



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")
- ~\$1.4B AUM
- 4 investment professionals

OBJECTIVE

- Long-term growth of capital

PORTFOLIO MANAGERS

- Scott O’Gorman, CFA
- Andy Colyer, CFA
- Daniel White, CFA

Market Review

The fourth quarter of 2024 added to the fantastic gains global equity markets experienced all year. The S&P500 hit 57 new all-time highs, the fifth most of any year in history. It also posted its first back-to-back 25%+ gains since '97-'98 and finished the year 21% above the average Wall Street forecast, and 9% above the most aggressive forecast. By nearly all accounts, 2024 was a record-breaking year. To attach some numbers to it, the S&P500 was up 2.4% for the quarter and 25.0% for the year, the Russell 1000 Growth ("R1000G") was up 7.1% for the quarter and 33.4% for the year, and the Dow was up 0.9% for the quarter and up 15.0% for the year. As you would expect, a significant portion of the returns for the S&P500 resided with the Magnificent 7 names, which contributed more than 50% of the 2024 gains, pushing their collective weighting to ~30% of the benchmark, up from just 20% two years ago. 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 Whitehouse, the House, and the Senate in a decisive victory. On November 6th, the markets seemed to immediately start pricing in an extension of the original Trump tax cuts, stronger impending domestic investment, and what is likely to be, overall, a more favorable operating environment for US corporations.

As we continue to distance ourselves from some of the highest inflation experienced in generations, the Fed has seen fit to slowly add punch back to the punch bowl in hopes of keeping the economic party going and achieving the all-important soft landing. Following a supersized 50bp rate cut at the Fed's September meeting, the Open Market Committee elected for a smaller 25bp cut at its December meeting, bringing the federal funds rate down to 4.25%-4.50%. Despite the Fed's moves and its confidence in making progress towards its goal of 2% inflation, the bond market had other ideas about the cost of borrowing. Starting on September 16th, the 10-year treasury rate steadily rose (outside of a 1-week intermission during late November), reaching 4.57% on 12/31, up 25% from the September lows. The reasons for the market's skepticism are: (1) stubbornly high inflation, (2) elevated budget deficits, and (3) the prospect of tariffs and tax cuts in President Trump's second term. Regarding #1, the Summary of Economic Projections put out by the Fed in December anticipates only two 25bp cuts in 2025, down from previous expectations. Additionally, the Fed

raised its 2025 PCE forecast to 2.5%, up from 2.1%. On #2, the US is currently running some of the largest budget deficits in the history of our country, with 2024 hitting \$1.8T, or 6.4% of GDP. This profligate spending will continue to require the powers-that-be to flood the system with money, which in turn is almost certain to further fuel inflation. While #3 is surrounded by the most uncertainty, substantial tariffs would almost certainly raise prices for most goods, likely adding to inflation. Time will tell if the Fed has done enough to adequately tame inflation or if the cross-currents mentioned above are enough to fan the flames thus warranting further action.

4Q24 Performance

PERFORMANCE (%)	4Q24	1 YR	3 YR	5 YR	ITD ¹
Ithaka US Growth Strategy (Gross)	8.4	30.2	8.2	17.1	18.0
Ithaka US Growth Strategy (Net)	8.2	29.4	7.6	16.4	17.5
Russell 1000 Growth ("R1000G")	7.1	33.4	10.5	19.0	17.7
S&P 500 TR Index	2.4	25.0	8.9	14.5	14.6

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

During the fourth quarter Ithaka's portfolio performance bested the R1000G by 133bps, 8.4% to 7.1% (gross of fees), in a relatively narrow market. Ithaka's 80bps of positive stock selection effect was aided by 50bps of positive sector allocation. Our portfolio demonstrated modest breadth and depth with 16 of 29 stocks held for the entire quarter, representing 55% of the names and 55% of the total portfolio's weighting, outperforming our benchmark. This was not surprising given the narrowness of the market's returns of late.

