



# RiverPark Large Growth Fund

## (RPXIX/RPXXFX)

### First Quarter 2021 Performance Summary

#### Performance: Net Returns as of March 31, 2021

	Current Quarter	One Year	Three Year	Five Year	Ten Year	Since Inception
<b>Institutional Class (RPXIX)</b>	2.50%	87.02%	25.20%	22.85%	16.48%	17.03%
<b>Retail Class (RPXXFX)</b>	2.41%	86.42%	24.84%	22.52%	16.18%	16.73%
<b>Morningstar Large Growth Category</b>	2.24%	63.21%	20.20%	19.16%	14.29%	15.34%
<b>Russell 1000 Growth Total Return Index</b>	0.94%	62.74%	22.80%	21.05%	16.63%	17.66%
<b>S&amp;P 500 Total Return Index</b>	6.17%	56.35%	16.78%	16.29%	13.91%	14.93%

*Inception date of the Fund was September 30, 2010. Performance quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be higher or lower than the performance quoted. High short-term performance is unusual and investors should not expect such performance to be repeated. For performance data current to the most recent month end, please visit the website at [www.riverparkfunds.com](http://www.riverparkfunds.com) or call 1-888-564-4517. Gross expense ratios, as of the prospectus dated 1/28/2021, for Institutional and Retail classes are 0.93% and 1.23%, respectively.*

*Index performance returns are for illustrative purposes only and do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index.*



While the first quarter of 2021 was a generally strong period for the markets, the growth indices that led the markets through much of 2020 lagged this period as value and re-opening plays led the advance. For the quarter, the S&P 500 Total Return Index (“S&P”) advanced 6.2%, while the Russell 1000 Growth Total Return Index (“RLG”) returned 0.9%. In contrast, the Russell 1000 Value Total Return Index returned 11.2%.

The RiverPark Large Growth Fund (the “Fund”) returned 2.5% for the quarter, led by solid gains from alternative investment managers **Blackstone** and **KKR**, internet service providers **Alphabet** and **Twitter**, and discount broker **Charles Schwab**. Top detractors this period include cloud communication service provider **RingCentral**, **Apple**, robotic surgery pioneer **Intuitive Surgical**, and software companies **Autodesk** and **ServiceNow**. We discuss these positions, and describe the Fund’s new portfolio additions, in further detail in the Portfolio Review section below.

As highlighted below, we took advantage of the volatility in the first quarter to both add to and trim many of our existing positions, as well as add seven new names to the portfolio (one of our largest new addition periods since inception), at what we believe to be particularly attractive prices. We exit the quarter with tremendous optimism, as we project robust revenue and profit growth for our portfolio companies, supporting materially higher market values, in the years to come.

## Strategy Review

### Managing through Noisy Markets

The first quarter of 2021 was a particularly noisy one, as the indices, and a vast number of individual stocks, experienced substantial intra-quarter volatility. Over just a few days and weeks, the S&P 500: rose 4%, dropped 5%, rose 7%, dropped 6% and rose another 7%, finishing with a strong “re-opening” surge.

There was plenty of broad economic noise that buffeted stocks this quarter including:

- Increasing cases from the new COVID variants, leading to a fear of a return of COVID lockdowns,
- The risk of inflation from the COVID stimulus and government infrastructure spending,
- The tug of war between the Fed’s goal to not raise rates until 2023 vs. the fear they will need to,
- The risk of rising rates affecting growth stock valuations,
- All things China (boycotts, trade wars, etc.),
- SPACs, Bitcoin and NFTs suggesting an asset bubble, and
- The tanker stuck in the Suez Canal disrupting global trade.

