SCHARF INVESTMENTS

THE
BIG Picture

WINTER 2023

Good Day Sunshine

- President's Perspective
- Stock Spotlight: MillerKnoll
- Financial Resolutions for 2023

ALSO IN THIS ISSUE

Results were generated using an investment philosophy and methodology that Scharf Investments expects to continue using. However, future investments may be made under different economic conditions and in different securities. Past performance is not indicative of future results.

BRIAN KRAWEZ, CFA®
President, Investment Committee Chairman

To Our Valued Clients:

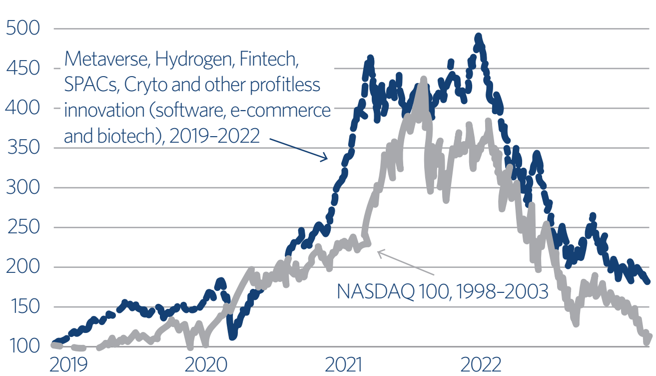
From the invasion of Ukraine to never-ending COVID-19, 2022 was a challenging year. On the economic front, we experienced inflation at levels not seen in decades and a Federal Reserve that was slow to react. Global equities lost $18 trillion of value while world bond markets lost a record $16 trillion.

While we were not immune to these losses, given the challenging market and economic environment, we are relatively pleased with how our portfolios held up last year. For calendar-year 2022, the Scharf Sustainable Value (Equity) account returns centered on -8.5% (net), Scharf Multi-Asset (Balanced) account returns centered on -7.7% (net), our global composite returns centered on -11.2% (net), while our hedged account returns centered on a positive 2.8% (net).

Growth Stocks Get Clobbered

While the S&P 500 fell nearly 20% in 2022, high multiple momentum growth stocks were particularly hard hit as the tech-heavy Nasdaq plummeted 33%. Big tech companies such as Apple, Google, and Amazon fell 31%, 40%, and 52%, respectively. High-flyers crashed with speculative names such as Tesla, Shopify, and Roku down 65%, 75% and 82%, respectively. As the chart below shows, the rise and fall of these speculative names is eerily similar to the dot-com era.

Dumb and Dumber



Source: Bloomberg, JPMAM December 27, 2022

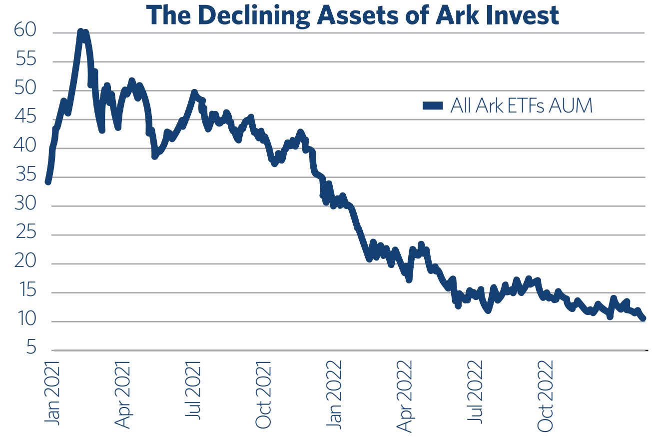
None of this was totally surprising to us. We have been sounding the alarm on high-priced momentum growth stocks for years. For example, in Q4 2020, we warned that the Fed's largess had "resulted in a widening chasm between company earnings and stock prices. The Nasdaq, dominated by a few large internet companies with price momentum, now trades at 28.2x 12-month forward P/E. Its 20-year average is 19.4x." Despite the selloff in 2022, the Nasdaq still trades at nearly 24 times earnings.

Momentum Investors Still Haven't Thrown in the Towel

At the start of 2022, the Russell 1000 Growth Index had just delivered a remarkable 10-year annualized return of nearly 20%. We think that figure alone should have given investors pause. Even more shocking, was that this was nearly 7% higher than the 10-year annualized return of the Russell 1000 Value Index. Rather than invest in more attractively priced value stocks, investors did the opposite. They abandoned tried and true value strategies in favor of the new new thing. Money flooded into speculative growth funds (and out of value funds) at a torrid pace.

The poster child for speculative momentum stocks, Ark Invest, focuses "solely on disruptive innovation." In other words, companies that are generally losing a lot of money in the hope they will one day earn huge profits. As the chart below shows, Ark experienced rapid asset growth, peaking at $60 billion in assets under management before crashing along with other speculative investments.

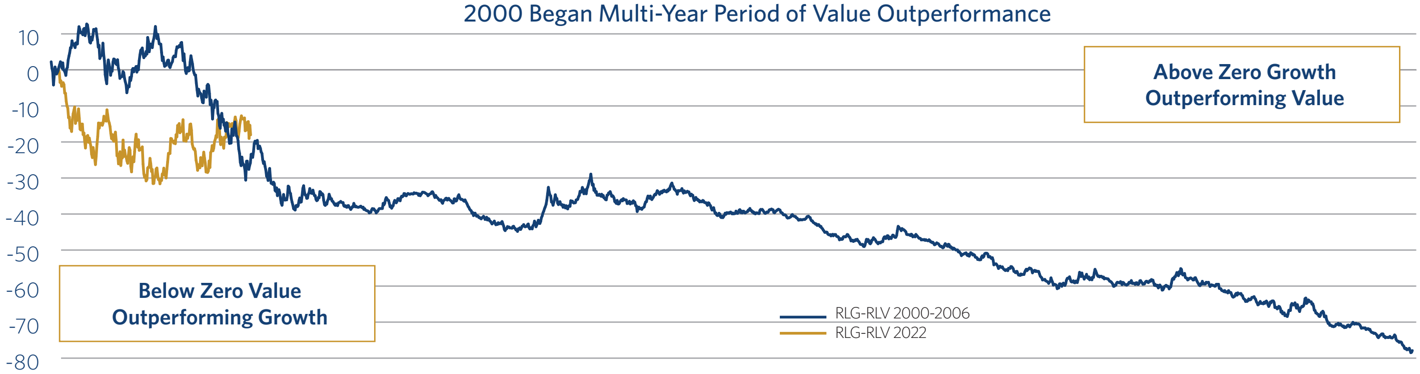
The Declining Assets of Ark Invest



Source: Morningstar.

