

EDGEWOOD
MANAGEMENT LLC

View from Edgewood

2Q 2019 COMMENTARY

The Edgewood Large Cap Growth composite gained 5.4% in the second quarter (net-of-fees) and has returned 22.6% for the first half of 2019 (net-of-fees). The S&P 500 Total Return Index gained 4.3% and 18.5% in the same periods, with the Russell 1000 Growth Index returning 4.6% and 21.5%.

The market's torrid start to the year cooled off in the second quarter, but the period still resulted in nice gains for equities. Even with the back and forth over tariffs on Mexico (which never materialized) and China (which remain in place with an uncertain future) the market continued to rally. As we mentioned in our first quarter letter and we continue to observe with some awe, the yield on the ten year US Treasury note fell from 3.25% in early November to 2.00% at the beginning of July. That is a 125 basis point or 38% decline; an unheard of move in a time when the economy is still expanding. This decline certainly has some negative connotations, but it also vastly improves the relative valuation of stocks to bonds. Another aid for stocks has been the move of the Federal Reserve from a stance of raising interest rates to a supposedly neutral position with a strong hint that they may actually cut the Fed Funds rate in the third quarter.

The US economy enjoyed a 3.1% GDP growth rate in the first quarter, but .8% of that was from inventory building, primarily in response to threatened tariffs. It quickly became evident in April that the economy was slowing from that pace, although the extent will not be known for a while. Suddenly the Federal Reserve looked like it may have been too aggressive with its last rate hike in December. While the Fed does not want to appear to be following Trump's harsh demands for an interest rate cut, if the data leads them there they will respond. A slowdown in the economy does not necessarily mean a recession; it could actually prolong the current economic expansion if the Fed eases in time.

First quarter earnings from our portfolio companies were solid, if not spectacular; they seem to show another year of good growth ahead of them. We recently analyzed the percent of revenues the portfolio companies generate in China. Only five have greater than 10% of their revenue base there; several of them manufacture and sell in China so they have almost no tariff exposure. If the rhetoric gets too heated there is a chance of an outright boycott of US companies urged on by the government controlled media. We feel this is a remote possibility and the only way in which we see the trade war dramatically affecting the Edgewood portfolio.

Clearly there are always risks to be considered; a stalemate or failure of the U.S. China trade negotiations are not to be discounted. However, assuming no external shocks, we believe the current moderation in the pace of expansion could be one that allows for inflationary pressures to dissipate while not driving economic growth into negative territory. This scenario should be positive for growth stocks as their superior bottom line results could be all the more notable relative to their more cyclical and slowing counterparts.

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	\$31.0 Billion (as of 6/30/2019)
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	33yrs
ALEXANDER M. FARMAN-FARMAIAN Partner, Vice Chairman & Portfolio Manager Years of Experience	32yrs
PETER JENNISON Partner & Portfolio Manager Years of Experience	34yrs
KEVIN R. SETH Partner & Portfolio Manager Years of Experience	35yrs
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 6/30/2019*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
\$20-\$40	6	2
\$40-\$75	36	8
\$75-\$125	14	3
\$125+	42	9

*Rounded to the nearest percentage

**For the equity portion of the portfolio

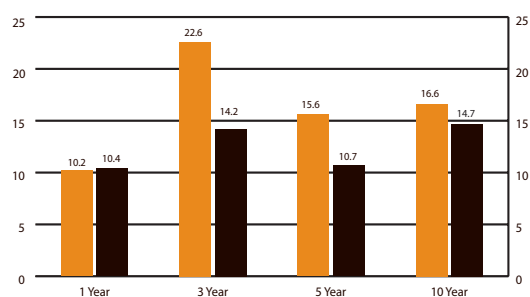
FIVE LARGEST HOLDINGS AS OF 6/30/2019*

American Tower Corp.	PayPal Holdings Inc.
Equinix Inc.	Visa Inc.
Illumina 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 6/30/2019



■ 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 6/30/2019

	EDGEWOOD	S&P 500 ²	COMMENTS
Market Cap Mean (Billions)	\$210bn ¹	\$53bn ¹	Focused on Growth
Number of Holdings	22	505 ²	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	12% ³	0% ¹	Focused on Earnings Growth
Sales Growth ¹ (3 Years Historical)	20%	7%	Focused on Revenue Growth
LT EPS Growth ⁴	17%	8%	Earnings Outlook

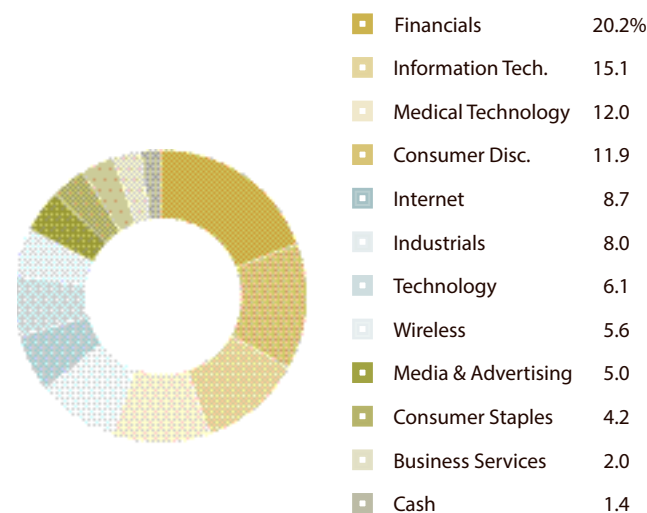
¹Provided by Bloomberg and are rounded to the nearest whole number.

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.

³Edgewood'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.

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 6/30/2019*



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

Edgewood Management LLC Disclosures - 2Q 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 June 30, 2019)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	10.17%	22.59%	15.61%
S&P 500 (TR) Index	10.42%	14.19%	10.71%
Russell 1000 Growth Index	11.56%	18.07%	13.39%

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.

CONTACT US

JIM CARRIER

JCARRIER@EDGEWOOD.COM / 212.652.9123



EDGEWOOD
MANAGEMENT LLC

535 MADISON AVENUE / 15TH FL / NEW YORK, NY 10022
EDGEWOOD.COM / 212.652.9100