the ithaka group

Concentrated Growth Equity Managers

ITHAKA EAFE STRATEGY

FIRM OVERVIEW
- Founded in 2008
- Based in Bethesda, MD
- Concentrated growth investors
- 100% employee-owned
- ~$1.4B AUM

STRATEGY OVERVIEW
- Seeking high-quality companies with durable growth
- Bottom-up, fundamental focus
- Concentrated, low-turnover portfolio
- Maximum of 30 large-cap and mid-cap holdings

FUND OVERVIEW
- Inception date: December 1, 2017
- Benchmark: MSCI EAFE NR
- 4 member investment team

OBJECTIVE
- Long-term growth of capital

PORTFOLIO MANAGERS
- Andy Colyer, CFA
- Scott O'Gorman, CFA

`War, I despise
'Cause it means destruction of innocent lives
War means tears to thousands of mother's eyes….
It ain't nothing but a heart-breaker
(War) Friend only to The Undertaker

— Norman Whitfield / Edwin Starr

SUMMARY

The Ithaka EAFE Strategy ("IES") declined 17.2% in 1Q22, trailing the MSCI EAFE by 11.2 ppts. Turnover for the trailing twelve months was 40%.

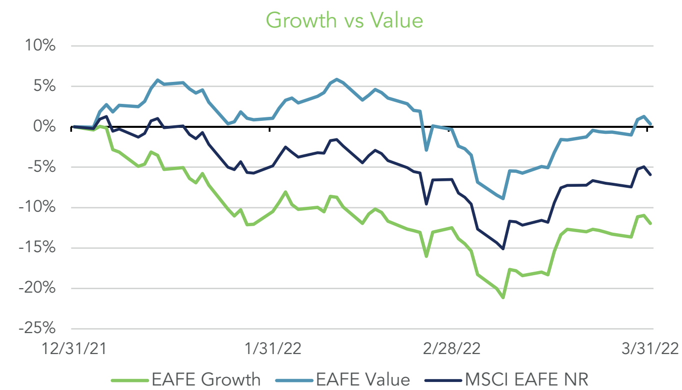
COMMENT

It's heartbreaking to contemplate the impact to markets and the fund given what's happening in Ukraine. Perhaps it's fortunate that the markets have given little reason to cheer during this awful time. The conflict could hardly have come at a more challenging time for the global economy. Just as the pandemic is appearing to wane in much of the world, the war's impact on energy and food prices has ensured that inflation won't be transitory. With inflation showing few signs of slowing, central banks are struggling to catch up. The blunt shock of higher rates could force countries around the world into recession.

The upward march of interest rates has been challenging for long duration assets, including growth equities. While we think the portfolio has been valued reasonably as a whole relative to its growth prospects, we recognize that some holdings were vulnerable in this market environment. We made a few changes to the portfolio during the quarter. The overall idea was to reduce valuation-driven volatility while preserving upside potential. We are firmly in the camp that volatility does not equate to risk, but we'd be negligent if we completely ignored it.

DEVELOPED INTERNATIONAL MARKETS

After another tumultuous quarter, the MSCI EAFE finished the 1Q22 down 5.9%. That negative but relatively tame number belied the fact that the growth portion of the index performed much worse than the value portion of the index. The EAFE Growth lagged the EAFE Value in January by the greatest monthly amount in the almost 50-year history of the indices[1]. For the quarter, the gap between value and growth was the greatest since 1987. The market troughed, temporarily as it turns out, the first week of March, when given a hint of optimism about energy prices. Even after some recovery in March, every sector except energy and materials was negative for the quarter, with technology the worst off.



