



RiverPark Large Growth Fund

(RPXIX/RPXFY)

Fourth Quarter 2018 Performance Summary

The fourth quarter of 2018 was a difficult one for the RiverPark Growth Fund (the “Fund”) and across the markets. The Fund returned -16.9% for the quarter which compared with the S&P 500 (the “S&P”) and the Russell 1000 Growth Index (the “RLG”) which returned -13.5% and -15.9%, respectively.

This brought the total return for our Fund for the year to -4.4% as compared with the total returns of -4.4% and -1.5% for the S&P and the RLG, respectively.

Performance: Net Returns as of December 31, 2018

	Current Quarter	Year-to- Date	One Year	Three Year	Five Year	Since Inception
Institutional Class (RPXIX)	-16.93%	-4.39%	-4.39%	9.86%	6.11%	11.62%
Retail Class (RPXFY)	-16.99%	-4.63%	-4.63%	9.60%	5.83%	11.34%
Morningstar Large Growth Category	-15.41%	-2.18%	-2.18%	8.87%	8.03%	11.57%
Russell 1000 Growth Total Return Index	-15.89%	-1.51%	-1.51%	11.15%	10.40%	13.75%
S&P 500 Total Return Index	-13.52%	-4.38%	-4.38%	9.26%	8.49%	12.32%

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 or call 1-888-564-4517. Gross expense ratios, as of the prospectus dated 1/25/2018, for Institutional and Retail classes are 0.93% and 1.22%, 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.



The Market

The sell-off of 4Q18 was broad and swift and it was difficult to point to a specific proximate cause. The economy, while slowing, continues to grow. Unemployment remains near record lows. The Fed, while still tightening, appears to be getting close to a neutral stance and does not appear determined to restrict economic growth. The trade rhetoric with China appears a bit more constructive. And, earnings across most industries are still expanding with +20% earnings growth for S&P 500 companies in 2018¹ with most analysts still projecting positive GDP growth for the economy and 5-7% earnings growth for the S&P in each of 2019 and 2020. While some economists are warning of a recession in late 2019 or early 2020, that possibility nearly always exists 12-24 months out.

Rather than a dominant proximate cause in a specific sector (such as overvalued dot coms in 2000 or excessive leverage in housing and banks in 2008), we view the most recent sell-off more as a broad based loss of confidence by investors that the next few years are going to be better than the past few have been. This bearishness seems to be coming from a loss of confidence in the macroeconomic trends noted above and in the ability of our policy makers (will the Fed overshoot?) and politicians (dysfunction appears to be increasing both at home and abroad) to navigate through the coming years. Although, in the past, many have believed that the market can “climb a wall of worry”, it is unclear to many when the climb will start.

What is clear, is that a lot of damage has already been done to equity prices as each index has already dropped near or into a bear market (down at least 20% from a prior peak) during the quarter. As a result of both the sell-off and the strength of recent earnings, the market has already re-priced to a historically attractive level of 14x the 2019 earnings estimate for the S&P 500 - below its long-term average of 16x and well below past peaks of excessive valuations at +25x.² It is possible that the market has already re-priced for a recession that may or may not happen.

Regardless of the cause, corrections and bear markets always feel terrible in the moment. They also feel as if they will never end. And yet, they always have. Each of the prior corrections and bear markets (as well as each prior recession) of the past +100 years eventually drew to a close as a combination of lower equity prices with a U.S. economy that has always proved resilient eventually attracted buyers and ushered in a renewed period of growth that not only recovered the losses of the prior sell-off, but eventually created even greater returns for long term investors. It is our belief that history will, once again, repeat itself and the economy and the equity markets will see brighter days ahead.

¹ Certainly part of the 2018 S&P earnings growth was tax aided and non-recurring, but part was also due to a strong underlying economy with +3% GDP growth.

² Long-term (25 year) average calculated using FactSet.



What became apparent over the last several months is that stocks universally went on sale with little regard to the prospects of individual companies. In the moment, this ‘correlated’ market is generally not a great environment to distinguish stock pickers and active managers, but we believe that, over time, as the multi-year potential for growth or contraction in a given company’s long term prospects become more recognized by the markets, a higher dispersion of stock price performance will ensue. It is our belief that those companies that compound earnings at a greater than market rate will lead the market higher over time, while those that fail to adapt and their earnings either stagnate or shrink, will be left behind in the subsequent advance.

