the ithaka group

Concentrated Growth Equity Managers

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")
- ~$1.6B AUM
- 4 investment professionals

OBJECTIVE

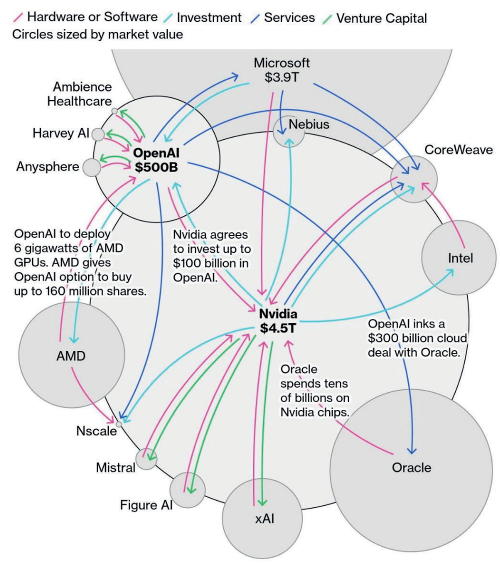
- Long-term growth of capital

PORTFOLIO MANAGERS

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

Market Review

In the third quarter U.S. equity markets extended their ascent, continuing the rally that began on the heels of the early-April "Liberation Day" low. Gains persisted nearly unabated throughout the period. The Russell 1000 Growth Index ("R1000G") advanced 10.5% and recorded 24 new all-time highs. Broader equity markets also delivered robust returns: the S&P 500 rose 8.1%, the Nasdaq 100 advanced 11.2%, and the Dow Jones Industrial Average increased a more modest 5.2%. Much of this strength was fueled by a cascade of announced infrastructure investments from the largest companies in the AI ecosystem. The wave began in mid-July when President Trump courted a number of firms and announced a plan for $90B of U.S AI infrastructure investments. Momentum accelerated quickly, with a $300B compute partnership between OpenAI and Oracle, a $100B deal between Nvidia and OpenAI, a $7B agreement between CoreWeave and OpenAI, a $14B partnership between CoreWeave and Meta, and a multi-tens-of-billions chip supply deal between AMD and OpenAI. The magnitude and scale of these deals is hard to fathom given their eye popping size as well as the unique structures underpinning each arrangement. To illustrate the flow of capital across the ecosystem, we have included a graphic below; while not exhaustive, it captures the core dynamics of how money is circulating among the major players. From a macro perspective, the significance of these investments for U.S. GDP growth cannot be overstated. Deutsche Bank estimates that tech spending, largely AI investments, will contribute ~1-1.5 percentage points to GDP growth in 2025. Absent this spending, the U.S. economy likely would have been near, or already in, a recession earlier this year. This assessment aligns with labor market revisions from the Bureau of Labor Statistics, which in late September revised down job creation for the 12-month period ending March 2025 by 911K jobs, the largest preliminary downward revision on record. Additional downward adjustments to May (-120K, from +139K to +19K) and June (-160K, from +147K to -13K) further underscore the softness in underlying labor conditions. Counterbalancing this weakness has been the U.S. government running ~$2T fiscal deficits for the first 11 months of FY-2025, alongside an easing of monetary policy.



Source: Bloomberg News reporting

On the monetary policy front, the markets finally received what they had long anticipated: a cut in the Federal Funds rate. In mid-September, the Federal Reserve cut policy rates by 25bp to a range of 4.00%-4.25%, while leaving its quantitative tightening program unchanged at $40B per month. The Fed's policy outlook shifted slightly more accommodative, with the median fed funds rate for 2025 falling to 3.6% (from 3.9%), the 2026 projection falling to 3.4% (from 3.6%) and the 2027 projection falling to 3.1% (from 3.4%). The longer-run estimate remained unchanged at 3.0%. Meanwhile, the Fed raised its headline PCE forecast for 2026 to 2.6% (from 2.4%), while maintaining its unemployment forecast at 4.5%. The rationale for the policy adjustment was clear: economic growth has moderated, job gains have slowed, unemployment has edged up, and "downside risks to employment have risen." Against this backdrop, the combination of surging AI investment, persistent fiscal deficits, and an easier monetary stance has propelled U.S. equity markets to repeated record highs. Amid all this rapid change, our investing discipline is unchanged: we strive to own, in size, businesses with the highest odds of compounding economic value, led by prudent managers, riding durable secular tailwinds, built on advantaged business models with attractive unit economics, and serving large, expanding markets.