Net performance includes the reinvestment of dividends and other income and the deduction of trading commissions and other costs.

Russell Growth-Value Indexes: 2022 Similar to 2000
2000 Began Multi-Year Period of Value Outperformance



Source: Bloomberg, Scharf Investments.

Despite a nearly 67% loss in her flagship ARK Innovation ETF in 2022, Ark's founder Cathie Wood, remains an ardent cheerleader for (mostly) money-losing speculative companies. In her recent commentary, she chastised "Companies catering to short-term oriented investors" who had the audacity to expect their investments to (perish the thought) earn profits. She also admonished those of us who have been warning for years about speculative excesses for "seriously misunderstanding the profit potential of companies at the forefront of transformative innovation." She went so far as proclaim that companies seeking current profits are making a huge mistake and that "many are likely to be disrupted, if not destroyed" by the very money-losing companies in her portfolios.

As for her funds, she believes they are poised to deliver annualized returns of 50%. Sadly, this is not the kind of thing you hear near a bottom, in our opinion. We believe momentum stocks are likely in for more pain ahead. Regardless, we plan to stick to what has worked for nearly forty years — boring quality companies with predictable earnings.

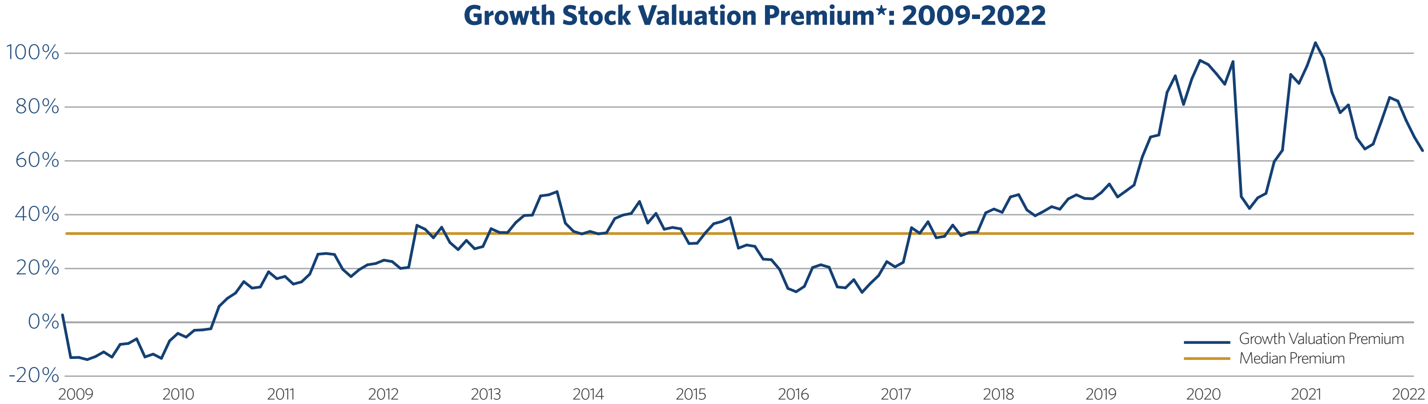
Rhyme Time: Value vs. Growth

While many momentum growth stocks are still overpriced, investors' recent fascination with growth has caused them to ignore many value stocks they consider to be boring. As such, we continue to find companies with predictable earnings we find are priced cheaply. In fact, we think the outperformance of value stocks is likely to continue.

Mark Twain said, "History never repeats itself, but it does often rhyme." That can be said for market cycles as well. We've said previously that this market looks very similar to the dot-com bubble in 2000, and various signals have been pointing us to believe there are similarities with our current market. For example, in 2022 the Russell Value Index outperformed the Russell Growth Index by nearly 22%. This is the most since 2000 when Value outperformed Growth by nearly 30%. The year 2000 also marked the start of a multi-year period of outperformance by value stocks. The chart above shows the outperformance of the Russell Value Index compared to the Russell Growth Index in 2022 overlayed with the same data for the years 2000 through 2006. This chart illustrates why we believe value stocks could continue to outperform.

Another reason to believe that value stocks should continue to outperform is that the valuation premium for growth stocks is still well above normal. The chart below, which shows the P/E premium of the Russell 1000 Growth Index to the Russell 1000 Value Index, illustrates that growth stock

Growth Stock Valuation Premium*: 2009-2022



Source: Bloomberg, Scharf Investments.
*Valuation Premium as measured by the Russell Growth Index P/E compared to the Russell Value Index P/E.

Rise and Fall of Growth Stock Valuation Premium*: 1995-2008

Source: Bloomberg, Scharf Investments.
*Valuation Premium as measured by the Russell Growth Index P/E compared to the Russell Value Index P/E.

valuations still need to decline substantially before they return to their historical average relative to value stocks.

In fact, as shown in the chart above, after the 2000 stock bubble collapsed value stocks outperformed for much of the next decade as the growth stock valuation premium evaporated from over +200% at its peak to a slight discount.

