SWS Growth Equity

As of February 2, 2026

Inception
May 1, 2018

Benchmark
Russell 1000 Growth Index

Portfolio Managers
Michael Parker, CFA & Kurt Grove, CFA

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.

4Q2025 Performance Update

For the fourth quarter of 2025, SWS Growth Equity returned 4.82%/5.07% on a net/gross basis, respectively, compared to the 1.12% total return of the Russell 1000 Growth Index and the 2.66% return of the S&P 500 Index over the same period.

Firm Overview

SWS Partners is dedicated to delivering attractive long-term capital appreciation through active investment management that leverages rigorous, fundamental analysis. We invest across multiple industries, identifying companies uniquely positioned to maintain or grow profitable market share. By deeply understanding the intrinsic drivers of value creation and leveraging contemporary analytical technologies, we aim to consistently uncover compelling investment opportunities for endowments, foundations, pensions, family offices, and high-net-worth individuals.

Additional Resources

Scan the above QR Code to read more Growth Equity strategy-related insights and research.

Audio version →
available on Spotify

Reflecting on our seventh full calendar year managing *SWS Growth Equity* offers a substantial body of work for consideration. Over eight years ago, we recognized a distinct opportunity: to take an institutional investment process from within a $100B+ pension plan sponsor and apply what we demonstrated to be a consistent value-creation engine to serve a wider range of clients. This journey has established a mutually beneficial feedback loop that strengthens our investment process. Ultimately, client portfolio outcomes serve as the final judge of our success. While we are proud of our performance to date, we remain vigilant, knowing that complacency can lead to swift market humbling. Therefore, **our constant focus is on the "next play."** Just as longitudinal readouts in prospective pharmaceutical trials offer opportunities to test hypotheses and inform paths to groundbreaking therapies, we benefit from the discipline of mindful reflection. This exercise enhances our investment process. A critical, ongoing differentiator for us is the method we employ to narrow the investable universe into a manageable, high-conviction subset of companies worthy of deep consideration.

From a high level, a key strategic imperative that proliferates across every portfolio consideration is careful study of value chains across public issuers. The distinction of our definition of "value chain" is an important one. **Most off-the-shelf tools that investors utilize for this task end up proving to be a massive flops; their static sector definitions are entirely inadequate at the task of carving up investable universes.** Public equity is far too dynamic. Expecting issuers to compete neatly within the confines of their assigned industry, and in turn constructing a portfolio with target allocations to sub-sets of issuers based on industry classifications, is a very different exercise today than it has been in any prior period. In a world where competitive advantages are increasingly defined by data strategies, **the rate of change is accelerating too quickly to rely on static idea generation funnels.**

Our use of value chains operates as a means of dissecting the sources of future profit pools in public equity and carefully plotting their endpoint, irrespective of classic sector or industry definitions. After all, these profit pools are the exact vein that every publicly traded management team seeks to tap. Their mandate of delivering shareholder value is predicated upon it. Every company exists to develop a product, while relying on a set of suppliers for raw goods, with hopes of selling its finished goods to an expanding set of customers. The input costs and output production can also be tangible (e.g. as seen in industrials), intangible (e.g. as seen in financial services), or some combination thereof (e.g. consumer hardware/software goods). How economic value creation proliferates across those product life cycle touch points, and specifically how all the upstream/downstreamn effects aggregate to global economic output, defines our continual study of value chains.

Our task as an equity strategy addressing core mandates—i.e. ones tasked with attractive long-term compounding potential for investor capital—is to ensure that we're appropriately positioned, and in turn appropriately rewarded, for exposure to the global economy's sources of incremental output. Said differently, as ~$30 trillion of US GDP steadily expands en route to $40 trillion over the next decade, it's imperative that we decipher the sources of that next $10 trillion via close study of all value chains that will aggregate to that figure. **Our explicit bet is that deconstructing the sourcing of this marginal output figure is likely to boil down to data advantages that enable labor supply efficiency gains.** It's also very likely the contributors of public issuers in the next $10 trillion will look incredibly different from those contributing to the prior $10 trillion.

