

MAR VISTA

Global Quality

Portfolio Commentary | June 30, 2025

Summary

- The first half of 2025 ended on a historic note, as global equities shrugged off earlier turbulence to close at record levels. The U.S. stock market comeback tests investor faith in rotation to Europe.
- The S&P 500® Index (“S&P 500®”) has outstripped rival global indices in the second quarter as tariff turmoil fades. The equal-weighted S&P 500® lagged its traditional, market-cap-weighted counterpart, underscoring the continued dominance of a handful of large-cap technology names.
- Mar Vista’s Global Quality strategy returned +12.98% net-of-fees in the second quarter of 2025. The MSCI World Net Index and the MSCI All Country World Net Index returned +11.47% and +11.53%, respectively.
- The second quarter’s top contributors were Microsoft, Oracle, and NVIDIA. The top detractors were Apple, Berkshire Hathaway, and Coloplast.
- During the quarter, we initiated an investment in GE Aerospace and added to NVIDIA. We sold our investments in Fanuc, Broadcom, and trimmed TransDigm.
- The second half is shaping up to be a more volatile chapter for global equity markets. Persistent policy uncertainty—particularly surrounding U.S. trade—remains a significant headwind. As political and economic complexities continue to unfold, investors should brace for heightened market fluctuations.

Commentary

The first half of 2025 ended on a historic note, as global equities shrugged off earlier turbulence to close at record levels. This sharp recovery was driven by a mix of strong corporate earnings and unexpectedly resilient economic data, helping the global market recover from the “April swoon” that had brought it close to a bear market. The U.S. stock market comeback tests investor faith in rotation to Europe.

The opening six months of the year were marked by elevated volatility, making it one of the most unpredictable starts to a year for global equities in recent memory. Investors contended with persistent recession worries, amplified by escalating trade tensions and geopolitical uncertainties. This environment of ambiguity weighed heavily on market sentiment, triggering a significant correction earlier in the year and contributing to a second consecutive quarterly drop in the U.S. dollar.

Big Tech once again led the market higher as hopes for a broader rally across sectors did not materialize. During the quarter, the equal-weighted S&P 500® lagged its traditional, market-cap-weighted counterpart, underscoring the continued dominance of a handful of large-cap technology names.

Nonetheless, the second quarter stood out for its strength. The rally was further fueled by a rebound in AI-focused stocks and Bitcoin's dramatic rise past \$100,000—signals of renewed investor appetite for growth and alternative assets.

Still, caution remains the prevailing sentiment. Concerns around rising tariffs, stubborn inflation, and the ballooning U.S. deficit continue to weigh on outlooks. Geopolitical developments remained a key market driver, with oil prices undergoing a dramatic “round trip”—initially spiking on Middle East tensions, only to retreat after a ceasefire between Israel and Iran. Meanwhile, the dollar's ongoing decline reflects growing doubts about “U.S. exceptionalism,” as erratic policy moves from the Trump administration fuel further uncertainty.

Performance Review

Mar Vista's Global Quality strategy returned +12.98% net-of-fees in the second quarter of 2025. The MSCI World Net Index and the MSCI All Country World Net Index returned +11.47% and +11.53%, respectively. Stock selection within financials, consumer staples and consumer discretionary negatively impacted performance during the quarter.

Microsoft, Oracle, and NVIDIA were among the portfolio's top contributors for the quarter, appreciating +32.75%, +56.96%, and +45.78%, respectively. Alternatively, **Apple, Berkshire Hathaway, and Coloplast** detracted from performance, declining -7.52%, -8.79%, and -9.23%, respectively.

Microsoft (MSFT) shares rebounded in calendar Q2 following a strong fiscal Q3 2025 (March quarter), driven by accelerating demand for AI-related Azure services. Robust second-half momentum, coupled with strong bookings as reflected in the Remaining Performance Obligation exceeding \$300 billion (+33% year over year), helped ease investor concerns around enterprise IT spending and the long-term return potential of Microsoft's substantial AI infrastructure investments.

We continue to believe Microsoft is well-positioned to gain market share as organizations increasingly embrace a digital-first strategy and adopt generative AI solutions. With deep enterprise penetration and a comprehensive portfolio spanning Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS), Microsoft remains the preeminent mission-critical IT provider across industries.

