



## ITHAKA EAFE STRATEGY

FIRM OVERVIEW	STRATEGY OVERVIEW	FUND OVERVIEW	OBJECTIVE
<ul style="list-style-type: none"> <li>Founded in 2008</li> <li>Based in Bethesda, MD</li> <li>Concentrated growth investors</li> <li>100% employee-owned</li> <li>~\$1.5B AUM</li> </ul>	<ul style="list-style-type: none"> <li>Seeking high-quality companies with durable growth</li> <li>Bottom-up, fundamental focus</li> <li>Concentrated, low-turnover portfolio</li> <li>Maximum of 30 large-cap and mid-cap holdings</li> </ul>	<ul style="list-style-type: none"> <li>Inception date: December 1, 2017</li> <li>Benchmark: MSCI EAFE NR</li> <li>3 member investment team</li> </ul>	<ul style="list-style-type: none"> <li>Long-term growth of capital</li> </ul> <p><b>PORTFOLIO MANAGERS</b></p> <ul style="list-style-type: none"> <li>Andy Colyer, CFA</li> <li>Scott O’Gorman, CFA</li> </ul>

### SUMMARY

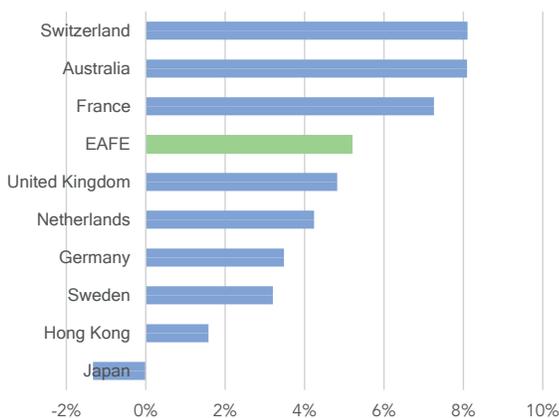
The Ithaka EAFE Strategy (“IES”) was up 13.7% in 2Q21, beating the MSCI EAFE by 8.5 pts. Turnover for the trailing twelve months was 25%.

healthcare regained momentum in the quarter. The reflation trade that drove the outperformance of cyclicals over the previous few quarters cooled as investors gained confidence that the run-up in commodity prices was transitory.

### DEVELOPED INTERNATIONAL MARKETS

The MSCI EAFE rose 5.2% in the second quarter on the back of a strong recovery in corporate earnings versus the prior year period. Twenty of the twenty-one EAFE countries finished in positive territory for the quarter. Strong performance was driven by the continuing COVID vaccine rollout in the developed world, particularly in Western Europe, where vaccine administration accelerated sharply. The outlier was Japan, which has lagged in its vaccination effort and is now facing renewed lockdowns as COVID-19 variants gain traction.

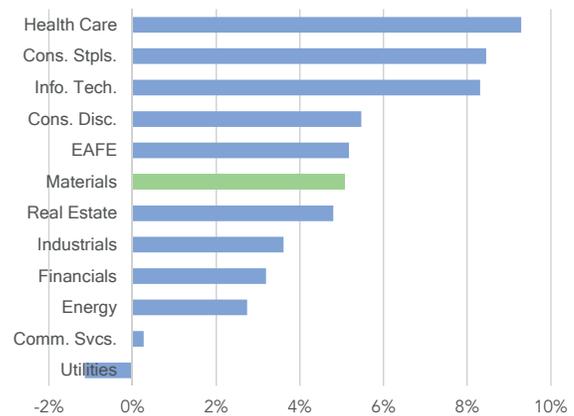
Major EAFE Country Index 2Q21 Returns



The US Dollar lost ground against every other major currency except the Yen. Overall, the impact of converting local currency into lower valued US dollars added ~40 bps to the EAFE return in the quarter.

Ten out of the eleven sectors within the MSCI EAFE index delivered gains. Traditional growth sectors of technology and

EAFE Sector 2Q21 Returns



Strength in healthcare and information technology companies led growth to outperform value within the EAFE for the quarter.

Growth vs Value



## IES 2Q21 PERFORMANCE

The Ithaka EAFE Strategy ("IES") gained 13.7% for the quarter, outperforming the MSCI EAFE by 8.5 ppts. The 2Q21 IES performance brought the one year return to 52.7% (net), which compares favorably to the MSCI EAFE, which was up 32.4%.