We see a host of factors contributing to a perfect storm for active management in public equity as well. There's been a building flawed consensus that liquidity efficiency in large cap equities translates into less desirable sources of alpha potential than small/mid-caps. **Last year's outcomes provide the sobering reality of why this cannot be further from the truth**. Performance dispersion among the megacaps was among the widest since "Mag7" was coined as a term: the best megacap (i.e. >$1T in market cap) performer in 2025 was up 65% last year (GOOG/GOOGL), with the worst posting a 5% return (AMZN). Layer atop this unprecedented index concentration, and it's hard to imagine riper conditions for being handsomely rewarded for careful posturing among the largest issuers in 2026 and beyond. We're also not advocating for outright avoidance. Given the massive check size behind datacenter outlays, these are also constituencies that require careful scrutiny in the value chain assessment exercise. **Ignoring them outright jeopardizes missing a big chunk of that incremental $10 trillion.**

Investor biases also contribute to higher frequency and duration of mispricings (i.e. conditions where stock prices fail to reflect underlying intrinsic value). The larger actively-managed fund complexes that control large swaths of large-cap AUM accommodate their multi-billion-dollar fund capacity by building silos of expertise across their fundamental research teams. Across hedge fund complexes, pod shops traffic in their respective books of domain expertise, all with highly respectable levels of depth. **In a macro sense, these structures aggregate to teams ill-suited at identifying and appropriately posturing for value chains that proliferate across sectors and industries.** It's less errors of omission, and more a type II statistical error risk, where competitive risks get discarded as exogenous until they suddenly become established beachheads.

This is precisely the tale unfolding among blood diagnostics players battling it out in the healthcare sector. Our early identification of Natera's [NTRA] strengthening competitive advantage in the women's health space helped inform our odds assessment of their potential success in the emerging cancer recurrence monitoring space back in 2020. **Careful continual study of the competitive and regulatory landscape caused us to conclude that cancer detection is far too mutli-faceted to become winner-take-all.** This in turn unveiled opportunities across the care continuum that led us to an attractive entry point with Guardant Health [GH, a top contributor for us last quarter] back in 1Q 2022. We know of examples where both of these issuers were covered by different analysts reporting to different portfolio managers at other asset managers, which are the exact conditions that preclude cross-pollenation or comparative analyses within an investment process.

Where there's considerable debate often translates into considerable return opportunities as well, which is precisely the story unfolding with AI's proliferation into enterprise software. The privately-owned frontier players continue to gain meaningful traction: OpenAI capped last year with $20 billion revenue and Anthropic expects to triple its revenue to $55 billion this year (following a quadruple in 2025). This in turn has caused heated debate on whether the current slate of enterprise software players can survive the inevitable disruption to their human-seat-based pricing models. Meanwhile, similarly spirited debates unfold across digital and physical realms as companies scramble to enable their agentic and autonomous futures, including the news of one particular automotive OEM scrapping vehicle production lines to shift capacity to its humanoid robot production.

Trillions in market cap are at stake as companies attempt to tap future profit pools. Deciphering those that possess richer odds for value creation across the many emerging value chains will be at the heart of successful portfolio outcomes. We continue to see the ability to harness data-enabled insights as going hand-in-hand with unlocking future profit pools. We couldn't be more excited about the opportunity lying ahead to position our portfolio accordingly and be appropriately rewarded by these outcomes. Thank you as always for your confidence as stewards of your capital.

Raison D'être: Alpha Delivery

The fourth quarter finished positive across most major U.S. equity indices, bringing a strong close to what proved to be a constructive year for markets overall. The S&P 500 returned +17.9% for the year, a notable recovery from being down approximately -15% on April 8th in the aftermath of "Liberation Day."

Once again in 2025, market leadership was driven by the largest growth-oriented companies. For the third consecutive year—and every year since 2020 except 2022—the strongest-performing segment of the market was the Russell 200 Growth Index, which gained +18.6%, outperforming all other style and market-cap segments. This area of the market has, to date, housed the majority of key AI enablers and beneficiaries. As a result, market leadership has remained narrow, leading to unprecedented concentration within major indices. However, during the fourth quarter and with the benefit of observing the first several weeks of 2026, we believe it is becoming increasingly clear that investors are growing more discerning, rewarding and penalizing companies outside the often-cited "Magnificent Seven" based more directly on underlying fundamentals in an AI-enabled world.

