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## When Quality Meets Capital Efficiency, Good Things Happen

In an investing world increasingly shaped by passive concentration and valuation extremes, investors face a familiar dilemma: how to compound wealth through quality businesses without surrendering to the static inefficiencies of an index or overpaying for popularity. **We believe thoughtful active management grounded in discipline, not prediction, remains one of the few ways to tilt the odds in favor of long-term compounding.** The path to durable excess returns runs through capital efficiency, or the ability of great businesses to convert every incremental dollar of invested capital into a dollar of value creation.

In this vein, we are excited to present Mar Vista's most recent strategy, *Quality Premier* (QP), which was designed to give investors an even purer exposure to this principle. Built from the same research process, behavioral discipline and portfolio holdings as our *U.S. Quality* (USQ) strategy, Quality Premier reweights those businesses to emphasize the single factor that has driven value creation across market cycles: *return on invested capital* (ROIC). By systematically emphasizing capital efficiency, QP captures the benefit of active oversight without straying from our long-term, fundamentals-driven discipline.

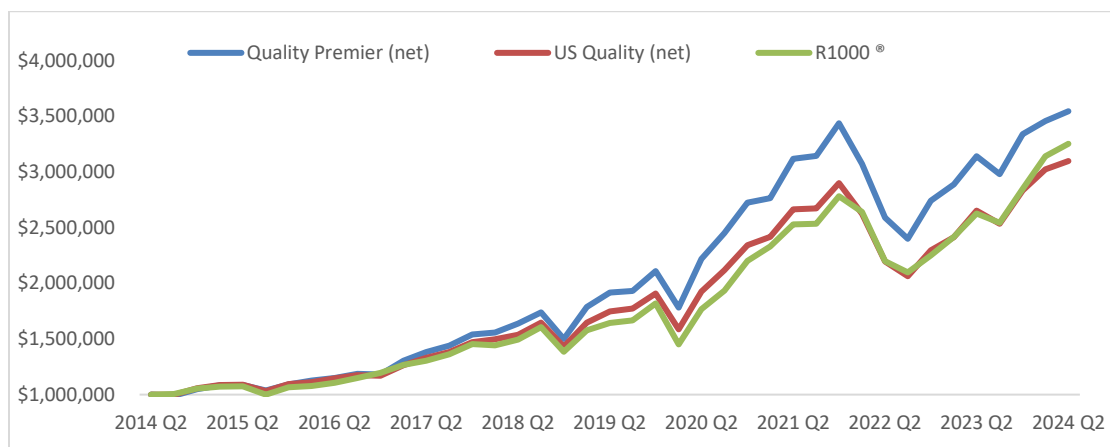
For allocators who appreciate Mar Vista's process, we believe Quality Premier offers a complementary yet differentiated option. U.S. Quality balances multiple dimensions—valuation, intrinsic value growth, returns on capital and risk dispersion—to build a portfolio of advantaged businesses. Quality Premier holds the same companies but rebalances for a single, measurable trait, return on invested capital. Together, USQ and QP offer two coherent expressions of one enduring belief: that patient ownership of exceptional businesses has historically been the most reliable way to compound wealth over time.

### *Quality Premier: Same Businesses, Different Weights*

Over more than two decades, our discipline has focused on identifying wide-moat franchises led by skilled capital allocators and purchasing the underlying stocks at a sensible margin of safety. That philosophy remains unchanged. Yet, our research and experience have shown that within that universe of advantaged businesses, the most powerful differentiator over time has been how effectively management teams reinvest to expand intrinsic value per share.

With our investment team's growth mindset, and to better understand the impact of emphasizing this trait, we conducted a decade-long study comparing our existing U.S. Quality portfolios to a version weighted purely by ROIC. The top ten holdings, measured by trailing twelve-month ROIC, received 6% weights each or ~60% of the portfolio. The next ten holdings received 3% each, while the remaining positions shared 9% with 1% allocated to cash. The process was repeated quarterly, maintaining exposure to our quality universe while systematically emphasizing the most efficient allocators of capital. Nothing else changes—same team, same philosophy, same circle of competence, same holdings. The only variable is how the portfolio expresses quality.

The results were compelling. ***Over the ten-year period ending June 2024, the Quality Premier weighting methodology would have produced a hypothetical annualized return of 13.5%\* net of fees, compared with 12.5% for the Russell 1000® Index and 11.7% net of fees for U.S. Quality.***



On September 30, 2024, with the support of both internal capital as well as a long-tenured institutional client, our team started a live version of the Quality Premier strategy. The strategy currently manages approximately \$800 million in assets and for the one-year period ending October 31, 2025, Quality Premier returned 22.5% net of fees versus 21.1% for the Russell 1000® Index.

### *The Logic of Optimizing for ROIC*

At its core, investing is capital allocation. Businesses that consistently earn returns above their cost of capital create wealth; those that cannot, destroy it. When measured over long horizons, the compound rate of a portfolio tends to mirror the average return on the incremental capital of its holdings. In our view, weighting more heavily toward the companies that demonstrate superior capital efficiency is not a factor bet; it is simply a rational expression of compounding economics.

Focusing on ROIC aligns directly with our founding principles:

- Intrinsic value growth comes from reinvestment at high incremental returns.
- Durable competitive advantages sustain those returns through cycles.
- Rational capital allocators are the ultimate compounders of shareholder wealth.

