

MAR VISTA

U.S. Quality

Portfolio Commentary | September 30, 2026

Summary

- Financial asset prices do not exist in a vacuum. They revolve around a collection of macroeconomic forces that exert their own form of gravity. During the third quarter, that financial gravity became considerably stronger. Ordinarily, one would expect the combination of rising interest rates, stubborn inflation and geopolitical uncertainty to weigh on equity valuations. And for much of the market, it did. You just wouldn't know it from looking at the remarkably resilient S&P 500® Index.
- The common thread among many of the stocks still defying gravity was artificial intelligence. As investors became more selective, capital increasingly gravitated toward a relatively small group of companies at the center of the AI buildout. There is good reason for that enthusiasm.
- Mar Vista's U.S. Quality strategy returned +1.45% net-of-fees in the third quarter of 2026. The Russell 1000® Index and the S&P 500® Index returned +1.79% and +2.30%, respectively. Stock selection within information technology, consumer discretionary and financials positively impacted performance, while stocks in industrials, materials and healthcare detracted from performance during the quarter.
- The third quarter's top contributors were Microsoft (MSFT), Apple (AAPL) and NVIDIA (NVDA). The top detractors were GE Aerospace (GE), TransDigm Group (TDG) and Stryker (SYK). During the quarter, we did not initiate any new positions and we exited our position in Oracle (ORCL). We also added to our holdings in NVIDIA (NVDA) and trimmed Apple (AAPL).
- Investors are often asked whether they are bullish or bearish, yet markets do not present binary choices, and our crystal ball remains stubbornly cloudy. We enter the fourth quarter with somewhat greater caution as higher interest rates, elevated energy prices, and valuations that leave increasingly little room for disappointment have made the overall market tradeoff less favorable. While we have little doubt that AI will create substantial economic value, the tougher questions are who captures that value, how much capital is required, and what the return on that capital will be. We remain focused on the relationship between price and value, adjusting the amount of risk we are willing to accept as facts evolve.

Commentary

Defying Gravity

Financial asset prices do not exist in a vacuum. They revolve around a collection of macroeconomic forces that exert their own form of gravity: interest rates determine the cost of capital, inflation influences the value of future cash flows, energy prices affect corporate margins and consumer purchasing power, and geopolitical uncertainty influences the premium investors demand for taking risk. These forces are always present, even if markets occasionally appear determined to ignore them.

During the third quarter, that financial gravity became considerably stronger. Interest rates rose around the world, with the 10-year Treasury yield posting its largest quarterly increase since 1994. Oil prices remained elevated, inflation proved stubborn, and geopolitical uncertainty persisted. Ordinarily, one would expect that combination to weigh on equity valuations. And for much of the market, it did. You just wouldn't know it from looking at the remarkably resilient S&P 500® Index.

By quarter-end, roughly 85% of S&P 500® companies were trading more than 10% below their all-time highs, nearly 60% were more than 20% below, and more than 40% were at least 30% below their highs. Those statistics sound more like a correction than a market hovering near record levels.

For the third quarter, the capitalization-weighted S&P 500® Index returned 2.3% and the Russell 1000® Index gained 1.8%, while the S&P 500® Equal Weight Index declined approximately -1.7%. The gap became particularly pronounced in September, when the equal-weighted index fell more than -4% and nearly 80% of S&P 500® Index constituents declined, even though the index itself was roughly flat.

The common thread among many of the stocks still defying gravity was artificial intelligence. As investors became more selective, capital increasingly gravitated toward a relatively small group of companies at the center of the AI buildout. There is good reason for some of that enthusiasm.

Many of these businesses have an enviable combination: rapid growth and extraordinary returns on capital. The second part is easy to overlook. Growth alone does not create value. The amount of capital invested, and the economic return on that capital, matters just as much.

Artificial intelligence is putting that idea to an unusually large test. Hundreds of billions of dollars are being poured into chips, data centers, networking equipment and power infrastructure, and there is considerably more to come. Some of the early returns have been spectacular. But as more capital floods into the industry, the question becomes harder: what will the next dollar earn? That is ultimately what matters to us. AI may well change the world. History suggests that changing the world and providing a good return to everyone who finances the change are not necessarily the same thing.