And the volatility in individual names was even more pronounced—many left-for-dead value names roared to life with the prospect of a full re-opening (Exxon and Macy’s advanced 37% and 44%, respectively, for the quarter). Viacom shares surged nearly 200% over the first 10 weeks of the quarter on little if any company news, apparently driven by a single hedge fund hoovering in stock, and then collapsed over 60% in a matter of days, as the hedge fund was forced to liquidate. Finally, there has probably been no greater individual stock noise in the past several decades than the 1Q21 social media-fueled frenzy of Robinhood traders sending GameStop’s stock up 1,915% from trough to peak in January, then down 88% in February, and back up 368% to end the quarter. The Reddit-fueled “squeeze em” rallies spread to other heavily shorted and controversial names that also went on a “Mr. Toad’s Wild Ride” through 1Q21.

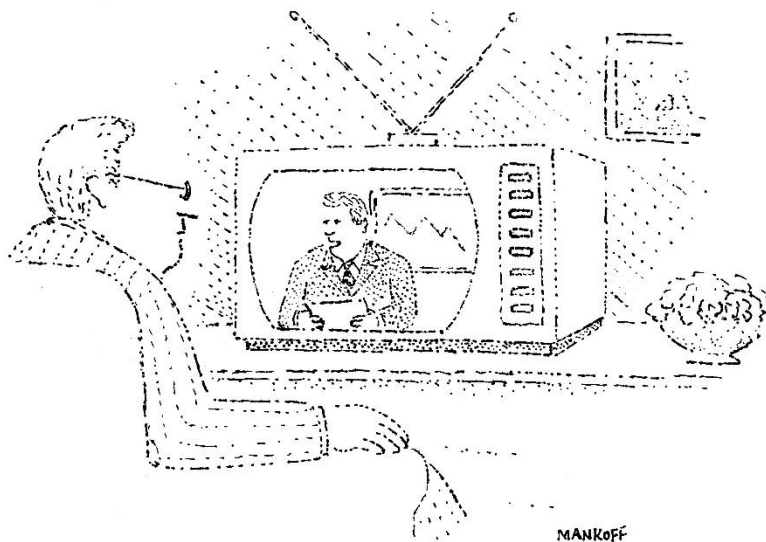
Certainly, with armies of individual and short-term traders poring over reams of information, screaming over social media platforms, and using no cost trading, options and leverage, the noise can quite quickly get pretty loud.

Periods like these, where stock prices seem to overreact materially to relatively minor news items, have been increasingly common over the last few decades, and have come to be described as “Noisy Markets.”<sup>1</sup> It’s called noise because, the so-called news items have little to no lasting effect on the broader economy or a company’s long-term earnings.<sup>2</sup> And, within a relatively short time (days or weeks, usually), the noise dies down and the focus returns to the things that matter long term.

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<sup>1</sup> The term “Noise” is borrowed here from science and engineering to mean random fluctuations that may interfere with the “Signal,” the meaningful information that one is trying to detect..

<sup>2</sup> Although for companies amid a short squeeze that are then able to raise capital at substantially higher prices, the noise can create its own signal.



*“On Wall Street today, news of lower interest rates sent the stock market up, but then the expectation that these rates would be inflationary sent the market down, until the realization that lower rates might stimulate the sluggish economy pushed the market up, before it ultimately went down on fears that an overheated economy would lead to a reimposition of higher interest rates.”*

A few recent examples of markets where the noise was particularly loud, include the “Taper Tantrum” in May 2013, during which worries of higher U.S. growth led to fears of rising inflation and interest rates<sup>3</sup> and the August 2015 “Flash Crash” which had no clear underlying cause.<sup>4</sup> The reaction to the original Brexit vote in 2016 is another example—although the full terms of Britain’s EU exit would take 5 more years to negotiate, the S&P 500 and the Nasdaq Composite both fell 4% on the day after the vote. More recently, the fourth quarter of 2018’s broad and swift sell-off (the worst quarter since 2011, during which the S&P 500 declined 14% and the Russell 1000 Growth index declined 16% in a few short weeks) was a particularly loud example of a market overreacting to a narrow issue (the thought that Fed commentary was too hawkish). With fears of recession giving way to a strong economy with stable rates, nearly all market indices recovered all lost ground and hit new highs during the very next quarter.

