April 2015

"Hell, I don't know what's going to happen. I regard it all as very weird. If interest rates go to zero and all the governments in the world print money like crazy and prices go down – of course I'm confused. Anybody who is intelligent who is not confused doesn't understand the situation very well. If you find it puzzling, your brain is working correctly." – Charlie Munger, 2015 Daily Journal Annual Meeting

In the spirit of full disclosure, if we had been sitting in the audience at the Daily Journal meeting and Mr. Munger told us we were "*idiots for not understanding the situation*," we probably wouldn't be starting our investor letter with his acerbic commentary. But, combining a little confirmation bias with the need for self-affirmation, we deemed this quote from one of the great thinkers of our time as highly relevant.

From the curious existence of negative interest rates in Germany and Switzerland to the doubling of stock prices despite a slowing economy in China to disinflation in the face of ultra-expansionary policies in Japan, we are admittedly puzzled by the current environment and the markets' willingness to suspend prudence despite the warning signs of underpriced risk. Complacent investors accepting subpar returns on the premise that perpetual monetary expansion can support asset prices without consequences are living in the Land of Rainbows and Unicorns.

Fortunately, generating excess risk-adjusted returns is not predicated on consistently accurate predictions for central bank policy, interest rates, inflation or commodity prices. Rather, it is determined by having a unique, and more accurate, perspective on an asset's risk relative to its probable payoff. For Mar Vista, this means possessing differentiated insights into a business' potential intrinsic value growth in a range of economic outcomes that are not adequately reflected in the current stock price.

The evidence of our persistent insight is shown in the performance summary at the end of this letter; each of our three strategies, *Focus*, *Strategic Growth* and *Global*, have generated materially positive *alpha* versus our benchmark over the market cycle[1] (Focus +2.54, Strategic Growth +2.45) and since their inceptions (Focus +2.33, Strategic Growth +2.18, Global +4.48).

Portfolio Changes

With the lack of material price dislocations like we had in 4Q14, no new businesses were added to the portfolio during the first quarter. We did increase weights in several positions including *Core Lab* and *Honeywell* and eliminated three holdings: *Amazon*, *EMC* and *KLX*. After a large move in a short period of time, *Amazon's* stock price surpassed our estimate of fair value and we sold the position. We also sold the small position in *KLX* that we received from *BE Aerospace*'s restructuring as we deemed the business' moat minimal. Finally, *EMC* was sold due to our concerns for eroding competitive advantages and lower growth potential than we originally anticipated.

Core Lab

In our 3Q14 letter, we extolled the virtues of Core Lab's moat in proprietary reservoir description and production technologies, which we won't rehash here, as well as its attractive valuation given the nearly 40% stock price

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[1] Market cycle is defined as "peak-to-peak" levels for the benchmark. The current cycle peak was January 1, 2008 and continues through March 31, 2015. Global's inception date was not until 12/31/11.

decline. We were, in hindsight, catching a falling knife as the stock dropped *another 40%* from our original purchase price. With the stock off nearly 60% from its highs, our unemotional analysis concluded that the market was suffering from "recency bias" by pricing near-term industry pressures unreasonably far into the future. As such, we reloaded our positions at the discounted prices and the stock has substantially rebounded.

Honeywell

Our position in Honeywell, which we've owned for the last four years, was recently increased and it is now the largest position across each of our strategies. Prior to Dave Cote's arrival as CEO in 2002, the company was mired in hubris at every level with a noticeable void of vision and institutionalized purpose. Mr. Cote piloted a company-wide transformation using the "Five Initiatives," emphasizing growth and productivity gains, which became the foundation of Honeywell's ensuing success. Today, the company is a global powerhouse across multiple product platforms with leading market positions, durable competitive advantages in every business segment and a plethora of secular growth opportunities for future success.

Through his process-driven culture and focus on technology differentiation, Cote has transformed Honeywell from a state of dysfunction to one of the most innovative and admired companies not only in the domestic industrial sector but around the world. During his tenure, segment margins have improved more than 600 basis points and returns on capital have climbed from the high teens to the mid-20% range, all while top line has nearly doubled. Effective deployment of capital and an enthusiastic willingness to shed underperformers has led to a collection of higher quality, less cyclical businesses. This intense concentration on continuous improvement, shareholder value creation and executing on forecasts has made all the difference. These are the attributes we seek in the businesses we choose for long term partnership at Mar Vista.

