the final quarter of 2025 rests on a delicate balance between resilient fundamentals and growing risks of market overheating. The powerful rally has stretched valuations—most notably in U.S. large-cap growth stocks—while the heavy concentration in the "Magnificent Seven" and rising signs of speculative excess suggest that the AI-fueled surge may be approaching its limits.

Commentary

The third quarter of 2025 marked a standout period for U.S. equities, powered by optimism over the Federal Reserve's dovish pivot and the ongoing boom in artificial intelligence (AI). The S&P 500® Index ("S&P 500") advanced 8.12% to fresh record highs—one of its strongest Septembers in 15 years—while the Nasdaq Composite surged 11.24%, reflecting technology's unrelenting momentum. Corporate earnings provided an additional boost, with third quarter S&P 500 profits estimated to have grown 8.1% year-over-year.

A key shift in Q3 was the rally's expansion beyond mega-cap leaders. Following the Fed's first rate cut of 2025 in September, expectations for further easing drove strong inflows into smaller, rate-sensitive companies. The Russell 2000® Index gained 12.39%, outpacing large caps and hitting its first all-time

high since 2021. Sector gains were broad-based, factor indices reflected a clear “risk-on” tone, with high beta strategies leading and growth handily outperforming value.

Still, market concentration remains a pressing concern. The “Magnificent Seven”—Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla—now account for nearly 37% of the S&P 500’s market cap, the highest share on record, propelled by AI-driven enthusiasm. This unprecedented dominance, coupled with a flood of record highs and speculative fervor, has fueled debate over whether the rally is entering bubble territory.

Performance Review

Mar Vista’s U.S. Quality strategy returned +3.29% net-of-fees in the third quarter of 2025. The Russell 1000® Index and the S&P 500® Index returned +8.00% and +8.12%, respectively. Stock selection within information technology, industrials, and financials negatively impacted our performance during the quarter.

Oracle, **Apple**, and **Amphenol** were among the portfolio’s top contributors for the quarter, appreciating +28.91%, +24.25%, and +25.49%, respectively. Alternatively, **Intuit**, **Salesforce**, and **SAP** detracted from performance, declining -13.18%, -12.94%, and -12.13%, respectively.

Oracle’s (ORCL) stock responded positively to its FQ1 2026 (August quarter) results, which many on Wall Street have characterized as the company’s “NVIDIA moment.” Remaining Performance Obligations (RPO; like contracted bookings) increased by \$317 billion sequentially, reaching approximately \$455 billion. This unprecedented surge was driven by four multi-billion-dollar contracts with three large customers who support training and inference workloads for leading large language model providers.

Management outlined a multi-year revenue roadmap that calls for \$144 billion in its OCI (Oracle Cloud Infrastructure) infrastructure-as-a-service (IaaS) revenue by FY 2030, a striking step-up from approximately \$10 billion reported in FY 2025. The scale and duration of these contracts are unmatched in the industry, and Oracle expects additional multi-billion-dollar deals to push RPO beyond \$500 billion by fiscal year-end 2026. We believe Oracle is emerging as a Tier-1 hyperscale cloud provider, now viewed as a true peer to Microsoft Azure, Google Cloud Platform, and AWS.

While IaaS revenue carries lower gross margins compared to Oracle’s core database and enterprise SaaS (software-as-a-service) businesses, the sheer scale of growth is set to drive accelerating revenue and EPS expansion over the intermediate term. We continue to hold our position in ORCL as the company gains meaningful share in the rapidly expanding generative AI market.

Apple (AAPL) shares rebounded in Q3 2025 as investor concerns over both tariffs and the early adoption of its generative AI product, Apple Intelligence, eased. Attention shifted instead to the favorable resolution of Alphabet’s DOJ trial, seen as a positive for both Apple and Alphabet, and to healthy initial demand for the fall launch of the iPhone 17.

