

Strategy Objective

SWS Growth Equity seeks to create long-term capital appreciation by investing in companies across multiple industries that have the ability to maintain or take profitable market share.

Inception

May 1, 2018

Benchmark

Russell 1000 Growth Index

Portfolio Managers

Michael Parker, CFA & Kurt Grove, CFA

1Q2025 Performance Update

For the first quarter of 2025, SWS Growth Equity returned -9.01%/-8.83% net/gross, respectively, compared to the -9.97% total return of the Russell 1000 Growth Index and the -4.27% total return of the S&P 500 Index over the same period.

Firm Overview

SWS Partners focuses on using technology to deliver contemporary asset management solutions to endowments, foundations, pensions, family offices, and high net worth individuals. We believe that by emphasizing the application of modern technologies, we can create broad efficiencies and deliver better outcomes to clients.

Additional Resources



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Audio version →
available on Spotify

If we had authored *The Investor's Guide to Surviving Market Disruptions*, we would dedicate its first chapter to diagnosing root causes. It would also open with a cautionary disclaimer that this exercise often occurs while attempting to drink from the proverbial firehose. Having managed institutional capital across a healthy slate stacked with macro disruptions, we know the diagnosis phase is precisely where answers lie to investors' existential question, "Are these end of days?" This would make for decent chapter two content, where we'd assess **whether the gears of economic value creation—ones that are the backbone to equities' price appreciation—might one day turn**. Glimpses emerge here that uncover industries where gears may be jammed over multi-year environments, versus ones receiving prioritized triage.

Only by going all-in with a root cause study can the semblance of potential remedies come into focus. Sticking with our guidebook analogy, the third chapter would provide reminders that remedies never arrive on the scene clearly labeled with guarantees of 100% efficacy. Through the lens of the investor, a remedy's shape initially will be vague, and it will likely morph under the constant barrage of newsflow and prognosticating naysayers attempting to obfuscate it. But the effort will prove worthwhile. **The ability to identify remedies lays the groundwork for establishing educated guesses on the duration of economic healing periods.** As chapter three concludes, we should be able to submit a solid hypothesis that begins to address the question, "How long will this last?"

Equity prices, by definition, attempt to peer deeply into future cash flows of the companies generating them. Regardless of how educated the guesses are that underlie equity trading volumes, unfolding 251 days a year in public equities, the marginal buyer establishes the entire enterprise value of an operation each tick at a time. **Our experience over the past few weeks offers live demonstrations of how quickly prices adjust well before economic outcomes establish beachheads on our shorelines.** Point being, every arrival of the white flag will occur with the market's bottom formation in its rearview.

When it comes to remedies, COVID and the global financial crisis ("GFC") provide salient reminders of how and when mere whiffs of remedial form factors can have dramatic market pricing impacts. Whereas COVID was more like elevator down, elevator up, in terms of equity price line charts, the GFC was more akin to an escalator down/up experience. With one systemic financial domino falling after another, weekly GFC era debates centered around, "We're not **really** going to allow



[insert financial institution] to fail, right?!" Fast-forwarding past many more systemic dominoes, the highlight of the bottom-forming week in March 2009 featured public outrage over exorbitant bailout packages taxpayers were funding in efforts to retain AIG executives. Deploying dry powder that week, if you had it as an investor, was akin to catching a falling knife.

Referencing our *Disruption* guide to assist in our modern economic predicament, it's hard to argue against our current root cause of tariffs being utilized as deal leverage, without the need to cast aspersions on whether they're "art." This makes our current source of disruption a very self-inflicted wound; dramatic changes to economic trajectories occur at the whim of Truth Social-turned-X posts. **The silver lining in this specific self-inflicted scenario, the necessary remedy pales in comparison to the herculean de-levering required to right-size a massively over-levered economy, as seen during the GFC.** It also doesn't require modeling novel virus mortality or infection rates. Today's remedy also has the potential to require far less global coordination, nor does it require multi-trillion-dollar bailout check writing. We may need to call upon intensive Secretary of the Treasury involvement; just not so much for war room meetings with bank CEOs, more so for nuanced approaches to drafting our chief executive's tariff-related "Truths." Therefore, it's plausible to argue we're facing a more "elevator" scenario than "escalator," in terms of recovery shape.

Taking a step back, attempting to achieve precise outcomes with such a blunt tool that is the tariff sabre carries tremendously low odds for success. The permutations involved are far too complex, making any central planning efforts by government entities similar to expecting jet-ski-like agility from the oil tanker that's our \$29 trillion globally intertwined economy. The mission is especially precarious when it utilizes a late-1800s map to guide us on a Gilded Age tax revenue odyssey. **This level of uncertainty causes the gears of our economic engine to grind to a screeching halt when business leaders cannot reasonably forecast.** The default reaction becomes "wait and see," until you chew through your entire inventory and can no longer wait.

