



EDGEWOOD  
MANAGEMENT LLC

## View from Edgewood

2Q 2022 COMMENTARY

The Edgewood Large Cap Growth Composite was down -26.8% in the second quarter of 2022, and declined -39.6% for the first half of the year, net of fees. In comparison, the S&P 500 Total Return Index was down -16.1% and -20.0% while the Russell 1000 Growth Index was down -20.9% and -28.1% for the same periods.

The strong economy continues to generate jobs and inflation. The Federal Reserve is trying to control one without shattering the other; a very tough balancing act. As we have mentioned before, the general media focuses on the overnight rates set by the Fed, but the economy is affected by long term interest rates: the 10-year Treasury note is used when valuing equities and other long maturity investments 30-year mortgages are the point of reference in the housing market. Yields on both are up a lot this year, with the 10-year note at levels not seen since 2011 and 30-year mortgages at levels not seen since early 2008, before the housing crash. The Federal Reserve has no direct control of these rates, but its actions and intentions to push up short term rates affect all longer term rates. Higher mortgage rates will likely dramatically cool off the housing market, which drives a lot of other domestic economic demand. Higher rates on all lending will likely slow demand pressures and eventually lower the inflation rate. The chairman of the Fed stated the last week of June that there are two areas beyond the Fed's control: food and energy, which fluctuate more and are more dependent on worldwide supply and demand pressures.

Late in June, the bond and stock markets suddenly began worrying that the Fed's actions, blunt instruments in the best of times, would slow the economy too much and lead to a recession. This would lead to lower inflation (though probably not at the Fed's 2% target) and higher rates of unemployment. This led to a rally in growth stocks as the 10-year yield fell from its highs and worries about more economically sensitive stocks increased. Whether this persists is hard to predict, but growth stocks have declined much more than cyclicals so far this year and have returned to much more interesting valuation levels.

Second quarter earnings reports will be unusually important in providing insights into managements' thinking. The economic outlook has shifted considerably since the April earnings season. We hope all of you have an enjoyable summer.

## FIRM OVERVIEW

Founded	1974
Employees	40
Total Assets	\$34.7 Billion (as of 6/30/2022)
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.....	39yrs
LAWRENCE G. CREEL Partner & Portfolio Manager Years of Experience.....	36yrs
ALEXANDER M. FARMAN-FARMAIAN Partner, Vice Chairman & Portfolio Manager Years of Experience.....	34yrs
PETER JENNISON Partner & Portfolio Manager Years of Experience.....	37yrs
KEVIN R. SETH Partner & Portfolio Manager Years of Experience.....	38yrs
NICHOLAS A. STEPHENS, CFA Partner & Portfolio Manager Years of Experience.....	38yrs

## 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 6/30/2022\*

MARKET CAP (IN BILLIONS)	EDGEWOOD (%)**	COMPANIES (#)
Less than \$30	13	4
\$30-\$75	13	3
\$70-\$125	31	7
\$125+	40	8

\*Rounded to the nearest percentage

\*\*For the equity portion of the portfolio

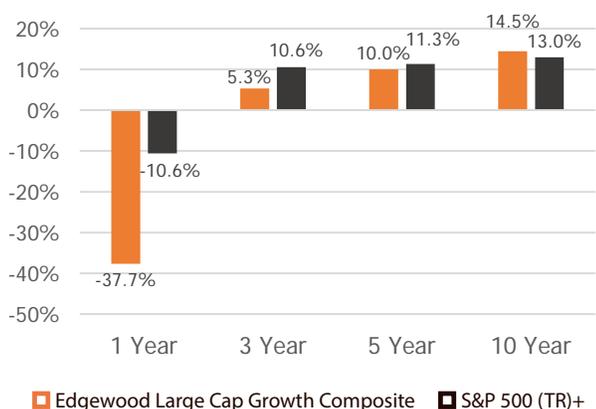
## FIVE LARGEST HOLDINGS AS OF 6/30/2022\*

Danaher Corp.	ServiceNow Inc.
Estée Lauder Companies Inc.	Visa Inc.
Microsoft Corp.	

\*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 6/30/2022



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 6/30/2022

	EDGEWOOD	S&P 500 <sup>2</sup>	COMMENTS
Market Cap Mean (Billions)	\$277bn <sup>1</sup>	\$451bn <sup>1</sup>	Focused on Growth
Number of Holdings	22	503 <sup>2</sup>	Concentrated Portfolio
Most Recent Quarter YoY EPS Growth	7% <sup>3</sup>	10% <sup>1</sup>	Focused on Earnings Growth
Sales Growth <sup>1</sup> (3 Years Historical)	15%	7%	Focused on Revenue Growth
LT EPS Growth <sup>4</sup>	17%	14%	Earnings Outlook

<sup>1</sup> Provided by Refinitiv 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 EPS figures are actually Adjusted Funds from Operations per share figures as we believe they are the most relevant valuation metric. In previous quarters, Edgewood used GAAP EPS to calculate Microsoft's most recent quarter growth as we believed it was most representative of underlying business growth. This quarter, Microsoft's GAAP EPS grew 9% due to large FX-related headwinds. We believe adjusted EPS is now the more appropriate measure of underlying business growth and valuation and will reflect that moving forward.

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

## SECTOR DIVERSIFICATION AS OF 6/30/2022\*

Financials	18.4%
Medical Technology	17.6
Business Services	16.6
Consumer Discretionary	11.1
Information Technology	10.3
Internet	6.3
Consumer Staples	5.7
Wireless	4.6
Semiconductor Mfg.	4.0
Media & Advertising	2.8
Cash	2.6

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

## Edgewood Management LLC Disclosures - 2Q 2022

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, 2022)

	1 YEAR	3 YEAR ANNUALIZED	5 YEAR ANNUALIZED
Edgewood Large Cap Growth Composite	-37.65%	5.32%	10.01%
S&P 500 (TR) Index	-10.62%	10.60%	11.31%
Russell 1000 Growth Index	-18.77%	12.58%	14.29%

*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 Large Cap Model of generally 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"), the Standard & Poor's 500 Growth Index ("S&P 500 Growth") 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 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. 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 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](mailto:KMcBride@Edgewood.com).

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