3Q25 Performance

PERFORMANCE (%)	3Q25	1 YR	3 YR	5 YR	ITD[1]
Ithaka US Growth Strategy (Gross)	1.2	21.1	34.5	12.2	17.9
Ithaka US Growth Strategy (Net)	1.0	20.4	33.7	11.5	17.4
Russell 1000 Growth ("R1000G")	10.5	25.5	31.6	17.6	17.9
S&P 500 TR Index	8.1	17.6	24.9	16.5	14.9

[1] ITD = inception-to-date, annualized. Inception date is 1/1/2009.

In a decisively positive market, Ithaka's portfolio lagged the R1000G during the third quarter, trailing the index by 940bps (+1.2% to +10.5%, gross of fees). Stock selection detracted 790 bps to relative performance, with the downside exacerbated by a 140-bps negative impact from sector allocation. The portfolio demonstrated weak breadth and depth with only 8 of 30 stocks held for the entire quarter, representing 26% of the names and 24% of the total weighting, outperforming the benchmark.

At the sector level, Ithaka generated positive relative returns in only one of the five major growth sectors where we maintain active exposure: Financial Services. Outperformance in Financials was fairly broad-based, with three of the five individual holdings adding to relative returns. Offsetting the strong stock-picking was our 700bp overweight to the sector, which detracted ~90bps of relative performance. Our largest area of underperformance was Technology, where contrary to last quarter, the underperformance was pervasive, with only 6 of our 17 period-end holdings outperforming the benchmark. Strong returns were concentrated in the AI supply chain trade, with stocks levered to the massive capex cycle outperforming stocks that stand to be "hurt" by AI eating the world, which in the quarter was well represented by Software-as-a-Service companies. Consumer Discretionary was the second-largest source of underperformance, with weakness spread across the portfolio. 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. Within Health Care, four of our five period-end holdings underperformed the benchmark. The weakness was concentrated in our MedTech holdings, where the sector has fallen out of favor with investors leading to multiple compression, averaging 11% in our portfolio. Finally, in Producer Durables, our slight underperformance reflected multiple compression in our sole holding, despite the company continuing to deliver strong fundamental momentum.

Contributors and Detractors

3Q25 TOP 5 CONTRIBUTORS (%)	RETURN	IMPACT
NVIDIA	18.0	1.4
Robinhood Markets	52.9	0.8
Shopify	28.8	0.7
Arista Networks	42.8	0.6
Palantir Technologies	33.8	0.5

3Q25 TOP 5 DETRACTORS (%)	RETURN	IMPACT
ServiceNow	(10.5)	(0.8)
Chipotle Mexican Grill	(24.6)	(0.7)
Intuitive Surgical	(17.7)	(0.7)
Netflix	(10.5)	(0.5)
Trade Desk	(31.9)	(0.4)

Top Contributors

NVIDIA Corporation (NVDA)
Nvidia is the undisputed leader in accelerated computing, with dominant market share in Graphics Processing Units powering both training and inference AI workloads across data centers, edge devices, and emerging platforms. Its superior end-to-end ecosystem—from silicon to software (CUDA, networking, and AI frameworks)—creates high switching costs and a wide competitive moat. With secular demand for AI infrastructure still in the early innings, Nvidia stands to benefit from sustained top-line growth and strong operating leverage. Nvidia's stellar performance in 3Q25 underscored its role as the preeminent AI growth story, driven by robust demand for its data center solutions, a compelling product pipeline, and its ability to cut preferential supply agreements with the growing AI ecosystem.