Strategy Review

Our strategy remains the same as we enter 2019. It remains our core belief that, over the long-term, individual stock prices follow the earnings and free cash flows that each individual company produces. As a result, whether we are in the midst of a bear or a bull market, we continue to adhere to two fundamental principles:

- (1) Focus our research on identifying the leading secular growth companies in industries that are expanding and whose competitive advantages we believe will be sustainable beyond the next few years. These are companies that we believe will be resilient through economic cycles and will continue to compound earnings and free cash flow over each of the next 1,3, 5, 10 and in some cases 15-20 year periods given their dominance of long tailed secular growth industries; and
- (2) Buy and own shares in those companies if, and only, if they trade at attractive prices.

By adhering to both of these principals, we believe our portfolio returns will eventually follow the arc of our companies’ earnings growth regardless of the overall direction of the markets.

The price performance of the portfolio in the fourth quarter and for the year stands in stark contrast to the fundamental performance of the vast majority of businesses in which we invest, as, for the most part, they generated strong growth in revenue, earnings and free cash flow during the year. While periods of market disruption do not generally alter the competitive advantages of secular growth leaders, they often do offer the opportunity to buy their shares at materially cheaper prices, as these companies are either thrown out with the bathwater of a declining market and/or are otherwise working through a company-specific issue at the time of the sell-off that magnifies their negative stock performance within the broader market downturn. Overdone sell-offs are precisely the case that we believe have been created with some of our current holdings that were amongst our larger detractors from performance this quarter (which we review in the Portfolio Review section below), as well as with respect to several new positions in strong secular growth industries that we added to the portfolio including **Microsoft** and **ServiceNow** in the enterprise software space; enterprise security vendor **Palo Alto Networks**; **PayPal** and



American Express within electronic payments; **Interxion**, a leading European datacenter operator; growth retailer **Dollar General**; video game developer **Activision**; and adult beverage producer and marketer (and also now a cannabis industry investor) **Constellation Brands**.

We briefly highlight the investment case for each of these new positions below.

Through its reinvention as a leading hybrid Cloud provider, **Microsoft** has, we believe, entered a second chapter of market-leading growth that can drive the company's revenue and profits for years to come. At the heart of the company's transformation is its Azure cloud computing offerings for developing, testing, managing and deploying applications, allowing clients to move workloads between their on premise systems and the Azure cloud. The Azure platform includes Microsoft Enterprise Mobility + Security, SaaS offerings of identity and security solutions, and Microsoft Power BI, the company's business intelligence SaaS offering. Azure and related cloud-based products sales (with +60% growth expected in 2019) are key drivers of Microsoft's enhanced revenue growth, which has been augmented by accelerating growth in the company's Office franchise (including a higher priced version of Office, E5, as well as the introduction of Microsoft 365) and continued strong growth from the company's Xbox gaming segment. Overall, Microsoft's revenue growth has accelerated from a mid-single-digit rate at the end of the PC/Client server cycle to 18% in the company's most recent quarter - a staggering acceleration for a business with \$115 billion in annual revenue.

We believe that cloud-based services can, over time, become the largest revenue and earnings generator for the company and we expect the growth of this business to help Microsoft continue to generate strong revenue growth with high and growing margins (the company reported 65% gross margin and 41% EBITDA margin in 2018), while generating significant free cash flow (\$32 billion in 2018). We project mid-to-high teens EPS growth, with upside from deploying the company's \$134 billion (and growing) cash balance.

Despite having been a strong stock for the last several years, during October, MSFT shares suffered a nearly 14% peak-to-trough sell down (despite the company reporting much better-than-expected revenue and profits during the month). The share decline allowed us to build a significant position in what we believe will be amongst the leading growth companies of the next several years.

Digital payments leader **PayPal** is the third largest payment company globally (after Visa and Mastercard) and, as the leading online checkout button/digital wallet, the company provides the purest exposure to the mid-teens secular growth in ecommerce. The company is growing its core total payment volume at a greater-than-20% rate, faster than ecommerce growth due to the market share gains of digital wallets. More than 90% of PayPal's revenue comes from transactions, primarily its checkout button, where it charges merchants 2.5% (on average) of transaction value as a fee for facilitating the electronic payment over the PayPal network.