***SWS Growth Equity* returned +4.8% net of fees and +5.1% gross of fees for the fourth quarter,** outperforming its stated benchmark, the Russell 1000 Growth Index (RLG), which returned +1.1%, as well as the S&P 500, which returned +2.7%. **For full-year 2025, *SWS Growth Equity* delivered returns of +31.0% net and +32.2% gross, compared to +18.6% for the RLG and +17.9% for the S&P 500.**

We are pleased with our performance in 2025, particularly given our continued underweight to mega-cap stocks, a persistent headwind relative to our overweight positioning in small and mid-cap issuers. Within the growth universe, small and mid-cap stocks returned approximately +13.0% and +8.7%, respectively, during the year. **Offsetting this structural headwind were several significant stock-specific positive catalysts across the portfolio, which ultimately drove meaningful outperformance.**

Chart 1

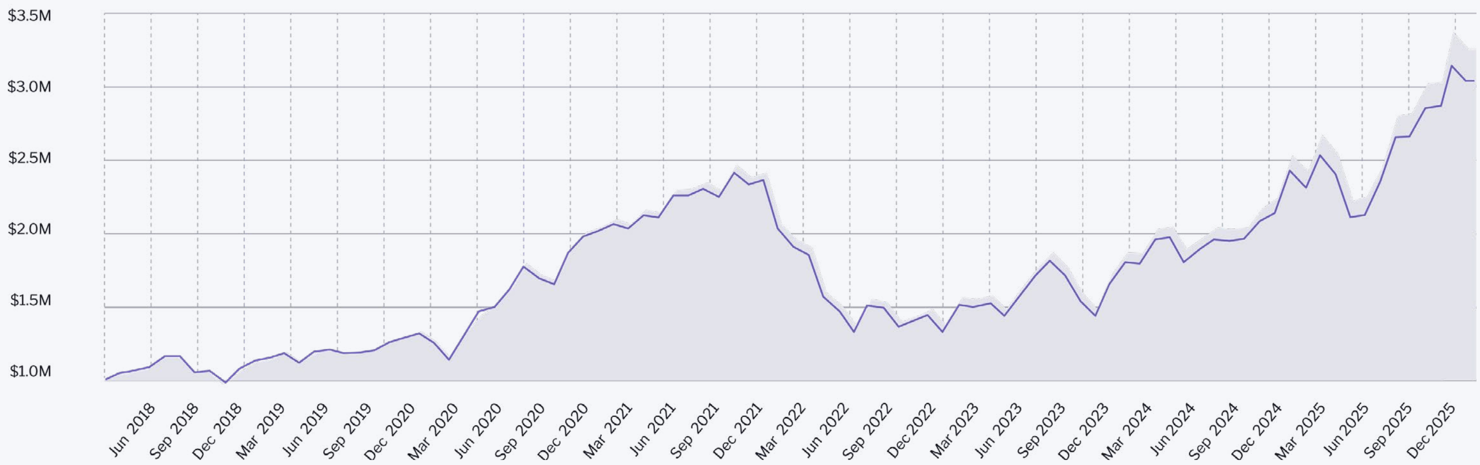
SWS Growth Equity Performance as of 12/31/2025

	4Q 2025	YTD	1-Year	3-Year *Annualized*	5-Year *Annualized*	Since Inception *Annualized*	Since Inception *Cumulative*
SWS Growth Equity (net wtd. avg. fee)	4.82%	31.00%	31.00%	32.95%	9.06%	16.29%	218.06%
SWS Growth Equity (gross)	5.07%	32.17%	32.17%	34.07%	9.98%	17.26%	238.97%
Russell 1000 Growth	1.12%	18.56%	18.56%	31.15%	15.32%	18.63%	270.59%
Russell 1000 Value	3.81%	15.91%	15.91%	13.90%	11.33%	10.13%	109.58%
S&P 500	2.66%	17.88%	17.88%	23.01%	14.42%	15.02%	192.35%
Russell Midcap	0.16%	10.60%	10.60%	14.36%	8.67%	10.28%	111.74%
Russell 2000	2.19%	12.81%	12.81%	13.73%	6.09%	7.79%	77.72%
NASDAQ Composite Index	2.72%	21.14%	21.14%	31.43%	13.35%	17.65%	247.65%

Source: FactSet. Data represent total return (dividends reinvested into a respective index) for the period ending 12/31/2025.
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