We continue to view Apple as a competitively advantaged business, anchored by the strength of its ecosystem. With over 2 billion active devices and more than 1 billion paying subscribers, Apple benefits from a loyal customer base and a growing stream of high-margin, recurring services revenue. This stable cash flow enables continued investment in innovation, even during periods of cyclical

softness. We believe Apple remains well positioned to lead in the emerging category of AI-enabled edge devices.

Amphenol (APH) delivered strong Q2 results and provided an upbeat Q3 outlook, which were both well received by investors. Revenue growth is being supported by AI-related product design wins, including contributions to NVIDIA's new Blackwell NVL platform, expected to ramp in the second half of 2025. Beyond IT datacom and AI, Amphenol benefits from a diversified portfolio across a wide range of end markets, all tied to the secular trend of greater connectivity and intelligence in devices. Coupled with its entrepreneurial culture, disciplined capital allocation, and leading market position, Amphenol appears to be well positioned to gain share in the global connector market, while sustaining best-in-class margins and returns on invested capital.

Intuit's (INTU) shares came under pressure during the quarter as investors grew concerned that autonomous AI agents could weaken the competitive position of traditional software-as-a-service providers. While we acknowledge these dynamics, we believe Intuit is well positioned to benefit from the shift. Over five years ago, management invested heavily in an AI-driven expert platform that blends artificial intelligence with human expertise. This strategy has yielded "done-for-you" solutions across TurboTax, QuickBooks, and Credit Karma, including TurboTax Live, now a \$2 billion business that grew over 40% in FY 2025. With agentic AI likely to become pervasive across enterprise software, we believe Intuit is well placed to harness these capabilities, supporting above-average revenue and earnings growth over our investment horizon.

Salesforce (CRM) stock came under pressure in Q3 as investors weighed the potential impact of trade tensions on GDP growth and IT budgets, concerns over agentic AI cannibalizing Service Cloud seats, and the slower-than-expected ramp of monetization from AI-enabled offerings such as CRM's AgentForce.

As the global leader in SaaS-based customer relationship management software, Salesforce benefits from a vast repository of customer data. Combined with generative AI capabilities, this data can be leveraged to deliver deeper insights and improved customer outcomes. AgentForce, Salesforce's newly launched generative AI chatbot, is designed to automate customer service tasks, which lowers costs relative to traditional call center models.

Although still early in its rollout, AgentForce has already attracted significant interest from both customers and global systems integrators. Salesforce reported that approximately 12,500 customers are currently testing AgentForce, including roughly 6,000 paying customers. We believe Salesforce is well positioned to monetize its AI initiatives over time and extend its leadership in the CRM market.

SAP's (SAP) shares came under pressure during the quarter amid investor concerns that autonomous AI agents could disrupt incumbent software-as-a-service providers, alongside broader worries about IT budgets and U.S. public sector spending trends. Despite these headwinds, we believe SAP is well positioned to migrate its large, on-premises ERP customer base to its modern S4/Hana cloud platform. This transition drives a ~2.5x increase in average revenue per customer through broader service adoption.

Recent results highlight strong execution against this strategy, with current cloud backlog up 29% year-over-year, total backlog up 40%, and cloud ERP suite growth of 35% in calendar 2024. These

metrics support management's outlook for accelerating growth through 2027, underpinned by continued customer migrations and efficiency gains from cloud-based operations. We believe this transformation should drive sustained growth in revenue, earnings, and cash flow over our investment horizon.

Portfolio Activity

We did not initiate any new positions during the period; however, we increased our holdings in **NVIDIA, Apple, and Alphabet**. At the same time, we exited our position in **Adobe** and trimmed our allocations to **Broadcom** and **Equifax**.

We exited our long-standing position in **Adobe** as we grew less confident that generative AI product extensions across its flagship Creative Cloud suite would meaningfully expand the company's addressable market. Adobe faces heightened risks and a wider range of potential outcomes as large language models such as OpenAI's and Alphabet's Gemini become mainstream. Investors are questioning whether automation of lower-level creative tasks by these models could reduce the number of licensed seats, thereby expanding the uncertainty around Adobe's future business performance.