Traditional “quality” screens, based on earnings stability, leverage, or accounting ratios, often obscure this reality. Many exceptional compounders appear statistically average because their reinvestment choices, acquisitions, or share repurchases distort reported figures. ROIC, properly measured, cuts through the accounting noise and captures the essence of value creation: how effectively a business turns capital into cash flow growth.

### *Why Quality Premier May Add Value for Our Investors*

The empirical case for ROIC is grounded in decades of market evidence: businesses that sustain high returns on incremental capital have historically outperformed over time, even when starting valuations normalize. Our back testing suggests that within a concentrated, high-conviction universe like ours, reweighting by ROIC amplifies the natural compounding advantages already present in U.S. Quality. Because the underlying holdings are identical, the excess return arises not from new ideas, but from allocating more capital to the best capital allocators.

We believe this design gives Quality Premier several potential advantages:

- Enhanced capital efficiency exposure – a direct link between portfolio weights and business economics.
- Distinct return patterns – complementary to U.S. Quality’s multi-factor optimization, offering diversification of outcomes within the same philosophy.
- Consistency and transparency – investors can see exactly how each weighting decision follows the discipline of capital efficiency, free of style drift.

While index investors must accept the static weights dictated by market capitalization, **active management allows for intentional capital allocation**, tilting toward the businesses where reinvestment returns are highest. Over the past decade, our back test demonstrated that a disciplined, repeatable process can translate this advantage into real results.

Quality Premier is a natural next step in Mar Vista’s evolution: not a new philosophy, but a honed lens through which to apply it. By grounding portfolio weights in the very metric that defines economic value creation, we believe MVIP’s Quality Premier provides investors with a clear, disciplined way to participate in the compounding power of capital efficiency.

We appreciate your trust and the opportunity to serve as stewards of your capital. Please reach out with any questions or to discuss how Quality Premier might complement your existing allocations.

- The Mar Vista Investment Team

*Investors in Mar Vista’s U.S. Quality Premier 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.*

### **\* Hypothetical Performance Disclosure**

The performance results presented for the U.S. Quality Premier strategy are hypothetical and do not reflect actual trading results or the performance of any specific client account. Hypothetical performance has inherent limitations, including the benefit of hindsight and the exclusion of real-world factors such as market liquidity, investor behavior, or actual trading conditions. These results are based on assumptions and are not indicative of future performance. The performance shown is intended solely for illustrative purposes and is not a guarantee of any future returns or results. The performance results prior to 9/30/2024 are based on back-tested data. Back-tested performance results reflect the application of the U.S. Quality Premier strategy to historical data.

**Back-testing Methodology:**

- Hypothetical performance was generated through back-testing using the U.S. Quality (f/k/a Strategic Growth) strategy, and was rebalanced for any new buys or complete sales at the end of each month and rebalanced for new return on invested capital ("ROIC") rankings at the end of each quarter during the tested period. Holdings that were less than 1.5% in the U.S. Quality strategy were not included.
- The only exceptions to this methodology were PayPal Holdings (PYPL) on 1/18/22 and First Republic Bank (FRC) on 3/10/23, which were rebalanced on their actual trade dates rather than month-end.
- Unlike the hypothetical performance, new purchases or complete sales in the Quality Premier strategy will be executed on the same day.
- All hypothetical results assume the reinvestment of dividends and income. Gross performance is net of all transaction costs, and net performance is net the maximum stated fee of 0.50% for U.S. Quality Premier accounts but does not include custodial fees. Actual results may differ from hypothetical 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.
- Holdings were ranked by trailing four quarter ROIC (12 month moving net operating profit after taxes/invested capital) where invested capital is debt + equity. If FactSet data was not available or appeared incorrect, hard coded adjustments were made based on the investment team's analysis of financial statements as of that date.
- The top 10 highest ranked stocks by ROIC were given a 6% weight each (60% total weight for tranche 1)
- The next 10 highest ranked stocks by ROIC were given a 3% weight each (30% total weight for tranche 2)
- The remainder of the holdings were divided by 9% in order to determine the stock weight.
- The cash balance at the start of each quarter was 1%.

**Important Limitations:**

- While back-testing results reflect rigorous application of the investment methodology of U.S. Quality Premier, back-tested results have certain limitations and should not be considered indicative of future results.
  - Actual client results may vary due to market conditions, investment decisions, and individual circumstances.
  - Back-tested performance does not reflect the impact of real-world trading conditions, execution delays, or investor decision-making.
- Investors should not rely solely on hypothetical performance when making investment decisions. Although the investment data contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed.

The strategy has been deemed suitable for the client by the financial advisor based on the client's investment objectives, risk tolerance, and other relevant factors, however there is no guarantee that the strategy or model will achieve similar results in the future, and past performance is not indicative of future performance. Any forward-looking statements or assumptions should not be relied upon as assurances of future outcomes.

**Composite Disclosure**

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 Premier Composite was created in 2024, with an inception date of 9/30/24. 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 Premier strategy and that paid for execution on a transaction basis.

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. 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-fee 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 0.50% from monthly gross returns and does not include 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 GIPS® composite reports are available upon request. The Firm's U.S. Quality Premier fee schedule is as follows: First \$25 million – 0.50%; Next \$25 million - 0.40%; Next \$50 million – 0.35%; 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 U.S. Quality Premier GIPS® Composite Report is available upon request by contacting Mar Vista directly at (800) 993-1070 or via email at [info@marvistainvestments.com](mailto:info@marvistainvestments.com). Past performance is no guarantee of future results. Not FDIC insured, no bank guarantee, may lose value.**