<sup>3</sup> The Tantrum caused an avalanche of commentary and significant individual stock volatility with the S&P 500 suffering a peak to trough decline of 6% from May to June. As the tantrum wore off, the markets fully recovered and hit a new high in July.

<sup>4</sup> During the Flash Crash the S&P 500 dropped 11% in six trading days without any single specific cause, only to rebound to a new high by early November.



Even with more significant events that rise beyond mere “noise” and do rightfully impact the market, such as 9/11, the Great Financial Crisis, and the COVID-19 pandemic, the market often still overreacts. In each of these cases, over the next few months, many businesses that suffered little if any disruption (and some that benefitted from the disruption—such as the stay-at-home winners during COVID) often sprint back to new highs within weeks. And, even in more severe selloffs, the broader markets often make their way back to all-time highs pretty quickly, as the markets rebounded from the 9/11 and the COVID-19 sell-offs in only two months and six months, respectively.

The impact on individual security prices during noisy markets can often be significantly greater than the impact on the market as a whole, as individual stock price changes of 50% or more are not uncommon. These individual stock moves also often occur in businesses with little, if any, direct link to the noise, as traders make dramatic switches from risk on to risk off positions and back again.

While noisy markets nearly always create increased volatility, which some use as a measure of risk, we view them as some of the best creators of investment opportunities, as “the short-term volatility of price will (often) be greater than the short term volatility of value.”<sup>5</sup> When the noise causes stock prices to fall materially below (or rise above in the case of unexpected spikes) our views of a company’s intrinsic value, we can significantly improve future performance by adjusting our positions or adding new ones accordingly.

A core pillar of our research process is maintaining fully researched files and detailed financial models on a host of businesses in industries that we believe to be significant beneficiaries of secular trends of creative destruction in order to be ready to react with high conviction. These are companies with significant and growing competitive advantages, high profit business models and world class management teams. Also, because we limit our portfolios and our research pantry to businesses that we believe are secularly (rather than cyclically) advantaged, highly predictable (platform businesses with recurring revenue, substantial market share, high free cash flow margins and cash rich balance sheets), and whose earnings we believe will increase dramatically in the years to come, we can often confidently dismiss the current noise and react swiftly to price changes.

Looking back at past significant Noisy Markets, many of our most profitable positions were initiated or materially increased during these periods. For example, we significantly increased two of our top positions—Blackstone and Apple—during the aforementioned 2015 Flash Crash, and they have since returned 218% and 414%, respectively, compared with the S&P 500’s 134%. During the fourth quarter 2018 market drawdown, we initiated positions in Microsoft,

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<sup>5</sup> Common Stocks and Uncommon Profits, Philip Fisher.



ServiceNow, PayPal and Twitter, and these have since returned 123%, 193%, 186%, and 93%, respectively, through 1Q21, compared with the S&P's 59%.

Given that the vast majority of the 1Q21 headline issues were noise with little, if any, consequence to our underlying earnings projections, we put on our noise cancelling AirPods (Apple—top ten position) and went to work on upgrading the portfolio. We took advantage of the substantial intra-quarter volatility to add to several of our existing portfolio positions at what we believed to be particularly attractive prices. We were also excited to add seven new positions to our portfolio: **Charles Schwab, Square, UnitedHealth Group, Booking Holdings, Zillow Group, Snowflake** and **Farfetch** (all described in the Portfolio Review section below), representing one of our most active new position quarters since inception. We look forward to looking back in the years to come with thanks for the noise.