$3.39M
SWS Growth Equity (gross)

$3.18M
SWS Growth Equity (net. wtd. avg. fee)

Above chart displays the value of a hypothetical $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

MU Micron Technology Inc. **+70.8%**

Micron is one of several positions in the portfolio that benefits directly from the ongoing $1T+ AI infrastructure buildout and serves as a key offset to our decision not to own NVIDIA and Apple, which together represent approximately 7–15% of major equity indices. During the quarter, Micron returned +70.8%, and for full-year 2025 delivered a gain of +240.2%, significantly outpacing NVIDIA at +0.0% for the quarter and +39.0% for the year, Apple at +6.9% and +9.0%, and the broader technology sector at +2.3% and +24.6%, respectively.

As discussed in our 2024 initiation and subsequent write-ups, we believed the importance of memory within the $1T+ AI value chain was being materially understated. In 2023 and 2024, market enthusiasm was largely concentrated around NVIDIA and Broadcom, the primary providers of GPUs and custom ASICs powering AI compute. In 2025, leadership broadened to include the companies optimizing and enabling AI system performance—most notably memory and optical providers—reflected in the strong performance of SWS Growth Equity positions such as Micron and Ciena.

We can think of no better way to show the rising competitive advantage (i.e., defined internally as the ability to take profitable market share) for memory producers within a value chain, in this case the AI infrastructure value chain, than the quote from our 4Q 2024 piece : "Another key catalyst lies in NVIDIA's anticipated release of its GB300 Blackwell AI chip, expected to be announced at the March GTC event. Early design specifications suggest a 50% increase in FLOPS, with much of this improvement attributed to increased HBM capacity, which is projected to grow from 192 GB to 288 GB. The projected ASP for the GB300 is $4,000 higher than its predecessor, with $2,500 of this increase attributed directly to HBM." Memory capturing 63% of the incremental price increase was the obvious signal to us, **that the bottleneck in AI systems was no longer contained to GPU/compute access but increasingly was dependent on a system's access and ability to utilize memory**.

This thesis played out decisively in 2025 and specifically the fourth quarter for Micron. Micron announced results on December 17th beating expectations easily and guiding fiscal 2Q to $18.7B in revenue, $4.4B above consensus estimates for the following quarter and pulled forward their TAM estimates for HBM (high-bandwidth memory) for $100B from 2030 to 2028. **We believe this is the second largest beat ever in semiconductors,** only bested by the quarter after ChatGPT's launch for NVDA. Since our latest purchase of Micron on "Liberation Day" at $67, fiscal year 2028 consensus estimates have been revised 290%, from $11 to $43 in EPS. So, even after the 477% move since April, the P/E ratio has only expanded from 7.2x to 10.6x.

After multiple meetings with senior management of Micron at CES (consumer electronics show) in Las Vegas in January, it's clear to us that we think the $43 EPS estimate for this fiscal year is still too low and that prior cycle parallels for memory are not equivalent. We expect to see memory to become more customized, customers partnering more directly with end suppliers, extending supply agreements and therefore think prior peak/trough multiples for the industry will ultimately be higher over time.

Top Contributor

GUARDANT

GH Guardant Health, Inc. **+63.6%**

Longer-term investors will recognize that Guardant Health's emergence as a top contributor in 2025 was years in the making. We wrote about GH in a 4Q 2022 detractor report, following an extended period of underperformance that ultimately culminated in a stock bottom near **$16 in 1Q 2024**. Throughout that drawdown, we continued to defend the position based on our conviction in Guardant's technology, data advantage, and long-term role in reshaping oncology care. We ultimately purchased incremental shares up through November 2024 at <$30. That patience was decisively rewarded in 2025. Shares of GH rose **+234% for the year** and **+64% during the fourth quarter**, dramatically outperforming healthcare peers, which delivered returns in the mid-teens. Importantly, this outperformance reflected a fundamental inflection rather than sentiment alone. Execution improved meaningfully across the business, estimates moved higher, and prior balance sheet concerns were largely resolved. We also featured Guardant as a focus piece earlier in the quarter, where we outlined our process and long-term thesis in greater detail.