There's also little utility in highlighting the Econ 101 flaws of commingling trade deficits with tariff rates to arrive at a

reciprocal baseline. What's become clearer over the past few weeks is the sabre rattling that arrived in the disguise of flawed math on a poster board. This gets back to increased cabinet influence by the Secretary of the Treasury, in our modern case, one who's a trained sniper in targeting foreign nation-state currency vulnerabilities. **Although it's impossible to forecast precisely how trading feuds between the two largest global economies will achieve resolution, a massive imbalance exists on each side's time clock.** For the US, our Administration's scramble to effect policy impacts before next year's midterms carries a massively shorter duration than Chinese leadership's current indefinite term limit. Despite our forced "detox" pill and attempted assuagement that our predicament is more Mag7 related than MAGA, the live-trading A/B test of "tariffs on/off" across this month provides a sobering reality of truth via price discovery.

Along with midterm deadlines looming, Q3 CPI/PCE prints will begin reflecting the sobering reality of our "liberation" efforts. The February and March data may have shown relief in oil and egg prices, two showcase-worthy components of the inflation basket, **but the replenishment of inventories inevitably will flow through to consumption, passing along the reality of higher prices, a truly regressive form of tax.** Walmart and Target CEOs both warned of empty shelves in the coming weeks. When the business impacts begin revealing themselves in economic indicators and corporate results, the finger will be tougher to point, as it rotates from a "too slow" Fed chair to a future scapegoat du jour.

Given the speed at which changes unfold, and modifications to strategy updates' delivery mechanisms, it seems somewhat futile to put thoughts on digital paper. It's difficult to devise an investment strategy when there's a void in central planning's strategic rationale. This is where navigating prior periods of massive uncertainty and our Guide come in handy; **developing a thesis as to what's to come on the other side is crucial.** To that end, our path forward unquestionably entails more US on-shoring efforts. The list of capital commitments, job creation promises, and production pivots to US domiciled factories now carries enough heft to be spun into a political "W": Apple's \$500B over four years, TSMC's \$100B Arizona expansion, Hyundai's \$21B investment that includes a new Louisiana



[steel plant](#), [J&J](#) and [Eli Lilly's](#) separate \$50B+ packages over multi-year periods all sum to meaningful outcomes. All of these efforts will require factory automation expertise, while demanding equipment and materials to enable them.

Intangible intellectual property is also tougher to tariff than physical goods. Without a label telegraphing to the masses its US-domiciled OEM, IP also has an embedded advantage of lower retaliatory risk from non-US importers and their end consumers. Enterprise software with high switching costs and few non-US competitors should hold up better than Tesla's fleet outside the US, all else equal. A similar spotlight could be shined on Apple's massive reliance on Asian manufacturing and assembly. **With these two issuers also exerting outsized influences on the weighted average market cap outcomes of our index proxies, a path for relative value creation as an investor emerges**, a specific theme [we've been highlighting](#).

Another revelation easily overlooked in the tariff sandstorm is the ability to reenvision vertically integrated manufacturing with clean-sheet-of-paper design. Such use cases possess the ability to leverage AI-infused agentic and robotic capabilities that would never have penciled out, ROI wise, [thanks to off-the-shelf options](#). **Just as COVID provided the managerial air cover necessary to justify digital enablement outlays to companies' boards, tariffs provide the same sense of**

Raison D'être: Alpha Delivery

While the past quarter delivered what felt like a decade's worth of headlines, it's helpful to step back and quantify how the results played out on the field. What began as a strong start to the year—with the S&P 500 up nearly +5% through mid-February—unraveled into a choppy back half of Q1, ultimately closing the quarter down -4.3%. The Nasdaq Composite experienced more severe volatility, driven by the continued concentration in the "Mag7" cohort that we [highlighted extensively in our previous letter](#). After posting a +5.5% gain through mid-February, the Nasdaq reversed sharply to finish the quarter down -10.3%. It's important to note that this letter focuses on Q1 results and excludes the events following *Liberation Day* on April 2nd, which triggered a -15.5% peak-to-trough decline in the S&P 500 over just three trading days.

urgency for on-shoring and automation. One issuer that we believe we're appropriately positioned to exploit this, along with multiple other stock-specific factor tailwinds, is **MP Materials Corp [MP]**. We cover more of our thesis granularity in our [Q1 contributors/detractors analysis](#), given MP's recent outsized portfolio impact. The executive summary here is an issuer with a multi-year runway to supply an increasingly coveted product across a multitude of industries, independent of final trade negotiations.

Names like MP possess the exact profile of issuers that tend to weather dislocations better, due to our assessment of their demand drivers remaining intact, and potentially strengthening. These are the exact ingredients of a solid competitive advantage, a key tenet of our investment process that centers on the ability to maintain and possibly gain profitable market share. We see our current slate of 36 issuers in *SWS Growth Equity* as containing the strongest odds of navigating through our current slate of macro challenges. New disruptions will be encountered, proving the evergreen utility of a handy Guide on how to extract signal from the noise. As we underwrite future prospects of the companies comprising our portfolio and our idea pipeline, we see tremendous opportunity for both relative and absolute outcomes. Thanks, as always, for your confidence as stewards of your capital.

