

EDGEWOOD
MANAGEMENT LLC

View from Edgewood

4Q 2019 COMMENTARY

The Edgewood Management Large Cap Growth composite gained 9.5% in the fourth quarter, and 34.25% for the full year 2019 (both net of fees). The S&P 500 Total Return Index was up an impressive +9.1% and +31.5% and the S&P 500 Growth Total Return Index returned 8.3% and 31.1% in those commensurate periods. In addition, both indices were propelled by strong performance from its largest stock, Apple, whose 88% gain for the year had an outsized effect on the indices' results.

The contrast between 2018 and 2019 market returns is stark. Investors will remember that the fourth quarter of 2018 saw a sharp correction that wiped out the S&P 500's gains for the year. The market's return in 2019 was based on a different view. Investors assumed a positive outcome in the China-US trade dispute coupled with short term rate cuts by the Federal Reserve accompanied by a sharp drop in long term rates. In the fall the Fed affirmed that interest rates would remain unchanged for some time. A brief recession scare over the summer seemed to disappear in the fourth quarter as economic indicators improved and a phase one trade agreement was announced with China. The US economy has slowed from 2018, but a recession in 2020 seems unlikely barring unforeseen events. These issues drove market returns despite relatively anemic S&P 500 earnings growth in 2019, following the sugar high from the 2018 tax cuts.

Those above factors could very well propel the US markets higher in 2020 with the added tailwind of 5-6% earnings expansion, barring unexpected events. The first of which occurred in early January with the conflict between Iran and the US escalating to new levels. The US economy is highly sensitive to consumer spending, and higher oil prices in response to a conflict could dampen sentiment both here and abroad increasing the risk of slower growth. The US will also be influenced by political headlines as we enter the presidential and congressional election on November 3rd. Donald Trump will likely glide through to be the Republican nominee despite his upcoming impeachment proceeding. Very little will come out of the process to change voter minds so the result will be a Democratic House led impeachment with a Senate Republican led acquittal. Right now the Democratic presidential nominee is anyone's guess and the primary process will create some market volatility as it moves through the spring.

According to Strategas, a respected economics research firm, since at least 1948 the third year of a presidential term is the strongest for the equity markets by a wide margin. Historically these have registered an average appreciation of some +16%. This is more than double the averages of each of the other 3 years of the 4 year term, which range between +6% and +7%. It seems that 2019 delivered true to cycle norms. Going into 2020, the majority of the world's central bankers have been either increasing money supply or reducing interest rates and often doing both. Although it is no guarantee of accelerated economic activity, it most often results in such. In anticipation of this, financial assets tend to rally. The currently steepening US yield curve would indicate that investors feel the worst of the recent mini-slowdown is behind us.

While 2019 saw an increase in the price to earnings (P/E) ratio paid for US stocks (as their prices increased more than their earnings grew), we would remind you that the 20% earnings growth but only 2.3% gain in 2018 actually meant P/E compression occurred in 2018. Over a two-year period then, this expansion of P/Es was much more modest as some catch-up occurred in 2019. We would not be surprised to see some profit-taking and maybe heightened volatility due to the run-up to the US elections. That said, we remain cautiously optimistic regarding your portfolio of what we consider to be high-quality growth stocks, for the coming year.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified were or will be profitable.

Our goal at Edgewood Management is to deliver clients sustainable long-term performance by investing in companies Edgewood considers to be high-quality growth companies.

FIRM OVERVIEW

Founded	1974
Employees	37
Total Assets	\$34.1 Billion (as of 12/31/2019)
Ownership	100% Employee Owned
Investment Strategy	Large Cap Growth Equity
Separate Account	\$5 Million Minimum*

*Please refer to Edgewood's Form ADV Part 2A and 2B Brochure regarding account minimums.

