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")
- ~$1.3B 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 first quarter of 2025—and the opening weeks of Q2—served as a stark reminder of why there is an equity risk premium. After two consecutive years of 25%+ gains, markets ushered in the new year with significant volatility and a decisive downturn. As we will discuss further, this turbulence has been driven almost entirely by policy uncertainty stemming from the newest inhabitant of the Executive Mansion, Donald Trump. Before we get to the reasons behind the moves, let's look at the scorecard for the quarter. The S&P500 was down 4.6%, the Russell 1000 Growth ("R1000G") down 10.0%, the Nasdaq 100 down 10.4%, and the Dow down a more modest 1.3%. Breaking from superlative performance over the past two years, the so-called "Magnificent 7" finally faltered. Only one constituent, Meta, outperformed the broader S&P500 in the quarter, with the other constituents significantly underperforming. While three months does not make a trend, the price action and sentiment around the Mag 7 suggest that leadership may be shifting—potentially giving the other 493 names in the index a chance to carry more weight. Time will tell. In our 4Q24 letter, we noted: "It appeared the strong fourth-quarter returns were reflecting a surge in economic optimism sparked by the U.S. election cycle, in which Republicans secured control of the White House, the House, and the Senate in a decisive victory. On November 6th, markets began pricing in an extension of the original Trump tax cuts, increased domestic investment, and what was expected to be a more favorable operating environment for U.S. corporations." Those expectations slammed head first into reality on February 1st, when President Trump signed an executive order imposing tariffs on imports from Mexico, Canada, and China.

This marked the beginning of a broader protectionist push. The U.S. quickly expanded tariffs to a host of trading partners, both allies and rivals, many of whom responded in kind. The most public and consequential retaliation has come from China and the European Union, with whom the U.S. runs trade deficits of $295B and $235B, respectively. This tit-for-tat escalation culminated in what the Trump administration dubbed "Liberation Day," which brought sweeping trade measures, including: 1) a baseline 10% tariff on all imported goods to the United States, 2) 20-50% reciprocal tariffs targeting 60 countries deemed "worst offenders," and 3) a 25% tariff on foreign-made vehicles and the closure of duty-free loopholes for Chinese goods under $800. Whether President Trump can leverage the U.S.'s unique position as the world's largest consumer to extract better trade terms—or whether this becomes a lose-lose scenario—remains to be seen. As we've often quipped: we'll find out together. On the flip side of the coin is the Federal Reserve who has thus far held interest rates steady as it assesses the potential impact of these new trade barriers on inflation, economic growth, and employment. There was a glimmer of positive news in March, when CPI came in at 2.4% year-over-year (down from 2.8% in February), with core inflation easing to 2.8%—its lowest level since March 2021. Markets have taken this data, combined with the tariff-driven uncertainty, and are now pricing in a 38% probability of five rate cuts over the next 12 months—far more than the two cuts currently projected by the Fed. As investors weigh this complex mix of factors, we expect continued volatility ahead, driven by open questions around trade, inflation, and policy direction.

1Q25 Performance

PERFORMANCE (%)	1Q25	1 YR	3 YR	5 YR	ITD[1]
Ithaka US Growth Strategy (Gross)	(10.3)	1.7	9.7	17.2	17.0
Ithaka US Growth Strategy (Net)	(10.5)	1.0	9.1	16.5	16.4
Russell 1000 Growth ("R1000G")	(10.0)	7.8	10.1	20.1	16.6
S&P 500 TR Index	(4.3)	8.3	9.1	18.6	14.1

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

During the first quarter Ithaka's portfolio performance lagged the R1000G by 30bps, -10.3% to -10.0% (gross of fees), in a decisively negative market. Ithaka's 110bps of negative stock selection effect was offset by 75bps of positive sector allocation effect. Our portfolio demonstrated modest breadth and depth, with 15 of 30 stocks held for the entire quarter, representing 50% of the names and 42% of the total portfolio's weighting, outperforming our benchmark.

At the sector level, Ithaka generated positive relative returns in one of the four major growth sectors where we maintain active exposure: Consumer Discretionary. Outperformance in this sector was concentrated in our holdings of global platform companies with high incremental margins and limited exposure to tariff-related risks. Conversely, the portfolio experienced relative weakness in Health Care, Technology, and Financial Services. In Health Care, underperformance was driven by two of our medical device holdings, which slightly lagged the broader—typically more stable—health care market. Technology

delivered muted returns, with most of the weakness stemming from the semiconductor space. This segment continues to face headwinds from increasing government restrictions on exports coupled with broad-based multiple compression. In Financial Services, underperformance was primarily attributable to a single alternative asset manager, whose valuation contracted meaningfully amid concerns about a subdued investment realization environment. This impact was partially offset by our overweight position in the sector.