Within Q1, small caps meaningfully underperformed large caps, with the Russell 2000 down -9.5% compared to -4.5% for the Russell 1000. Value outperformed growth across all market caps, but the disparity was especially pronounced at the top of the index: the top 200 value stocks returned +4.8%, while the top 200 growth stocks fell -10.1%.

Given this wide gap between growth and value, it's no surprise that Technology and Consumer Discretionary—sectors with heavy exposure to tariffs, international revenues, and AI-driven sentiment—were among the worst performers, each declining more than 10% for the quarter. On the opposite end of the spectrum, traditionally defensive sectors such as Consumer Staples and Utilities delivered strong quarters, returning +9.6% and +6.1%, respectively.



Turning to SWS Growth Equity performance, the portfolio returned -9.0% net of fees (-8.8% gross) in Q1. This result outperformed the portfolio's stated benchmark, the Russell 1000 Growth (-10.0%), but underperformed the broader

S&P 500 (-4.3%), largely due to our above-benchmark exposure to the Technology and Semiconductor sectors.

Chart 1

SWS Growth Equity Performance as of 3/31/2025

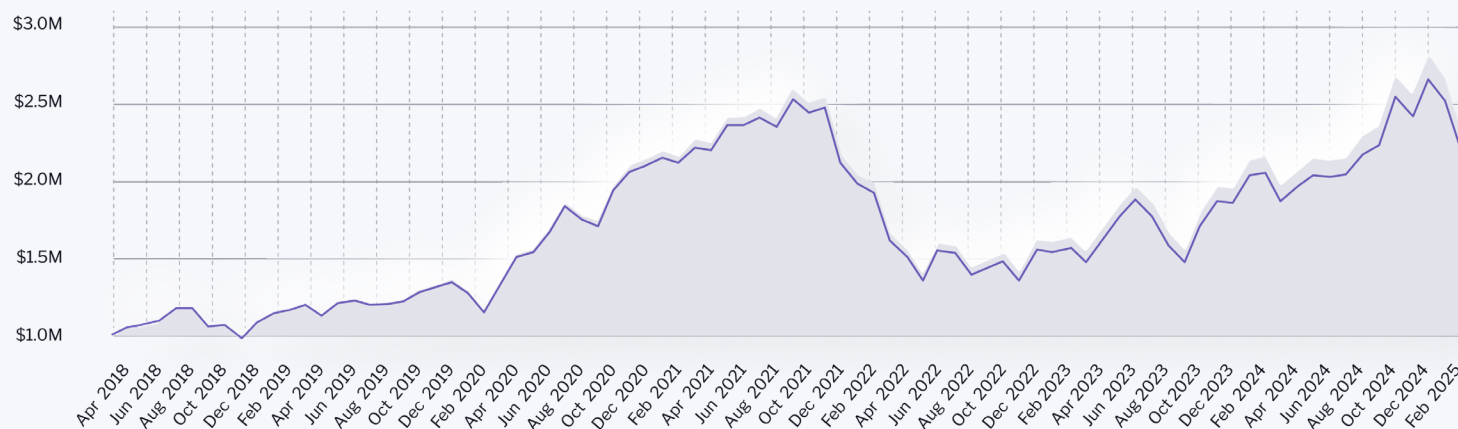
| | 1Q 2025 | YTD | 1-Year | 3-Year Annualized | 5-Year Annualized | Since Inception Annualized | Since Inception Cumulative |
|---------------------------------------|---------|---------|--------|----------------------|----------------------|-------------------------------|-------------------------------|
| SWS Growth Equity (net wtd. avg. fee) | -9.01% | -9.01% | 7.82% | 4.58% | 13.99% | 12.14% | 120.90% |
| SWS Growth Equity (gross) | -8.83% | -8.82% | 8.69% | 5.45% | 14.94% | 13.07% | 133.82% |
| Russell 1000 Growth | -9.97% | -9.97% | 7.76% | 10.10% | 20.09% | 16.14% | 181.42% |
| Russell 1000 Value | 2.14% | 2.14% | 7.18% | 6.64% | 16.15% | 9.27% | 84.68% |
| S&P 500 | -4.27% | -4.27% | 8.25% | 9.06% | 18.59% | 13.32% | 137.41% |
| Russell Midcap | -3.40% | -3.40% | 2.59% | 4.62% | 16.28% | 9.30% | 84.94% |
| Russell 2000 | -9.48% | -9.48% | -4.01% | 0.52% | 13.27% | 5.27% | 42.61% |
| NASDAQ Composite Index | -10.26% | -10.26% | 6.37% | 7.61% | 18.48% | 14.66% | 157.53% |

Source: FactSet. Data represent total return (dividends reinvested into a respective index) for the period 12/31/2024-3/31/2025. Please see important disclosures on [page 13](#). SWS Growth Equity inception 5/1/2018.