IES 1Q22 PERFORMANCE

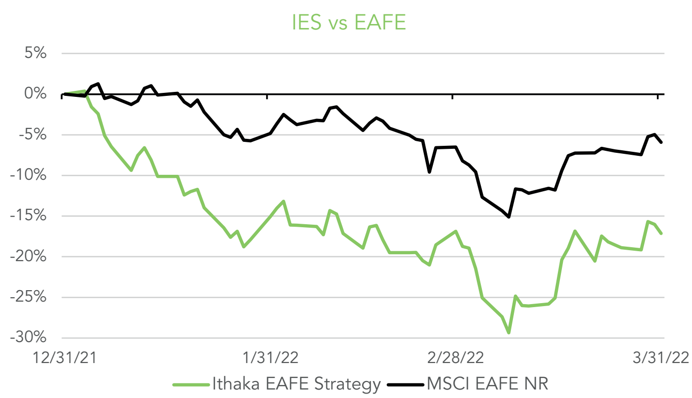
It will be no surprise that a growthy fund skewed toward Europe underperformed even the challenged EAFE Growth, which has Nestle as its top holding. The Ithaka EAFE Strategy lost 17.1% for the quarter, underperforming the MSCI EAFE by 11.2 ppts and the MSCI EAFE Growth by 5.2 ppts.

[1] The MSCI EAFE Growth and Value Indexes were launched in December 1997. MSCI provides data for these indexes back to the beginning of 1974, which is back-tested data calculated based on how the indexes might have performed over that time period had the indexes existed.

PERFORMANCE (%)	1Q22	1 Year	3 Year	ITD[1]
Ithaka EAFE Strategy (Net)	(17.2)	(2.9)	19.2	14.7
MSCI EAFE NR	(5.9)	1.2	7.8	4.4
MSCI EAFE Growth NR	(11.9)	(1.5)	9.8	6.5

[1] ITD = Inception-to-date, annualized.

The risk-off trade put strong pressure on the IES immediately as the quarter began. Strong earnings reports from most of the portfolio companies stopped the gap versus the benchmark from expanding, but did not narrow it. Absolute declines were rescued, temporarily, by a calming of macro- and geopolitically-induced nerves. The IES finished the quarter essentially where it was after the dismal January.



Of the 20 companies held for most of the quarter, half reported terrific quarters, which were reflected, at least temporarily, in strong positive responses from the market. Most of the rest reported perfectly fine quarters consistent with our long-term growth expectations. Only one, Sea Ltd, reported a disappointing quarter. Our portfolio companies overall are performing well even if their share prices are not.

TOP CONTRIBUTORS

London Stock Exchange Group. LSEG delivered strong cost synergies on its Refinitiv acquisition and raised guidance on remaining cost synergies. Additionally, the firm has benefitted from the reality and perception that increased volatility in the European markets would benefit its equity and fixed income businesses, regardless of market direction. Accordingly, its valuation has held up well.

Crayon Group. Crayon Group is a Norway-based IT consultant specializing in digital transformation. The company made our contributors list mostly because we bought it at the end of the violent market downturn in January. See purchase discussion below. We do not expect Crayon to be materially impacted by inflation or the war other than the modest impact of closing its office in Russia.

Mainfreight. New Zealand-based Mainfreight is a logistics company operating in 20 countries. Over the last 40 years Mainfreight has grown organically and through acquisitions. Mainfreight's business remains strong, supported by continued global freight activity and rates as well as share gains. A February update showed pretax profit up 85% y/y on revenue growth of 45% y/y. The company is seeing strength across regions and product lines. As such, while its valuation came under some pressure during the quarter, it declined less than many other growth companies.

TOP DETRACTORS

Straumann Holding. Straumann is a global leader in aesthetic dentistry, with leading positions in dental implant systems and other preventive and corrective dentistry applications. 2021 saw organic growth greater than 40% y/y, led by strength in orthodontics. The market responded to this growth, sending shares up 89% during the year. The year finished with 4th quarter organic revenue growth of 21%, which was strong, but not enough to support the valuation the shares had climbed to. Slower growth combined with a cautious guide weighed on the shares.

Sea Ltd. Sea is a Southeast Asian Internet company. Sea's Garena segment has exclusive rights throughout Southeast Asia to many of the most popular games in world. Through its Shopee site, Sea has become the largest e-Commerce site in S.E. Asia. Shares of Sea have come under significant pressure in the last five months. Market concerns about unprofitable business models collided with a challenging quarter operationally. Losses in the company's eCommerce segment were significantly greater than expected. And gaming users, including paid users, declined significantly versus the prior quarter. While we continue to think that Sea Ltd has a long growth runway ahead of it, the current market environment is unforgiving to any operational challenges for companies where the payoff is well into the future.