PERFORMANCE (%)	2Q21	YTD	1 Year	3 Year	ITD <sup>1</sup>
Ithaka EAFE Strategy (Net)	13.7	14.5	52.7	26.1	23.4
MSCI EAFE NR	5.2	8.8	32.4	8.3	6.5

<sup>1</sup> ITD = Inception-to-date, annualized.

The IES got ahead of the EAFE on the first day of the quarter and stayed ahead despite some mid-quarter excitement. Rapidly rising prices fomented inflation fears in the middle of May, spooking the markets. The IES gave back most, but not all, of its relative gains in a three day period before separating from the index again.



Of the 22 companies held for the entire quarter, 18 outperformed the index. Only two holdings underperformed in a meaningful way. They are noted below. Underperformer forward earnings estimates for all but one company, a development-staged biotechnology company, increased over the quarter.

## TOP CONTRIBUTORS

**Lonza Group.** Lonza Group rose on the surprise US approval of Biogen's Alzheimer's drug, Aduhelm. Aduhelm is a biologic. As with all biologics, manufacturing of the drug is challenging. There is speculation that Lonza will be the partner of choice in helping Biogen manufacture Aduhelm given its expertise and capacity. While we are cautious in our enthusiasm for Aduhelm—the FDA's advisory committee voted 10 to 1 against approval—we are sanguine about the implications to the CDMO industry of the growth in biologics in drug development and manufacturing in coming decades. Biologics have a highly complex manufacturing process, so much of this work will be outsourced to CDMOs, particularly specialists such as Lonza.

**Straumann Holding.** Straumann Holding's strong share price performance was driven by a strong earnings report at the end of April. Management pointed to strong consumer confidence and pent up demand for oral care as the drivers. We expect Straumann to remain an outperformer in cosmetic dentistry products thanks to best-in-class execution and continuous innovation, further aided by struggling competitors.

**Eurofins Scientific.** Eurofins' shares also rose due to strong quarterly results. A mid-quarter update in early June showed that the company is sustaining its strong performance beyond the first quarter. Eurofins, a bioanalysis company that performs clinical diagnostic testing of food and drugs, has benefited from COVID-19 testing demand. Its core business has also rebounded nicely.

## TOP DETRACTORS

**Iberdrola.** Shares in clean energy giant Iberdrola fell in June with news that the Spanish government plans to claw back what it deems excess profits. Companies such as Iberdrola, with significant non-carbon emitting energy sources, nonetheless benefit from the rising price of electricity that rises in part to reflect the increasing cost of carbon offsets for carbon emitters. We see this as a one-time step-down that will be more than offset in Spain within the next few years.

**Fast Retailing.** The pandemic continued to haunt shares of Fast Retailing in the second quarter. The slide that began in the beginning of March, with the company's announcement of major discounting to clear inventory, continued through June. There are some other issues facing the company. Upstart brand Workman is a threat to share gains. And a boycott of Japanese products in South Korea, where Fast Retailing's Uniqlo brand is an easy target, continues. Even with these challenges, we anticipate that Fast Retailing's fundamentals and shares will regain traction as the pandemic subsides.

**Evolution.** Our poor experience with live gaming company Evolution AB was due to our short holding period and the strong performance of the rest of the portfolio during the quarter. We initiated our position at the end of the month. See a description of Evolution in the Transactions section below.

## TRANSACTIONS

During 2Q21 we sold Temenos and initiated a position in Evolution AB. These actions brought our trailing one year turnover to 25%.

Temenos is the leading developer of packaged software solutions for financial institutions globally. We continue to think Temenos is an outstanding company. However, we've owned it since our inception 3 1/2 years ago and its share price today is roughly where we bought it. While we have a long time frame, we need more encouragement with a holding than we've received. There are too many other good prospects.

We used the proceeds from our sale in Temenos to initiate our position in Evolution AB. Evolution is the global leader in video-streamed, live dealer gaming. It specializes in creating live casino games that replicate the traditional casino experience in online form. Players are presented with a high quality live video feed of their chosen casino game. Evolution provides modern online casinos—often the online counterpart to the traditional brick-and-mortar casinos—with a portfolio of live games, including roulette, blackjack, baccarat, hold ‘em, and its own proprietary games. In exchange for the development, production, and delivery of the live games for the branded casinos, Evolution takes a commission based on a percentage of the game win; i.e., the player bets less the player wins. We believe that we are in the very early stages of global adoption of this online gaming format, and that Evolution will continue to be at the center of it.

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## 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.

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