The Path Forward

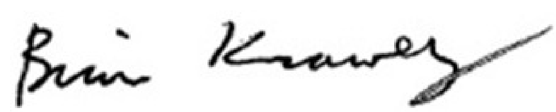
We expect 2023 will be a volatile year as the largest combined monetary and fiscal experiment in history comes to an end and growth continues to slow. The economy faces several headwinds with a reasonable chance of a recession ahead. Regardless of the uncertainty, however, investors should avoid the temptation to become more bearish as the market goes lower. As discussed in our previous letters, markets almost always bottom before the end of a recession. If history is any guide, we believe stocks should bottom with the end of Fed hikes. While it is impossible to know precisely when this will occur, we anticipate the Fed should be able to pause sometime before next summer.

"If history is any guide, we believe stocks should bottom with the end of Fed hikes. While it is impossible to know precisely when this will occur, we anticipate the Fed should be able to pause sometime before next summer.

We are pleased to announce that our balanced mutual fund, the Scharf Multi-Asset Opportunity Fund (LOGOX), celebrated its 10th anniversary on December 30, 2022.

For nearly four decades, we have weathered the ups and downs of many market cycles and remain focused on protecting your capital. All of us at Scharf Investments thank you for the confidence and trust you have placed in us, and we welcome your questions.

Best Regards,



Brian Krawez, CFA
President

The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

An Inverted Yield Curve Signals a 2023 Recession; **Why Bond Investors Should Favor Strong Credit Quality**

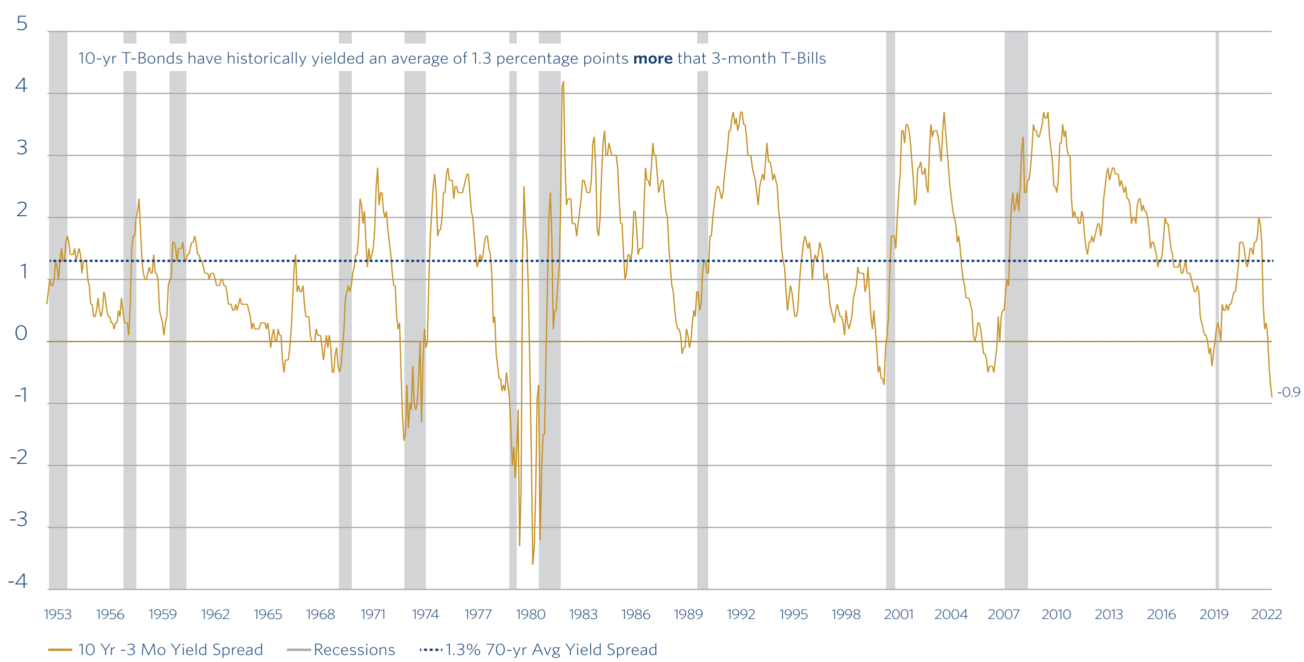
Scharf Fixed Income Team

Under normal conditions, government bonds that mature 10 years from now yield an average of 1.3 percentage points more than T-bills that come due in only 3 months. Currently, though, that relationship is "upside-down" as 3-month T-Bills yield 4.6%, whereas the yield on 10-year T-Bonds is only 3.7%. When the upward-sloping yield curve shifts to a downward tilt because interest rates at the short end of the yield curve yield more than longer-term maturities, this phenomenon is called an "inverted yield curve."

Arturo Estrella, former economist at the Federal Reserve Bank of New York, has done extensive research documenting that such inverted yield curves tend to be extremely accurate in providing useful warning signals that a recession may be likely within about 12-24 months ahead. Before each of the past 10 U.S. recessions since 1955, the yield curve became inverted, which served as a valuable warning signal for investors that it was time to be more cautious and conservative in their asset allocation. An inverted yield curve is analogous to dark clouds moving in over the ocean. There is no automatic guarantee that trouble is looming, but if you happen to have a boat out on the water, the smart sailor will wisely turn the boat around and sail his ship back to shore and take shelter.

An inverted yield curve is something that only happens in the late stages of the business cycle, when the economy has

10-Year Minus 3-Month Treasury Yield Spread



Source: Scharf Investments, Bloomberg.

reached the “full employment” stage of the cycle, which is exactly where we believe we are in the current economic cycle. There are some tell-tale signs that the economy cannot indefinitely continue growing at the current pace because of constraints on the amount of labor available. A government jobs report recently showed a nationwide demand for more than 10.4 million job offerings, while the total supply of unemployed workers to fill those jobs was only 6.0 million—an unsustainable supply-demand shortfall of 4.4 million workers. Herb Stein once said, “If something can’t go on forever, it won’t,” and the inverted yield curve is a reminder that there are reasons why economic expansions don’t carry on forever.