At the portfolio sector level Ithaka realized positive relative returns in three of the four major growth sectors in which we hold active bets: Health Care, Technology, and Financial Services. Within Financial Services, our outperformance was broad-based, with all three of our holdings meeting or exceeding benchmark performance. Adding to returns was our significant overweight to the sector. We realized strong returns in the Health Care sector, with all four of our holdings outperforming the benchmark. The outperformance of the stocks in the Technology sector were relatively concentrated in the holdings that have significant exposure to the global AI theme. Consumer Discretionary was our largest source of underperformance, with six of our seven holdings

underperforming in the quarter. Most of the underperformance was due to weaker than expected earnings announcements from individual companies.

Contributors and Detractors

4Q24 TOP 5 CONTRIBUTORS (%)	RETURN	IMPACT
ServiceNow	18.5	1.5
Amazon.com	17.7	1.4
Palantir Technologies	102.6	1.2
NVIDIA	10.6	0.8
Salesforce	22.3	0.8

4Q24 TOP 5 DETRACTORS (%)	RETURN	IMPACT
Advanced Micro Devices	(26.4)	(0.7)
Uber Technologies	(19.7)	(0.5)
ASML	(17.0)	(0.5)
Mercadolibre	(17.1)	(0.5)
Adobe	(14.1)	(0.4)

Top Contributors

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 rose during the quarter, driven by strong fundamental performance and growing investor recognition of the company's dominant position in monetizing AI workloads.

Amazon.com (AMZN)

Founded in 1994, Amazon has evolved from its early roots as an online bookstore to become one of the world's largest e-commerce retailers. At the end of 2023 Amazon stood poised to capture ~40% of all US e-commerce sales, representing five times more share than the next closest competitor. In addition to e-commerce, Amazon Web Services ("AWS") has become the market leader in outsourced cloud infrastructure. Further, Amazon Advertising is garnering significant share in digital advertising, particularly product placement ads, thanks to consumers beginning their product searches on Amazon's site. Amazon's stock appreciated on the back of a strong 3Q earnings report that beat on the top line, saw significant earnings growth relative to expectations (\$1.43 actual vs \$1.15 expected), and exhibited continued operating margin improvement.

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 meteoric 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.

Top Detractors

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. AMD's competitive edge lies in its advanced CPU and GPU architectures, such as its "Zen" and "RDNA" designs, which offer exceptional performance and energy efficiency. AMD's stock fell, despite releasing a solid 3Q24 report/guide, due to a number of moving parts that implied the forward quarter's EPS number will be 8% below Street expectations. Additionally, investors were disappointed management did not provide a specific target for the company's growing GPU business for 2025.

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 130M 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 ~\$140B in annual bookings across 9.5B trips in 2023. Uber's stock suffered from the perceived risks autonomous vehicles would pose to the company's base business. This fear intensified when Donald Trump won the 2024 election, as investors anticipated that one of Trump's key allies, Tesla CEO Elon Musk, would leverage his burgeoning influence to accelerate the implementation of national autonomous driving regulations.

ASML Holding N.V. (ASML)

ASML is a leading supplier of photolithography equipment used in semiconductor manufacturing, enabling the production of microchips at ever-smaller line widths. The company's cutting-edge technologies, particularly extreme ultraviolet (EUV) lithography, play a critical role in producing the most advanced

chips for applications like smartphones, data centers, and AI. ASML's systems are vital for the semiconductor industry, helping to push the boundaries of Moore's Law and drive innovation in electronics. Weakness in ASML's stock was due to their 3Q24 earnings announcement, in which the company posted a weak quarter while also cutting forward guidance. Fears surrounding lithography demand, the China/US trade war, and problems at the major fab plants sent the stock tumbling.

Transactions

During the quarter we initiated one new position in Arista Networks (ANET) and eliminated both Lululemon (LULU) and Medpace (MEDP). Our trailing 12-month turnover decreased to 11.4% while our trailing 3-year average annual turnover decreased to 11.1%.¹