Robinhood Markets, Inc. (HOOD)
Robinhood is a next-generation financial platform redefining access to investing for everyday consumers. Built around a frictionless, commission-free mobile experience, the company empowers retail investors to trade stocks, ETFs, options, and cryptocurrencies, which were markets historically gated by access and complexity. Robinhood's intuitive design and fractional share model have made it the preferred entry point for a new generation of investors, with over 80% of its users under the age of 35. The platform has evolved beyond its original trading roots into a diversified financial ecosystem, generating growing revenue streams from net interest income and subscription products like Robinhood Gold, which now serves more than 3 million members. Robinhood's strong stock price performance in the quarter was due to two exciting announcements. First, in mid-September it was announced that the company would be joining the S&P 500 and second, the company announced strong growth metrics for one of their newer business initiatives, event-contracts, which drove ~$2B in volume in the third quarter.

Shopify (SHOP)
Shopify is a global commerce infrastructure company empowering millions of businesses to build, scale, and manage their brands across every channel. Founded in 2004 as a simple online storefront, Shopify has evolved into a powerful, end-to-end commerce platform that supports merchants of all sizes, from first-time entrepreneurs to Fortune 500 enterprises. The company became a household name during the pandemic, when its omni-channel capabilities helped retailers pivot seamlessly between offline and online sales. Today, with over 2.4 million merchants across 175 countries, Shopify has established itself as the default operating system for modern commerce, offering its customers integrated payments, logistics, and marketing tools that uniquely position it at the center of the global shift toward digital entrepreneurship. Shopify's stock appreciated on the back of a strong 3Q25 earnings announcement that beat Street expectations across the board.

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 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 a patchwork of semi-automated processes have been used with varying success in the past. ServiceNow's stock sold off in the third quarter as investors priced in fears the software layer at large could be disintermediated by AI native products. This fear drove multiple compression, which materialized despite strong fundamental growth from the company.

Chipotle Mexican Grill, Inc. (CMG)
Chipotle Mexican Grill is a leading fast-casual restaurant chain known for its focus on real ingredients, customizable menu, and operational efficiency. With over 3,500 locations primarily in the U.S., Chipotle has built a powerful brand centered on "Food With Integrity," emphasizing sustainability and fresh, responsibly sourced ingredients. Roughly 60% of sales come from in-restaurant orders and 40% from digital channels, which include their own digital ecosystem, third-party delivery marketplaces, and their corporate catering and group ordering. Chipotle's relative struggles in the quarter were due to a weak earnings announcement in mid-July that missed top and bottom-line expectations, resulting in a cut to the full year comparable store sales estimate. Following a few quarters of decelerating fundamental momentum, Ithaka made the decision to exit the position and redeploy the proceeds to more promising growth stories.

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 including 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 third quarter underperformance was due to persistent multiple compression, which happened even as the company posted an all-around top- and bottom-line beat in mid-July. Some portion of the compression is due to 1) possible future competitive pressures in the companies instruments business from remanufactured instruments and 2) an overall weakness in the Health Care sector at large.

Transactions

During the quarter we initiated three new positions, Oracle (ORCL), Amphenol (APH), and Alphabet (GOOG) and eliminated three positions, Chipotle (CMG), ASML Holdings (ASML), and Salesforce (CRM). Our trailing 12-month turnover increased to 20.3% while our trailing 3-year average annual turnover increased to 15.2%.[1]

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 third quarter 82% of our full-period portfolio holdings beat top-line expectations, while 88% beat bottom-line expectations. Strong fundamental performance was not rewarded with commensurate strong stock price gains, with the average stock falling 1%, seven names rising greater than 5% and eleven falling greater than 5%. Stock movements around earnings reports were negatively skewed but, per usual, included fat tails. Given the unique quarterly news flow, as well as the concentrated nature of stock market gains of late, we thought we would use the white space below to discuss the question on many investors' minds: does the current wave of AI-driven capital expenditures in any way, shape or form constitute a bubble?