The company is executing effectively against a large and growing market opportunity by enabling digital transformation and delivering cutting-edge AI tools like ChatGPT that enhance productivity and lower costs. As a result, we expect Microsoft's offerings to remain resilient, even in a challenging macroeconomic environment, supporting low double-digit intrinsic value growth over our investment horizon.

Oracle (ORCL) shares rebounded from the pressure experienced in calendar Q1 2025, as concerns about tariffs impacting IT budgets proved to be overstated. The company reported a strong fiscal Q4 2025 (May quarter), driven by robust demand for its hyperscale cloud offering, OCI Gen 2, which supports large language models.

Oracle issued a confident outlook, projecting accelerating revenue and operating income growth over the intermediate term as it continues its strategic transition to cloud-based solutions. The OCI Gen 2 platform

is particularly well-suited for generative AI workloads, where Oracle is gaining both mindshare and market share within the hyperscaler cloud market. Notably, in the most recent quarter, Oracle reported strong bookings, highlighted by a 41% year-over-year increase in remaining performance obligations, reaching nearly \$138 billion.

Further reinforcing its momentum, Oracle filed an 8-K disclosing several large OCI Gen 2 contracts signed in the current quarter (August quarter), including a new agreement with a single customer expected to generate more than \$30 billion in annual revenue beginning in FY2028.

In parallel, Oracle has spent more than a decade modernizing its back-office ERP, supply chain management, and HR application suites for the cloud. These long-term investments are now translating into market share gains across strategic back-office applications, a segment that continues to exhibit healthy growth.

NVIDIA (NVDA) shares rebounded from their calendar Q1 lows as investor concerns over DeepSeek's efficiency gains and U.S. government restrictions on advanced AI semiconductors, such as NVIDIA's H20 family of GPUs, proved overstated. Demand for NVIDIA's next-generation Blackwell platform remains strong, fueled by the growing complexity of large language models and the emergence of reasoning-based applications. As CEO Jensen Huang noted, reasoning tasks can require up to 10 times the compute power of training a conventional large language model. With the AI market still in the early stages of a multi-year infrastructure build-out, NVIDIA is well-positioned to capture significant value as the industry standard for accelerated computing.

Apple (AAPL) shares came under pressure in the first half of calendar 2025 amid concerns over softening iPhone demand, rising competition from Huawei in China, challenges related to the rollout of Apple Intelligence, its new on-device AI offering, and potential tariff-related headwinds. Despite these near-term pressures, 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 the current headwinds are transitory, and Apple remains well-positioned to lead in the emerging category of AI-enabled edge devices.

Despite hitting all-time highs early in the second quarter, **Berkshire Hathaway's** stock declined 9% for the three-month period. Warren Buffett's surprise announcement at the company's shareholder meeting that he would retire at year-end marked the beginning of the stock sell-off. Berkshire was built intentionally to outlast Mr. Buffett so the formal announcement of his retirement doesn't change our perspective on the business. While there may be subtle changes, we expect Greg Abel will maintain Berkshire's core investment and capital allocation principles. The new CEO will have substantial dry powder to deploy with almost \$340 billion in cash and an additional \$40b in annual free cash flow. We would expect Mr. Abel to instill a material dividend policy to provide an outlet for excess cash. Stock repurchases are likely to remain opportunistic depending on Berkshire's stock valuation relative to his and the Board's estimate of fair value. Berkshire's ability to deploy capital at the most opportune times, when valuations are cheap and capital is scarce, will remain an important feature with or without Buffett.

Coloplast's stock suffered during the quarter as financial results in ostomy, urology and voice fell short of expectations and the Board announced the immediate departure of CEO Kristian Villumsen. We believe

the market has appropriately repriced the stock for near-term uncertainty and business should return to high single-digit revenue and double-digit intrinsic value growth over the medium term.

Portfolio Activity

During the quarter, we initiated an investment in **GE Aerospace** and added to **NVIDIA**. We sold our investments in **Fanuc**, **Broadcom**, and trimmed **TransDigm**.

We initiated a position in **GE Aerospace** based on its durable competitive advantages, anchored by its dominant market share in commercial and military aircraft engines—powering over 60% of the global narrowbody fleet through its joint ventures and proprietary platforms. Its strong aftermarket business, with long-term maintenance contracts and a growing installed base, provides a recurring revenue stream that buffers against cyclicalities. The company's leadership in high-bypass turbofan technology and its ability to scale production efficiently have fortified its position, especially as airlines prioritize engine reliability and fuel efficiency. Meanwhile, management, led by CEO Larry Culp, continues to execute with precision, navigating new tariff regimes by localizing supply chains, securing alternate sources of key components, and optimizing logistics costs.