Checkout buttons simplify online shopping, letting customers finish a transaction with just a few clicks, decreasing uncompleted transactions (called cart abandonment, where as many as 35% of customers don't complete a transaction if they have to create an account) and increasing merchant revenue. The company should generate an estimated \$570 billion of total payment volume in 2018 (up over 26% year-over-year) from more than 260 million active users and over 20 million active merchants. We believe that digital wallets have a long runway for growth in the \$13 trillion global card payment volume market (excluding China), as cards are only 43% of payment volume (mobile payments will be increasingly used at retail point-of-sale systems) and ecommerce is only 12% of total purchases. PayPal dominates digital wallets with more than 60% share of internet users in the U.S. in the checkout (wallet) market with more than 10 times the number of active users compared to its next closest competitor (Visa Checkout), as well as 18 million merchants, about five times the acceptance of Visa Checkout.

On top of growth from its digital wallet, we believe PayPal's growth will be further enhanced by the company's continued rollout of its Venmo peer-to-peer (P2P) payment service. Cash and checks still dominate transactions amongst individuals for things such as sharing theatre tickets, splitting dining checks or a host of other peer-to-peer transactions, and accounting for more than 90% of volumes. PayPal's Venmo unit is rapidly innovating in the peer-to-peer market and recently reported \$17 billion of payments and 477 million transactions in this year's third quarter alone, growth rates of 78% and 61%, respectively. PayPal has only recently begun to monetize its Venmo platform, which we believe can provide an additional significant avenue of growth for the company, while also providing important synergy with PayPal's digital wallet.

On a currently profitable base (with 20% operating margins), the company plans to drive further operating leverage through the business over time. PayPal management has guided to at least 50 basis points of operating margin improvement per year over the next several years (we note that Visa and MasterCard at their scale currently have +50% operating margins). In addition to core organic growth, we expect the company to continue to be an active acquirer, as the business currently has \$10 billion of cash and consistently growing free cash flow that should exceed \$4 billion next year. Combining the secular growth of ecommerce and P2P payments with operating leverage and the strategic use of the company's significant and growing cash balance, we believe the company can grow earnings at a mid-20% rate over the next five years.

Twitter has ingrained itself into society as a global digital communication platform widely used by journalists, politicians, financiers, celebrities, athletes, and other types of influencers. For its more than 300 million worldwide users, the service has become a key real-time communication platform as major events unfold around the world. Twitter has an enviable business model (similar to Facebook) in that the service is free to its users, who then generate their own content to share with others that find the content provocative, interesting and engaging. Twitter maintains and manages the platform while also selling advertising placements to companies seeking to engage with the users on the platform. Twitter generates more than 85% of its



revenue from the sale of digital advertising, mostly in the key mobile category, sold on a pay-for-performance basis. The business is highly profitable with nearly 70% gross margins and an adjusted EBITDA margin in excess of 35%. Last year, the company generated over \$650 million in free cash flow. With less than \$3 billion of annual revenue (5% of Facebook's revenue), the company has a large opportunity to take share in the \$200 billion global digital advertising market, which continues to flow to mobile, Twitter's focus. As the company continues to improve its products (such as Moments and Video), its platform should become more compelling to both users and advertisers, allowing it to take advertising dollar share through increased user engagement and ad pricing.

Unlike other high growth and highly profitable internet businesses, TWTR's stock has had a difficult time as a public company as, following a much hyped debut in November of 2013, the company's stock fell from a post IPO high of over \$70 per share to lows of \$14 in 2016 and 2017. The company has struggled through changes in its senior management, weak user growth metrics, and inconsistent revenue and margin results, all while also underinvesting in its core platform, which lacked both innovation and world class advertiser tools. Still, Twitter remained a vital resource to its over 300 million monthly active users as a forum to share ideas and information. Over the past two years, a new management team, led by founder Jack Dorsey (also the CEO of Square), has both rebuilt and modernized the functionality of the company's main platform while also reengaging with the advertising community to prove the effectiveness of the site as a medium to reach customers. The company has also been proactive in investing in the "health" of its platform to effectively police nefarious behavior and remove fake/misleading/hateful posts.

During 2018, the company began to see the fruits of its labor as company revenue, which had declined through the first nine months of 2017 and increased only 2% in fourth quarter 2017, accelerated through the first three quarters of 2018, hitting 29% year-over-year growth in the third quarter. This revenue growth acceleration occurred despite relatively flat monthly average users (MAU), as the company continues to focus on the health of its platform, removing bad users (automated, spam, or malicious accounts) from the ecosystem. We believe that the company's focus on a higher quality network of users should drive both MAU growth and advertiser returns higher. We believe that the company can generate high-teens or better revenue growth while also driving operating leverage across the businesses. Strong operating income growth could be further augmented by the strategic use of the company's \$6 billion of cash and growing free cash flow and could result in a business that drives greater than 25% annual earnings growth over the next five years. Although the stock had recovered earlier this year as revenue and profit results improved, the stock fell again in the fourth quarter selloff (to more than 30% off its 52-week high) to a level that we believed provided an interesting entry point for us to initiate a position.