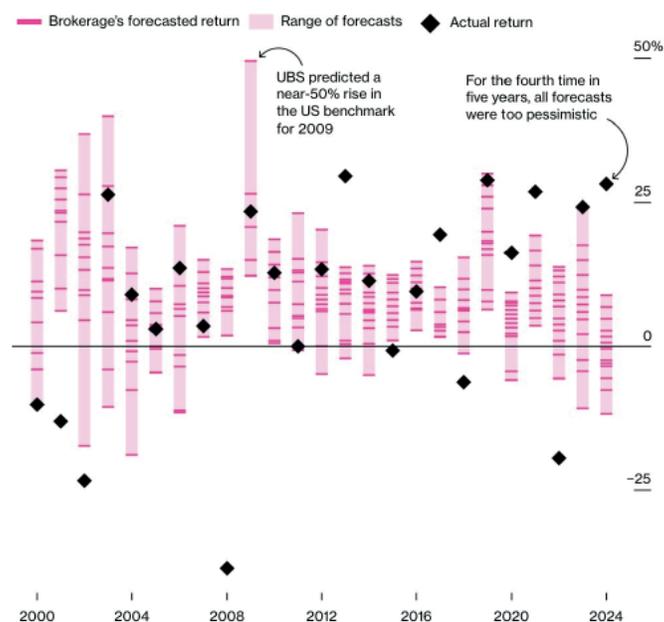
Market Outlook

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 fourth quarter 89% of our portfolio holdings beat top-line expectations and 93% beat bottom-line expectations, which resulted in the average stock gaining ~1% , twelve stocks increasing >5%, and nine stocks falling >5%. Stock movements around earnings reports were positively skewed in the quarter, but per usual included fat tails. On their earnings calls, management teams continued to discuss their intensely scrutinized capital spending plans, their AI roadmaps, and the overall health of the consumer, which together have been a fairly consistent refrain since mid 2023. Outside of these prevalent themes, Ithaka detected growing optimism surrounding the (then) pending presidential election and the positive effects it was likely to have on the business operating environment.

In our last letter we discussed a handful of (then) Presidential candidate Donald Trump's economic policies and their impact on the economy were he to win. Instead of rehashing these points now that he has won, we instead wanted to take a moment to further elucidate why we begin every quarterly letter proclaiming that economic predictions and top-down forecasts take a back seat in our investment process. We simply think such predictions and forecasts are problematic in producing consistent, above-average investment results, which has long been a tenet of our investment philosophy. As most of our long-standing clients know, whenever our investment team is asked for our outlook for the year, we merely say "the average return for the market in the next calendar year is routinely projected to be between 6% and 11% by the investment strategists at the major brokerage houses, and their guess is as good as any." We recently stumbled on the chart below, which depicts the estimates from all brokerage houses by year, with the black dots representing the actual return at the end of the period.

Strategists Often Miss The Mark When Forecasting

Predicted and actual returns for the S&P 500 Index



Source: Bloomberg
Note: Forecasts and actual returns are for price change only.

As you can see, estimates seem to aggregate right around that 6%-8% range, which is the ~realized market return over the long run. What is interesting is how often the average estimate is incorrect, with the past ten years being particularly noteworthy. As you can see, in seven of the last ten years the market's return has either over/under shot the most bullish/bearish analyst, sometimes significantly. We believe the reason for these consistent miscalculations is due to the difficulty in trying to "wrap your arms around the world." These strategists are endeavoring to forecast inflation, central bank activities, domestic and foreign policy shifts, consumer demand, and business confidence, to name just a few, all in an attempt to predict the aggregate earnings of the 500 disparate companies that comprise the index. After arriving at this earnings estimate, these same strategists then have to decide how much investors (at large) are likely to be willing to pay for those earnings, thus arriving at their well researched year-end price target. I don't know about you, but that sounds like a really good example of an exercise in futility. While we acknowledge there are some investors out there who are able to (or claim to be able to) complete this exercise and create meaningful, consistent returns for their clients, we do not fancy ourselves in that coveted cohort. Instead of trying to solve this top-down proof theorem, Ithaka instead turns the equation on its head and starts at the company level, assessing the management team, the secular drivers, the business model, the competitive advantages, and the company's end markets in an attempt to understand the company's ability to create substantial and growing economic profits. And while we don't always get it right, we have been

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.

able to identify enough of the world's great growth stories, which have lots of embedded optionality (by the way), to create meaningful wealth for our clients over time. Our forecast for 2025 market returns is the same as every year: there will be multiple ups and downs driven by both knowable and unknowable factors with the market at times over/under reacting along the way. We have little idea what the market has in store for investors this year, but we are highly confident if you place some of your risk capital in the world beating companies held in this portfolio, over extended periods of time you will indeed create wealth for your clients and yourselves.

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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