



## ITHAKA US GROWTH STRATEGY

### FIRM OVERVIEW

- Founded in 2008
- Based in Arlington, VA
- Concentrated growth investors
- 100% employee-owned

### STRATEGY OVERVIEW

- Seeking high-quality, rapidly growing companies with duration
- Bottom-up, company focused
- A conviction-weighted approach
- Maximum of 35 large-cap holdings

### PORTFOLIO OVERVIEW

- Inception date: 01/01/09
- Benchmark: Russell 1000 Growth ("R1000G")
- ~\$1.5B AUM
- 4 investment professionals

### OBJECTIVE

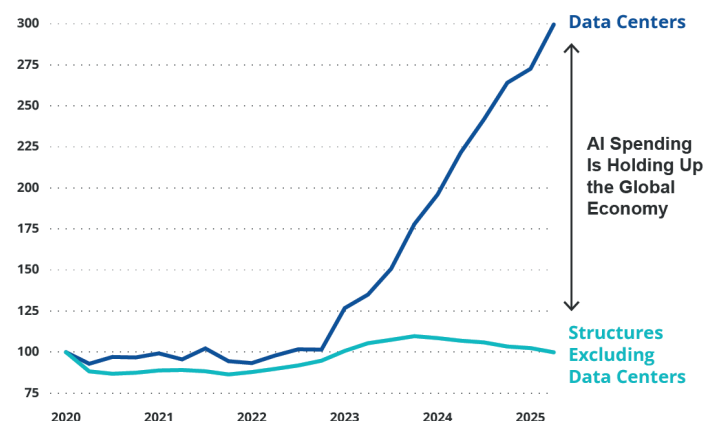
- Long-term growth of capital

### PORTFOLIO MANAGERS

- Scott O'Gorman, CFA
- Andy Colyer, CFA
- Daniel White, CFA, CAIA

## Market Review

U.S. equity markets concluded the fourth quarter in positive territory, though the modest gains belie a period of significant intra-quarter volatility. While the S&P 500 and Nasdaq 100 advanced 2.4% and 2.6% respectively, the Dow Jones Industrial Average led the major indices with a more robust 3.6% return. Conversely, the Russell 1000 Growth Index (R1000G) lagged slightly, rising just 1.1% as investors rotated away from high-growth technology names in favor of more defensive and value-oriented sectors. Despite the year ending on a high note, the markets had to continually climb the proverbial "wall of worry." Central to these concerns was the record-breaking 43-day government shutdown, which dampened risk appetite and clouded market transparency by delaying the release of critical economic data. Although the federal government reopened in mid-November, the temporary nature of the continuing resolution, which only funds operations through January 30th, leaves a lingering policy overhang. Compounding these fiscal concerns was a renewed debate regarding AI valuations. Investors increasingly questioned the sustainability of massive capital expenditures in artificial intelligence and the potential impact a spending slowdown might have on the "early winners" of this new industrial revolution. Despite these valuation headwinds, the AI megatrend remains a vital secular tailwind, with the sheer scale of global investment in this space continuing to provide a significant buffer for the broader economy (see chart below of Real Private Nonresidential Fixed Investment).



Source: BofA Global Research

The quarter ended on a constructive note, however, as corporate fundamentals remained resilient. With approximately 83% of S&P 500 companies reporting positive earnings surprises, there are encouraging signs that the economic recovery is finally broadening beyond the narrow leadership of the "Magnificent Seven."

On the monetary policy front, the Federal Reserve maintained its easing cycle by implementing two 25-basis point (bp) cuts during the fourth quarter. These moves brought the federal funds rate to a range of 3.50% to 3.75% by year-end. Notably, the Fed also elected to conclude its quantitative tightening (QT) program in response to emerging liquidity strains within the short-term repo market. This shift signals that bank reserves have transitioned from "abundant" to merely "ample." Since this policy pivot one month ago, the Fed's balance sheet has expanded by approximately \$100 billion, reaching a total of \$6.6 trillion. Looking forward, traditional forecasts regarding rate trajectories and economic health have been largely overshadowed by speculation surrounding who will be appointed the next Federal Reserve Chairman. With Chairman Powell's term set to expire in May 2026, a nomination is widely anticipated within the first quarter. While several candidates have been discussed, President Trump's stated preference is for a successor who favors aggressive rate reductions to provide "rocket fuel" for domestic economic growth. Amidst this evolving macro and political backdrop, our investment discipline remains steadfast. We continue to focus on long-term wealth creation by maintaining concentrated positions in businesses with a high probability of compounding economic value. Our core criteria remain unchanged: we seek companies led by prudent management teams, supported by durable secular tailwinds, and built upon advantaged business models with superior unit economics in large expanding markets.