## Portfolio Review

Top Contributors to Performance for the Quarter Ended March 31, 2021	Percent Impact
The Blackstone Group Inc.	0.74%
Alphabet Inc.	0.68%
KKR & Co. Inc.	0.61%
Twitter, Inc.	0.54%
The Charles Schwab Corp.	0.54%

*Portfolio Attribution is produced by RiverPark Advisors, LLC (RiverPark), the Fund's adviser. Although RiverPark believes that its attribution methodology adheres to generally accepted standards in the industry, attribution analysis is not an exact science and different methodologies may produce different results.*

*Performance attribution is shown gross of fees. Holdings are subject to change.*



Top Detractors From Performance for the Quarter Ended March 31, 2021	Percent Impact
RingCentral, Inc.	-0.45%
Apple Inc.	-0.29%
Intuitive Surgical, Inc.	-0.27%
Autodesk, Inc.	-0.24%
ServiceNow, Inc.	-0.20%

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## New Positions

We re-established a position in **UnitedHealth Group** during the quarter. The company occupies a unique position within the U.S. healthcare system with several at-scale and interconnected businesses. UnitedHealth has (a) a dominant managed care organization (MCO) in commercial, Medicare and Medicaid markets, (b) a large and growing presence in local care delivery (OptumHealth's physicians and ambulatory service centers), (c) one of only three at-scale pharmacy benefits managers (OptumRx's PBM) and (d) a fast-growing healthcare-information technology (HCIT), consulting and revenue cycle management (RCM) business (OptumInsight).

While the combination of the businesses provides UNH advantages, the individual segments have key differentiators as well. UnitedHealth has scale in Medicare Advantage and Medicaid, the two fastest growing product lines in managed care. With the high costs of U.S. healthcare an increasing priority, MCO's like UnitedHealth are in strong positions to pressure vendors and healthcare providers. The company's OptumHealth division has the advantage of being a healthcare provider working with, instead of against, its payer. OptumRx (the largest piece of UNH's service businesses) is one of the three major PBMs and we expect the dominant PBMs to take share from the smaller players. OptumRx should take additional share as UNH recaptures the 60%-80% of its self-insured employer clients from competitor PBMs. Finally, the higher-margin OptumInsight business is well positioned to address the growing needs of four primary market segments: healthcare providers, health plans, governments, and life science companies, all of which have increasing data, technology, and revenue management needs.



The combination of the largest MCO (UnitedHealth) with the faster-growing, higher-margin Optum services businesses positions the company to capture future growth in the U.S. healthcare industry. We expect balanced growth from both health insurance and health services leading to consistent high-single-digit revenue growth for the company. With margin expansion from scale, share buybacks from its strong cash generating ability (the company currently has \$20 billion cash), and continued strategic acquisitions, we believe the company can generate double-digit earnings growth for the foreseeable future.

We bought back a position in **Booking Holdings** during the quarter. Booking is the world's leader in online travel, operating in 200 countries with brands including Booking.com, priceline.com, agoda.com, Kayak, Rentalcars.com and OpenTable. The company has been a dominant on-line travel agency for more than a decade with a high margin business model (40% EBITDA margin for 2019) that requires limited capital expenditures, typically less than 3% of revenue, producing \$4.5 billion free cash flow for 2019. This cash flow has been used for episodic acquisitions as well as to return cash to shareholders.

BKNG is well positioned in travel as the largest player in online lodging bookings and the second largest player in alternative accommodations. Like all travel companies, Booking was hit hard by the pandemic, but with its high international exposure, we expect the company's recovery to be equally strong when travel returns.

We also re-initiated a position in **Charles Schwab**, a leading investment services firm. Following its acquisition of TD Ameritrade, the company now has more than \$6.7 trillion in client assets, up from \$2.5 trillion just five years ago. Against this 170% increase in client assets, revenue has increased just 83%, as trading fees and net interest income have lagged. The company now has several revenue initiatives to grow its asset-based fees to make revenue more recurring and more aligned with asset growth over the long-term. Over the near-term, Schwab's 2020 \$22 billion acquisition of TD Ameritrade should boost earnings through 2023 from both revenue benefits and significant cost synergies. Additionally, with net interest revenue at more than 50% of total revenue and interest rates at all-time lows, we believe interest rate increases over time bode well for future earnings. We project a minimum 7% annual asset growth, which, combined with revenue initiatives, acquisition synergies, and the company's disciplined expense control, should generate double-digit earnings growth over the long term. These rates of growth could be higher if the Fed increases interest rates.