Chart 2

Growth of \$1 Million in SWS Growth Equity Since Inception



\$2.21M

SWS Growth Equity
(gross)

\$2.34M

SWS Growth Equity
(net. wtd. avg. fee)

Above chart displays the value of a pro-forma \$1 million investment in SWS Growth Equity since its May 1, 2018 inception, both on net of maximum advisory fee and gross of advisory fee bases. These results are compared with broad-based indices, which do not include expenses, and are shown on a total return basis with dividends reinvested.

Contributors & Detractors

The following analyses highlight the fundamental work underlying our investment process. Here we deconstruct the merits of the top contributors and detractors to portfolio performance on the quarter (with total return contributions listed):

Top Contributor



MP MP Materials Corp. **+56.5%**

MP Materials delivered a robust quarter, finally fulfilling its intended purpose of offsetting some of our more traditional growth-oriented holdings with a deep-value (based off EV/replacement value <1), commodity-focused materials exposure, complemented by significant right-tail optionality. MP's +56.5% quarterly return significantly outpaced its materials sector peers, which returned +5.6%.

We revisit some of the thesis deep dive from our [1Q 2024 write-up](#) where we discussed our last purchase <\$16. "At current valuation everything is on the table, it's not a surprise to see MP brought up in merger conversations. the company just purchased 7% of its stock in one day.....**there has been zero progress on a new mine in the United States in decades. It's evident how unique this asset is for MP and the United States.**"

The relevance of that final statement has only intensified over the past year. While the subsequent Donald Trump presidency



and the proclaimed “liberation day” might not have been predictable, it was entirely plausible that rare earth minerals—and consequently MP—would become focal points in the broader geopolitical dialogue, spotlighting the scarcity and strategic significance of owning the sole Western Hemisphere rare earth mine, which is why we felt the need to be onsite and visit the mine in December 2023. Additionally, the push toward vertical integration of refining and downstream magnet production further amplifies this strategic positioning.

Recent developments underscore our initial thesis. [MP's recent announcement that it would cease selling rare earth concentrate \(REO\)](#) to China and accelerate expansion plans for increased mining and refining capacity significantly reshapes the market landscape. **Our original underwriting contemplated a scenario involving some form of cost-plus arrangement as part of a U.S.-led initiative to fortify domestic industry.** However, we did not fully anticipate the rapid emergence of parallel supply chains separating the U.S. and China, **a scenario that now appears increasingly plausible. Consequently, we anticipate MP will gain substantial pricing leverage** across its operations, from mining and refining to magnet production.

Top Contributor



GH Guardant Health, Inc. **+39.4%**

Guardant (GH) delivered strong performance again this quarter, achieving a return of +39.4%. This significantly outpaced its healthcare peers (+4.9%) and brought Guardant's return over the last twelve months to +110.4%. For a deeper dive into our thesis on Guardant and our broader liquid biopsy exposure, including Natera, we encourage you to review our previous letters from [2Q 2024](#) and [1Q 2023](#).

Key developments this quarter included an [earlier-than-expected favorable ADLT pricing determination of \\$1,495](#). While Guardant management consistently expressed confidence around receiving this pricing, it had been a significant debate on Wall Street. Additionally, Guardant successfully refinanced its \$600 million convertible debt due in 2027, extending its maturity to 2031.

The core debate around Guardant now shifts toward the adoption trajectory for Shield, Guardant's innovative pre-cancer detection test. Guardant has internally guided to first-year volumes of approximately 45k-50k tests, which seems modest compared to stool-based competitor Cologuard's initial 100k tests in its first year (2014). We anticipate investors will closely monitor initial real-world adoption rates, extrapolating early results to project long-term success.

Our original investment thesis **considered an estimated 120 million average-risk individuals in the U.S., with 50 million currently unscreened, representing a potential \$50 billion market.** These calculations, shared during Guardant's 2023 investor day, assumed a final price of \$500 per test and \$200 cost of goods sold (COGS). The **recently secured government price of \$1,495 provides significant potential upside, either accommodating future price concessions or indicating a substantially larger addressable market than initially modeled.** However, widespread commercial insurance coverage for Shield requires a positive recommendation from the U.S. Preventive Services Task Force (USPSTF). We do not anticipate this ruling until 2027, marking a key milestone to watch.



Top Contributor

okta®

OKTA Okta, Inc. **+33.4%**

Okta (OKTA), our largest active software position during the first quarter, generated a strong return of +33.4%. This performance stands out, especially when compared to its software peers, which collectively declined by -10.2% over the same period. We will be brief here, as we just expounded upon our rationale for our Okta ownership and why [we increased our position in the third quarter](#).