Eurofins Scientific. Luxembourg-based Eurofins Scientific is a global leader in lab testing for food, drug, clinical diagnostics, and other markets. Though its core business has grown steadily over the years, Covid provided a surge in demand for Eurofins' testing services. The 4th quarter was still comping against Covid testing-inflated revenue in Europe. The company posted y/y revenue growth in Europe of only 1% for the quarter. As the strong Covid revenues abate, margins are also receding. EBITDA margins for the second half of the year were 25%, 5ppts lower than the margins for the first half of the year. The underlying core business is stronger than it was going into the pandemic, and management signaled its intention to increase investment to support the core business. The 4th quarter results as well as management's guidance on investment combined to pressure shares.

TRANSACTIONS

The first quarter was busier than normal as we sold higher duration companies that were particularly vulnerable in the current market environment. These companies included Ascendis Pharmaceuticals, M3, Sea Ltd, and Atlassian. Atlassian is a wonderful company that we've owned since inception. Were it not planning on moving its headquarters to the US we might consider holding it through the current market noise. London Stock Exchange Group is performing well currently, but we are concerned about its growth profile over the next few years and feel that the cost synergies from the Refinitiv acquisition are fully reflected in the current price.

Among our new holdings is Crayon Group, a global IT consultant based in Oslo. Crayon was founded 20 years ago as an IT support and training company. Management migrated the practice to helping clients maximize their returns on investment in their IT spend. Crayon's flagship software asset management ("SAM") offering is often able to reduce a customer's software expenditure by 15% to 30%, delivering a return of up to 30x for every dollar spent. Crayon's other area of growth has been in digitization, from helping clients migrate their IT infrastructure to the cloud to helping clients with their strategies in artificial intelligence, big data, and cybersecurity.

BayCurrent Consulting, another new holding, is also a consulting firm that focuses on digitization. Like Crayon Group, BayCurrent began as an IT support company, growing through acquisitions. A private equity company bought BayCurrent and spent a few years focusing its business on digital consulting before taking the company public in 2016. Japan has a large pool of cash-rich corporations that lag their global peers in digital modernization. BayCurrent is well-positioned to help facilitate Japan's digital transformation over the coming years.

We've done well in the logistics space, having owned the Danish logistics giant DSV since inception and New Zealand-based Mainfreight since last year. Our positive experiences in the space led us to the market leader in logistics software, WiseTech Global. WiseTech is digitizing the logistics industry, becoming the operating system for logistics and transportation. WiseTech's logistics management platform, CargoWise, helps the various entities in the supply chain communicate and track cargo moving through the supply chain. Additionally, CargoWise helps customers understand freight regulations and required tariffs and duties. In so doing, the software ensures clean handoffs throughout the supply chain.

Finally, we invested in Sofina, a publicly traded investment firm. Sofina traces its roots to 1898, where it began as an engineering consultancy. Over 50 years, CEO Dannie Heinemann grew Sofina into one of the largest engineering and construction firms globally, constructing power stations and setting up electricity distribution in a dozen countries. By WW2, Sofina and its subsidiaries employed 40,000 people. Heinemann retired in 1955. Over the next decade, wealthy Belgian families, led by Yves Boël, gained control of the firm. It was Boël who had the vision of turning Sofina into an investment company. Under Boël, Sofina was an early investor in Silicon Valley, as early backers of Sequoia and other venture capital firms. Sofina is still controlled by the Boël family under the guidance of CEO Harold Boël. Sofina now has over €11B under management, with ~85% invested in private companies, mostly via investments in over 200 funds.

Risk Disclosure

Past performance is not indicative of future results. The performance shown is for the Ithaka EAFE 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 $0.1 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 and may include fee estimates for clients who pay in arrears. 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 MSCI EAFE NR Index. The MSCI EAFE NR Index measures the performance of the large and mid-cap equities from 21 developed market countries not including the United States. This broad-based securities index is unmanaged and is 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.

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