

EDGEWOOD  
MANAGEMENT LLC

## View from Edgewood

2Q 2021 COMMENTARY

The Edgewood Large Cap Growth composite returned 18.2% in the second quarter of 2021 and 19.95% for the first half of 2021 (net of fees). In comparison, the S&P 500 Total Return Index gained 8.55% and 15.25% while the S&P 500 Growth Index returned 11.9% and 14.3% for the same periods. The Russell 1000 Growth Index also returned 11.9% in the quarter and 13.0% for the first six months of 2021.

The second quarter of 2021 was a more placid quarter politically than any in the last four years. The media and market focus has gone to the vaccination campaign, economic recovery and attendant inflation worries, and more recently the joys of a return to normal, at least in the U.S. Some parts of the country have exceeded the Biden administration's goal of 70% with at least one job and hospitalizations and deaths from COVID, even with the Delta variant circulating, are below March 2020 levels. Areas with much lower rates of vaccination are actually seeing a surge in new cases, particularly among younger people. This may lead to an uneven economic recovery. The same dichotomy is emerging worldwide given uneven vaccination rates. This could persist for a couple of years.

In the first quarter of 2021 real US GDP growth was 6.4%, snugly with the range of 5 to 7% that many economists had forecast. Getting back to economically normal will take time and will occur independent of Fed policy and interest rates. Supply chains need to be reopened and/or rebuilt; even with the large number of openings the job market will take a while to match up with job seekers.

Despite some media and political hysteria over the expected acceleration in the inflation rate, the bond market seems to be accepting the transitory scenario advanced by the Federal Reserve. After peaking at 1.69% the ten year note yield has dropped to 1.48%, which is as positive for equities. In fact the futures for many commodities (lumber, many metals) have fallen rapidly from peaks reached in early May. What will really determine longer term inflation rates will be a growth in wages that exceed improvements in productivity. It is much too early to say if that will occur. At its meeting in late June the Fed did hint, for the first time, that it may raise rates earlier in 2023 than expected if inflation looks to be staying above 2% longer than expected. Since that statement the ten year treasury yield dropped a bit more and the stock market has rallied.

Edgewood's portfolio companies had relatively strong results in their first quarter of 2021 results and generally very positive outlooks for the rest of the year. This gives more credence to our analysis that 2020's strong earnings performance for most of these companies did not reflect a mere pull forward of earnings but an acceleration of trends that were in place before the pandemic. Entering another earnings season gives us reason to believe this will be confirmed.

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	40
Approximate Total Assets	\$60.1 Billion (as of 6/30/2021)
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	38yrs
LAWRENCE G. CREEL	
Partner & Portfolio Manager	
Years of Experience	35yrs
ALEXANDER M. FARMAN-FARMAIAN	
Partner, Vice Chairman & Portfolio Manager	
Years of Experience	33yrs
PETER JENNISON	
Partner & Portfolio Manager	
Years of Experience	36yrs
KEVIN R. SETH	
Partner & Portfolio Manager	
Years of Experience	37yrs
NICHOLAS A. STEPHENS, CFA	
Partner & Portfolio Manager	
Years of Experience	37yrs

## 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 6/30/2021\*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
\$40-\$75	21	6
\$75-\$125	26	6
\$125+	52	11

\*Rounded to the nearest percentage

\*\*For the equity portion of the portfolio

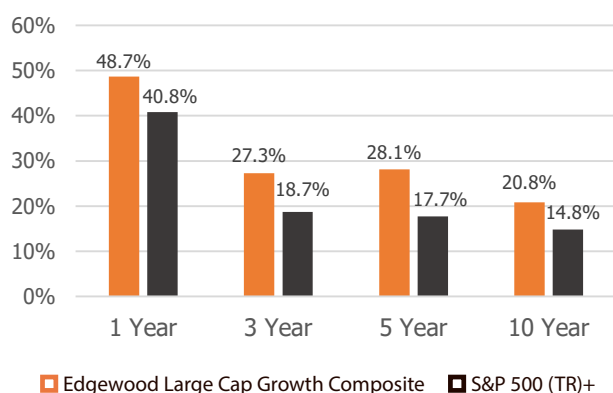
## FIVE LARGEST HOLDINGS AS OF 6/30/2021\*

Intuit Inc.	Snap Inc.
NVIDIA Corp.	Visa Inc.
PayPal Holdings, 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 6/30/2021



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 6/30/2021

	EDGEWOOD	S&P 500 <sup>2</sup>	COMMENTS
Market Cap Mean (Billions)	\$369bn <sup>1</sup>	\$80bn <sup>1</sup>	Focused on Growth
Number of Holdings	23	505 <sup>2</sup>	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	66% <sup>3</sup>	43% <sup>1</sup>	Focused on Earnings Growth
Sales Growth <sup>1</sup> (3 Years Historical)	15%	2%	Focused on Revenue Growth
LT EPS Growth <sup>4</sup>	19%	14%	Earnings Outlook

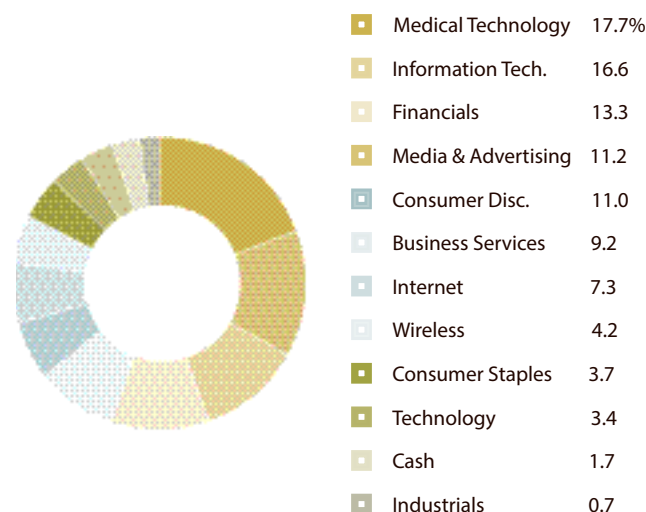
<sup>1</sup>Provided by Bloomberg and are rounded to the nearest whole number.

<sup>2</sup>Provided 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.

<sup>3</sup>American Tower's and Equinix's EPS figures are actually Adjusted Funds from Operations per share figures as we believe they are the most relevant valuation metric. Netflix's growth rate in the most recent quarter is calculated using reported GAAP Operating Income growth instead of EPS as we believe this metric is most representative of underlying business growth.

<sup>4</sup>Bloomberg estimates using the weighted average calculation methodology for Edgewood and the index fundamental value methodology for the S&P 500.

## SECTOR DIVERSIFICATION AS OF 6/30/2021\*



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

## Edgewood Management LLC Disclosures - 2Q 2021

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, 2021)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	48.72%	27.31%	28.10%
S&P 500 (TR) Index	40.79%	18.67%	17.65%
Russell 1000 Growth Index	42.50%	25.14%	23.66%

*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 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 GIPS Report that complies with the GIPS standards, contact Kitty McBride at 212-652-9100, or write to Edgewood Management LLC, 600 Steamboat Road, Suite 103, Greenwich, CT 06830 or kmcbride@edgewood.com.

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