As a detractor, we wrote: *‘the current consensus appears to believe that companies with exposure to seat licensing models, such as Okta, are particularly vulnerable, with fears that AI-driven automation may reduce overall job growthHowever, we believe this market narrative misjudges Okta’s true potential... **The demand for Identity-as-a-Service (IDaaS) is far from peaking. In fact, as AI becomes more integrated into enterprise operations, the need to protect and verify identities—whether they belong to individuals, companies, or AI agents—will only intensify**’.*

Confirmation that IDaaS is a critical feature of agentic systems and Okta as a key beneficiary came swiftly. In the 4Q earnings call in March, CEO Todd McKinnon, highlighted 20% of new bookings were from new products tied to identity and governance. This underscores the expanding role of identity management. Initially focused on individuals logging into software applications, its scope grew to encompass machine identities and is now rapidly expanding further to include AI agents capable of accessing APIs on behalf of users, machines, and other agents. We maintain our conviction that a domain-focused specialist will prevail in this rapidly evolving space. Okta’s neutral, cloud-agnostic (“Switzerland”) approach uniquely positions it to outperform larger, single-cloud-oriented hyperscalers.

Top Detractor

MARVELL™

MRVL Marvell Technology, Inc. **-44.2%**

In contrast to Okta above, Marvel (MRVL), which we wrote about [last quarter as a top contributor](#), underperformed this quarter and finds itself on our list of top detractors. Semiconductors underperformed this quarter, falling 21%, with MRVL falling significantly more at -44.2%.

Marvell faced three distinct headwinds this quarter. The first two were hardly unique to Marvell and broadly hit the entire semiconductor space. First, the [January 10th release of Deepseek](#) sent the entire AI-related supply chain down, causing a 10% drop in the SOXX Index from January 23rd-27th as it took two weeks for the market to digest the implications of the Deepseek paper. Second, escalating anticipation surrounding the lead-up to “Liberation day,” as it became more apparent that tariffs would be real and lasting, created another headwind for the semiconductor industry, given its reliance on global manufacturing.



Specific to Marvell, the third headwind stemmed from disappointing sales of Trainium, the custom ASIC (Application-Specific Integrated Circuit) solution developed for Amazon's AWS division. Investors closely watch Trainium as a critical indicator of an ASIC's ability—or inability—to challenge NVIDIA's GPU dominance in AI processing. Concerns intensified following uncertainty about Trainium 3 and Amazon potentially introducing Taiwan-based AIChip as an alternative ASIC supplier, leading Marvell's shares to fall more than 20% following the 4Q results.

Evaluating these headwinds individually, we find the market reaction to Deepseek significantly overstated. While the paper demonstrated notable model innovations, initial market fears arose from exaggerated interpretations of the [early reports suggesting only \\$6 million worth of GPUs were required](#). Recent [announcements by Grok and OpenAI confirm scaling laws continue to hold, implying demand for additional compute remains robust and vital to model improvements](#). Regarding tariffs, the concerns are valid yet difficult to quantify in terms of timing and ultimate impact. Nonetheless, Marvell does not appear uniquely vulnerable compared to its semiconductor peers. Indeed, Marvell is likely to partially mitigate tariff risk through efforts to produce a portion of its custom silicon solutions domestically at TSMC's U.S.-based facilities.

Finally, addressing the competitive threat posed by alternative ASIC suppliers, we believe investor fears are overstated. CEO Matt Murphy was intentionally and understandably unable to comment on specifics around Trainium 3 and who would be the ultimate ASIC supplier. **However, [the numerous references to the December press release that Amazon and Marvell jointly released, emphasizing their expanding strategic partnership and substantial commitment, reinforce our conviction in Marvell's ongoing criticality to Amazon's custom silicon strategy](#)**. In our view, regardless of how the ASIC sourcing decision evolves—whether via AIChip or Marvell—Marvell remains strongly positioned to provide high-margin custom solutions within data centers, including optics, custom HBM integration, and related advanced infrastructure.

Top Detractor

RH

RH RH **-40.4%**

RH, one of three SWS Growth Equity positions firmly within the consumer discretionary category, underperformed significantly this quarter, returning -40.4% versus its personal goods peers' -22.4%. Tariff fears broadly impacted this market segment, leaving virtually no safe haven. Our other pure consumer discretionary holdings include Capri (CPRI) and MercadoLibre (MELI). When combined with our increased weighting in consumer staples through Celsius Holdings (CELH) and Phillip Morris (PM), our overall consumer exposure was positioned defensively against tariff-related headwinds.

Specifically, Capri is navigating strategic asset sales involving Versace and Jimmy Choo, shifting future returns toward characteristics of a “special situation” investment. MercadoLibre remains relatively insulated and is even a potential beneficiary of international trade volatility, given its dominant marketplace position in Latin and South America. Within our staples holdings, Phillip Morris benefits from balanced US and international revenue exposure and locally sourced products, while Celsius (initiation commentary below) represents a growth story amid turnaround conditions, already down more than 70% from its previous high, an entry point we identified as attractive to initiate a position.