The stock has doubled during our holding period so it's easy to assume the company's best days have passed and the stock must fully reflect Honeywell's future opportunities. To the contrary, we view the future as brighter than that implied by the stock price. We believe the new Honeywell Operating System (HOS) Gold initiative will drive 4-6% organic revenue growth, 45-75 basis points of annual operating margin expansion and mid-20% returns on incremental capital invested over our investment horizon. With this kind of fundamental performance comes billions and billions of excess capital available to reinvest in high return projects, stock buybacks, dividends and highly accretive acquisitions. Compounding per share intrinsic value at double-digit rates over the next five years is an impressive feat, especially considering what Mr. Cote has accomplished over the prior thirteen years, but we believe he will continue to exceed expectations.

Outlook

We see an increasing divergence between economic performance and the rosier outcomes implied in many stock prices. As it has been the last five quarters, our average margin of safety, or upside to intrinsic value, remains compressed at below 10%, compared to the historical averages of 20-35% discounts. The investment team remains patient and disciplined when allocating your capital and won't force resources into subpar opportunities. Accordingly, our cash levels have increased to their highest levels since 2007.

Our expectations for future returns remain the same: with the discount between prices and intrinsic values unusually compressed, we would anticipate returns over our time horizon to more closely correlate with our companies' per share intrinsic value growth (10-12% average with a range of 7% to 20% assuming a stable economic environment) and only a modest return from discounted prices.

Our Commitment to Our Investors

While investment returns are never guaranteed, the Mar Vista team remains committed to the foundations of our beliefs:

- Focus on the process, not the outcomes
- Emphasize capital protection as much as upside potential
- Think like rational business analysts first, not traders of individual stock
- Identify good capital allocators that think and act like *Outsiders*
- Exploit the manic-depressive nature of Wall Street
- Take concentrated positions when the expected returns relative to the risks are favorable
- Align our economic incentives with our investors

As always, we appreciate the trust you have instilled in us as stewards of your capital. Our role as fiduciary is paramount to everything we do and open communication about how we are managing your capital is an important part of that responsibility.

Please let us know of any questions, comments or concerns you may have. We look forward to the opportunity to discuss our investment philosophy and thoughts with you through these updates, conference calls and personal meetings. You can reach us by phone at 310.917.2800, via email at info@marvistainvestments.com or visit our website at www.marvistainvestments.com.

All the best,

The Mar Vista Investment Team

Performance and Risk Statistics as of March 31, 2015

Annualized Net Returns	Strategic Growth	Alpha	Focus	Alpha	Russell 1000®G Index	S&P 500 Index
1 Year	16.3%	0.43	18.9%	3.50	16.1%	12.7%
3 Year	17.3%	1.90	16.3%	1.95	16.3%	16.1%
5 Year	14.5%	0.50	14.9%	1.47	15.6%	14.5%
Peak-to-Peak[1]	9.6%	2.45	9.9%	2.54	8.7%	7.2%
Since Inception						
Strat Growth[2]	8.9%	2.18			8.5%	7.9%
Focus[3]			10.7%	2.33	10.1%	8.5%

Risk Statistics *Peak-to-Peak*[1]	Strategic Growth	Focus
Down Capture	75.7%	76.6%
Up Capture	90.0%	92.1%
Beta	0.85	0.88
R^2	0.86	0.88
Information Ratio	0.18	0.25
Standard Deviation	17.2% vs. 18.7%	17.4% vs. 18.7%

Annualized Net Returns	Global Equity	Alpha	MSCI ACWI Net
1 Year	10.4%	5.23	5.4%
3 Year	12.3%	4.54	10.8%
Since Inception[4]	14.8%	4.48	13.7%

Risk Statistics *Since Inception*[4]	Global Equity
Down Capture	50.9%
Up Capture	102.5%
Beta	0.79
R2	0.92
Information Ratio	0.65
Standard Deviation	7.6% vs 9.2%

[1] *Peak-to-Peak (1/1/08-3/31/15)* [2] *Inception 1/1/04* [3] *Inception 1/1/03* [4] *Inception 1/1/12*

Mar Vista Investment Partners, LLC, a Delaware limited liability company, offers investment advisory services to individuals, pension and profit sharing plans, trusts, estates, corporations, as well as other institutional clients. Mar Vista also serves as a sub-adviser to Roxbury Capital Management, LLC ("Roxbury"), a Delaware limited liability company. Mar Vista jointly owns its back office service provider, Roxbury Capital Management, with Hood River Capital Management, a registered investment advisor. Roxbury provides various administrative, operational and business services, including trading, marketing, client service, compliance, accounting and IT. For purposes of compliance with GIPS®, Mar Vista has 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.

