



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

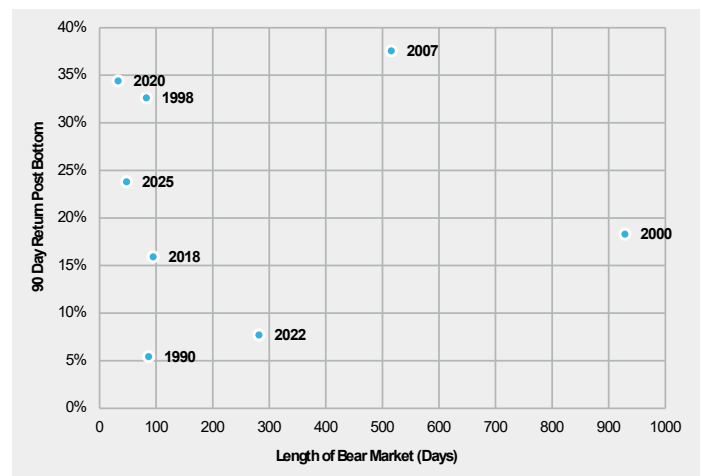
Market Review

The second quarter of 2025 was a rollercoaster ride for US markets, with significant volatility driven by rapidly shifting tariff policies. After a ~10% decline in the first quarter (and a peak-to-trough drawdown of 23.2%), the Russell 1000 Growth Index ("R1000G") rebounded strongly in the second quarter, rising approximately 18% and surpassing its prior all-time highs. Broader equity markets also delivered robust gains: the S&P 500 rose 10.9%, the Nasdaq 100 advanced 17.9%, and the Dow Jones Industrial Average posted a more modest 5.5% increase. The R1000G's 18% return was not easily attained, as it began with a sharp sell-off following President Trump's April 2nd "Liberation Day" tariff announcement, which sent the S&P500 down 12% in one week. This decline was exacerbated by China's April 4 retaliatory tariff announcement, which triggered a tit-for-tat exchange with one of the United States' largest trading partners. Fortunately, this downside volatility proved to be short-lived. On April 9th, President Trump announced a 90-day pause on the country-specific tariffs to allow time for negotiations, with the new administration setting an ambitious target to get to "90 deals in 90 days." Fast forward to early July when, in the face of few signed deals, the administration chose to extend the deadline by an additional 30 days, offering countries temporary relief.

Notwithstanding this tariff-induced volatility, several positive economic developments and strong underlying economic momentum helped propel equity markets higher: the unemployment rate declined to 4.1%, initial jobless claims fell to a six-week low of 233,000, CPI stabilized right around 2.4% for three consecutive months, and the Atlanta Fed's GDPNow estimate for 2Q25 reached a high of 4.6% in early June. In addition to strong economic fundamentals, the GOP-controlled congress passed President Trump's "Big Beautiful Bill," which aims to buoy consumer spending by putting more money in consumers' pockets. While considerable uncertainty remains regarding future tariff policies, for now, markets are prioritizing the tangible wins delivered in the quarter.

Given the unprecedented market movements so far this year, we thought it would be helpful to put these swings into historical context. Our investment team analyzed all the bear markets,

characterized as declines of 20% or more, for the S&P 500 since 1990. There have been eight such events, two in the 1990's, two in the 2000's, one in the 2010's, and three thus far in the 2020's. We grouped the four drawdowns prior to the markets' internalization of the Fed put (pre-2008) into one category, and the four that occurred after 2008 into another. What our investment team and most investors have observed is that it appears bear markets have fundamentally changed.



Source: Yahoo Finance

As you can see from the chart above, prior to the implementation of the Fed put, bear markets tended to last much longer, averaging 404 days peak to trough. By contrast, since 2008, the average duration has declined to just 115 days—a remarkable 72% reduction! In addition to shorter durations, 90-day returns following market bottoms have remained consistent, averaging ~23.5% before the Fed put and ~20.5% after. Of course, we fully acknowledge that the Fed put is just one factor contributing to this phenomenon. Other likely contributors include the increasing concentration in equity indices, steadily increasing retail participation, and the widespread emphasis on the "buy-the-dip" strategy. The market has always been, and will continue to be, a highly dynamic weighing mechanism. Over time, companies that create (or have the highest probability of creating) significant economic value tend to be the most rewarded by investors over the long term.

2Q25 Performance

PERFORMANCE (%)	2Q25	1 YR	3 YR	5 YR	ITD ¹
Ithaka US Growth Strategy (Gross)	23.2	20.2	30.5	14.8	18.2
Ithaka US Growth Strategy (Net)	23.0	19.5	29.7	14.2	17.6
Russell 1000 Growth ("R1000G")	17.8	17.2	25.8	18.2	17.5
S&P 500 TR Index	10.9	15.2	19.7	16.6	14.6

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

In a decisively positive market, Ithaka's portfolio trounced the R1000G during the second quarter, beating the index by 540bps (23.2% to 17.8%, gross of fees). Positive stock selection contributed 685 bps to relative performance, partially offset by a 140-bps negative impact from sector allocation. The portfolio demonstrated modest breadth and depth with 23 of 31 stocks held for the entire quarter, representing 74% of the names and 65% of the total weighting, outperforming the benchmark.