The above commentary on non-RH holdings underscores our cautious stance toward tariffs. Nonetheless, our initial base-case



forecast of 20–25% tariff rates proved overly optimistic, as tariffs broadly surged across multiple geographies. **Most notably, Vietnam—RH's primary manufacturer of high-end luxury goods—faced a notably steep initial tariff of 46%.** In hindsight, outright avoidance of the personal goods space would have been preferable, a miss on our part.

For RH specifically, **tariffs represent both a challenge and a potential strategic advantage.** Clearly, in the near to medium term, tariffs will negatively impact RH's earnings through inevitable demand destruction driven by higher pricing. However, we do not view luxury furniture manufacturing as a critical national security issue, making a complete shift to domestic production highly unlikely. Consequently, our base-case scenario anticipates that the proposed 46% tariffs on Vietnam and surrounding Southeast Asian countries **will eventually moderate to more manageable levels.**

Strategically, **RH stands to benefit significantly from this tariff disruption over the long term.** As the largest global player in luxury home furnishings, RH primarily competes against fragmented boutique “mom and pop” shops, almost all of which rely heavily on Asian manufacturing. If current tariff rates persist through the year, we anticipate meaningful competitors closing, ultimately positioning RH advantageously within a more consolidated market.

Top Detractor



BLOCK

SQ Block, Inc. **-36.1%**

Block (SQ), which represents part of our financial services exposure, underperformed in the first quarter, returning -36.1% compared to a decline of just -1.4% for its financial services peers. While Block is not directly exposed to tariffs through its cost structure (COGS or operating expenses), the stock appeared to suffer as broader concerns grew about the potential economic fallout from tariffs impacting consumer spending.

Block's exposure to the American consumer comes primarily through two distinct business segments: the Square Seller platform and the Cash App. The Square Seller segment provides an integrated operating system for restaurants, independent retailers, and service-oriented businesses. Meanwhile, Cash App caters to approximately 57 million users who utilize it for peer-to-peer (P2P) payments, stock trading, cryptocurrency transactions, banking services, and recently expanded lending products. Despite the nuanced differences between these segments, the **market largely categorized Block as a company heavily exposed to the “lower-end” consumer, leading to its substantial underperformance.**

We take a notably different view. The Square Seller business has undergone a significant transformation since CEO Jack Dorsey reclaimed direct leadership. Today, 42% of Gross Payment Volume (GPV) stems from mid-market sellers generating over \$500,000 annually, a segment growing at 16% YoY, substantially faster than the 6% growth among smaller sellers. This shift clearly indicates Square's more comprehensive and mature offering, providing enhanced resilience in any potential tariff-induced recession.

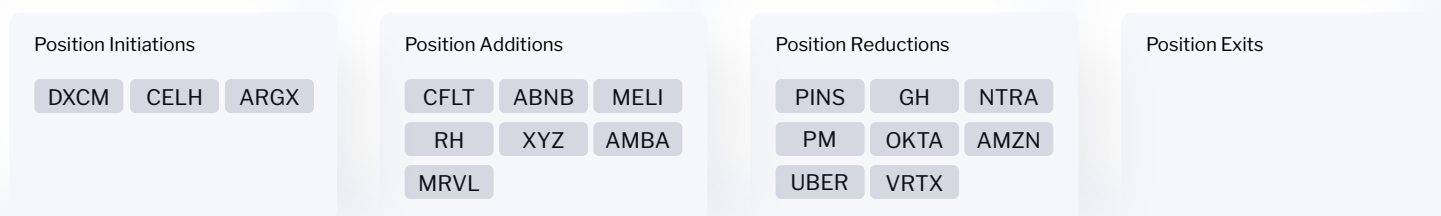
Regarding the Cash App segment, we believe investors underappreciate its rapid evolution from a predominantly P2P payment platform into a **full-fledged consumer banking service.** Since introducing banking deposits, Cash App has swiftly scaled to approximately 2.5 million monthly banking users—growing at a 25% rate—and processed **an impressive \$283 billion in inflows during 2024.** Most notably, Block received FDIC approval to offer consumer banking products on March 13th, representing a



transformative milestone. This approval significantly expands Block's total addressable market and further enhances the utility and attractiveness of the Cash App platform.