Mar Vista claims compliance with the Global Investment Performance Standards (GIPS®).

The Strategic Growth Composite was created 12/01/07, with an inception date of 12/31/03. 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, fee paying portfolios with no minimum or maximum account value, managed in accordance with Mar Vista's Strategic Growth 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. One non-fee paying portfolio is included in the composite for the following periods: 0.2% of the composite's assets for year end 2008; 0.1% of the composite's assets for 2009; and 0.1% of the composite's assets for 2010; and 0.1% of the composite's assets for the period ending 9/30/11. Beginning 10/1/11 there are no longer any non-fee paying accounts in the composite. 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 Focus composite was created 12/01/07, with an inception date of 12/31/02. 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, fee paying, taxable and tax-exempt portfolios with no minimum or maximum account value, managed in accordance with Mar Vista's Focus strategy, which is a concentrated portfolio invested in 15 to 20 equities, and that paid for execution on a transaction basis. Effective 10/1/05, portfolios with directed commissions were excluded from the composite. Prior to 4/1/04 the composite was defined to include tax-exempt portfolios with a minimum portfolio value of $500,000. From 12/31/02 forward, the composite includes portfolios without restrictions and also portfolios with minor restrictions that affect up to a maximum of 5% of the portfolio's value based on the cost of the restricted securities at the time of purchase by other similarly managed portfolios. One non-fee paying portfolio is included in the composite for the following periods: 16% of the composite's assets for year end 2004; 100% of the composite's assets for year end 2005 and 2006. Three non-fee paying portfolios are included for the following periods: 42% of the composite's assets for year end 2007; 17% of the composite's assets for year end 2008; 19% of the composite's assets for 2009; 0.1% of the composite's assets for 2010; 0.1% of the composite's assets for 2011; 0.1% of the composite's assets for 2012; 0.1% of the composite's assets for 2013; 0.1% of the composite's assets for 2014; 0.1% of the composite's assets for Q1 2015. The results in the column marked net of fees for the periods 4/01/04 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® Growth Index, defined as an unmanaged, capitalization weighted index of those Russell 1,000 companies with higher price-to-book ratios and higher forecasted growth values. 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 Russell 1000® Growth Index is fully invested. Investors cannot directly invest in an index. 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 composite returns shown herein was measured using an asset-weighted standard deviation formula. Gross performance is net of all transaction costs, and net performance is net of any transaction costs, applicable performance-based fees and actual management fees, but before any custodial fees. 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 Strategic Growth and Focus 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.

The Global Equity composite was created in 2012, with an inception date of 12/31/11. 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, fee paying, taxable and tax-exempt portfolios with no minimum or maximum account value, managed for at least one month in accordance with Mar Vista's Global Equity strategy, which is a portfolio invested in 15-30 equities, and that paid for execution on a transaction basis. The benchmark is the MSCI All Country World Index. Two non-fee paying portfolios are included in the composite for the following periods: 100% of the composite's assets for 2012; 100% of the composite's assets for 2013; 100% of the composite's assets for 2014. The results in the column marked Net of Fees for the periods 1/01/12 through the present, include a standard management fee applied to any non-fee paying portfolio for performance calculation purposes. The benchmark is the MSCI ACWI Index, defined as a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indices comprising 23 developed and 23 emerging market country indices. In addition, unlike the composite, which periodically maintains a cash position, the MSCI ACWI Index is fully invested. Investors cannot directly invest in an index. The dispersion in composite returns shown herein was measured using an asset-weighted standard deviation formula. Gross performance is net of all transaction costs, and net performance is net of any transaction costs, applicable performance-based fees and actual management fees, but before any custodial fees. All returns are calculated net of withholding taxes on dividends and interest. Three non-fee paying accounts are net down by the maximum fee. 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. Past performance is no guarantee of future results. Not FDIC insured, no bank guarantee, may lose value.

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 and a presentation that complies with GIIPS for each strategy mentioned are available upon request by contacting Mar Vista directly at (310) 917-2800 or by emailing at info@marvistainvestments.com. The securities mentioned in this letter were held in the account of a Strategic Growth client that Mar Vista believes to be representative of the accounts that Mar Vista manages for this investment strategy during the period from December 31, 2014-March 31, 2015. 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. Risk data is being provided as supplemental to the Strategic Growth GIPS performance presentation, which is available upon request. Past performance is no guarantee of future results. Not FDIC insured, no bank guarantee, may lose value.