## 4Q25 Performance

PERFORMANCE (%)	4Q25	1 YR	3 YR	5 YR	ITD <sup>1</sup>
Ithaka US Growth Strategy (Gross)	(5.9)	5.1	29.1	8.9	17.2
Ithaka US Growth Strategy (Net)	(6.1)	4.5	28.3	8.3	16.7
Russell 1000 Growth ("R1000G")	1.1	18.6	31.2	15.3	17.7
S&P 500 TR Index	2.7	17.9	23.0	14.4	14.8

<sup>1</sup> ITD = inception-to-date, annualized. Inception date is 1/1/2009.

In a slightly positive market, Ithaka's portfolio lagged the R1000G during the fourth quarter, trailing the index by 700bps (-5.9% to +1.1%, gross of fees). Stock selection detracted 740 bps to relative performance, which was slightly offset by a 40bp positive impact from sector allocation. The portfolio demonstrated weak breadth and depth with only 8 of the 29 stocks held for the entire quarter, representing 28% of the names and 26% of the total weighting, outperforming the benchmark.

At the sector level, Ithaka generated positive relative returns in only one of the six major growth sectors where we maintain active exposure: Materials and Processing. Outperformance in materials was due to a sole holding purchased in the quarter outperforming the index. Our largest area of underperformance was Technology where the underperformance was pervasive, with only 4 of the 15 positions held for the entire quarter outperforming the benchmark. The largest contributors to weak returns in Technology were software names, where there continues to be fear that these stocks stand to be the most hurt by AI eating the world. Consumer Discretionary was the second-largest source of underperformance, with weakness spread across the portfolio's holdings. While the companies we own have diverse business models, they are all levered to consumer spending, where persistent spending fears, especially at the lower end of the income scale, have pressured valuations. Our underperformance in the Financials sector was concentrated in our two holdings that operate next-generation financial platforms, which offer customers the ability to purchase stocks, bonds, and cryptocurrencies. Within Health Care, three of our five period-end holdings underperformed the benchmark. The weakness was concentrated in our MedTech holdings, which includes our sole healthcare Software-as-a-Service position (see top detractors below), where the sector has fallen out of favor thus compressing valuations. Finally, in Producer Durables, our slight underperformance reflected multiple compression in our sole holding notwithstanding the company continuing to deliver strong fundamental momentum.

## Contributors and Detractors

4Q25 TOP 5 CONTRIBUTORS (%)	RETURN	IMPACT
Intuitive Surgical	26.6	0.8
Advanced Micro Devices	32.4	0.7
Alphabet	28.9	0.5
Eli Lilly	41.1	0.4
Amazon.com	5.1	0.4

4Q25 TOP 5 DETRACTORS (%)	RETURN	IMPACT
ServiceNow	(16.8)	(1.1)
Netflix	(21.8)	(0.9)
Veeva Systems	(25.1)	(0.7)
Meta	(10.0)	(0.7)
Oracle	(30.5)	(0.7)

## Top Contributors

### Intuitive Surgical, Inc. (ISRG)

Intuitive Surgical is a pioneering medical technology company best known for its da Vinci robotic surgical system, which enables surgeons to perform precise, minimally invasive procedures. The system is widely used in urologic, gynecologic, general, and hernia repair surgeries, offering patients reduced pain, blood loss, and recovery time compared to traditional approaches. Intuitive generates revenue through three primary streams: system sales, instruments and accessories (such as scalpels, graspers, and cauterization tools), and services, which includes maintenance, training, and technical support, creating a high-margin recurring revenue model anchored by a growing global installed base of 10,200 units. The stock's fourth quarter outperformance was concentrated in a single day in which the company posted a massive earnings beat, besting consensus by ~5% on the top line and 20% on the bottom line. This beat sent the stock up 14%, with momentum carrying through to the end of the quarter.

### Advanced Micro Devices, Inc. (AMD)

Advanced Micro Devices is a global leader in designing and manufacturing high-performance semiconductor products, including processors, graphics cards, and chipsets. The company develops CPUs and GPUs for a wide range of applications, such as gaming, data centers, AI, and high-performance computing. The company's competitive edge lies in its advanced CPU and GPU architectures, such as its "Zen" and "RDNA" designs, which offer exceptional performance, energy efficiency, and total cost of ownership. The stock price rose as the company posted strong earnings results in November that dovetailed with its mid-November analyst day during which management guided to a 35% revenue CAGR for the next several years driven by the company's soon-to-be launched MI450 and MI500 series products. These products will be the company's first rack scale systems, putting it in more direct competition with NVIDIA, the industry's leader in rack scale architecture.