Palo Alto Networks is a leader in the large and growing \$19 billion IT infrastructure security market. The company enables enterprises, service providers, and government entities to pursue transformative digital initiatives, like public cloud and mobility, while maintaining the visibility and control needed to protect valued data and critical control systems. Palo Alto benefits from the combination of two secular trends—the migration to the cloud and the transition to SaaS models—by providing the security needed to enterprises as their mission critical data and information becomes more exposed to potential attack. Formerly a hardware-based solutions company, over the past few years PANW has transitioned to also offer its software solutions independent of its hardware so that customers could use it on internal private cloud deployments and also on the large public cloud providers like Amazon Web Services (AWS), Google Cloud Platform (GCP), and Microsoft’s cloud platform Azure. This SaaS offering is now the company’s fastest growing segment. PANW’s significant technical differentiation, including having opened its dataset to customers and allowing them to write security applications to take advantage of Palo Alto Network’s deep database of trillions of security artifacts, has led to market leadership and continued outsized market share gains.

The company continues to grow its customer base (56,500 customers in F1Q19, up 26% year-over-year) and has grown revenue at an impressive 30% annual rate over the trailing twelve months. The secular need for cybersecurity plus PANW’s leading position and SaaS model has led to accelerating revenue growth (28% in 2017 and 29% in 2018) at high gross margins (adj. 77% in F1Q19) and high operating margins (adj. 21% in F1Q19). Due to its SaaS model, which results in deferred revenue, but current expenses, Adjusted Free Cash Flow margin is high and growing 40.5% (F18 adj.), up from 21.9% in F14. We took advantage of the market sell-off in the fourth quarter (in which PANW shares were off more than 30% from their recent high) to initiate a small position in this market leader in IT infrastructure security.

ServiceNow is a best-of-breed provider of both IT Service Management (ITSM) solutions and IT Operations Management (ITOM) solutions to enterprise customers. The company’s products serve mainly its clients’ internal employee base with a current focus on automating the process of IT deployment, configuration and service and management of IT assets across an organization. Both are delivered as a software-as-a-service (SaaS) and are each leading solutions in growing markets, driven by the secular trend of enterprises transitioning all aspects of their business and operations to the cloud. Additionally, the company continues to aggressively enter and capture share in emerging adjacent markets, leveraging the same underlying technology as its ITSM products, such as Customer Service Management, Human Resources Service Delivery, and Security.

As the company maintains and adds customers, upsells them, and expands into adjacent markets, we believe NOW should sustain a strong long-term revenue growth trajectory through the next several years (NOW grew revenue 39% over the trailing 12 months). With a 97% retention rate and 18% average contract value growth for its Global 2000 customers for 2017, the company has



among the highest rates of subscription dollar retention and upsell to existing customers of any software company. We believe the company has only just begun to penetrate its existing customer base (with 80% of new contracts last year coming from existing customers, current customers are driving most of revenue growth), as well as the market as a whole (with only 20% of new contracts coming from new customers). Additionally, with a growing gross margin (76% TTM, 80% for F18e, up from 74% in F17) and strong free cash flow (FCF) margins (26% for F17) and FCF growth (up 44% for F18e and up 35% for F19e), we expect free cash flow to grow even faster than revenue, making NOW among the companies with the greatest growth potential in our portfolio.

Interxion Holding is a premier data center and colocation services operator in Europe with 51 world class facilities located in 11 European Union countries, strategically located close to key aggregation points at 13 city centers. The company's data centers house over 700 carriers and ISPs and over 20 European internet exchanges, serving a broad range of both global and local cloud, telecom, content and corporate customers. Interxion's business is very similar to our other (and long-time) colocation data center holding Equinix, as both enable customers to connect to a broad range of telecommunications carriers, cloud platforms, internet service providers, and other customers on a carrier-neutral approach and both focus on selling interconnection services in addition to 24/7 access, power and cooling at their facilities. As INXN operates off of a smaller base of \$550 million of TTM revenue (as compared to Equinix's \$5 billion) and only in Europe (while EQIX is global), we expect INXN to enjoy faster growth over the next few years, as, in response to strong demand, it is also in the midst of a significant expansion of its available space.