Momentum accelerated following a strong **3Q earnings report**, in which revenue beat expectations by approximately **12%**, driving a sharp re-rating in the shares. This was reinforced by a **4Q revenue pre-announcement ahead of the JPM Healthcare Conference**, which prompted a material upward reset in forward expectations. Since that update, **2027 consensus revenue estimates have risen by more than $240 million**, an **~18% revision**, reflecting growing confidence in the durability of Guardant's growth profile.

Operational strength was broad-based. Oncology volumes, led by the Guardant360 franchise, grew approximately **40% year over year in 3Q**, marking the **fifth consecutive quarter of acceleration**. Adoption of the Smart Liquid Biopsy platform, expanding clinical utility, and increasing longitudinal testing all point to structural share gains rather than transient demand. The most important development in 2025 was the rapid commercialization of **Guardant Shield**, the company's blood-based colorectal cancer screening test. Shield volumes exceeded **100,000 tests** during the year, generating approximately **$90 million in revenue**, far surpassing early-year expectations. We believe this launch ranks among the most successful diagnostic product introductions in the industry. With an estimated **40–50 million unscreened average-risk adults** in the U.S., Shield represents a long-run **multi-tens-billion-dollar opportunity** as reimbursement coverage and physician familiarity continue to expand.

During the quarter, Guardant further strengthened its strategic positioning by integrating **multi-cancer early detection capabilities into Shield at no incremental cost to patients**, contingent on the sharing of accompanying EMR data. We view this as a meaningful step in Guardant's evolution toward a platform-centric preventive health model. **The ability to follow patients from pre-cancer detection through treatment selection and ongoing disease monitoring creates a powerful longitudinal data advantage, directly impacting GH's competitive advantage**, that we believe will compound over time.

Two additional developments helped remove residual overhangs late in the year. Guardant strengthened its balance sheet by raising approximately $700 million through equity and convertible issuance, providing sufficient runway to fund operations well into the next decade and bridge the company to a potential **USPSTF decision on Shield**. In parallel, competitive concerns eased after updated data from Freenome failed to materially exceed prior results, reinforcing Guardant's execution lead in blood-based colorectal screening.

Top Contributor

ciena

CIEN Ciena Corp. **+60.6%**

Ciena (CIEN), like Micron above, is one of several positions poised to benefit dramatically from the $1T+ buildout in AI infrastructure. As we have said before, we think it is important to expand our view of the AI value chain beyond just the model makers (ChatGPT, Anthropic) or compute providers (NVDA, AVGO), and instead focus on more tertiary—but equally critical—areas where excess value stands to be created. Micron serves this role through high-bandwidth memory (HBM), while Ciena plays a parallel role through optical connectivity, **enabling coherent, distributed AI training runs spanning 100,000+ GPUs** across geographically dispersed data centers.

Since we wrote about CIEN last quarter as a top contributor, we will be brief, as much of the performance represented a continuation of momentum coming out of September's results. CIEN returned **+60.6% during the quarter and +175.8% for full-year 2025, materially outperforming key AI beneficiary NVIDIA (+0.0% / +39%) and the broader technology sector (+2.2% / +24%, respectively).**

That momentum was reinforced by another quarter of clear operational and strategic upside. Ciena exited fiscal 2025 with **record orders of $7.8 billion and backlog exceeding $5.0 billion**, underscoring that AI-driven demand is compounding rather than episodic. Management highlighted accelerating deployments tied to **distributed AI training architectures**, where geographically separated GPU clusters require ultra-high-capacity, ultra-low-latency optical interconnect. This is precisely the use case where Ciena's **Reconfigurable Line System (RLS) and WaveLogic 6** coherent optics are increasingly becoming the standard.

Importantly, demand is broadening beyond the largest hyperscalers into a growing class of "neoscalers" and AI-focused infrastructure providers, with one such customer already ranking among Ciena's top ten accounts. Despite near-term margin headwinds associated with rapid 800G ZR pluggable ramps and supply-chain tightness, operating leverage remains intact, **prompting management to raise forward revenue growth expectations to approximately 24% and pull forward its long-term margin targets.** Taken together, the quarter further validated Ciena's position as a core beneficiary of AI-driven network scaling, extending the durability of its multi-year growth cycle rather than signaling a near-term peak.