### Alphabet Inc. (GOOG)

Alphabet is a global technology company that currently operates 9 products that have over 1B monthly active users. These products, which include Android, Chrome, Search, YouTube, Gmail, Play, Maps, Photos, and Drive, have all become global household names and serve to fuel the company's vast digital advertising ecosystem. In addition to this broad and deep ecosystem, the company has a rapidly growing cloud business, Google Cloud Platform, which comprises a suite of computing services that Alphabet sells to businesses, governments, and developers. The company's competitive moat is built on powerful network effects and vertical integration, utilizing massive user data and proprietary AI hardware (TPUs) to deliver lower-cost, high-performance services that are difficult for competitors to replicate. The upward momentum in the fourth quarter was due to a shift in investor sentiment from viewing Google as an AI laggard to an AI powerhouse, combined with strong financial results and a favorable U.S. District Court ruling that was significantly better than feared.

### Top Detractors

#### ServiceNow, Inc. (NOW)

Founded in 2004, ServiceNow has become the leading provider of cloud-based software solutions that define, structure, manage and automate workflow services for global enterprises. ServiceNow pioneered the use of the cloud to deliver IT service management (ITSM) applications. These applications allow users to manage incidents and to plan new IT projects, provision clouds, manage application performance and build applications themselves. The company has since expanded beyond the ITSM market to provide workflow solutions for IT operations management, customer support, human resources, security operations and other enterprise departments where previously a patchwork of semi-automated processes have typically been used with varying degrees of success. ServiceNow's stock sold off in the fourth quarter as investors priced in fears the software application layer at large could be disintermediated by AI native products. This fear drove meaningful multiple compression that materialized despite strong fundamental growth delivered by the company.

#### Netflix, Inc. (NFLX)

Netflix is the global leader in subscription-based streaming, delivering a vast library of films, television series, documentaries, and mobile games to over 300 million members across more than 190 countries. The company generates revenue primarily through tiered monthly subscription fees, offering both ad-supported and premium ad-free plans, while increasingly diversifying its income through advertising sales, content licensing, and live events. Its competitive moat is anchored by its massive global scale, proprietary data-driven algorithms that maximize user retention, and a multibillion-dollar annual investment in Netflix Originals that often capture the zeitgeist, leading to viral marketing and exclusive brand loyalty. Netflix's stock fell in the quarter due to two main headwinds. First, the

company made a surprise \$83B bid to acquire Warner Bros. Discovery, which would require the company to take on \$50B in new debt, sparking fears about excess leverage and a seeming departure from the company's traditional build-not-buy content acquisition strategy. Second, in the company's 3Q25 earnings announcement, management disclosed a surprise \$620M tax charge stemming from a long-standing dispute with Brazilian authorities, leading to a miss on earnings per share expectations.

#### Veeva Systems Inc. (VEEV)

Since its inception, Veeva Systems has grown to become the leading SaaS provider of cloud solutions for the global life sciences industry. Veeva's industry-specific cloud solutions provide data, software, and services to address a broad range of needs, including multi-channel customer relationship management, content management, master data management, and customer data management. Veeva's products help its customers bring products to market faster while maintaining compliance with government regulations. Veeva's underperformance in the quarter followed its earnings announcement in mid-November. Even though the company beat its quarterly earnings and revenue estimates, management stated they are realistically targeting 14 of the top 20 global pharmaceutical companies for their new Vault CRM product, down from prior indications of 16 of the top 20. The market viewed this "loss" of two potential top-tier clients as a sign that competitors (like Salesforce's own new Life Sciences Cloud) were gaining material traction.

### Transactions

During the quarter we initiated three new positions, Howmet (HWM), Broadcom (AVGO), and Credo (CRDO) and eliminated four positions, Blackstone (BX), e.l.f. Beauty (ELF), Marvell (MRVL), and The Trade Desk (TTD). Our trailing 12-month turnover increased to 22.1% while our trailing 3-year average annual turnover increased to 16.0%.<sup>1</sup>

### Market Outlook

Ithaka claims no expertise in economic or market predictions, and top-down analysis merely plays a supporting role in our approach to investing. We instead take our cues on the economy and the markets from our portfolio companies' management teams, as they discuss their business prospects, and industry outlooks, during quarterly calls. During the fourth quarter 93% of our full-period portfolio holdings beat top-line expectations, while 86% beat bottom-line expectations. Strong fundamental performance was not rewarded with commensurate strong stock price gains, with the average stock falling 2.4%, two names rising greater than 5% and twelve falling greater than 5%. Stock movements around earnings reports were negatively skewed but, per usual, included fat tails. In our last letter, we explored the staggering scale of the AI infrastructure buildout, an investment that rivals the greatest engineering projects in human history. As we close out 2025, the narrative is subtly

