

- The Scharf Quality Value Strategy returned 3.08% (net of fees) for the month-ending period.
- U.S. equities rallied in Q3, as the S&P 500 forward P/E remains above the 90th percentile since 1990.
- Coinciding with OpenAI's CEO saying investors have become "overexcited about AI" in August, industry observers are questioning the ultimate return on rapidly increasing GenAI-related capital expenditures, which are expected to exceed 1% of U.S. GDP in 2025.

MARKET REVIEW

Equities rallied with Fed rate cuts, as the labor market deteriorated. Tariff uncertainty improved, but some overhang remains as the ultimate impact on trade, flows, growth, inflation, and borrowing costs is unclear.

As an indicator of prevailing sentiment, in Q3, Goldman Sachs' "Non-Profitable Tech" and UBS' "Meme stock" baskets rose +30.55% and +57.92%, respectively.

In Q3, the Russell 1000 Value Index (+5.3%) underperformed the Russell 1000 Growth Index (+10.51%). Outperformance in growth in Q3 was supported by gains in IT (S&P 500 IT: +13.19%) and Communication Services (S&P 500 Communication Services: +12.04%).

PORTFOLIO REVIEW

For the month, the Strategy returned 3.08% (net of fees), outperforming the Russell 1000 Value Index, which returned 1.49%, and trailing the S&P 500 Index, which returned 3.64%.

At the stock level, the top Q3 attribution contributors were Franco-Nevada Corp., Oracle, not owning Meta, and Occidental Petroleum. The largest detractors were Fiserv, Centene, Heineken, and Markel.

At the sector level, the leaders in Q3 were stock selection in Materials, lower allocation to Communication Services, and stock selection in Energy. The leading laggards were stock selection in Financials, Health Care, and Communication Services.

In the context of broad market concerns over both the U.S. and global growth outlook, we remain confident in the fundamental prospects of our portfolio businesses. The weighted average trailing 10-year Adjusted EPS CAGR for our holdings was +11% vs. +4% for the Russell 1000 Value and +7% for the S&P 500.

OUTLOOK

Various risks call both the U.S. economic outlook and broad equity valuations—which remain high in a historical context—into question. These include ongoing trade policy uncertainty, fiscal crowding out of private investment, and the questionable return on investment for elevated GenAI-related Capex spend among mega-cap technology companies with high index weightings. We seek to mitigate these risks by selecting companies with top-quartile low earnings volatility, sustainable growth potential, conservative balance sheets, and high favorability to historical valuation ranges.

Annualized Rates of Return (%) as of September 30, 2025	1-Year	3-Years	5-Years	10-Years	Inception
Scharf Quality Value (Gross)	6.5%	16.1%	12.1%	10.9%	13.1%
Scharf Quality Value (Net)	5.5%	15.1%	11.1%	9.9%	11.8%
Russell 1000 Value Index	9.4%	16.9%	13.8%	10.7%	9.6%
S&P 500 Index	17.6%	24.9%	16.4%	15.3%	10.8%

All data as of September 30, 2025.

Past performance is not indicative of future results. 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.

The investment strategies described herein are those of Scharf Investments. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Scharf Investments materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor. Indices cannot be invested in directly and are unmanaged.

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Scharf Quality Value (Net) represents a 1% Scharf management fee. Scharf Quality Value (Max Net) is the Scharf Quality Value (Gross) reduced by the highest wrap fee of 3% applied annually. Additional information regarding relationships and services can also be found in the Firm's Form ADV Part 2A.

Value investing generally seeks stocks that may be sound investments, but are temporarily out of favor in the marketplace and are subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets. The SMA investment strategy discussed may not be suitable or appropriate for all investors depending on their specific investment objectives and financial situation and potential investors should consult with their own financial professional before determining whether to invest in the strategy.

As of July 1, 2023, the Scharf Sustainable Value Composite was renamed to the Scharf Quality Value Composite.