

EDGEWOOD
MANAGEMENT LLC

View from Edgewood

3Q 2017 COMMENTARY

In the third quarter of 2017, the Edgewood Large Cap Growth Composite gained 5.6% net-of-fees, compared to 4.5% for the S&P 500 Total Return Index. Year-to-date the Edgewood composite has returned 30.1% net-of-fees with the S&P 500 Total Return up 14.2%.

The strong upward move in the stock market continued through the summer, with a few small periods of volatility that quickly passed even in the face of three major hurricanes hitting the US and ongoing volatile news from Washington, DC. While the repeated failures of ACA repeal votes did not create too much of a stir, the bigger concern for the market remains the fate of a tax bill, which may be reform or just a cut. A move by Congress to address tax changes seemed to be materializing at the end of the quarter and it is sure to dominate the business and economic news cycle for at least the rest of this year.

The Federal Reserve, after its September Open Market Committee, practically guaranteed that there will be another .25% increase in the Fed Funds rate in December, which would be the third one in 2017. The Fed also signaled that they will begin letting its balance sheet, which grew to \$4.4 trillion in response to the financial crisis, run off. This is the third phase of the Fed's plan to return its balance sheet to a more normal size. In May 2013 the Fed announced the reduction in the pace of bond buying. The Fed continued to buy bonds but just not as much. This led to the "taper tantrum" stock market correction of that month. In October 2014 the FED announced an end of all NEW bond purchases but a continuation of the reinvestment of maturing bond principal payments. This essentially kept the balance sheet position at \$4.4 trillion.

In this final phase as the debt matures they will not reinvest in new debt. In normal times the Fed helps influence long term interest rates by buying and selling US Treasury debt. When they buy debt they are adding to the money supply, when they sell (or let it run off) they are shrinking the money supply. For a while it will not be very material, but beginning next year when they are letting \$50 billion a month run off, it may begin to effect longer term bond rates, particularly if the economy is at current or higher rates of growth.

While it is a good sign that the Federal Reserve feels confident in ending their extraordinary measures taken over the last nine years, inflation remains at or below their 2% target rate and overall wage growth remains muted. The Fed does not want to slow the economy so much, while removing their monetary stimulus, that they push it in to deflation. Yet they also must respond to the low unemployment rate and decent GDP growth rates. We will be watching this closely as it plays out.

Growth stocks have done particularly well so far this year. Earnings growth has been robust, yet valuations have not gotten out of hand and the ten year treasury yield has actually declined, making stocks even more attractive. The economy is on solid footing, unemployment is low, with jobs seemingly plentiful in many areas, and real wage increases picking-up. Although monetary conditions look to get marginally tighter due to the actions the Fed will be undertaking, it will be a gradual process. Underlying the U.S. stock market are these benign conditions coupled with very real corporate profit expansion. In particular two of our portfolio's largest sectors, healthcare and technology, are seeing their revenues accelerate. These circumstances allow us to be cautiously optimistic going into the end of 2017 and the beginning of 2018.

In the quarter we again did not add or sell any stock positions, but we did trim several stock holdings and re-deploy that capital within 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	36
Total Assets	\$22.1 Billion (as of 9/30/2017)
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	33yrs
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 9/30/2017*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
Less than \$20	6%	2
\$20-\$40	15	4
\$40-\$75	27	6
\$75-\$125	27	6
\$125+	23	4

*Rounded to the nearest percentage

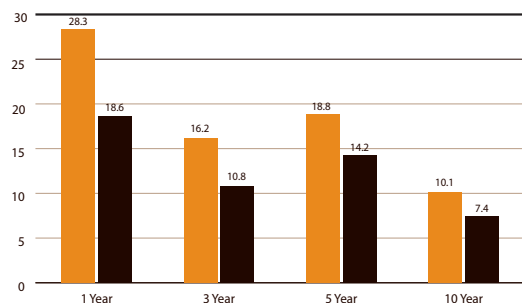
**For the equity portion of the portfolio

FIVE LARGEST HOLDINGS AS OF 9/30/2017*

Celgene Corp.	The Priceline Group 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 9/30/2017



■ 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 9/30/2017*

	EDGEWOOD	S&P 500+	COMMENTS
Market Cap Mean (Billions)	\$150bn	\$47bn	Focused on Growth
Number of Holdings	22**	505	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	19%^	13%	Focused on Earnings Growth
Sales Growth (3 Years Historical)	18%	2%	Focused on Revenue Growth
LT EPS Growth***	17%	9%	Earnings Outlook

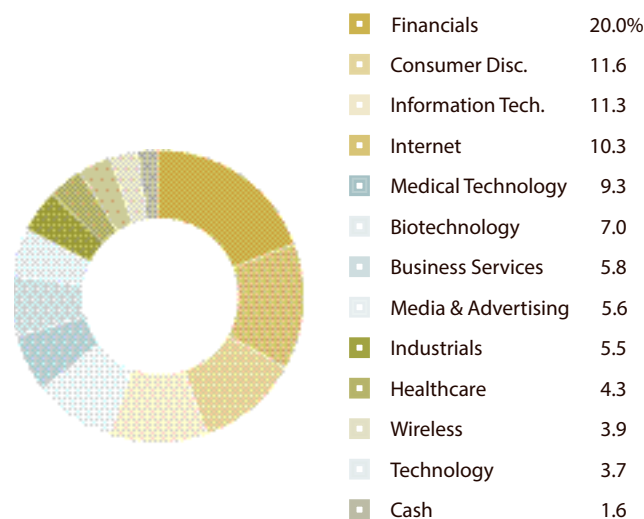
*Portfolio characteristics produced by Bloomberg and are rounded to the nearest percentage.

^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 9/30/2017*



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

Edgewood Management LLC Disclosures - 3Q 2017

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 September 30, 2017)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	28.27%	16.15%	18.83%
S&P 500 (TR) Index	18.61%	10.81%	14.22%
Russell 1000 Growth Index	21.94%	12.70%	15.26%

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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