



EDGEWOOD
MANAGEMENT LLC

View from Edgewood

4Q 2017 COMMENTARY

The Edgewood Large Cap Growth composite gained 3.9% in the fourth quarter and 35.2% for the full year 2017 (both returns are net of fees). The S&P 500 (Total Return) Index returned 6.6% and 22%, while the S&P 500 Growth Index returned 6.8% and 27.4% for the same periods.

2017 was a strong year for the equity markets domestically and internationally, with volatility at a low level rarely seen in past years. This came in the face of political turmoil domestically and internationally as the new US president's unusual way of communicating and his unique view of the world and himself would seem to portend more uncertainty in US policy and economics. While the political sphere is certainly more volatile, the strength of what seems to be the first synchronized global economic expansion in eleven years carried the day for economies and financial markets.

In the eighth year of economic expansion since the end of the recession the U.S. economy continued to add jobs, although at a slower pace than the last two years, bringing the unemployment rate to 4.1% by the end of 2017. Even in the face of continued economic expansion and low unemployment the inflation rate stayed just under the Federal Reserve's 2% target. That said, they did raise the Fed Funds rate three times in 2017, reaching 1.5% in December. At the same time, the yield on the ten year Treasury Note, which began the year at 2.55% ended the year at 2.45% after getting as low as 2%. If the bond market was worried about inflation this yield would be at or above 3%. The Federal Reserve worries about wage pressures driving inflation; a very low unemployment rate with little wage inflation has confounded the Fed and many economists.

2017 saw the U.S. economy further helped by economic expansion in Europe, Japan, and many emerging markets. Even Brazil has entered a period of economic growth after a deep recession. In addition US markets were helped by first the hope and then the reality of a tax reform that will lower the statutory US corporate tax rate to 21% from 35%. The legislation did not deliver on tax simplification as was originally promised, but the lowering of the corporate tax rate and a very low tax rate for repatriated assets should deliver some benefits to the US economy, either with direct stimulus (although the Federal Reserve may offset that with rate increases) or longer term by stopping the corporate inversions and plant offshoring that the tax rate differential may have encouraged.

Part of the outperformance of growth stocks last year was their underperformance in 2016. The early sell off that year was followed by a rebound, but then underperformance as cyclicals and financials rallied after the election. That turned on the first trading day of 2017 and sustained itself until November. 2016 and 2017 saw the solid earnings gains in our portfolio that we expected, but this was only recognized in the first ten months of 2017. All of this leads us to believe that even with the strong performance in the portfolio last year it is not overvalued given the longer term trajectory of earnings growth that we anticipate. 2018 may not deliver the same level of returns as 2017, but there is not much reason to believe we are at the end stages of this eight year bull market.

While we did trim positions and move capital in the portfolio in the fourth quarter of 2017 we did not sell a full stock position or add a new name to the portfolio all year. This may be the first time this has happened at Edgewood. There is no major significance outside of our belief that the strong performers could continue to deliver returns and that the underperformers would rebound early in 2018 as their fundamentals improve.

We want to wish all of you a healthy and prosperous 2018.

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	\$23.3 Billion (as of 12/31/2017)
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.....	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 12/31/2017*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
Less than \$20	7%	2
\$20-\$40	12	3
\$40-\$75	31	7
\$75-\$125	26	6
\$125+	24	4

*Rounded to the nearest percentage

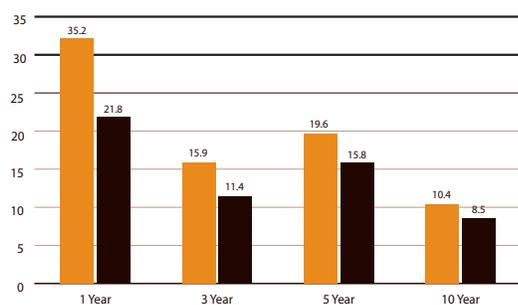
**For the equity portion of the portfolio

FIVE LARGEST HOLDINGS AS OF 12/31/2017*

Amazon.com Inc.	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 12/31/2017



■ 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 12/31/2017*

	EDGEWOOD	S&P 500+	COMMENTS
Market Cap Mean (Billions)	\$167bn	\$50bn	Focused on Growth
Number of Holdings	22	505	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	23%^	7%	Focused on Earnings Growth
Sales Growth (3 Years Historical)	18%	2%	Focused on Revenue Growth
LT EPS Growth**	17%	13%	Earnings Outlook

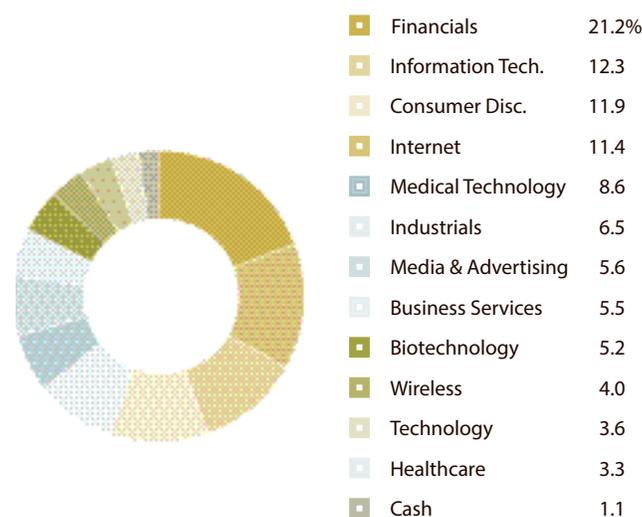
*Portfolio characteristics produced by Bloomberg and are rounded to the nearest percentage.

^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 12/31/2017*



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

Edgewood Management LLC Disclosures - 4Q 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 December 31, 2017)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	35.16%	15.94%	19.55%
S&P 500 (TR) Index	21.83%	11.41%	15.79%
Russell 1000 Growth Index	30.21%	13.79%	17.33%

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.

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