At the sector level, Ithaka generated positive relative returns in four of the five major growth sectors with active exposure: Consumer Discretionary, Technology, Health Care, and Producer Durables. Outperformance in Consumer Discretionary was broad-based, driven by strong rebounds in our platform consumer SaaS holdings and advertising companies after muted first-quarter results. In Technology, outperformance was pervasive, with fourteen of our fifteen period-end holdings outperforming the benchmark. This strength reflected the "risk-on" sentiment in the market following the first quarter's overcorrection. In Health Care, our exposure to the diabetes theme boosted returns, as comments made by Robert F. Kennedy, Jr., the new US Health and Human Services Secretary, pointed to a significant effort to combat Type 2 diabetes under the "Make America Healthy Again" agenda. In Producer Durables, our single holding delivered strong returns, driven by its underlying fundamental momentum. Conversely, the portfolio experienced relative weakness in Financial Services. Underperformance in this sector was primarily driven by our 500bp overweight, as Financials lagged the higher-growth areas of the market during the aggressive rebound.

Contributors and Detractors

2Q25 TOP 5 CONTRIBUTORS (%)	RETURN	IMPACT
NVIDIA	46.0	3.3
Microsoft	32.8	2.1
ServiceNow	29.1	2.0
Meta	27.9	1.9
Netflix	43.6	1.8

2Q25 TOP 5 DETRACTORS (%)	RETURN	IMPACT
Apple	(8.8)	(0.4)
Eli Lilly	(5.3)	(0.1)
Coinbase	1.8	0.0
salesforce.com	2.9	0.0
VISA	1.5	0.1

Top Contributors

NVIDIA Corporation (NVDA)

Nvidia is the undisputed leader in accelerated computing, with dominant market share in Graphics Processing Units (GPUs) 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 its early innings, Nvidia stands to benefit from sustained top-line growth and strong operating leverage. Nvidia's stellar performance in 2Q25 underscored its role as the preeminent AI growth story, driven by robust demand for its data center solutions, resilience to tariff volatility, and a compelling product pipeline. As soon as Liberation Day tariff announcements had been digested by the market, investors quickly returned to the AI darlings, which were once again supported by strong fundamental earnings reports.

Microsoft Corporation (MSFT)

Microsoft builds best-in-class platforms and provides services that help drive small business productivity, large business competitiveness, and public-sector efficiency. Microsoft's products include operating systems, cross-device productivity applications, server applications, software development tools, video games, and business-solution applications. The company also designs, manufactures, and sells devices, including PCs, tablets, and gaming/entertainment consoles that all integrate with Azure, its cloud computing service. The stock's outperformance in the quarter was due to investors rewarding an all-around beat and raise quarter that was a breadth of fresh air following three consecutively messy quarters in a row. The company's all important Azure segment grew revenue at 35%, beating guidance of 32%, which when coupled with better than expected forward guidance helped give investors confidence the business is back on solid footing.

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 a patchwork of semi-automated processes have been used with varying success in the past. ServiceNow's stock saw a significant rebound from depressed 1Q levels, as the company posted a small earnings beat across the board, following a disappointing guide in the previous quarter. This result was viewed as exemplary given the environment the company is operating in, specifically the DOGE's efforts to cut government spending, which comprises ~20% of the company's revenues.

Top Detractors

Apple Inc. (AAPL)

Apple (AAPL) is a global consumer electronics and software company that designs and markets mobile communications devices (iPhones), personal computers (Macs), multi-purpose tablets (iPads), and wearables (Apple Watch, AirPods, and Accessories). The company also sells several high-margin consumer services including Advertising, AppleCare, Cloud Services, Digital Content and Payment Services. The stock's underperformance in the quarter stemmed from the Trump administration's April 2nd tariff announcement that sent shares falling 23% over a five day period, with investors concerned about Apple's heavy manufacturing base in China. The stock spent the rest of April clawing back a majority of those losses, only to be put back in the penalty box following its May 1st earnings announcement. Apple's soft quarterly Services revenues and weak forward revenue guidance, coupled with the perception the company is lagging in its AI endeavors, killed what little momentum the stock had begun to regain.