Top Detractor

monday.com

MNDY monday.com **-23.8%**

Monday.com (MNDY), representing a portion of our software exposure within *SWS Growth Equity*, had a difficult fourth quarter, declining -23.8% and materially underperforming the broader software sector, which fell -3.9%. The quarter was particularly challenging for software investors more broadly; outside of select pockets of retail, software was the weakest-performing subsector across the Russell indices. Formerly favored mid-cap software companies, many of which had traded well north of 20x forward price-to-sales, have undergone a sharp and often indiscriminate re-rating as investor focus shifted toward the perceived deflationary impact of AI on traditional application software.

As we discussed last quarter in the context of GoDaddy, we believe the current environment has created a rare moment where **valuation compression has meaningfully outpaced fundamental deterioration** across large parts of software. That said, the near-term drawdown in MNDY during the fourth quarter was driven by a combination of **company-specific timing issues** layered on top of an already fragile tape. While operating results remained solid — including continued strength in enterprise customer additions, stable net dollar retention, and expanding free cash flow margins — **investors reacted negatively to a more muted beat-and-raise cadence**, a modestly conservative near-term outlook, and **growing uncertainty around how quickly AI-driven innovation will translate into incremental monetization.**

The fourth quarter also marked a transitional period in MNDY's go-to-market strategy. The company continues to move deliberately upmarket, prioritizing larger, higher-quality customers with longer sales cycles and multi-product adoption. While this strategy has driven strong growth in $50k+, $100k+, and $500k+ ARR cohorts, it has also **introduced greater quarterly lumpiness in billings and revenue recognition**; a dynamic that markets punished aggressively in an environment already primed to discount anything resembling deceleration. At the same time, shifts in digital discovery channels (SEO marketing), including traffic migrating from traditional search toward AI-driven interfaces, added incremental noise to top-of-funnel metrics during the quarter, further complicating near-term sentiment despite no evidence of structural demand erosion.

More broadly, the debate around AI as either a **friend or foe to software has become highly issuer-specific.** We continue to **evaluate the software value chain —like all value chains— through a consistent, repeatable framework**: whether the **macro environment or technological disruption strengthens or weakens a given value chain, where value is most likely to accrue within the value chain, and what competitive advantage** (the ability to take profitable market share) **via access to unique data, ability to interpret data better, or speed of data process — will ultimately determine absolute and relative winners.**

In an increasingly AI-first software world, value is shifting away from pure seat-based pricing models toward platforms that help work actually get done. **Companies that sit closest to enterprise data and function as systems of record are best positioned to help enterprises get work done and capture value over time.** We think it's increasingly evident that certain portions of the infrastructure layer of software will become much more valuable and benefit from heavy investment, exhibited in the portfolio via Cloudflare, Snowflake, and previously Confluent (recently being sold to IBM), in addition to core infrastructure providers via Google and Amazon.

Within that framework, we continue to see a meaningful role for MNDY. We do not view the platform as a simple connector that can be automated away. Rather, its combination of work management, CRM, and development workflows positions it as an orchestration layer that can both **enable AI-driven execution and provide the governance, security, and visibility enterprises require** as AI adoption accelerates. While questions around long-term terminal value are reasonable, and likely to persist, we believe those concerns are more than reflected in the current valuation. At approximately **<4x sales**, MNDY now trades well below historical multiples and prior take-outs of slower-growing, less-scaled software assets.

Top Detractor

MP MATERIALS

MP MP Materials Corp. **-24.7%**

We've written extensively on MP and heavily expounded upon MP last quarter as a top contributor. We have very little to add to our thesis that was not stated many times last quarter, but thought it would be helpful to see our active management and portfolio monitoring play out in practice.

From our third quarter piece:

*"MP Materials (MP) , the second largest position in the portfolio as of 10/13, had a standout quarter, returning +101.6% as the long-awaited geopolitical catalysts took shape this quarter... This quarter validated that thesis in dramatic fashion. In an unprecedented public–private partnership, the U.S. government took a **10% equity stake** in MP, **guaranteed NdPr pricing at $110/kg**, and committed to purchasing **7,000 metric tons of magnet capacity**, equating to roughly **$110M in incremental EBITDA**. Overnight, MP transformed from a cyclical, China-dependent commodity producer into a vertically integrated, government-backed 'national champion.'*

and further on...

