

EDGEWOOD
MANAGEMENT LLC

View from Edgewood

1Q 2018 COMMENTARY

The Edgewood Large Cap Growth composite gained 6.6% net of fees in the first quarter of 2018. The S&P 500 Growth Index returned 1.9%, while the S&P 500 Index returned -0.8% for the same periods.

2018 began the same way 2017 ended for the equity markets, with a January rally showing little volatility. At the beginning of February, as the administration announced steel and aluminum import tariffs, the underlying dynamic changed. The markets had assumed trade issues, a topic frequently raised by Trump in the campaign, had been put aside; their revival led to the most volatile period in the market since the beginning of 2016. While the overall result was the first negative quarter for the S&P 500 since 2015, the reality was this was a more normal market than the placid low volatility glide of the past two years. A second round of turbulence hit the market in late March with the announcement of Chinese tariffs, serial White House staff firings and the revelation of large privacy breaches at Facebook. The recent market correction shows that despite the strong start of the year on the back of the big U.S. tax cut, investors have now turned a bit more cautious.

With all the headline issues buffeting the market it cannot be ignored that the Federal Reserve is slowly but surely raising short term interest rates. The first increase under Jerome Powell came in the middle of March, with the Fed signaling that at least two more may be coming this year. Rates are still very low by historical standards, with the ten year Treasury note yielding 2.76% as of April 2nd. However, the Fed is getting back to a more normal rate policy and if the economy and employment stay strong long term rates will rise further. As we have said, long term rates above 4% will cause issues for the equity markets.

The current market downdraft has in part been driven by consumer and investor unease with some of the major tech/media companies, amplified by questions about Facebook's protection of user privacy. We did trim some Netflix and Amazon due to high valuations and added to Facebook after the worst of the recent sell-off from its February peak. After much work and analysis, our thinking is that this storm will very likely pass, and that these companies' revenues and earnings will not be materially impacted. An overly detrimental and single regulatory framework is extremely difficult to imagine, as all these companies, even with their tech heritage are in very different businesses.

There will likely be a lot of negative headlines for a while, and probably some more "invasion of privacy" issues will surface at these companies. Clearly we could be mistaken, but severe regulation that inhibits the company looks very difficult to us given our work. We believe that the underlying Facebook business is still very much intact and that profits should be able to continue to grow at an annual pace in the mid to low +30% range for the next few years. At a price of about 18X times U.S. GAAP estimated earnings per share for this year 2018, the stock is cheap and sells at a very low PE to Growth ratio (PEG) of 0.6X. Over time, we think shareholders will be rewarded for their patience.

Strong earnings results will also likely make markets focus on the underlying fundamentals of each business in the Edgewood portfolio. Longer-term, stock prices should reflect their earnings' trajectory. Once again, we did not add a new position in the portfolio.

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	35
Total Assets	\$25.6 Billion (as of 3/31/2018)
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.....	34yrs
LAWRENCE G. CREEL Partner & Portfolio Manager Years of Experience.....	32yrs
ALEXANDER M. FARMAN-FARMAIAN Partner, Vice Chairman & Portfolio Manager Years of Experience.....	31yrs
PETER JENNISON Partner & Portfolio Manager Years of Experience.....	32yrs
KEVIN R. SETH Partner & Portfolio Manager Years of Experience.....	34yrs
NICHOLAS A. STEPHENS, CFA Partner & Portfolio Manager Years of Experience.....	33yrs

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 3/31/2018*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
Less than \$20	6%	2
\$20-\$40	12	3
\$40-\$75	36	8
\$75-\$125	14	3
\$125+	31	6

*Rounded to the nearest percentage

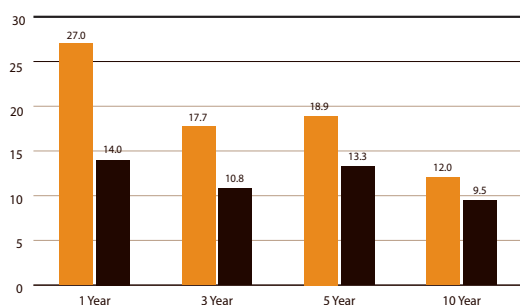
**For the equity portion of the portfolio

FIVE LARGEST HOLDINGS AS OF 3/31/2018*

Amazon.com Inc.	Facebook Inc.
Booking Holdings Inc.	Visa Inc.
Cognizant Technology Solutions	

*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

NET LARGE CAP GROWTH COMPOSITE RETURNS (%) AS OF 3/31/2018



■ Edgewood Large Cap Growth Composite ■ S&P 500 (TR)+

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 3/31/2018*

	EDGEWOOD	S&P 500+	COMMENTS
Market Cap Mean (Billions)	\$175bn	\$49bn	Focused on Growth
Number of Holdings	22	505	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	27%^	11%	Focused on Earnings Growth
Sales Growth (3 Years Historical)	20%	2%	Focused on Revenue Growth
LT EPS Growth**	18%	11%	Earnings Outlook

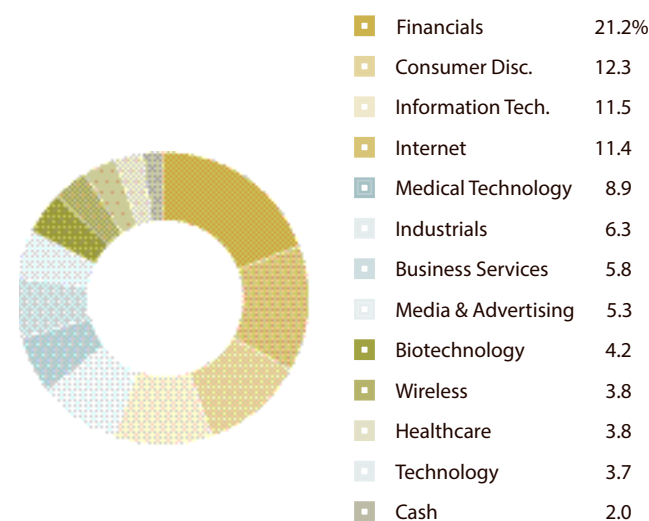
*Portfolio characteristics produced by Bloomberg and are rounded to the nearest percentage.

^Edgewood's calculation using (i) Adjusted Funds from operations per share figures for American Tower and Equinix's EPS figures as we believe they are the most relevant valuation metric and (ii) Netflix's YoY EPS Growth is excluded from the portfolio average as we feel that it artificially inflates the average growth rate of the portfolio.

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

+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.

SECTOR DIVERSIFICATION AS OF 3/31/2018*



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

Edgewood Management LLC Disclosures - 1Q 2018

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 March 31, 2018)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	26.99%	17.68%	18.86%
S&P 500 (TR) Index	13.99%	10.78%	13.31%
Russell 1000 Growth Index	21.25%	12.90%	15.53%

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.

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 presentation that complies with the GIPS standards, 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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