Although Adobe has invested heavily to embed generative AI capabilities across its platform, the company's ability to translate these innovations into meaningful incremental revenue remains uncertain. With both the timing and magnitude of new AI-driven revenue streams unclear, and competitive pressures increasing in Adobe's core markets, we concluded that the risk-reward profile had deteriorated. Therefore, we chose to exit our position and reallocate capital to opportunities in the portfolio with clearer return potential.

Outlook

The outlook for the final quarter of 2025 rests on a delicate balance between resilient fundamentals and the growing risk of market overheating. The U.S. economy continues to expand, supported by solid corporate earnings and the Federal Reserve's rate-cutting cycle. Yet the powerful rally has stretched valuations—most notably in U.S. large-cap growth stocks—while the heavy concentration in the “Magnificent Seven” and rising signs of speculative excess suggest that the AI-fueled surge may be approaching its limits.

Risks to equities are increasingly evident. The recent U.S. government shutdown has heightened policy uncertainty, delayed key data releases and complicated the Fed's decision-making. Inflation, though moderating, remains persistent, and renewed tariff disputes or trade frictions could reignite price pressures, undermining the Fed's dovish stance. These dynamics have already steered capital toward safe-haven assets, with gold strengthening and fixed income indices delivering positive returns. Looking ahead, we believe the trajectory of Fed rate cuts and the outcome of trade negotiations are likely to be the primary drivers of volatility.

In this environment, we are prioritizing diversification and disciplined rebalancing. Elevated valuations in large-cap equities reinforce the need to shift capital toward areas with stronger risk-reward dynamics. We view volatility not as a deterrent but as an opportunity to trim concentrated, high-risk positions and increase exposure to underappreciated segments poised for long-term growth.

Our strategy remains centered on maintaining a diversified, growth-oriented portfolio that balances opportunity with disciplined risk management. By staying flexible, drawing on differentiated insights, and remaining attuned to technological innovation and shifting macro conditions, we aim to position the portfolio for durable value creation over the long term.

The Mar Vista Investment Team

U.S. Quality Annualized Returns as of September 30, 2025

	Gross	Net*	R1000® Index	S&P 500® Index
1 Year	13.06	12.22	17.74	17.60
3 Years	21.49	20.60	24.64	24.93
5 Years	11.79	10.97	15.99	16.46
10 Years	13.61	12.77	15.04	15.30
Since Inception	10.30	9.51	10.25	10.21

**As of January 1, 2025, the firm began presenting net of a model fee for all historical periods, calculated using 1/12th of the highest annual fee schedule applied to the monthly gross returns of the composite.*

Investors in Mar Vista's U.S. Quality strategy acknowledge and agree that (I) any information provided by the Firm is not a recommendation to invest in the strategy and that the Firm is not undertaking to provide any investment advice to the investor (impartial or otherwise), or to give advice to the investor in a fiduciary capacity in connection with an investment in the strategy and, accordingly, no part of any compensation received by the Firm is for the provision of investment advice to the investor and (II) Mar Vista has a financial interest in the investor's investment in the strategy on account of the fees and other compensation the Firm expects to receive from the client.

Mar Vista Investment Partners, LLC, a Delaware limited liability company, is a registered investment adviser under the Investment Advisers Act of 1940. The Firm offers investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, corporations, as well as other institutional clients. For purposes of compliance with GIPS®, Mar Vista has defined itself to include bundled/WRAP fee accounts in the firm's assets. Prior to January 1, 2018, Mar Vista defined itself to not include bundled/wrap fee accounts in the firm's assets. Mar Vista maintains a complete list and description of firm composites, which is available upon request.