We aren't watching all of this from the sidelines. More than 40% of the U.S. Quality strategy is invested in companies providing the picks and shovels for the AI infrastructure buildout. We believe we own some of the businesses best positioned to benefit from the enormous amount of capital being spent. Just as importantly, across the rest of the portfolio we have tried to own companies that should become better businesses because of AI, rather than casualties of it. If AI allows them to serve customers better, operate more efficiently or accomplish more with less capital, their returns on capital should improve. That is the side of disruption we want to be on.

Performance Review

Mar Vista's U.S. Quality strategy returned +1.45% net-of-fees in the third quarter of 2026. The Russell 1000® Index and the S&P 500® Index returned +1.79% and +2.30%, respectively. Stock selection within information technology, consumer discretionary and financials positively impacted performance, while stocks in industrials, materials and healthcare detracted from performance during the quarter.

Microsoft, Apple and NVIDIA were among the portfolio's top contributors for the quarter, appreciating +37.76%, +15.19%, and +14.27%, respectively. Alternatively, **GE Aerospace, TransDigm Group and Stryker** detracted from performance, declining -16.34%, -18.73% and -12.25%, respectively.

Microsoft (MSFT) shares advanced during the quarter as Azure revenue growth accelerated and Microsoft 365 Copilot continued to deliver positive adoption trends. Management guided to further acceleration in Azure growth while maintaining second-half calendar 2026 capital expenditures at current levels. The combination of accelerating cloud growth and a more stable capital spending outlook helped ease investor concerns surrounding the rising cost of funding Microsoft's AI infrastructure build-out.

Investors have increasingly questioned the return on the large capital investments hyperscalers have made to support the AI infrastructure build-out. Microsoft, like its peers, has invested aggressively to build the computing capacity required to support growing AI workloads and establish a leading position in the emerging AI ecosystem. We view accelerating Azure demand and increasing adoption of Microsoft 365 Copilot as important milestones supporting the potential return on these investments. Microsoft's extensive enterprise customer relationships and broad distribution provide the company with multiple avenues to monetize its AI investments over the intermediate term.

We continue to view Microsoft as a top holding, supported by its financial strength, diversified revenue streams, and broad enterprise customer base. Azure continues to experience strong demand and remains capacity-constrained, while adoption of Copilot is expanding across Microsoft's global installed base. We believe Microsoft is well positioned to generate attractive long-term returns from its AI investments through both its partnership with OpenAI and its ability to monetize generative AI across its extensive enterprise footprint through Copilot and a growing portfolio of AI-enabled products.

Apple (AAPL) shares rallied during the quarter as the company reported healthy, broad-based growth across multiple product categories and geographies. Demand was strong across the iPhone, Mac, and Services businesses, while management provided an optimistic outlook, guiding to approximately 10% revenue growth and low-double-digit EPS growth despite supply constraints for leading-edge semiconductors. Apple also has a strong product roadmap that should provide a tailwind to near-term growth, while the expected introduction of a more capable Siri provides an important foundation for the continued development and adoption of Apple Intelligence.

We continue to view Apple as a competitively advantaged business anchored by the strength of its ecosystem, brand, and large installed base. With more than 2 billion active devices and over 1 billion paid subscriptions, Apple benefits from a highly engaged and loyal customer base while generating a growing stream of high-margin, recurring Services revenue. The company's substantial cash flow provides significant resources to invest in product innovation and emerging technologies while continuing to return capital to shareholders.

Looking longer term, we believe Apple is well positioned to be a leader in consumer-centric AI as more intelligence moves from the cloud to edge devices. Apple's combination of proprietary silicon, tightly integrated hardware and software, extensive installed base, and emphasis on privacy provides meaningful competitive advantages as AI capabilities become increasingly embedded across smartphones, computers, and other wearable devices. We believe the integration of Apple Intelligence across its ecosystem has the potential to enhance the value of its installed base, support future device upgrade cycles, and create additional opportunities for Services growth over time.