<sup>1</sup> Turnover Rate indicates the frequency of changes to the portfolio, and is calculated as the greater of the buys or the sells during the period as a percentage of the assets under management at the time of each transaction. The calculation eliminates the effect of client-directed cash flows. Average Annual Turnover is calculated based on a trailing three year period.

but distinctly shifting: we believe 2026 will be the year of the “Show Me” phase of the AI cycle. While we are not at the point where AI-driven revenue has even partially, let alone fully, offset the massive capital expenditures of the hyperscalers, the gap between infrastructure spend and utility seems to be narrowing. Our management teams are no longer just discussing potential applications or testing of new services; they are actually reporting the first tangible fruits of their labor, suggesting that this buildout is not a monument to excess, but the necessary foundation for a new era of productivity.

Three years after the ChatGPT moment, many original predictions regarding explosive revenues flowing into the early enablers at the application layer have fallen short. OpenAI appears to be leading, and is reportedly on track for \$20B in annual recurring revenue (ARR), Anthropic is projected to generate ~\$9B, Perplexity is on track for \$150M, with a handful of other companies achieving more modest revenues numbering in the mere hundreds of millions. Even when annualized and combined, these figures pale in comparison to the \$1.1T of CapEx that has already been spent over the past three years. So where are we?

Despite the scarcity of direct hard dollar revenues at the application layer, there are numerous examples of AI’s impact on the internal ROI’s for companies using these large language models (LLMs) to increase the productivity of their businesses. These stealth ROI’s are appearing across companies and sectors. Dara Khosrowshahi, CEO of Uber, has pointed to agentic AI workflows that optimized driver routing and consumer pricing in real time, with the latest generation of AI models translating into hundreds of millions of dollars of benefit for the company. John Plant, CEO of Howmet Aerospace, has highlighted AI as a dual-force for his company, both a technological tool to improve manufacturing efficiency and as a massive market driver for their industrial products. Plant has repeatedly praised the company’s digital thread, an AI-monitored manufacturing process that is significantly improving casting yields for advanced jet engine parts. Eli Lilly’s CEO, David Ricks, frequently emphasizes that the number of possible organic chemicals that could become

medicine is larger than the number of stars in the sky. Machine learning will allow the company to identify pathogenic cells and design targeted molecules, allowing Lilly to move from getting lucky to predictive engineering. In late 2025 Shopify reported traffic increased 7x for merchants who fully integrated AI powered tools into their websites and that these merchants saw a minimum 22% increase in conversion rates. Meta Platforms CEO, Mark Zuckerberg, stated that AI-powered recommendation models drove a 5% increase in conversions on Instagram and a 3% increase on Facebook in the quarter, translating to hundreds of millions, if not billions, of advertising dollar impact. All of these examples, and many more that could be enumerated, demonstrate the true effect the AI revolution is having on global business operations. As we move into 2026, it is reasonable to expect the compounding nature of these productivity gains will lead to new and exciting products and services. In other words, the main economic opportunities being uncovered by the advent of AI should continue to broaden beyond the insatiable demand for accelerated computing and the requisite ongoing buildout in AI infrastructure, and migrate rapidly up the application stack.

As always, we end this letter acknowledging that one’s ability to digest, forecast, and accurately get one’s arms around the world is incredibly difficult, and we therefore choose to stay fully invested and focused on our mission of creating wealth for our clients by owning, in size, the great growth stories of our day.

## Risk Disclosure

Past performance is not indicative of future results. The performance shown is for the Ithaka US Growth Strategy Composite. All fully discretionary taxable and non-taxable accounts are added to the composite following the first quarter in which their ending market values equal or exceed \$0.5 million. Results of individual accounts may vary from the composite depending on account size, timing of transactions and market conditions prevailing at the time of the transaction. The gross-of-fee performance does not reflect the payment of management fees and other expenses that are incurred in the management of an account. The net-of-fee performance includes the payment of such fees and expenses. Gross-of-fee performance and net-of-fee performance both include the reinvestment of all distributions, dividends and other income.

The performance shown is compared to the Russell 1000 Growth Index and the S&P 500 TR Index. The Russell 1000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those companies from the Russell 1000 Index with high price-to-book ratios and high forecasted growth as compared to other companies listed in the Russell 1000 Index. The S&P 500 TR Index is a market-capitalization-weighted index that measures the performance of 500 leading publicly traded companies in the U.S. The index tracks both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index. These broad-based securities indexes are unmanaged and are not subject to fees and expenses typically associated with managed accounts. Individuals cannot invest directly in an index.

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