We start this overview with the punchline, which is: we know we are in an AI infrastructure buildout boom, and that demand for accelerated computing is seemingly insatiable. But, it is still too early to know if this demand is the beginning of a set of

[1] 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.

circumstances that eventually consecrates a bubble. For context, AI capex in 2025 is somewhere in the range of $400B-$600B, with the US hyperscalers (Amazon, Microsoft, Google, Meta, and Oracle) accounting for $300B-$350B of total spend. Spending is expected to grow meaningfully year-over-year in 2026, as hyperscalers, private companies, and Fortune 500 companies commit record amounts of capital. To put these numbers in perspective, the U.S. Interstate Highway System cost ~$500B in todays dollars and took 35 years to complete, while the Internet buildout of the mid-to-late 1990's cost ~$1T-$1.5T worldwide. Suffice it to say, the AI buildout we are all experiencing is on par with the largest infrastructure undertakings in modern history, arguably even human history. This naturally raises an important question: why are companies doing this? The consensus view is that they see a once-in-a-generation opportunity to own the infrastructure layer of a technology that will redefine how humans interact with the world across almost every facet of their personal and work lives. This is a big deal.

However, with big deals come big risks. Framing the bear case for AI is straightforward, in part because humans are innately wired to look for patterns to create cognitive efficiency. When we see a massive buildout of a new technology, our instinct is to compare it to the most recent historical analog, which in this case is the tech boom, and subsequent bust, of the late 90's. And like the late 90's, some similarities exist. The sheer volume of speculative capital flowing into and through this industry, sometimes in a suspiciously circular fashion, has led to elevated valuations. In private markets, companies just months old are raising seed rounds of $1 billion or more. In public markets, a substantial portion of overall equity gains over the past few years have been concentrated in this single secular theme. What scares society the most about the above is we really don't (or can't) fully understand the scale and scope of what is being built, and likely won't be able to until the technology is thrust upon us. Whether or not humanity is successful in building something akin to a "digital god" within a timeframe that is relevant to the present is up for debate. That said, it is important to recognize that remarkable innovations are already emerging from this unprecedented AI buildout, which takes us to the bull case for AI, and the argument that this time really is different.

While the bull side of the argument is still nascent, there are already signs that those who are investing in the AI boom may be onto something. First is the productivity gains we have seen so far. Early studies across key business operations, such as software development and customer service call centers, indicate efficiency gains of 20%–50%, translating directly into meaningful cost savings. Companies rolling out agentic AI products are also beginning to generate incremental revenue from premium product subscription tiers. AI is also helping increase the efficiency of established ecosystems, like those at Meta and Alphabet, where the companies have been able to boost the performance of their core advertising franchises. On the consumer side, adoption has been equally striking. ChatGPT became the fastest scaling product in history, reaching 100M monthly active users within 2 months of launch. Fast forward two years and the product reportedly has ~800M weekly active users creating 2.5B user prompts per day. Another key distinction from prior bubbles lies in the funding of the buildout. The late-1990s technology boom was fueled by debt-financed companies with, in many cases, scant revenues valued on tenuous metrics, such as "price per eyeball." Today's AI buildout, by contrast, is being underwritten by the fortress balance sheets of some of the largest and most profitable companies in the world. We will be the first to admit that this dynamic seems to be shifting. As companies burn through their cash balances and begin to access the debt markets for additional capital, it is yet to be seen how investors will treat the valuations of these companies' stocks. As a closing thought, if this proves not to be a bubble but instead the early stages of a world-defining technology, we could for the first time in human history have a technology, other than the human brain itself, capable of generating new ideas and information. All prior technological breakthroughs, from the printing press to the fax machine to the internet, merely enhanced our ability to share ideas faster and more efficiently through space and time. This time, AI has the potential to create them.

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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