We expect Interxion to improve on its impressive 2010-2017 track record of a 13% CAGR in revenue and 16% CAGR in Adjusted EBITDA as, in response to heightened customer demand, the company is accelerating its addition of data center space (adding 17,600 square meters in 2018 onto a 122,500 square meter base, with an additional 26,300 square meters of additions planned for 2019) and pushing through higher pricing in these underserved markets. As a result, revenue has accelerated, up 16% over the trailing twelve months, a rate of growth that we expect to continue in the years to come. Incremental revenue is highly accretive to the company's recurring revenue (95% of total), high margin (46% EBITDA margin), and low maintenance capital expenditure (less than 3% of revenue) business model. Despite Interxion's record of impressive growth, INXN's shares have been under pressure in the global market sell-off, affording us the opportunity to invest in this high quality, high growth company at what we believe to be very attractive 14x and 12x multiples of 2019 and 2020 EBITDA, respectively, which is at a discount to other real estate technology service providers in the market today.

American Express is similar to our holdings Visa and Mastercard, but differentiated through its closed-loop network, as the company is a merchant acquirer (having the relationship with merchants and processing their payments) and issues its cards (like a bank, bearing credit risk



and marketing and rewards expenses), in addition to providing a payment network. As a ‘one-stop-shop’ American Express has access to information at both ends of the card transaction and maintains direct relationships with card members, merchants and card-issuing partners, allowing it to analyze information on spending and provide targeted marketing and other information services to merchants and special offers and services to card members. Like Visa and Mastercard, American Express will continue to grow transaction fees as the secular trend of cash to card conversion remains strong. We note that the consumer to business payments industry, a \$31 trillion global market, is still only 42% penetrated by cards. Additionally, business-to-business payments opportunities can significantly expand the market (the B2B payments market has been estimated to be as large as \$300 trillion) and provide an additional leg of growth for the three card companies.

American Express has also accelerated the lending side of its business as the company’s loan growth and net interest income (outstanding balances and interest on charge cards) are each growing faster than overall revenue growth. 2018 revenue guidance for the company is 9%-10% overall, driven by high-single-digit discount revenue growth from the charge card business and mid-teens net interest income growth. The company plans to further penetrate the lending business while staying focused on its largely prime and super-prime customers (AXP card members spend an average \$11,300 per year compared with Visa’s \$3,800 and MasterCard’s \$3,100), which should mitigate loan losses should the economy weaken. The company also plans to grow its commercial payments in the B2B market, increase its merchant acceptance (AMEX is accepted at 22 million merchants worldwide, half of Visa and Mastercard’s 44 million merchants), and to grow its international business (27% of revenue), where it is also underpenetrated (AMEX’s North American card penetration is almost three times its Latin America exposure, twice Europe, and 1.5 times Asia Pacific).

Against these revenue growth drivers, the company also has opportunities to contain operating expense growth, providing operating leverage and expanding margins over the next several years, as it did in its last quarter (3Q18 revenue grew 9% and EPS grew 25%). Over the long term, we believe the company can post high single digit revenue growth and low double-digit to mid-teens EPS growth, while returning significant capital to shareholders (AMEX has historically returned all of its net income to investors through dividends and stock buybacks). AXP shares trade at a 15% discount to the market at 12x 2019 EPS and a 40%-50% discount to its pure card network peers Mastercard and Visa.

Through a combination of organic growth and thoughtful acquisitions, **Constellation Brands** has become one of the leading producers and distributors of alcoholic beverages in the U.S. The company is the sole US distributor for Corona and Modelo (two of the faster growing beer brands in the US), has 91 of the top 100 selling wine brands in the US and its spirits portfolio includes Casa Noble tequila, High West whiskey, and SVEDKA vodka (the largest imported vodka brand in the US).



The company is well-positioned as a share taker in growing markets. For example, the high-end beer category is growing 5% per year and the company's beer brands grew a combined 11% in its most recent quarter. Throughout its portfolio, the company has executed consistently well to grow revenue through increased distribution, increased shelf space, and increased pricing, while also increasing margins through scale. On its core business, we expect the company to continue to generate consistent mid-to-high single digit organic revenue growth and low double-digit EPS growth.