Eli Lilly and Company (LLY)

Eli Lilly is a global pharmaceutical company that focuses on discovering, developing, and marketing innovative medicines in endocrinology, oncology, immunology, and neuroscience. The company has created blockbuster products including Mounjaro for diabetes and Zepbound for obesity, with the combination collectively known as its GLP-1 franchise. The global GLP-1 market operates as a functional duopoly, with Lilly controlling ~45% of the market and Novo Nordisk controlling ~50%. At the end of 2024, the GLP-1 market had a global TAM of \$52B, growing to ~\$120B over the next five years. Despite its prior success, Lilly is cultivating a promising pipeline, including oral GLP-1 drugs and novel therapies, positioning it for sustained growth into the foreseeable future. The stock's underperformance was due to two factors. First, is the Trump administration's unfavorable opinion of the global healthcare industry, which is structured so that the US shoulders a majority of drug development costs, leading to higher prices than those seen in other countries. Second, CVS Caremark announced removing Eli Lilly's Zepbound from its largest commercial template formularies and designating Novo Nordisk's Wegovy as the preferred GLP-1 medication for weight loss, sparking market share concerns from investors.

Salesforce, Inc. (CRM)

Salesforce is the largest pure-play cloud software company, holding a leading market share in customer relationship management applications and a top-five market share position in the company's other clouds (Marketing, Service, Platform, Analytics, Integration, and Commerce). The company's software subscription term-license model differs from the traditional perpetual-license software model in two respects: (1) the software is hosted on centralized servers and delivered over the internet, as opposed to traditional enterprise software that is loaded directly onto customers' hard drives or servers; and (2) the revenue model is subscription-based, typically charging

monthly fees per user as opposed to charging one-time licensing fees. Salesforce's stock underperformed in the quarter as slightly weak forward guidance had investors questioning the company's ability to monetize AI at scale, particularly as Agentforce's revenue contribution was projected to remain modest in fiscal 2026.

Transactions

During the quarter we initiated two new positions, Robinhood Markets (HOOD) and Coinbase Global (COIN) and eliminated one position, Apple (AAPL). Our trailing 12-month turnover marginally increased to 13.9% while our trailing 3-year average annual turnover increased to 13.2%.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 second quarter 81% of our full-period portfolio holdings beat top-line expectations, while 87% beat bottom-line expectations. Unlike last quarter, strong fundamental performance was rewarded with strong stock price gains, with the average stock gaining 3.9%, eleven names rising greater than 5% and five falling greater than 5%. Stock movements around earnings reports were positively skewed but, per usual, included fat tails. This dynamic is not surprising given the renewed risk appetite following President Trump's tariff pause early in the quarter. Given our bottom-up focus, the following reflects our read on economic and business sentiment as inferred from leaders running real businesses around the globe.

If one theme could describe this earnings season, it would be general confusion — bordering on chaos. Following the implementation of President Trump's tariff policy, investors scrambled to assess its potential effects on business operations. Many focused on possible disruptions to global supply chains. Others analyzed potential increases in input and production costs and the impact on margins. Some worried about retaliatory measures from trading partners, and still others considered the broader knock-on effects of global economic volatility. In addition to tariff-related challenges, several of our portfolio companies with significant federal government exposure faced new hurdles following the creation of the U.S. Department of Government Efficiency, tasked with reducing waste, fraud, and abuse. Layer on top of this the uncertainty caused by rapidly accelerating progress in AI, and AI's potential to reshape competitive dynamics, and you get a highly complex operating environment that evolves daily. This uncertainty has kept our portfolio-company management teams on their toes. Some have chosen to either provide a much wider guidance range than is customary, or in some cases, refrain from giving guidance at all. While stock prices have rebounded from the

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.

April 9th nadir, we continue to see significant uncertainty around inflation, unemployment, tariffs, and overall economic health. One constant, which we emphasized during the recent severe correction, is that our portfolio companies remain fiercely competitive, dynamic, resilient, financially strong, and led by exceptional founders and operators. These visionaries have repeatedly demonstrated their ability to adapt and persevere through a wide range of challenges. We believe this time will be no different.

On the monetary policy front, the FOMC's mid-June meeting left the federal funds rate unchanged at 4.25%-4.50% for the fourth consecutive meeting. The Committee noted that economic activity continued to expand at a solid pace, despite volatility in net exports stemming from trade policy shifts. Consumer spending and business investment were described as "robust," and the labor market was characterized as at or near maximum employment, with unemployment holding steady around 4.2%. Inflation has continued to ease, with total PCE at 2.3% and core PCE at 2.6%, both slightly above the Fed's 2% target. Progress towards the target was described as "uneven," with declines in services prices offset by increases in goods prices. The updated Summary of Economic Projections ("dot plot") still indicates an expectation for two rate cuts in 2025, despite the Fed lowering its 2025 Real GDP forecast by 30bps to 1.4%, increasing its unemployment rate forecast by 10bps to 4.5%, and increasing its PCE and Core PCE expectations by 30bps to 3.0% and 3.1%, respectively. Despite repeated calls from the White House for immediate rate cuts, the Fed appears unlikely to act until there is clear, sustained progress on inflation moving towards/below its 2% target.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions Ithaka makes in the future will be profitable or will equal the investment performance of the securities discussed herein. Investing in securities entails risk and may result in loss of principal.