The primary reason why conservative investors own balanced portfolios, including both stocks and bonds, is because during recessionary periods the gains on bonds can offset some of the decline in the equity portfolio. High-yield bonds, on the other hand, have a poor record for preserving capital in recessions. For example, in 1989-90, high-yield bonds lost 6.6% during a time when investment-grade bonds earned +24.8% (as measured by the Bloomberg Barclays Aggregate Bond Index), short-term treasury bonds were up 9.7%, and short-term municipal bonds returned 7.7%. In 2000-02, high-yield bonds declined 2.1% (far short of the +33.5% for investment-grade bonds) with short-term treasuries up 12.9% and short-term munis up 9.3%. In 2007-08, high-yield bonds lost 24.2% versus a 12.6% gain for investment-grade bonds, 13.1% gain for short-term treasuries, and a 5.8% gain for short-term munis. 2022 was a bit of an anomaly as high-yield bonds declined 11.2% versus a loss of 13.0% for investment-grade bonds. In 2022, short-term treasury bonds returned -9.3% while short-term municipal bonds returned -5.3%. In short, while many types of bonds provide investors with diversification benefits, high yield bonds often amplify investor losses during bear markets. For this reason, Scharf Investments has historically avoided most high yield bonds.

High-yield corporate bonds currently provide a yield spread that is 4.6 percentage points above that on U.S. Treasury bonds, which may tempt some to “reach for yield.” If the inverted yield curve is again foretelling a potential recession in the year ahead, then high-yield bond investors might again rediscover the truth of an old saying that “more money has been lost reaching for yield than has ever been lost at the point of a gun.” During each of the past recessions, the high yield credit spread widened out to at least 10 percentage points higher than the Treasury bond yield, implying that the current 4.6% pickup in yield on high-yield bonds might prove inadequate to offset losses from defaults on the riskiest bonds in a recession. While marketing departments positively spin these investments as “high-yield bonds,” there is a sound reason why the nickname for them is “junk bonds.” When the next recession inevitably comes along, our view is that junk bonds will probably once again live up to their name.

Balancing Act

Successful asset allocation must be financially sensible and psychologically sustainable. While we believe that stocks will return much more than bonds or cash over the next 5 to 10 years, recent increases in interest rates allow more conservative allocations than in prior years. For those of you who do not need to maximize your returns, a reduced exposure to stocks may make financial or psychological sense. In such cases, a balanced account combining stocks and bonds may be appropriate.

> “If something can’t go on forever, it won’t,” and the inverted yield curve is a reminder that there are reasons why economic expansions don’t carry on forever. ”

Over the last 33 years, balanced account returns centered on 10.4% (net of fees) annualized compared with 9.8% for the S&P 500 and 7.3% for the Lipper Balanced Index. In other words, $1 million invested in a balanced account on December 31, 1989, grew to nearly $26.4 million by the end of last year compared to only $21.5 million and $10.0 million for the same $1 million invested in the S&P 500 or the Lipper Balanced Index, respectively.

While we can tailor the asset allocation to your individual situation, typical stock market exposure has been around 70%, with the remainder typically in bonds, cash or preferreds. We invest opportunistically and were recently buying general obligation municipal bonds, which continue to be attractive for taxable accounts. Please let us know if you have an interest in learning more about our balanced accounts.

MillerKno

Ticker: MLKN

Grace Menk, CFA®
Senior Research Analyst

Miller Knoll ("MLKN") was formed by the merger of Herman Miller and Knoll, Inc. in 2021, creating the largest office furnishing company worldwide. Founded in 1905, Herman Miller is credited with the invention of the cubicle, but is best known for the broad adoption of the company's office chairs by corporations. Knoll, Inc. was founded in 1938 and is known for its artistic office furniture designs influenced by numerous partnerships with notable architects and designers. While Miller Knoll primarily serves corporate clients, the company is also rapidly expanding its small format store concept in order to directly sell to consumers. The company is projected to achieve $3.95 billion in sales in 2022, with approximately 50% coming from its Americas business, 25% from International & Specialty business, and 25% from its Retail segment.

Part of our investment thesis is that we believe MLKN, as the market leader in office furnishings, will be a major beneficiary as in-office work recovers from its pandemic lows. Several large multi-national employers have begun requiring increased time in-office and, anecdotally, managers have been responding to economic uncertainty by demanding more in-person days. If the labor market continues to weaken, we believe that managers will have more leverage to require time in-office. In addition, in a new hybrid work environment, we believe offices may have to be reconfigured to encourage greater workplace collaboration. MLKN could potentially benefit from the reconfiguration given its broad product portfolio and long-standing dealer relationships. Finally, we believe growing small footprint stores targeted at the retail market have the potential to tap into the home office market.

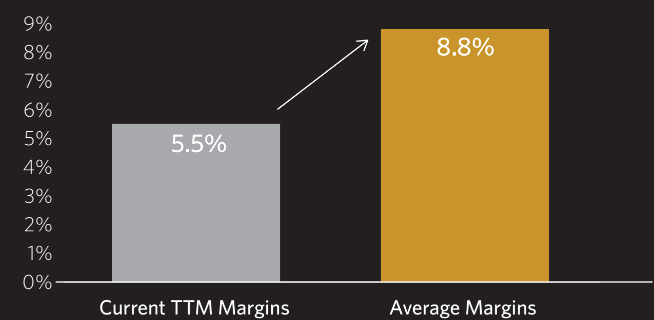
Coming into the year, MLKN margins were depressed due to pandemic-related supply chain issues and demand slowdowns. The combination of recession fears, higher interest rates, and the prospect of a slower than expected return to office has weighed on MLKN's share price as near-term earnings expectations have been reduced. As a result, MLKN is now trading at a depressed valuation on depressed earnings. We believe investors' myopic focus on near-term recession risks has created a compelling potential long-term opportunity for patient investors.

