



EDGEWOOD
MANAGEMENT LLC

View from Edgewood

2Q 2018 COMMENTARY

The Edgewood Large Cap Growth composite gained 7.15% (net-of-fees) in the second quarter and has returned 14.2% (net-of-fees) for the first half of the year. The S&P 500 (TR) Index returned 3.4% and 2.7% for the same periods while the S&P 500 Growth Index gained 5.25% and 7.3% respectively. Other growth stock indices such as the Russell 1000 Growth Index similarly far outpaced the S&P 500 over the first six months of the year.

The market volatility that re-appeared part way through the first quarter continued in the second quarter and is probably here to stay for a while. Equities resumed their upward course, but with more price swings and several days where the market had large declines. As we said last quarter this would be expected in a normal rising interest rate environment. Add to this the increasingly strident rhetoric and actual actions surrounding international trade and the uncertain effects higher tariffs will have on the US and other economies and it is easy to see why we see more market volatility. The tit-for-tat tariff increases generate a lot of noise, but they will have some effect on actual economic growth. Perhaps the most immediate effect is they will increase domestic inflation while slowing down economic growth, not a good combination.

A rising concern is the somewhat esoteric but important topic of the flattening/inverted yield curve. As the Federal Reserve has raised short term interest rates at a fairly steady and predictable rate long term interest rates have risen, but not at the same pace. The Fed's actions are welcome as it shows a healing from the financial crisis of ten years ago. However the danger of short and long term rates first equalizing (flattening yield curve) or inverting (long term rates lower than short term rates), is that these have been highly good predictors of an eventual recession within 6 to 24 months. There are several reasons, but the major one is that being able to earn the same or better interest rate in two years than ten years leads to a decline in investment. It is unclear whether this is reflected in stock market valuations.

We are certainly not complacent, given the large gains in the Edgewood portfolio in 2017 and so far this year. We have always made conservative assumptions when valuing the equities we own and those under consideration. This has helped us to avoid valuation mistakes in periods of declining interest rates as well as now in a rising rate environment. The outperformance of large cap growth stocks also cannot be separated from the effects of the 2017 tax bill. Many of our portfolio companies will not see much change in their effective tax rate, but they have seen a much easier ability to repatriate the large cash holdings of their overseas affiliates at a lower tax rate. JP Morgan estimates that \$400 billion will be repatriated this year. Some of this has gone to capital investment, but much of the cash held by the large technology companies is going to go to stock buybacks or, in a few cases, dividend increases.

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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 | \$28.0 Billion (as of 6/30/2018) |
| 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 | 35yrs |
| LAWRENCE G. CREEL Partner & Portfolio Manager Years of Experience | 32yrs |
| ALEXANDER M. FARMAN-FARMAIAN Partner, Vice Chairman & Portfolio Manager Years of Experience | 30yrs |
| PETER JENNISON Partner & Portfolio Manager Years of Experience | 33yrs |
| KEVIN R. SETH Partner & Portfolio Manager Years of Experience | 34yrs |
| NICHOLAS A. STEPHENS, CFA Partner & Portfolio Manager Years of Experience | 34yrs |

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 6/30/2018*

| MARKET CAP (IN BILLIONS) | EDGEWOOD (%)** | COMPANIES (#) |
|--------------------------|----------------|---------------|
| \$20-\$40 | 7 | 2 |
| \$40-\$75 | 42 | 10 |
| \$75-\$125 | 12 | 3 |
| \$125+ | 37 | 7 |

*Rounded to the nearest percentage

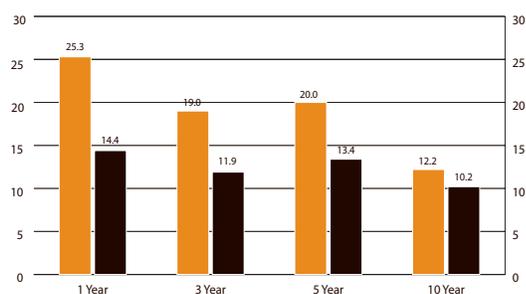
**For the equity portion of the portfolio

FIVE LARGEST HOLDINGS AS OF 6/30/2018*

| | |
|--------------------------------|----------------------|
| Amazon.com Inc. | PayPal Holdings Inc. |
| Cognizant Technology Solutions | Visa Inc. |
| Facebook 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

NET LARGE CAP GROWTH COMPOSITE RETURNS (%) AS OF 6/30/2018



■ 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 6/30/2018*

| | EDGEWOOD | S&P 500+ | COMMENTS |
|------------------------------------|----------|----------|----------------------------|
| Market Cap Mean (Billions) | \$208bn | \$48bn | Focused on Growth |
| Number of Holdings | 22 | 505 | Concentrated Portfolio |
| Most Recent Quarter YoY EPS Growth | 43%^ | 15% | Focused on Earnings Growth |
| Sales Growth (3 Years Historical) | 20% | 4% | Focused on Revenue Growth |
| LT EPS Growth** | 18% | 13% | Earnings Outlook |

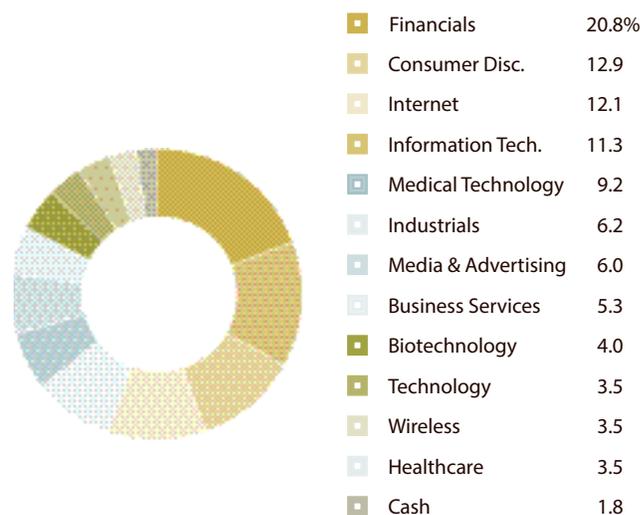
*Portfolio characteristics produced by Bloomberg and are rounded to the nearest percentage.

^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 6/30/2018*



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

Edgewood Management LLC Disclosures - 2Q 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 June 30, 2018)

| | 1 YEAR | 3 YEAR ANNUALIZED | 5 YEAR ANNUALIZED |
|-------------------------------------|--------|-------------------|-------------------|
| Edgewood Large Cap Growth Composite | 25.31% | 19.03% | 20.02% |
| S&P 500 (TR) Index | 14.37% | 11.93% | 13.42% |
| Russell 1000 Growth Index | 22.51% | 14.98% | 16.36% |

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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