Contributors and Detractors

1Q25 TOP 5 CONTRIBUTORS (%)	RETURN	IMPACT
Palantir Technologies	10.0	0.6
Visa	11.1	0.4
Uber Technologies	20.8	0.4
Mercadolibre	14.7	0.3
Mastercard	4.2	0.3

1Q25 TOP 5 DETRACTORS (%)	RETURN	IMPACT
ServiceNow	(24.9)	(2.1)
NVIDIA	(19.3)	(1.6)
Trade Desk	(53.5)	(1.2)
Amazon.com	(13.2)	(1.1)
Marvell Technology	(44.2)	(0.9)

Top Contributors

Palantir Technologies Inc. (PLTR)
From the front-lines of warzones to Fortune 500 enterprises, Palantir Technologies builds software to address high-level action items, respond to defense and security concerns, and improve organizational efficiency. The company offers a number of software products from data analysis and curation (Palantir Gotham and Foundry) to a cloud-based operations software (Apollo). The company rose to popularity, in part, due to several government contracts (~55% of revenues) arising from recent and continuous global conflicts. In addition to creating generative AI defense solutions for governments across the globe, commercial customers (~45% of revenues) have flocked to the company's security and data analysis solutions to monitor and analyze business data and protect sensitive information. The stock's rise in the quarter was due to a strong earnings report that beat Street expectations as well as investor excitement with regard to the company's ability to further monetize its AI product across its growing customer base.

Visa Inc. (V)
Visa is one of two leading companies (along with MasterCard) that helps share information and transfer funds between banks that have relationships with card-carrying consumers and banks that have relationships with merchants, ensuring payment transactions are reliable and secure. Since the company's founding in 1958, Visa has been benefiting from growth in personal consumption expenditure, a strong secular shift from cash and checks to credit and debit cards, and an asset-light, high-margin business model that generates strong free cash flow and resilient earnings, even in volatile macro environments. In the first quarter Visa saw its stock trade up in a tumultuous market tape, as investors tend to flock to more steady earning compounders, of which Visa is an ideal candidate.

Uber Technologies, Inc. (UBER)
Uber Technologies employs a marketplace-based technology platform used to match drivers and their vehicles with individuals, products, and packages moving from point A to point B. The company offers its ~6M independent contractors (drivers) access to its 170M monthly active users (riders), providing both parties real-time access to logistics services. Uber's business consists of three segments: Mobility, Delivery, and Freight. These businesses combined for ~$160B in annual bookings across 11.3B trips in 2024. During the company's fourth quarter earnings announcement CEO Dara Khosrowshahi laid out his vision why Uber will play an important role in the future where cars are largely autonomous. This written piece helped remove an overhang on the stock and got investors comfortable with Uber's future prospects. Additionally, the stock was helped by the announcement that renowned investor Bill Ackman had taken a position in the company as a top 15 shareholder.

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 a patchwork of semi-automated processes have been used with varying success in the past. ServiceNow's stock fell during the quarter, driven by the announcement that its much anticipated AI Agents offering is going to be offered as a consumption-based model, vs the expected seat-based model. This change will make revenue recognition fall further into the future, as clients can take their time adopting (and therefore paying) for the new product.

NVIDIA Corporation (NVDA)
Nvidia is the undisputed leader in accelerated computing, with dominant market share in Graphics Processing Units (GPUs) powering AI workloads across data centers, edge devices, and emerging platforms. Its end-to-end ecosystem—from silicon to software (CUDA, networking, and AI frameworks)—creates high switching costs and a widening competitive moat. With secular demand for AI infrastructure still in its early innings, Nvidia stands to benefit from sustained topline growth and strong operating leverage. In early January, a little known Chinese AI company, DeepSeek, released its large language model (LLM), DeepSeek-R1, to an unexpecting world. This model was purportedly trained on very few high-end Nvidia chips and was highly efficient when compared to other leading models.

This release set off a chain reaction where investors have had to grapple with the idea that the world may not need as many GPUs as previously thought, which hampered the Nvidia buy-case and sent the P/E multiple down to its cheapest level in the past 5 years.

The Trade Desk, Inc. (TTD)
The Trade Desk offers customers a cloud-based ad-buying platform that empowers advertising agencies, brands, and other service providers to plan, manage, optimize, and measure data-driven digital advertising campaigns. The Trade Desk's competitive moat stems from its industry leading technology stack, its trusted brand due to its singular focus on the buy-side of the ad ecosystem (no conflicts of interest), and its transparent reporting that details the ROI on each ad dollar spent. The stock's underperformance in the quarter was due to the mid-February earnings announcement that missed Street expectations for the first time in 33 quarters. The miss was a result of a series of small execution missteps, with a December company reorganization and a focus on internal scalability and effectiveness being the most prominent reasons.