While the ultimate recovery may be delayed due to an economic downturn, we believe MLKN has a multitude of opportunities to drive an eventual recapture in both margins and revenues from current pandemic depressed levels. We believe both the Knoll acquisition and management's retail expansion strategy have the potential to generate revenue growth and margin expansion opportunities over time. In addition, an improving supply chain environment coupled with MLKN's strong price increases will likely help further expand both revenues and margins. We believe these factors will eventually result in a strong earnings recovery, as well as improving free cash flow generation. While it will take time for fundamentals to fully improve, MLKN's recent quarterly results showed margin growth in key segments, as well as better than expected synergies. We are hopeful that our patience will ultimately be rewarded with a strong earnings recovery.

oll

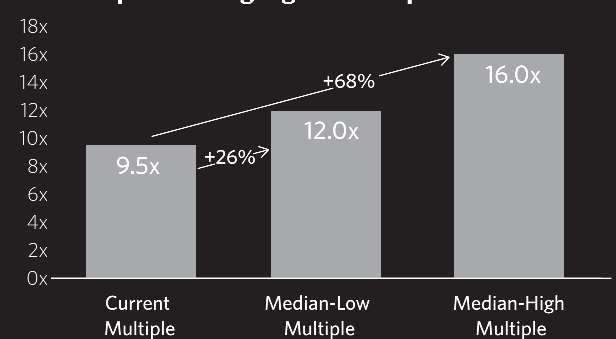
Finally, at less than 10x this year's expected earnings, MLKN is currently trading below its median-low valuation of around 12x and 71% below its median-high P/E of roughly 16x. While there is no guarantee that earnings will improve or that MLKN will trade up to its median-high valuation, if both were to occur, the patient investor stands to benefit from the multiplicative effect of a rising multiple coupled with strongly rising earnings. Said another way, while it may be several years away, we believe that MLKN has substantial potential upside in a post-recession environment.

Substantial Operating Margin Recovery Potential Results in 60% EPS Growth Potential



If MLKN returned to its historical average margins of 8.8%, this alone would drive 60% earnings growth from current margin levels of 5.5%. In addition, we believe synergy realization, higher revenue growth, and de-leveraging could drive even greater EPS upside.

Current Multiple is Below Median-Low & Median-High Multiple Creating Significant Upside Potential



MLKN's current multiple of 9.5x is below both the median-low multiple of 12x and the median-high multiple of 16x.

Source for charts: Bloomberg, Scharf Investments.

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Financial Resolutions for

DEBBIE ROBINSON
Director of Wealth Management

All of us at Scharf Investments hope the new year is off to a great start for you and your family. The beginning of a new year is a great time to reset and review your finances to ensure you have a plan to achieve your financial goals in the year ahead. We've put together the following items for you to consider.

Update Your Financial Statement

There are numerous benefits to preparing and updating a personal financial statement listing your assets and liabilities. We recommend providing a copy to your planning team (CPA, estate planning attorney, wealth advisor, etc.) on an annual basis, especially as it relates to:

Disability planning—If you become ill or incapacitated, the individual you appoint under a power of attorney or revocable trust as your agent or successor trustee will have to direct assets, pay bills and assist you. An organized list of assets will help them do so.

Asset allocation considerations—Your wealth advisor needs to know all the assets that you have so that they can properly evaluate and update (rebalance) your investment allocation to ensure it is aligned with your goals and risk tolerance. This is especially important given ongoing market volatility.

Asset protection—When protecting assets from suits and claims, which everyone should consider, you should evaluate each asset owned and consider how that particular asset might be protected. Analyze each asset as to significant risks it might entail (e.g., a rental property). Having a detailed, current and accurate financial statement is a starting point for this analysis.

Property and liability insurance planning—Review your risks and assets to be sure you have adequate property and liability insurance coverage starting with a current balance sheet with details as to what various assets are and how they're owned.

Implications for Adult Children

Once a child reaches age 18, a parent may not make medical or financial decisions on their behalf without being appointed agent. Yet most adult children don't have a durable power of attorney or health proxy (and if your adult child has any significant assets, a will). Resolve to help guide adult children to get critical documents, even simple ones, in place. If you haven't communicated anything about your financial planning, health directives or legal documents to your adult children, start today.

Review Key Forms

Review beneficiary designation forms, deeds and other account titles. Many assets (e.g., retirement accounts, life insurance policies and annuities) aren't transferred by will, but rather are based on a beneficiary designation form. Review the beneficiary designation forms for your various accounts to determine whether they're consistent with your estate plan.

Create a Comprehensive Financial Plan

You have a greater likelihood of achieving your goals if you have a plan in place that will help you stay on track and guide your financial decisions. As a client of Scharf Investments, we offer complimentary comprehensive financial planning services to help you identify and support your goals. Consider any long-term financial goals you may have such as buying a new house, sending a child to college, or saving for a comfortable retirement. We are happy to work with you to create a customized plan that includes savings, investing, and other ways to achieve your ultimate financial goals.

Increase Contributions to Retirement Accounts

Making incremental increases to your retirement plan contributions each year can have a big impact on your long-term goals. There are a number of tax law updates heading into the new year that we want you to be aware of.

2023

Retirement Account Contributions Limits and Deadlines for Tax Year 2022

- **IRA Contribution Limit:** $6,000 ($7,000 if over age 50). Must be made by April 18, 2023 to count for 2022 tax year. Deductibility of contribution subject to income limits.
- **2022 SEP IRA Contribution Limit:** 25% of employee's compensation or $61,000 (whichever is less). Must be made by April 18, 2023.

Retirement Account Contributions Limit Increases and Deadlines for Tax Year 2023

- **IRA Contribution Limit:** $6,500 ($7,500 if over age 50). Must be made by April 15, 2024 to count for 2023 tax year. Deductibility of contribution subject to income limits.
- **2023 SEP IRA Contribution Limit:** 25% of employee's compensation or $66,000 (whichever is less). Must be made by April 15, 2024.
- **2023 401(k) Contribution Limit:** $22,500 ($30,000 if over age 50). Must be completed by December 31, 2023.

Contribute to a Health Savings Account

If you participate in a high-deductible health insurance plan, contributing to your HSA is a tax-efficient way to save for unexpected medical expenses. In 2023, the HSA contribution limit is $3,850 for individuals and $7,750 for families. For the tax year 2022, you can make contributions until April 18, 2023.