Looking forward, the company is poised for continued growth across commercial aviation, defense, and emerging hybrid-electric propulsion. Growth in global aviation is expected to continue to outpace global GDP growth by as much as 2x. Margin expansion opportunities are supported by a shift toward higher-value service contracts, digital engine diagnostics, and vertical integration of key manufacturing processes. Additionally, the geared turbofan engine platform of its chief competitor, has faced persistent durability and maintenance challenges—most notably involving premature wear and costly inspections—that have undermined confidence and led to delays and compensation claims. In contrast, GE Aerospace's product suite is gaining share and customer trust, supported by a deep engineering bench and a culture of disciplined execution. We believe this combination of structural advantages and competitor missteps should sustain the company's upward trajectory and deliver strong long-term returns.

We sold our small position in **Fanuc** to raise capital to bring GE Aerospace. Moreover, automation equipment was approaching a cycle low prior to the announcement of tariffs on Japan and other Asian nations. We felt it appropriate to neutralize the risk of a trade war by replacing Fanuc with an investment that was less impacted.

We recently divested our **Broadcom** holdings, capitalizing on the stock's strong performance, and strategically redeployed the proceeds to substantially increase our stake in **NVIDIA**. This move allows us to further concentrate our portfolio.

Outlook

After a strong rebound in the first half of 2025, the second half is shaping up to be a more volatile chapter for equity markets. While global markets notched new record highs on the back of solid corporate earnings, persistent policy uncertainty—particularly surrounding U.S. trade—remains a significant headwind. As political and economic complexities continue to unfold, investors should brace for heightened market fluctuations.

Looking beyond near-term concerns, the global economy is amid a deeper structural transformation, driven by geopolitical realignment, military tensions, and economic recalibration. This environment has

made companies more cautious in their investment decisions—especially with the expiration of the reciprocal tariff pause looming in the third quarter. Rising tariffs are already pressuring margins as businesses absorb higher costs, potentially increasing recession risks and adding further instability to markets.

Yet amid these challenges, there are reasons for optimism. Record highs in major indexes are supported by resilient earnings and economic data, with inflation hovering near many central banks’ target. The AI-driven rally has also regained momentum. Despite moderated earnings forecasts, global companies are expected to deliver strong growth in an uncertain environment.

Given already elevated valuations, the global market’s trajectory from here will likely hinge more on earnings growth than further multiple expansion. In this context, we continue to advocate for a disciplined investment approach—one that emphasizes valuation awareness to help guard against downside risk. Our strategy remains focused on maintaining a diversified, growth-oriented portfolio that seeks to balance opportunity with prudent risk management.

Navigating today’s evolving investment landscape demands flexibility, insight, and conviction. By leveraging differentiated ideas, staying attuned to technological innovation, and remaining adaptable to a shifting macro environment, we aim to position our portfolio for sustainable, long-term value creation.

The Mar Vista Investment Team

Global Quality Annualized Returns as of June 30, 2025

	Gross	Net*	MSCI World Net Index	MSCI All Country World Net Index
1 Year	14.24%	13.39%	16.26%	16.17%
3 Years	16.34%	15.48%	18.31%	17.35%
5 Years	11.01%	10.19%	14.55%	13.65%
10 Years	10.40%	9.58%	10.66%	9.99%
Since Inception	11.26%	10.43%	11.51%	10.72%

**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 Global 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. 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. On 1/20/15, 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 all the investment decisions of the Global Quality strategy.

The Global Quality composite was created in 2012, with an inception date of 12/31/11. On 12/1/24 the Global composite change its name to Global 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, 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 Quality strategy, which is a portfolio invested in 20-30 equities, and that paid for execution on a transaction basis. 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 primary benchmark is the MSCI World (Net) Index, defined as a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. In addition, unlike the composite, which periodically maintains a cash position, the MSCI World Index is fully invested. Investors cannot directly invest in an index.

The secondary benchmark is the MSCI ACWI (Net) 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 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 0.75% from monthly gross returns, and it 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 Global 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 securities mentioned in this letter were held in the account of a Global Quality client that Mar Vista believes to be representative of the accounts that Mar Vista manages for this investment strategy during the period from March 31, 2025-June 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 Global 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.