"***As of today's writin"g the stock sits near $100, up 538% YTD and ~ the same since our last purchase in February 2024 at $15.57.*** *We executed our first major sale this week at $97 following smaller trims earlier in the year. While we still see a credible path to $1 billion in EBITDA, we recognize that as rare earths have entered mainstream market dialogue, the* ***risk/reward is still attractive but more normalized from the deeply asymmetric setup we originally identified****."*

Reflecting on this portion of the letter we commented on how the stock was up +101.6% in the quarter and +538% YTD, **we knew that a lot of future value had been pulled forward into the present day and were well aware that price was quickly approaching fundamental value, a far cry from when we were defending our $15 purchase in early 2024.** From being one of a few buy side investors invited to tour the California based, Mountain Pass mine and one of a few investors to even attend the rare earth conference in Toronto in 2024. **Fast forward to October 2025 and seeing MP and rare earths discussed ad nauseum on every TV channel with an ever-growing list of experts commenting on the bullish outlook was quite the sentiment change!**

While we could still underwrite an acceptable forward return at those levels, we recognized that the path forward was unlikely to be linear nor clearly additive to "risk-adjusted returns", we elected to reduce more than half of the position above $97. With nearly three decades of combined public markets experience, we are mindful that markets tend to overshoot in both directions. We were therefore pleased to see shares retrace to approximately $52 just a few weeks later on November 7th, at which point we added back a portion of the position.

As noted in our third-quarter commentary, MP is currently projecting an EBITDA floor of roughly $650 million by 2029. We continue to believe it will ultimately be closer to $1 billion. While commodity producers typically do not command 20x EBITDA multiples, we view MP less as a traditional commodity business and more as a vertically integrated industrial company, with government-backed pricing floors, strategic geopolitical importance, and the only rare earth mine in the Western Hemisphere. From our repurchase level near $52, we underwrite an expected internal rate of return closer to ~30%.

This sequence of initial underperformance, incremental buys and then trims and ultimate re-entry, serves as a practical example of why we believe public equity investors must be increasingly active in an environment dominated by passive flows and short-duration trading strategies. With many marginal buyers and sellers operating in price-insensitive or short-term frameworks, whether through systematic strategies, pod shops, or retail flows, we believe long-term investors with duration on their side can meaningfully enhance alpha through thoughtful active management.

Top Detractor

PURECYCLE®

PCT PureCycle Technologies, Inc. **-34.7%**

PureCycle once again appears on our list of quarterly contributors and detractors, a familiar dynamic for a small-cap company transitioning from development-stage uncertainty toward early commercialization. During the fourth quarter, PCT declined **-34.7%**, and finished the year down **-16.2%**, materially underperforming its materials peers, which returned **+1.7% for the quarter and +9.9% for the year**. While the magnitude of the stock move was notable, the quarter itself was relatively uneventful from a fundamental standpoint. There were no material setbacks related to technology, operations, customer demand, or long-term strategy. Instead, we believe the primary driver of weakness **was investor impatience around the timing of commercial purchase orders,** which many had expected to be formally announced before year-end. Those announcements ultimately slipped into early 2026, a delay we do not view as indicative of waning demand or execution risk.

As management reiterated on the most recent earnings call, commercialization timelines for new materials, particularly those introducing a **novel recycling pathway for historically unrecyclable polypropylene** require extensive qualification, testing, and supply-chain validation. These processes are deliberate by design and often involve multiple stakeholders across brand owners, converters, and regulatory bodies.

Operationally, PureCycle continued to make meaningful progress. Production at Ironton and sortation in Denver reached record levels, compounding capacity expansion remains on track, and co-product monetization initiatives are beginning to materially reduce net feedstock costs, an underappreciated lever in the company's long-term unit economics. On the commercial front, the company confirmed orders with **multiple top-five QSR customers** (our guess is Starbucks), highlighted momentum in **white thermoform coffee lids**, and reaffirmed that **Procter & Gamble has completed all necessary testing**, with detergent-lid products expected to reach shelves in early 2026.

We were also encouraged by continued strategic reinforcement at the board level, including the addition of senior leadership with deep experience across global consumer packaging supply chains. One board member was Valerie Mars, a member of the Mars family and head of corporate strategy. Mars, the company, a leading purchaser of polypropylene (PP5) via its production of candy bars and the accompanying single-use plastic wrapper.