Review Estate Planning Documents

If your will, revocable trust, power of attorney, living will, health care proxy and HIPAA release are more than three years old, or if you've experienced major life changes (e.g., divorce, marriage, new children or significant health issues), it is important to review these documents. Are the individuals you've named in various roles still appropriate? Are there personal concerns not addressed in the documents?

In addition, the new year also brings updates to gift tax exclusions and exemptions.

Gift Tax Exclusion Increase in 2023—The 2023 annual Gift Tax Exclusion increases to $17,000 per person, per recipient (up from $16,000 in 2022)

Lifetime Estate & Gift Tax Exemption Increase in 2023—The 2023 Estate and Gift Tax Exemption increases to $12,920,000 per person (up from $12,060,000 in 2022)

Please be advised that the current estate and gift tax exemption is projected to increase again in 2024 and 2025. On December 31, 2025, however, the exemption amount is scheduled to drop back down to the prior law's $5,000,000 cap adjusted for inflation (estimated to be somewhere around $6,200,000). In addition, the 40% maximum gift and estate tax rate is set to increase to 45% in 2026. We suggest you keep this in mind when doing estate tax planning. Feel free to call us if you would like to discuss your specific situation.

Make Sure You Have an Emergency Fund

As we've seen over the past year, it's important to expect the unexpected. Whether it's a sudden unexpected cash need, job loss or healthcare expense, it's important to have an emergency fund in place specifically to handle unforeseen expenses. You don't want to alter your monthly budget to accommodate these additional expenses. A good rule of thumb for an emergency fund is to start with one month's income plus $1,000. Once this goal is achieved, you should build that fund up until you have six to 12 months of income set aside. If you need to access your emergency fund for unforeseen expenses during the year, you will need to replenish this fund as soon as you are able to.

As always, we at Scharf Investments are happy to work with you to ensure you are well positioned to achieve your financial goals. Please give us a call to discuss how we can help.

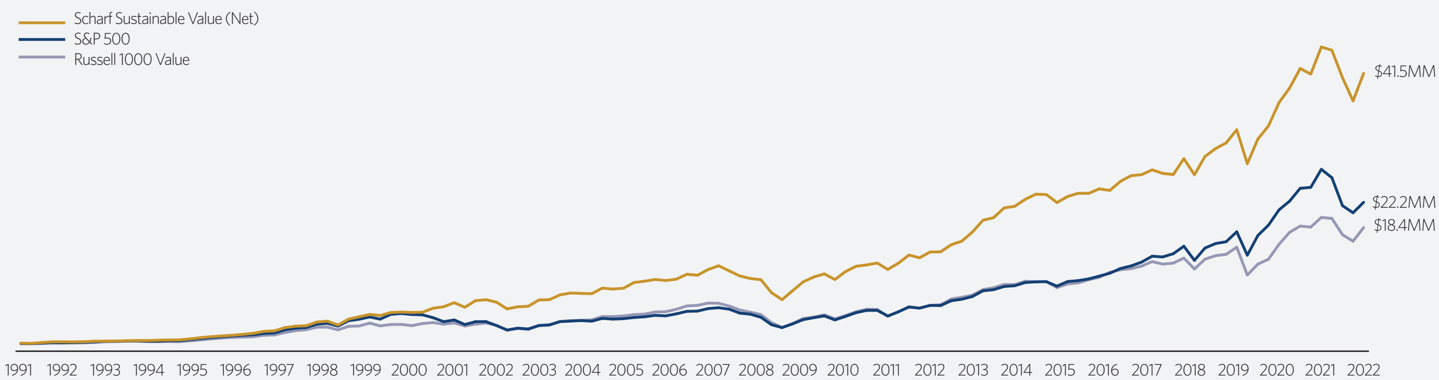
Strategy Overviews

as of December 31, 2022

Scharf Sustainable Value (Equity)

It could have been a lot worse but stocks, at least as measured by the Standard & Poor's 500 Index, had their worst calendar year since 2008. The S&P 500 fell nearly 20% while the Nasdaq plummeted more than 33%. Amidst the gloom, value stocks were a bright spot for investors, outperforming growth stocks by the largest margin since the dot-com bubble burst in 2000. The Russell 1000 Value Index declined 7.7% while the Russell 1000 Growth Index plummeted 29.3%.

Our equity accounts, performed reasonably well in 2022 as we sought to deliver on our mission of protecting investor capital during adverse market conditions. Scharf Sustainable Value returns centered on -8.5% (net of fees). Despite the market environment of 2022 and short-term volatility, we continue to remind investors to take a long-term view. On that front, we are pleased with the long-term performance of the composite. Since December 31, 1990, the composite returns centered on 12.4% (net of fees) annualized compared with 9.5% for the Russell 1000 Value Index and 10.2% for the S&P 500. In terms of your investment portfolio, $1 million invested in the composite on December 31, 1990, grew to $41.5 million by the end of last year compared to $18.4 million and $22.2 million for the same $1 million invested in the Russell 1000 Value and S&P 500, respectively.

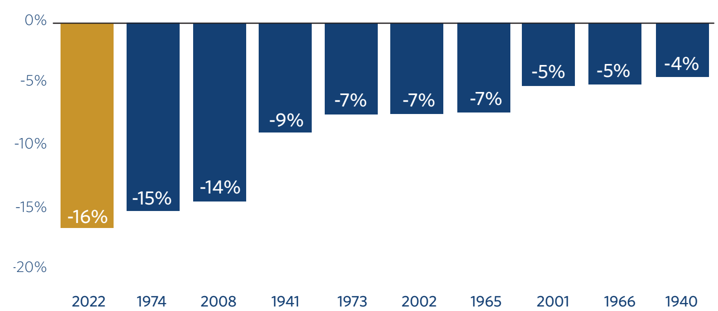


Source: Bloomberg, Scharf Investments.