We established a position in leading Financial Technology provider **Square** during the quarter. Through one integrated system, SQ is a hybrid of two businesses: its Seller Business (charging small and medium-sized businesses about 3% for transaction payment processing, plus other services such as instant funds access, and software for everything from customer engagement to payroll), and its Cash App (originally for person-to-person cash transfers and now a growing digital financial services provider for consumers).





The combined business has grown gross profit at a 37% CAGR over the past five years to \$2.7 billion (due to pass through costs, gross profit is more reflective of top-line growth) and we believe that the company has an enormous long-term runway, as it has less than a 2% share of a more than \$160 billion market. It is our view that the company's Cash App (which has grown from nothing in 2015 to \$1.2 billion gross profit last year) has a particularly large opportunity with its powerful ecosystem of digital financial services including digital wallets, direct deposits, stock trading, bitcoin trading, and business and tax services, which are all relatively new. The vast majority of Cash App's more than 36 million users are younger and, importantly, are willing to replace their bank and other financial services accounts with the app.

We estimate that the company can grow its gross profit more than 30% and EBITDA more than 50% annually for the foreseeable future, and while most of the company's current profit is from its Seller Business, we believe most of Square's future value will be from its Cash App business.

With its number one ranking in real estate brand awareness, and more than 200 million monthly unique users and 10 billion visits last year to its mobile apps and websites, **Zillow** is the leader in online real estate. The company has historically focused on the \$20 billion real estate advertising market through its IMT segment but is now also targeting the more than \$2 trillion home transaction and related services market in its Homes and Mortgages segments. Just as the internet disrupted travel bookings, job search, home movie viewing, and car purchasing, among other industries, Zillow is disrupting residential real estate by radically simplifying real estate transactions, including inspections, appraisals, title, insurance, mortgages, and buying and selling. Zillow co-founder and CEO Rich Barton has deep experience in disrupting industries, having founded Expedia and co-founding Glassdoor (Rich is also on the board of Netflix).

Zillow's growing, high margin, high cash flow media business (its IMT segment generated \$556 billion of EBITDA on \$1.5 billion of revenue last year) is funding the explosive growth of its Homes and Mortgages sector, which has grown from zero in 2017 to \$1.9 billion revenue last year. The two businesses work synergistically to provide Zillow with scale and data advantages, as well as low customer acquisition costs. We believe the company's IMT segment will continue its high-margin, double-digit growth (last year IMT revenue and EBITDA grew 33% and 83%, respectively) and its Homes and Mortgages segment growth will accelerate post-COVID, with margins turning from negative to positive as the business scales.

We also established a position in **Snowflake** during the quarter. Snowflake offers cloud-based data storage and analytics, generally termed "data warehouse-as-a-service." The data warehousing market—created by the massive, growing amount of user, customer, and account data and the need to search and analyze it—has historically stored its data on physical servers located on-premises. The cloud data platform market—storing data off-premises on cloud servers—is a relatively new \$70 billion+ market. Significantly, incremental warehouse data



capacity and renewals are expected to be driven by and to the cloud, with more than 75% of databases in the cloud by 2022.

Snowflake requires absolutely no infrastructure management from its users, is fully scalable for each customer, runs on Amazon, Microsoft, or Google cloud platforms, and most critically, Snowflake helps companies analyze their data. The company also has a unique, customer-aligned billing model based on usage. All of which has led to Snowflake being among the leaders of this highly fragmented market, posting 124% revenue growth last year. SNOW's growth comes from the combination of more customers—which grew 73% last year—and customers buying more services—the company boasts an amazing 150%+ net customer retention. The company's growing scale has also led to increasing gross margin and operating leverage, up 1,100 basis points and 8,200 basis points, respectively, over the past two years. The company has guided to FCF break-even this year, and with the company's capital expenditure-light model—Snowflake uses the public cloud for hosting—we expect FCF to grow much faster than revenue growth, which we forecast to grow comfortably more than 50% per year for the next several years. Additionally, we have great confidence in the SNOW management team, which previously had an enormously successful run guiding one of our other core Cloud software holdings ServiceNow.