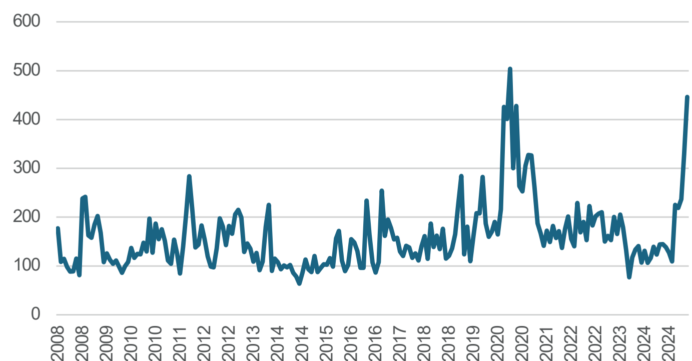
Transactions

During the quarter we initiated three new positions, Shopify (SHOP), Axon Enterprises (AXON), and Eli Lilly (LLY) and eliminated one position, Adobe (ADBE). Our trailing 12-month turnover increased to 11.6% while our trailing 3-year average annual turnover increased to 11.9%.[1]

Market Outlook

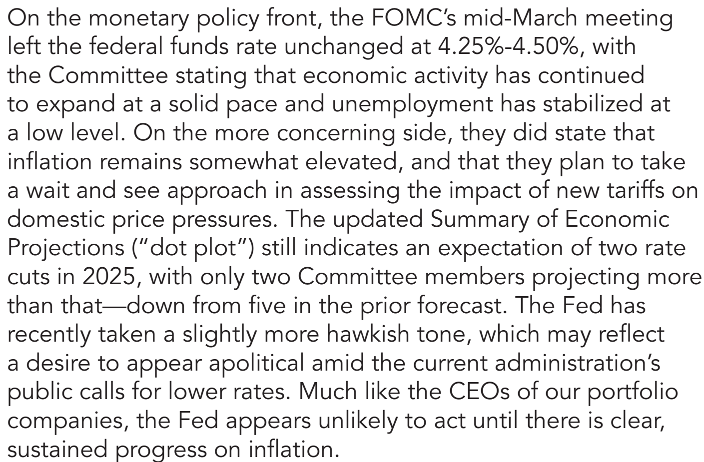
Ithaka claims no expertise in economic or market predictions, and top-down analysis merely plays a supporting role in our approach to investing. We typically take our cues on the economy and the markets from our companies' management teams as they discuss their business prospects, and industry outlooks, during quarterly calls. During the first quarter 84% of our portfolio holdings beat top-line expectations and 84% beat bottom-line expectations. Yet, the average stock declined 2.5%, with six 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. This is not surprising given the heightened uncertainty in today's global environment. Typically, we use this section to summarize management commentary, which helps us infer broader sentiment from those running real businesses. On 4th quarter earnings calls, management teams were generally upbeat—buoyed by the belief that a more business-friendly administration was replacing a more adversarial one. Fast forward three months, and those same teams are now navigating a business environment that can generously be described as rapidly evolving.

As outlined in our Market Review, the source of this volatility has been the new administration's stance on protectionist trade policy. It is this administration's view that the U.S. has long been taken advantage of by many other countries, and this imbalance must be remedied. The primary tool to address this imbalance is tariffs, with a flat 10% tariff on all imports and additional tariffs levied on countries deemed "worst offenders." We are not macroeconomists, but it seems clear to us that the impact of these tariffs can be interpreted both positively and negatively—depending on two factors: 1) your assumption of who holds the pricing power in the value chain and 2) your time horizon. If one believes the U.S. holds the pricing power and is willing to take a longer-term view of the costs/benefits of tariffs, these policies may ultimately be beneficial. If one believes the pricing power lies with other countries and focuses on the more immediate term (before supply chains can adjust to the new equilibrium), these tariffs may appear more damaging. We'll leave it to investors to decide where they fall on this spectrum, but we do know this: markets do not like uncertainty. Management teams are reluctant to make long-term business decisions in an environment in which today's operating assumptions may need to be revised tomorrow. The chart below highlights this reality: policy uncertainty has spiked to levels not seen since the COVID-19 pandemic. The pace of change suggests this environment could resolve itself as quickly as it emerged—but only time will tell. In the face of this uncertainty and resulting volatility, we take comfort in two things: 1) The quality of our companies. The businesses in our portfolio are financially strong as well as dynamic, led by some of the brightest minds alive today. These leaders have repeatedly demonstrated their ability to adapt and persevere through a wide range of challenges. We believe this time will be no different. 2) Our experience. Over Ithaka's 16-year history—and throughout the varying tenures of our individual investing careers—we've weathered numerous crises. We are taking prudent steps, as always, to ensure the portfolio is well-positioned for the eventual return of more clarity and more stability.



Source: policyuncertainty.com

[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.



On the monetary policy front, the FOMC's mid-March meeting left the federal funds rate unchanged at 4.25%-4.50%, with the Committee stating that economic activity has continued to expand at a solid pace and unemployment has stabilized at a low level. On the more concerning side, they did state that inflation remains somewhat elevated, and that they plan to take a wait and see approach in assessing the impact of new tariffs on domestic price pressures. The updated Summary of Economic Projections ("dot plot") still indicates an expectation of two rate cuts in 2025, with only two Committee members projecting more than that—down from five in the prior forecast. The Fed has recently taken a slightly more hawkish tone, which may reflect a desire to appear apolitical amid the current administration's public calls for lower rates. Much like the CEOs of our portfolio companies, the Fed appears unlikely to act until there is clear, sustained progress on inflation.

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.

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