Though we acknowledge that valuation itself is not a catalyst, we find Block's current valuation particularly compelling when viewed relative to the underlying fundamentals. As an increasingly influential player in the on-premise merchant ecosystem through Square Seller, and as a leading banking platform favored by Millennials and Gen Z, we see no reason Block should not trade at least in line with broader market multiples. Projected gross profit growth of approximately 15% and anticipated achievement of a ["Rule of 40"](#) by 2026 further support this view. Nevertheless, Block currently trades at just 3x price-to-gross profit and approximately 8x price-to-free cash flow. **For further context, a strategic acquirer today could theoretically purchase Cash App's 57 million users at a mere \$580 per user, while attributing zero value to the Square Seller business that generates more than \$3.5 billion in annual gross profit.**

Portfolio Changes



New Positions

DexCom, Inc. (DXCM) - We initiated a position in DexCom [DXCM], a global leader in continuous glucose monitoring ("CGM") systems for diabetes management. DexCom has fundamentally reshaped diabetes care by enabling real-time glucose tracking, reducing reliance on traditional fingerstick testing, and significantly improving patient outcomes.

DexCom's core CGM market today includes U.S. patients with Type 1 diabetes and those with Type 2 diabetes on intensive insulin therapy (IIT), totaling over 3 million individuals. However, the opportunity is meaningfully larger. More than 4.5 million Americans currently use reimbursed insulin but do not yet use a CGM—despite CGM [being the recommended standard of care](#). Beyond that, over 25 million U.S. patients have Type 2 diabetes but are not yet on insulin. The thesis is well-supported by clinical studies: CGMs improve A1C control, delay disease progression, enhance long-term health outcomes, and reduce overall healthcare costs.

DexCom is also expanding beyond traditional diabetes care. The company recently launched Stelo, its FDA-approved, consumer-facing CGM targeting the 98 million Americans classified as pre-diabetic. Stelo marks DexCom's first foray into the general wellness and preventative health market and is available without physician authorization. Early traction has also come from the broader health-conscious consumer segment.

Why Now? - DexCom has underperformed the S&P 500 Healthcare Index by 48% over the past year, driven by concerns around pricing pressure, increasing competition, and a temporary deceleration in new patient starts. Broader market dynamics—particularly the rotation away from growth-oriented healthcare—have further pressured the stock. The most notable issue was DexCom's 2Q earnings last July, when the stock fell 44% following a mismanaged transition from DME (durable medical



equipment) to PBM (pharmacy benefit manager) channels, disrupting its core sales motion. We view this as a tactical misstep rather than a structural weakness.

Importantly, we believe key headwinds are now fading. The FDA's recent approval of the G7 sensor—extending wear time from 10 to 15 days—represents a 50% increase in duration, unlocking a multi-year gross margin tailwind. As the reimbursement environment stabilizes, we expect growth to return to the mid-to-high teens, a material acceleration from the recent high-single-digit pace. Lastly, DexCom has typically traded at a premium as a high-growth compounder. Today, it trades at 17x EBITDA while guiding to mid-teens revenue growth.

Celsius Holdings (CELH) – We initiated a position in Celsius [CELH], a leader in the functional energy drink category. We've followed the company closely for several years, having previously owned Monster Beverage [MNST] in our portfolio from 2018–2020. After a meteoric rise, CELH has corrected meaningfully from a peak of \$100 to under \$30. We believe we're at an attractive entry point and may be catching a compelling bottom in what is still an emerging consumer staple brand. Celsius offers a differentiated, health-forward energy drink alternative—sugar-free, clean-labeled, and marketed to a broad consumer base. The brand has scaled rapidly thanks to a strategic distribution partnership with PepsiCo, enabling deeper penetration across retail, convenience, and grocery channels.

The energy drink category itself is undergoing a structural shift. Once a niche market, it has now become mainstream: U.S. sales have grown from \$11 billion in 2017 to \$21 billion today, increasingly displacing other caffeinated beverages like coffee and tea.

We expect continued category growth at a 6-8% CAGR both domestically and abroad, with Celsius positioned to gain further share. A notable trend driving this growth is the surge in sugar-free consumption, which has expanded from 39% of category volume in 2020 to 51% in 2024. Celsius is well-aligned with this shift and uniquely balanced in its customer base, a split of roughly 50/50 male and female, in stark contrast to the male-dominated audiences of Red Bull and Monster.

We've conducted a wide range of field and survey work—monitoring repeat orders, Google Trends, Celsius's top ranking in Amazon's grocery category, Costco ordering, and its >20% Amazon share. These data points reinforce our **conviction that Celsius's trajectory from \$130 million in revenue in 2020 to \$1.35 billion in 2024 represents a durable consumer shift, not a short-lived COVID-era anomaly.** Though 2023/2024 presented operational challenges—particularly in distribution—these were execution issues, not demand issues. Over-ordering in 2023 led to inventory overhang, which suppressed sell-in growth, even though sell-through remained robust. This mismatch has created today's opportunity.