At this stage, we believe the core risks around **technology viability and customer adoption have largely been retired**. What remains is execution scaling production, converting trials into steady purchase orders, and financing growth in a disciplined manner. Management continues to outline attractive unit economics of at least **$0.50 of EBITDA per pound**, which we believe is conservative as utilization rates improve and co-product revenue scales.

To put the opportunity in context, even a fully sold-out Ironton facility at 107M pounds would represent **approximately 0.1% of global polypropylene demand**. Against that backdrop, PureCycle's stated ambition to reach **1 billion pounds of recycled polypropylene capacity by 2030** implies a potential **$500 million EBITDA business at the low end**, in a market where polypropylene recycling rates remain well below 1%, compared to 15–25% for other plastic resins.

Near-term stock performance will likely remain volatile, particularly as the market continues to discount delayed revenue recognition more heavily than long-term value creation. However, with product now shipping, shelves set to be stocked in early 2026, and further purchase orders expected over coming quarters, **we believe PureCycle is approaching a meaningful inflection point. For long-term investors willing to look past quarter-to-quarter noise, the fundamental case continues to strengthen**.

Portfolio Changes

Position Initiations

LLY

Position Additions

CFLT, MNDY, INTU, GDDY, PM, XYZ, PCT, GOOGL, MP, CELH, DXCM, PINS, OKTA, RH, SNOW, AMBA

Position Reductions

MP, ARGX, CIEN, NTRA, MU, GH

Position Exits

ABNB, NFLX, CFLT

New Positions

Eli Lilly and Company (LLY): *SWS Growth Equity's* newest healthcare position fits neatly into our preventative health value chain. LLY is one of the world's most innovative healthcare companies, with category-defining treatments in diabetes, obesity, Alzheimer's disease, cancer, and immunology. The company is now entering a powerful growth cycle centered around GLP-1 medicines, therapies that are reshaping how the world treats metabolic disease.

GLP-1–based medicines are rapidly becoming foundational treatments for obesity, diabetes, and cardiometabolic health and internally we expect this to be just the beginning. The global GLP-1 market is expected to grow from roughly $60B+ today to ~$170B by early next decade. Across obesity and diabetes, more than 170M Americans and nearly 1 billion people globally may qualify for treatment over time.

Near-term concerns around long-term pricing pressure and adoption created an attractive entry point, with the stock trading at approximately 23x forward earnings despite revenue growth exceeding 21% and EPS growth near 40%. While U.S. net pricing is gradually trending lower due to broader insurance coverage and increased utilization of Lilly's direct-to-consumer cash-pay channel, accelerating volume growth has more than offset these declines. The primary long-term driver remains the sheer scale of newly eligible patients as access continues to expand.

What has surprised us most is the relative lack of effective competition. Novo Nordisk's early leadership with Ozempic has eroded, while Pfizer has effectively acquired its way into a distant third position. We now project Lilly to maintain roughly 50% market share through 2030—something that would have been difficult to envision just twelve months ago. The most meaningful near-term competitor has instead been illegally compounding. However, as Lilly's direct pricing has fallen into the $299–$449 per month range, we expect compounded alternatives to represent a declining share of overall usage. This pricing dynamic also introduces potential disruption to traditional PBM structures.

At these price levels, we believe the economic case for GLP-1 adoption is becoming increasingly compelling for both payers and consumers. Using a simple framework for average U.S. food cost, roughly $15 per day for 2,200 calories, or approximately $0.006 per calorie and combining this with Lilly's estimate that GLP-1 users consume roughly 800 fewer calories per day, **implies annual food savings of approximately $1,990, or roughly $165 per month.** At $299 per month, GLP-1 therapy begins to approach parity with high-end gym memberships, **before accounting for the substantial positive health externalities. For the more than 70% of Americans who are overweight or obese, we believe the long-term value proposition is increasingly clear.**

Importantly, Lilly is not solely an obesity and diabetes story. Several additional therapeutic franchises support durable, diversified growth with meaningful upside optionality. The company's newly approved Alzheimer's therapy is now launching across the U.S. and Europe. In oncology, treatments such as Verzenio and Jaypirca continue expanding into earlier-stage breast cancer and hematologic malignancies. Meanwhile, new immunology therapies addressing eczema, psoriasis, and ulcerative colitis are gaining traction, representing additional long-term growth vectors.

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 23 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.

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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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