PORTFOLIO MANAGEMENT

ALAN W. BREED President & Portfolio Manager Years of Experience	36yrs
LAWRENCE G. CREEL Partner & Portfolio Manager Years of Experience	34yrs
ALEXANDER M. FARMAN-FARMAIAN Partner, Vice Chairman & Portfolio Manager Years of Experience	33yrs
PETER JENNISON Partner & Portfolio Manager Years of Experience	34yrs
KEVIN R. SETH Partner & Portfolio Manager Years of Experience	36yrs
NICHOLAS A. STEPHENS, CFA Partner & Portfolio Manager Years of Experience	35yrs

INVESTMENT APPROACH

Edgewood's Large Cap Growth Equity strategy pursues long-term capital growth through a portfolio of 22 stocks of large-sized companies that are distinguished by their financial strength, levels of profitability, strong management, and an ability to deliver long-term earnings power. Our goal is to purchase companies that trade at discounts to their fair value and believe that, over time, the stock prices of high-quality companies will rise to reflect the true value of the underlying company. The Large Cap Growth Equity strategy's performance is typically benchmarked against the S&P 500 Index over a full-market cycle.

INVESTMENT PROCESS HIGHLIGHTS

Edgewood's Large Cap Growth Equity strategy pursues a bottom-up investment process to construct a portfolio of U.S. large-cap growth companies. The investment team looks for potential investments across the economy where it can find growth irrespective of the sector or industry.

Edgewood's investment process focuses on two distinct areas:

Stock Selection – The team's investment process begins by identifying companies that are distinguished by their financial strength, levels of profitability, strong management, and an ability to deliver long-term earnings power. The team searches for companies that are well positioned for long-term growth, driven by demand for their products and services, trading at discounts to their fair value, and are at an early stage in their profit cycle to benefit from the increased cash flows produced by the profit cycle.

Capital Allocation – Based on the investment team's fundamental analysis of a company's profit cycle and using a five-year discount to present value model, portfolio holdings evolve through three phases: Phase One investments are in the early part of their profit cycle and will warrant a more sizeable weighting once their profit cycle begins to grow; Phase Two investments are companies that are being increased to a larger weighting due to the relative attractiveness of their valuation which are moving through the strongest part of their profit cycle; and Phase Three investments are companies that are being reduced to a lesser weighting because they are nearing the team's estimate of full valuation or their profit cycle has begun to deteriorate.

MARKET CAP DISTRIBUTION AS OF 12/31/2019*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
\$20-\$40	8	2
\$40-\$75	36	8
\$75-\$125	8	2
\$125+	47	10

*Rounded to the nearest percentage

**For the equity portion of the portfolio

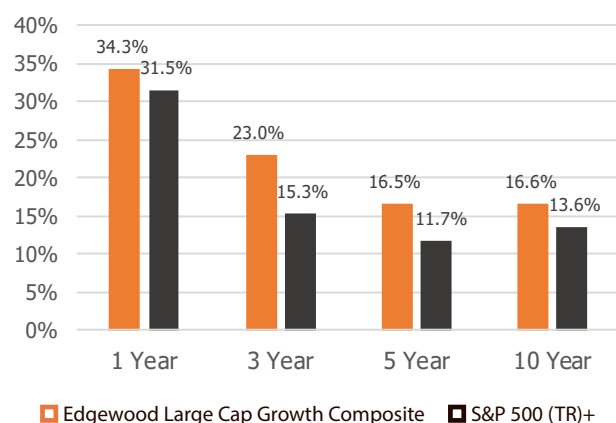
FIVE LARGEST HOLDINGS AS OF 12/31/2019*

Alphabet Inc.	PayPal Holdings Inc.
American Tower Corp.	Visa Inc.
Equinix Inc.	

*The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified were or will be profitable

Portfolio holdings are shown in alphabetical order.

NET LARGE CAP GROWTH COMPOSITE RETURNS (%) AS OF 12/31/2019



Performance is rounded to the nearest tenth. Returns are net of management fees. Returns shown here are annualized. Past performance does not guarantee future results.

+The S&P 500 is an unmanaged index with no expenses which covers 500 industrial, utility, transportation and financial companies of US markets. It is a capitalization-weighted index calculated on a total returns basis with dividends reinvested.