NVIDIA (NVDA) shares appreciated during the quarter as the company continued to demonstrate the strength of its competitive position and execute against robust demand for AI infrastructure. NVIDIA's CUDA software ecosystem remains the industry standard, supporting the broadest range of AI workloads and reinforcing the company's position as the preferred platform for hyperscalers and neocloud providers serving large language model developers, AI-native companies, and enterprises.

We also believe NVIDIA is particularly well positioned to benefit from the continued adoption of open-source large language models. CUDA remains the dominant software ecosystem for developing and deploying these models, while the lower development costs and broad accessibility associated with open-source AI should support continued innovation and adoption. We believe this dynamic provides NVIDIA with another durable avenue for growth over the intermediate term.

NVIDIA continues to execute on its annual product cadence, with the Vera Rubin platform beginning its production ramp in the second half of 2026. Management has also highlighted the growing opportunity for its Vera CPU, which is expected to generate approximately \$20 billion of revenue in the second half of fiscal 2027 and reach approximately \$40 billion in fiscal 2028, underscoring the increasingly important role CPUs are expected to play in AI inference workloads.

We believe NVIDIA's current valuation does not fully reflect the durability of its competitive position or the breadth of its long-term growth opportunities. The company maintains a leading presence across nearly every major hyperscaler, large language model developer, and neocloud provider, reinforced by recent customer wins, including Anthropic. NVIDIA's annual product cadence, broad software ecosystem, and ability to deliver integrated AI systems with industry-leading performance and compelling performance-per-watt economics continue to strengthen its competitive advantage as AI infrastructure investment expands.

GE Aerospace (GE) and **TransDigm (TDG)** underperformed during the quarter amid a broad sell-off in commercial aerospace aftermarket companies. The conflict in Iran drove crude oil prices more than 40% above year-ago levels, raising jet fuel costs and pressuring airline profitability. Investors grew concerned that higher ticket prices could dampen travel demand and prompt airlines to reduce service on less profitable routes, slowing demand for maintenance and replacement parts.

Sentiment also shifted toward aerospace original equipment manufacturers as investors anticipated that higher fuel costs would encourage airlines to retire older, less efficient aircraft and accelerate fleet replacement. In theory, this could reduce maintenance shop visits and aftermarket parts demand, weighing on revenue growth and margins for aftermarket providers. However, we have not observed a meaningful deterioration in GE Aerospace's or TransDigm's operating performance, and we believe their revenue mixes and profitability provide resilience against these pressures.

Our research indicates that industry fundamentals remain sound and the long-term air travel growth trend of approximately 5% annually remains intact. We view the recent weakness primarily as a response to near-term uncertainty rather than a material change in these companies' long-term earnings power. Consistent with our focus on quality and margin of safety, we see the pullback as an opportunity to increase exposure to durable franchises at more attractive valuations, supporting compelling long-term expected returns.

Stryker (SYK) underperformed during the quarter primarily because investors lost confidence in the near-term growth trajectory, not because the long-term franchise deteriorated. After a strong June, management had expected U.S. orthopedic procedure growth to accelerate through the summer, but July and August instead showed normal seasonality and weaker-than-expected hip and knee volumes. Management also cited longer procedure lead times and some anecdotal patient deferrals tied to inflation/out-of-pocket costs.

These macro pressures were compounded by SYK-specific issues: continued weakness in European hips, a competitive product gap from not having a hip impactor, and a manufacturing/supply problem

in Peripheral Vascular that management had expected to resolve in Q3 but said would extend into Q4. Earlier in the year, the March cyberattack had also disrupted order processing, manufacturing and shipping and forced some procedures to be rescheduled, adding noise to quarterly comparisons.

The key issue for the stock was therefore expectations: SYK entered the period with a premium valuation and an expectation of sustained high-single-digit organic growth so evidence that orthopedics was not accelerating as expected triggered a disproportionate valuation reset. Importantly, this did not look like a broad collapse in medtech demand. Stryker continued to describe procedure demand and hospital capital spending as healthy, making the weakness look more like a combination of seasonality and company-specific execution/product issues than a fundamental deterioration in the overall market. Despite these temporary headwinds, we expect Stryker to generate 8%+ organic revenue growth for 2026 and 2027 and believe the stock undervalues the company's likely long-term free cash flow growth.