Scharf Multi-Asset Opportunity (Balanced)

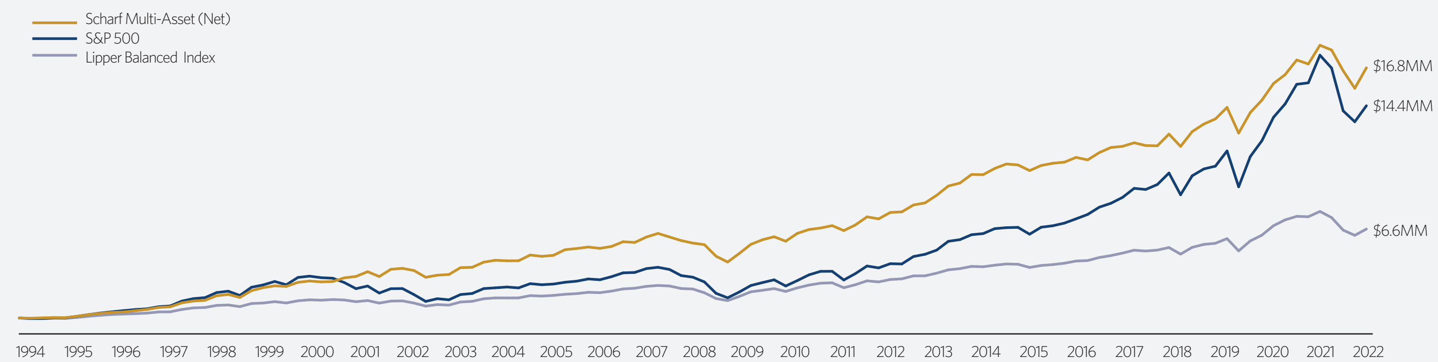
With rapidly rising interest rates and historic inflation serving as headwinds, balanced portfolios had one of the worst years on record. A conservative balanced portfolio invested 60% in the S&P 500 and 40% in 10-Year Treasury bonds lost 16% in 2022. As the chart to the right shows, this is the worst performance at least since 1940.

2022 Already the Worst of the Worst: Ten Worst Balanced Years Since 1940



Source: Bloomberg, Scharf Investments.

Our balanced account, however, fared better than the S&P 500 and our competitors within the Lipper Balanced Index. Scharf Multi-Asset Opportunity composite returns centered on -7.8% (net of fees) in 2022. This was significantly less than the -18.1% total return for the S&P or the -14.4% total return for the Lipper Balanced Index. While we are happy that we were able to protect capital last year, we are even more pleased with our longer-term performance. Since December 31, 1993, we are delighted to report that balanced composite account returns centered on 10.2% (net of fees) annualized compared with 9.6% for the S&P 500 and 6.7% for the Lipper Balanced Index. In other words, $1 million invested in a balanced account on December 31, 1993, grew to nearly $17 million by the end of last year compared to only $14.4 million and $6.6 million for the same $1 million invested in the S&P 500 or the Lipper Balanced Index, respectively.



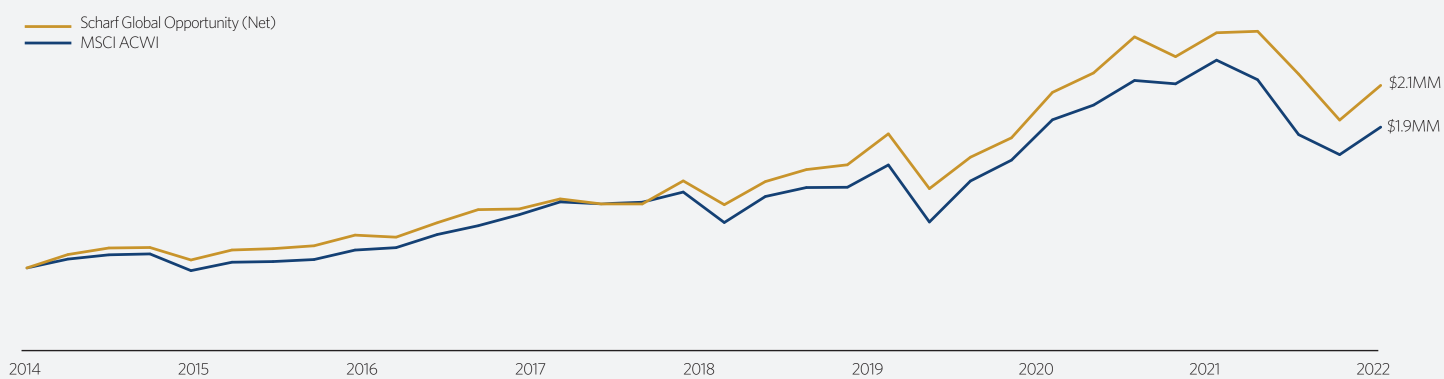
Source: Bloomberg, Scharf Investments.

Scharf Global Opportunity

Global stocks recovered from their lows in Q3 with the MSCI ACWI Index up 9.8% in Q4. However, the Index returned -3.9% in December over renewed fears for a higher and longer interest rate environment. As the dollar index declined from its 2022 peak, non-US markets delivered stronger returns in Q4 than U.S. stocks. While U.S. stocks and their significant benchmark weight still contributed the most to Q4 index returns, Japan, the United Kingdom and China were the next largest contributors, and all had bigger gains than U.S. stocks. For calendar-year 2022, returns for the UK FTSE All-Share Index, the Japan TOPIX Index, and the Hang Seng Index were -10.4%, -14.3%, and -12.6%, respectively.

In Q4 2022, the Scharf Global Opportunity composite returned 13.5% (net of fees) versus 9.8% for the MSCI ACWI Index. For calendar year 2022, the composite outperformed the MSCI ACWI benchmark by over 700 basis points, -11.2% (net of fees) versus -18.4%. From a geographic perspective, outperformance was fueled by our exposure to U.S. and East Asian stocks, specifically in South Korea, Japan and Hong Kong. European stocks hindered performance. We continue to see compelling investment opportunities around the world.