PORTFOLIO CHARACTERISTICS AS OF 12/31/2019

	EDGEWOOD	S&P 500 ²	COMMENTS
Market Cap Mean (Billions)	\$234bn ¹	\$60bn ¹	Focused on Growth
Number of Holdings	22	505 ²	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	20% ³	-3% ¹	Focused on Earnings Growth
Sales Growth ¹ (3 Years Historical)	20%	7%	Focused on Revenue Growth
LT EPS Growth ⁴	16%	7%	Earnings Outlook

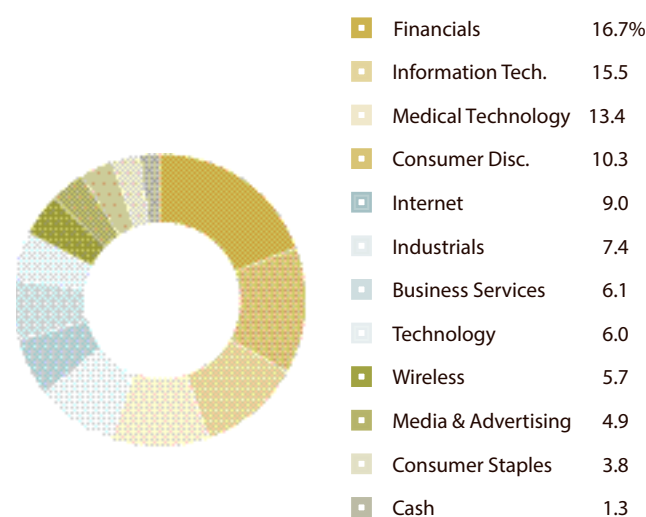
¹Provided by Bloomberg and are rounded to the nearest whole number.

²Provided by S&P Dow Jones Indices. The S&P 500 is an unmanaged index with no expenses which covers 500 industrial, utility, transportation and financial companies of US markets. It is a capitalization-weighted index calculated on a total returns basis with dividends reinvested.

³American Tower's and Equinix's EPS figures are actually Adjusted Funds from Operations per share figures as we believe they are the most relevant valuation metric. Alphabet's growth rate is calculated using reported GAAP Operating Income growth ex-legal fees of \$554 million and excludes one-time unrealized gains/losses on investment which are not indicative of the underlying business on a go-forward basis. Netflix's growth rate is calculated using reported GAAP Operating Income growth instead of EPS due to one-time items that impacted EPS including a change in tax structure.

⁴Bloomberg estimates using the weighted average calculation methodology for Edgewood and the index fundamental value methodology for the S&P 500.

SECTOR DIVERSIFICATION AS OF 12/31/2019*



*Sectors defined by Edgewood's Investment Committee and are rounded to the nearest tenth.

Edgewood Management LLC Disclosures - 4Q 2019

No recommendation is made, positive or otherwise, regarding individual securities mentioned. Past performance does not guarantee future results. The performance figures include the reinvestment of dividends. The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A list of all recommendations during the preceding period of not less than one year will be provided upon request, free of charge and include (1) the name of each security recommended; (2) the date and nature of each recommendation; (3) the market price at the time of the recommendation; (4) the price of the security when the recommendation was to be acted upon; (5) the market price of each such security at the most recent practicable date and (6) a disclaimer stating it should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities on the list.

EDGEWOOD MANAGEMENT LLC: LARGE CAP GROWTH COMPOSITE (Ending December 31, 2019)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	34.33%	23.03%	16.50%
S&P 500 (TR) Index	31.49%	15.27%	11.70%
Russell 1000 Growth Index	36.39%	20.49%	14.63%

Note: Returns are shown in U.S. dollars. Composite returns are net of fees.

Edgewood Management LLC is a registered investment adviser specializing in growth oriented investment management. The Edgewood Large Cap Growth Composite is comprised of individual and institutional accounts that invest in Edgewood's portfolio of 22 large capitalization growth companies chosen by using fundamental analysis and an internal valuation discipline. The composite returns are benchmarked to the Standard & Poor's 500 Index ("S&P 500") and the Russell 1000 Growth Index ("R1000 Growth"). The S&P 500 is an unmanaged index with no expenses which covers 500 industrial, utility, transportation and financial companies of US markets. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The R1000 Growth measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates and dividends are reinvested. The S&P 500 Growth Index is a market capitalization weighted index consisting of those stocks within the S&P 500 Index that exhibit strong growth characteristics.

Edgewood Management LLC claims compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results. Performance results reflect the reinvestment of dividends and other earnings. Performance results are expressed and calculated in U.S. dollars. To receive a list of composite descriptions of Edgewood Management LLC and/or a compliant presentation, contact Kitty McBride at 212-652-9100, or write to Edgewood Management LLC, 535 Madison Avenue, 15th Fl., New York, NY 10022 or KMcbride@Edgewood.com.

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