Finally, we established a small position in e-commerce company **Farfetch**, which is benefitting from the secular trends of growing ecommerce, the global market for personal luxury goods, and emerging market growth, particularly in China. The company is an e-commerce platform like Amazon, Mercado Libre, or Alibaba, and is the leading online luxury fashion retail platform. Luxury fashion has much lower online penetration than general ecommerce, and Farfetch is differentiated because of its longstanding relationships with the generally family-controlled, brand-protective luxury product companies. Because of its luxury focus, Farfetch has both higher average order values and higher take rates relative to peers, driving higher gross margins.

In its recently ended fiscal 2020, Farfetch grew revenue 64% and gross profit 68%, the company should be EBITDA positive this year, and we believe the company can grow revenue more than 20% per year and EBITDA more than 50% per year for the foreseeable future. With its extremely low capital needs—capital expenditures were less than 2% of revenue last year—we expect the company's free cash flow to grow even faster.



## Top Ten Holdings

The below charts depict the top 10 holdings as of the end of the quarter.

Holdings	Percent of Net Assets
The Blackstone Group Inc.	4.4%
Amazon.com, Inc.	4.1%
Microsoft Corp.	4.0%
Alphabet Inc.	3.8%
Pinterest, Inc.	3.8%
Apple Inc.	3.5%
Snap Inc.	3.4%
Zoetis Inc.	3.2%
KKR & Co. Inc.	3.0%
Shopify Inc.	3.0%
	<b>36.1%</b>

*Holdings are subject to change. Current and future holdings are subject to risk.*



Below is a list of the weightings of these various themes in our portfolio as of the end of the quarter.

Portfolio Themes	
Internet Advertising	▪ 16.2%
Med Tech	▪ 9.8%
Alternative Asset Management	▪ 9.3%
Application Software	▪ 8.8%
E-Commerce	▪ 8.2%
Enterprise Software	▪ 7.7%
Electronic Payments	▪ 7.4%
Mobile Compute	▪ 3.5%
Animal Health	▪ 3.2%
Tech Real Estate	▪ 3.0%
Global Media Content	▪ 3.0%
Discount Brokers	▪ 2.9%
Payments	▪ 2.6%
Online Travel Agency	▪ 2.6%
Ridesharing	▪ 2.4%

*Holdings are subject to change. This is a representative (non-exhaustive) list of the largest current themes.*



## Summary

We believe that our portfolio is comprised of an exciting group of companies that are attractively valued, are benefiting from strong secular growth trends and are poised to generate substantial and growing excess cash flow in the years to come. We believe that this bodes well for our future absolute and relative returns.

We will continue to keep you apprised of our process and portfolio holdings through these quarterly letters and welcome your feedback. Please do not hesitate to contact us if you have any questions or comments about anything we have written or about any of our other strategies.

We thank you for your interest in the RiverPark Large Growth Fund.

Sincerely,

Mitch Rubin  
Portfolio Manager and Chief Investment Officer



**To determine if the Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information may be found in the Fund's summary or full prospectus, which may be obtained by calling 1-888-564-4517 or by visiting the website at [www.riverparkfunds.com](http://www.riverparkfunds.com). Please read the prospectus carefully before investing.**

*Investing involves risk including possible loss of principal. There can be no assurance that the Fund will achieve its stated objective.*

*This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the Fund or any security in particular.*

*The Russell 1000 Growth Total Return Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500 Total Return Index is an unmanaged capitalization-weighted index generally representative of large companies in the U.S. stock market and based on price changes and reinvested dividends. Morningstar Large Growth portfolios invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index.*

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