On 7/12/07, Silas Myers and Brian Massey formed Mar Vista to manage various large-cap equity strategies. On 12/1/07, all of the assets under their management at Roxbury Capital Management, LLC transitioned to Mar Vista through a sub-advisory arrangement. Information provided for the period from January 2004 through November 2007 represents the performance of portfolios managed by Mr. Myers and Mr. Massey while employed by Roxbury Capital Management. On 1/25/15, Mar Vista finalized an agreement whereby the preferred share class that was owned by Roxbury was extinguished. All assets under management are managed by Mar Vista. Mar Vista claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Benchmark returns are not covered by the report of independent verifiers. For the entire period presented, Mr. Myers and Mr. Massey have been substantially responsible for the all the investment decisions of the large-cap equity strategies. Performance prior to 12/01/07 meets GIPS® portability requirements. ACA served as the verifier, conducted a verification and examined the composite's performance history that was ported over to Mar Vista prior to 12/01/07.

The U.S. Quality Composite was created 12/01/07, with an inception date of 12/31/03. On 12/01/2024 the name of the composite changed from Strategic Growth to U.S. Quality. All returns are based in U.S. dollars and are computed using a time-weighted total rate of return. The composite is defined to include all fully discretionary portfolios with no minimum or maximum account value, managed in accordance with Mar Vista's U.S. Quality strategy, and that paid for execution on a transaction basis. Prior to 1/01/06, the composite was defined to include only taxable portfolios with no minimum or maximum value. The results in the column marked Net of Fees for the periods 8/01/08 through the present, include a standard management fee applied to any non-fee-paying portfolio for performance calculation purposes.

The primary benchmark is the Russell 1000® Index, defined as an unmanaged, capitalization weighted index of those Russell 3000 companies with larger capitalizations. Index returns include dividends and/or interest income, and do not reflect fees or expenses. In addition, the Russell 1000® Index is fully invested. Investors cannot directly invest in an index. Investors cannot directly invest in an index. On 12/1/24, the primary benchmark changed from the Russell 1000® Growth Index to the Russell 1000® Index. The benchmark changed for all historical periods.

The secondary benchmark is the S&P 500® Index, defined as an unmanaged, capitalization weighted index of the common stocks of 500 major U.S. corporations. Index returns include dividends and/or interest income and, unlike composite returns, do not reflect fees or expenses. In addition, unlike the composite, which periodically maintains a significant cash position, the S&P 500® Index is fully invested. Investors cannot directly invest in an index.

The dispersion in gross-of-fees composite returns shown herein was measured using an asset-weighted standard deviation formula. Performance results presented reflect the reinvestment of dividends and other earnings. Gross performance is net of all transaction costs, and as of 1/1/25, net returns for all periods are calculated using a model fee, by deducting 1/12th of 0.75% from monthly gross returns. All returns are calculated net of withholding taxes on dividends and interest. Actual results may differ from composite results depending upon the size of the portfolio, investment objectives and restrictions, the amount of transaction and related

costs, the inception date of the portfolio and other factors. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The firm's U.S. Quality fee schedule is as follows: First \$25 million – 0.75%; Next \$25 million - 0.60%; Next \$50 million – 0.50%; Over \$100 million - Negotiable. Special circumstances may cause fees to vary from this schedule and Mar Vista reserves the right to negotiate fees with clients. Fees are payable quarterly in arrears or advance based on 1/4th of the annual rate.

A complete list of portfolio holdings and specific securities transactions for the investment strategy during the preceding 12 months, the top contributors and underperformers calculation methodology and a list of every holding's contribution to the overall performance during the period is available upon request. The sector performance and securities mentioned in this letter were held in the account of a U.S. Quality client that Mar Vista believes to be representative of the accounts that Mar Vista manages for this investment strategy during the period from June 30, 2025-September 30, 2025. Other Mar Vista clients managed with different investment objectives may hold different securities than those listed. The securities listed in this letter should not be considered a recommendation to purchase or sell any particular security. The reader should not assume that investments in the specific securities identified herein were or will be profitable. A U.S. Quality GIPS® Composite Report is available upon request by contacting Mar Vista directly at (800) 993-1070 or via email at info@marvistainvestments.com. Past performance is no guarantee of future results. Not FDIC insured, no bank guarantee, may lose value.