A recent catalyst was [Celsius's late February acquisition of Alani Nu](#), a high-growth, female-focused brand (92% female audience) that represents the fastest-growing product outside of CELH. The stock spiked 30% on the announcement—partially a short-covering rally—but **more importantly, the combination of Celsius and Alani Nu now accounts for 16% of the energy drink market, drives 50% of total category growth, and represents the majority of growth in the sugar-free subcategory.**

Looking ahead, we believe 2025 will be a reacceleration year for Celsius in the U.S., with a return to stronger sell-in trends. International expansion—which remains <5% of revenue compared to Monster's 38%—is just beginning. The recent partnership with Suntory to expand overseas distribution represents a multi-year growth driver and positions Celsius to close that international gap in 2025 and 2026. At ~3x sales at the time of our purchase and approximately half of MNST's valuation, we believe the dislocation has created an attractive entry point to increase our consumer staples exposure with a secular growth compounder.



Argenx (ARGX) - Argenx represents SWS Growth Equity's second position in biotechnology, joining Vertex Pharmaceuticals (VRTX) in our healthcare allocation. Argenx is a commercial-stage biotech company developing differentiated antibody-based therapies for severe autoimmune diseases. Its lead product, Vyvgart (efgartigimod), is approved for generalized myasthenia gravis (gMG) and serves as the cornerstone of a much broader pipeline targeting multiple chronic autoimmune conditions.

Vyvgart works by inhibiting the neonatal Fc receptor (FcRn), a clinically validated mechanism that reduces levels of pathogenic IgG antibodies implicated in a wide range of autoimmune disorders. **In the nine months post-launch, Vyvgart has already secured an impressive 10–11% market share for IVIg-treated gMG patients, signaling rapid physician adoption and strong commercial traction.** For conditions like CIDP (chronic inflammatory demyelinating polyneuropathy), where the current standard of care, IVIg, is poorly tolerated and time-intensive, Vyvgart offers a compelling alternative.

We initiated a position in ARGX due to what we believe is a significantly underappreciated commercial opportunity for Vyvgart. The total addressable market for FcRn-mediated autoimmune diseases is estimated to exceed \$20–30 billion, with gMG alone comprising a multibillion-dollar global opportunity. Vyvgart is currently being studied in several high-value indications, including CIDP, immune thrombocytopenia (ITP), pemphigus vulgaris, myositis, and others—each characterized by high unmet need and limited existing therapies. Combined, these immunocompromised patient populations represent more than one million individuals globally.

As the first mover in the FcRn inhibitor class, Argenx is uniquely positioned to capture dominant market share across these diseases. Early launch metrics in gMG indicate strong momentum and broad clinician support. Looking ahead, Argenx has guided to a 2030 target of treating 50,000–60,000 patients, equating to over \$10 billion in potential annual revenue. We believe these internal forecasts are conservative. **Our base case projects well over 60,000 patients treated across indications by 2030, which could drive revenues closer to \$15 billion and earnings power of approximately \$100 per share.** Each indication will require tailored regulatory approval and clinical differentiation, but Argenx has already demonstrated both scientific leadership and commercial execution. We view the current market valuation as failing to reflect the long runway ahead for FcRn-targeted therapies, and see significant upside as Argenx expands into additional autoimmune indications over the next five years.



Michael Parker, CFA Partner, Chief Investment Officer

Michael Parker, CFA, is the CIO of SWS and lead portfolio manager for the SWS Growth Equity strategy. Before joining SWS in 2017, Mike was a portfolio manager of \$4 billion of long-only equity portfolios at the Ohio Public Employees Retirement System (OPERS). He leverages over 22 years of experience on both the buy-side and sell-side to bring an institutional research and portfolio management framework to SWS Partners. Prior to OPERS, Mike was responsible for investment bank equity research at FBR Capital Markets. He received his Bachelor of Science in economics, finance concentration, from the Wharton School at the University of Pennsylvania and is a CFA® charterholder.



Kurt Grove, CFA Partner, Portfolio Manager

Kurt Grove, CFA, is a portfolio manager for the SWS Growth Equity strategy. Before joining SWS in 2020, Kurt was an analyst on the internal active long-only US equity portfolios at Ohio Public Employees Retirement System (OPERS). He leverages over ten years of experience on the buy-side and in risk management to bring an institutional research and portfolio management framework to SWS Partners. Prior to OPERS, Kurt was responsible for Quantitative Risk Management at Key Bank. He received his Bachelor of Science in business administration, finance concentration, from the Fisher College of Business at The Ohio State University and is a CFA® charterholder.

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Performance results are that of the SWS Growth Composite. GIPS® Reports and additional disclosures for the related composites may be found in the [SWS Partners GIPS® Reports](#). Comparisons are made on a total-return basis, which include all income from dividends and interest, and realized and unrealized gains or losses. SWS Growth Equity returns are shown both gross and net of fees and are calculated by asset weighting total returns of the strategy's composite accounts. These results are geometrically linked monthly for all periods shown. Gross returns exclude advisory fees paid to the firm. Net returns include the deduction of composite accounts' weighted average wrap fee (which includes both SWS's management fee and trading costs) and assume all cash flows occur at month-end.

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