Portfolio Activity

During the quarter, we did not initiate any new positions, though we added to our holdings in **NVIDIA (NVDA)** and trimmed **Apple (AAPL)**. We also exited our remaining position in **Oracle (ORCL)**, following a sharp increase in the share price. While we continue to believe Oracle is well positioned to gain market share in cloud infrastructure and AI, the stock's appreciation narrowed our margin of safety and reduced the prospective return from current levels. Consistent with our disciplined capital allocation process, we exited the position and redeployed the proceeds into an investment where we believe the long-term risk-reward profile is more compelling.

Outlook

Investors are often asked whether they are bullish or bearish. We have never found either label particularly useful. Markets do not present themselves as binary choices, and our crystal ball remains stubbornly cloudy. What we can do is assess the relationship between price and value, recognize when the range of possible outcomes is widening, and adjust the amount of risk we are willing to accept accordingly.

From that perspective, we enter the fourth quarter with somewhat greater caution than we did earlier in the year. There is plenty to admire. The economy has remained resilient despite headwinds, corporate earnings have generally held up well, and the extraordinary investment surrounding artificial intelligence could ultimately lead to productivity gains that justify much of today's enthusiasm. Some of the companies enabling that investment are exceptional businesses with competitive advantages and returns on capital that are equally exceptional. But exceptional businesses do not make the laws of economics disappear.

Interest rates have risen, energy prices remain elevated, and the cost of capital is considerably higher. At the same time, valuations among several of the market's largest and best-performing companies leave increasingly little room for disappointment. None of these conditions tells us what the market will do next quarter or even year. They do, however, affect the prospective reward investors are receiving for the risks they are taking. We would characterize that overall market tradeoff today as less favorable than it has been at many points in the recent past.

History is filled with transformative technologies that changed the world while producing very different outcomes for the investors who financed them. We have little doubt that AI will create substantial economic value. The more important, and tougher to answer, questions are: who will capture that

value, how much capital will be required to do so, and what return will ultimately be earned on that capital. Equally important is avoiding business models that will be permanently disrupted by AI. We will be watching the evidence diligently and change our scenarios as facts evolve.

We believe artificial intelligence is entering a more productive phase. As investors increasingly evaluate returns on AI investments rather than infrastructure spending alone, companies capable of translating technology investments into sustainable revenue growth, higher productivity, and expanding profitability should emerge as the long-term winners. We expect this transition to create greater differentiation across businesses and an increasingly attractive opportunity set for active investors.

Looking ahead, we believe the investment environment is becoming increasingly differentiated. While geopolitical uncertainty, inflation, and evolving monetary policy remain potential sources of volatility, we expect earnings growth, disciplined capital allocation, and business execution to become the primary drivers of long-term investment returns. Our investment philosophy remains unchanged. We continue to focus on seeking to identify high-quality companies with durable competitive advantages, exceptional management teams, and the ability to compound intrinsic value over many years while maintaining discipline around valuation and risk.

As always, the investment team appreciates the trust you have instilled in us as stewards of your capital. We take our role as fiduciary seriously and open communication about how we are managing your capital is an important part of that responsibility. Please do not hesitate to 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 through these quarterly updates, conference calls, and personal meetings with you.

All the best,

The Mar Vista Investment Team

U.S. Quality Annualized Returns as of September 30, 2026

	Gross	Net*	R1000® Index	S&P 500® Index
1 Year	6.97	6.17	15.01	15.74
3 Years	15.97	15.11	22.48	22.88
5 Years	8.15	7.35	13.01	13.79
10 Years	12.91	12.08	15.05	15.33
Since Inception	10.62	9.80	10.93	10.92

**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 07/12/07, Silas Myers and Brian Massey formed Mar Vista to manage various large-cap equity strategies. On 12/01/07, 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 01/25/15, 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 01/01/06, 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 12/01/24, 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. On April 14, 2026, Q1 2026 performance was revised by 8 basis points due to a pricing update not reflected in preliminary returns. The corrected return has been applied to all quarterly material and composite reports.

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, 2026-September 30, 2026. 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.