Since the founding of our global strategy on October 14, 2014, the strategy has returned 9.5% (net of fees) annualized compared with 7.2% for the MSCI ACWI benchmark. A $1 million investment in the global strategy on October 14, 2014 grew to $2.1 million by the end of last year compared to $1.9 million for the MSCI ACWI Index.



Source: Bloomberg, Scharf Investments.

2022 Review: Our Community

At Scharf Investments, we believe we have an obligation to give back and support the communities we live in. In most cases, that means supporting local organizations. We do that through giving our time, talent, and financial resources to many important organizations. Sometimes, it means supporting our global community, which is what we did this past summer in Poland when Brian Krawez and his family traveled to Poland to support and care for Ukrainian refugees. We also believe it's important to invest in the talent we have in our community by providing internship opportunities for students at our local universities to be part of our organization. In fact, we've hired more than 25 interns from local universities over the last several years, with a number of them moving into full-time roles upon graduation.

The organizations highlighted here were part of our 2022 community outreach and are among the many local organizations that we've worked with and supported since our firm began nearly 40 years ago. We look forward to continuing our support of these and other organizations in 2023.

We've called the Santa Cruz Mountains our home for nearly 40 years, and we are committed to environmental stewardship within our community. Scharf Investments' employees and clients joined with **Sempervirens Fund** in January 2022 to purchase 153-acres of redwood forests in Boulder Creek, which will become a new scenic Gateway to Big Basin Redwoods State Park along California Highway 236. Sempervirens Fund is California's first land trust and the only organization dedicated exclusively to protecting the redwood forests of the Santa Cruz Mountains. To learn more, visit sempervirens.org

In late July and early August each year, the **Cabrillo Festival of Contemporary Music** brings together preeminent and emerging composers, spectacular guest artists, and an orchestra of dedicated professional musicians from across the globe to give voice to works which are rarely more than a year or two old, and sometimes still wet on the page. For more than 60 seasons, the Festival has brought composers to work with musicians skilled and enthusiastic about bringing these new works to life, in the beautiful, coastal college-town of Santa Cruz, California. To learn more, visit cabrillomusic.org

The **Santa Cruz Symphony**'s mission is to inspire, educate and engage through artistic excellence, distinctive musical performances and varied activities that celebrate and enhance the cultural vibrancy of our community. Leading through creativity and excellence, their vision is to be a cornerstone of the performing arts in the Greater Monterey Bay and San Francisco Bay Areas, inspiring our community to embrace the importance of music in our lives through a variety of shared musical experiences and artistic excellence. To learn more, visit santacruzsymphony.org

Arts Council Santa Cruz County serves thousands of youth, artists, and arts organizations across Santa Cruz County. They invest in arts education programs, host the beloved Open Studios Art Tour, and support the thriving artist community at the Tannery Arts Center. Your tax-deductible gift helps artists thrive, gives 17,000 children access to arts education, and strengthens the community through welcoming arts and cultural experiences. To learn more, visit artscouncilsc.org

Now in its 41st year, the **Santa Cruz Chamber Players** is a leading performing arts organization in Santa Cruz County and the only one devoted to chamber music performance. Their mission is to promote live chamber music and to provide performance opportunities for area professional musicians. They offer a wide variety of chamber music programs, ranging from classical favorites through avant-garde and contemporary compositions. Each concert features a different artistic director and a different ensemble of players, and draws upon the best local and regional talent to create engaging chamber music, expertly performed right here in beautiful Santa Cruz County. To learn more, visit scchamberplayers.org

Global Volunteers is a global organization that mobilizes volunteers to service local people on long-term community development projects. When Russia invaded Ukraine early in 2022, Global Volunteers was uniquely positioned to quickly mobilize to help community organizations in Poland prepare and host women and children who arrived from areas under attack. A donation to Global Volunteers helps advance their life-changing programs, provides resources for classrooms, helps expectant mothers deliver healthy babies, and ensures care for the children and families who need it most. To learn more, visit globalvolunteers.org

Hope Services is Silicon Valley's leading provider of services to people with developmental disabilities and mental health needs. "Developmental disability" means a severe and chronic disability attributable to a mental or physical impairment that begins before adulthood, such as intellectual disability, cerebral palsy, epilepsy, autism, and Down syndrome. They serve approximately 3,500 people and their families in six counties, and provide a broad spectrum of services. To learn more, visit hopeservices.org

Rotary is one of the world's largest service organizations whose purpose is to bring together business and professional leaders in order to provide humanitarian services, encourage high ethical standards in all vocations, and to advance goodwill and peace around the world. The Santa Cruz Rotary Community Fund helps fund academic and vocational scholarships, and supports local community service projects. To learn more, visit santacruzrotary.com

Los Gatos Education Foundation (LGEF) is a volunteer-run, 501c3 non-profit organization that raises private funds through our annual giving campaigns to support the students at Blossom Hill, Daves Avenue, Lexington and Louise Van Meter Elementary Schools and Raymond J. Fisher Middle School. Los Gatos schools receive less per student from the state and federal government than other, similar schools. Since its founding in 1982, LGEF has contributed over $10 million to Los Gatos schools. To learn more, visit **lgef.org**

Based in Los Gatos, the **Addison-Penzak Jewish Community Center of Silicon Valley** welcomes everyone to create a strong community and fosters the well-being of all people through connection with Jewish values and traditions. They work to enhance Jewish life in Silicon Valley, and to provide social, cultural, educational and recreational services for the entire community. To learn more, visit **apjcc.org**

Focused On Your Goals. Invested In Your Success.

Helping you achieve your goals is our passion. When you choose Scharf Investments, you gain a partner committed to working with you to provide individualized financial planning, strategic investment management, and superior service. Building a relationship with you is our privilege and our responsibility—because our efforts on your behalf have real-life consequences. By thoroughly understanding your needs, we can assist you decisively and responsively today and over the long term.

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