In addition to its strong historical execution and still impressive growth opportunities, the company added to its portfolio a potentially large market opportunity with its recent \$4+ billion investment in Canopy Growth (CGC), a leading Licensed Producer of medical and recreational marijuana in Canada. While various U.S. states have legalized marijuana/cannabis for recreational and/or medical use, Canada, this October, became the first developed country to legalize marijuana for recreational use nationwide. Current estimates for the Canadian market opportunity are for about \$10 billion (US). More importantly, through Canopy, Constellation expects to have first mover advantage to address the potential \$200-500 billion global market for medical and recreational use that is now predominantly illicit. We believe Canopy's scale production combined with Constellation's brands, scale, and marketing expertise positions the combined companies well to transform beverages, medicines, and pharmaceutical products infused with the active ingredients from cannabis (THC and CBD) into what could be an enormous future business.

While we have followed Constellation for years, the combination of the stock's recent sell off in response to concerns about potentially slowing beer sales (which we do not believe to be the case, no pun intended) combined with the market's mixed reaction to the Canopy transaction afforded us the opportunity to initiate a small position in Constellation at what we believe to be a discount to the value of the current portfolio of brands with, little, if any value assigned to what could be an enormous new market opportunity.

Activision Blizzard is the one of the largest producers of video games for home consoles, PCs, and mobile devices. The company's portfolio includes some of the world's most durable franchises in the video game industry including Call of Duty (the number one console franchise in the world, having sold more than 250 million copies, and having more than 200 million registered players), World of Warcraft (the world's most popular massively multiplayer online role-playing game (MMORPG)), Candy Crush (one of the highest-grossing and most-played mobile game apps with more than 2.7 billion downloads) and Destiny (which has the biggest new franchise launch of all-time). The video game industry is in the midst of several secular changes including digital delivery, mobility, micro transactions, and subscriptions. We believe that these changes provide a multi-year opportunity for Activision to accelerate growth at much higher marginal profitability, as it is able to distribute and engage more directly with its customers, as well as add the new revenue streams of e-sports, advertising and TV and films



based on its content. E-sports (competitive video gaming) is a particularly attractive opportunity that has just begun to gain traction. It is estimated that in 2019, more than 400 million people will watch e-sports, currently a \$1 billion market. Activision's first e-sports league, the Overwatch League, just finished its first season this past August with twelve teams and more than \$200 million in sponsorships and broadcast rights. The 2019 season will add eight additional teams.

While most analysts forecast Activision to grow its video game revenue in-line with the industry at a 5%-7% annual rate with expanding margins over the next few years, we believe that longer-term there is significantly more potential upside for ATVI from its still nascent digital, mobile, studio and e-sports initiatives. Additionally, as the company further leverages operating expenses and buys back stock from its more than \$2 billion of annual free cash flow, we expect earnings growth to accelerate meaningfully in the years ahead. Although ATVI has been a strong stock over the last several years, the stock lost momentum this summer and into this fall's growth sell off, affording us the opportunity to establish a small position at what we believe to be an attractive entry point.

With more than 15,200 stores in 44 states (mostly in the South, East, Midwest and Southwest, typically located in small towns that are off the radar of giant discount stores) and \$25 billion in annual revenue, **Dollar General** is one of the leading discount retailers in the US. The company targets low-, middle-, and fixed-income shoppers, pricing items at \$10 or less. Dollar General's products are less expensive than the comparable products at grocery (20% less) or drug retailers (40% less), while their stores are closer and more convenient than those of its comparably priced, super-sized competitors. DG also has compelling store economics, with approximately 20% returns on new stores, as well as on relocated and remodeled stores.

The company has had a great track record of success, on its way to a 29th consecutive year of same-store sales growth (ending February 2019), while continuing aggressively to open new stores, intending to open more than 900 stores, as well as relocate or remodel more than 1,000 stores in each of fiscal 2018 and 2019. Additionally, the company has initiatives underway to increase its margins on many items within its consumables category, representing 75% of sales (particularly more private-brand consumables) and expanding its refrigerated food offerings. The company has a long-term plan for 6%-8% square footage growth, plus approximately 2% same-store-sales growth for a total 8%-10% revenue growth, as, despite its large store footprint, DG still represents only a small percentage of customer spend on its target products. On increased sales growth, the company expects greater operating margin growth from gross margin expansion (private brand growth, non-consumables growth, distribution efficiencies, global sourcing penetration) and SG&A leverage leading to 11%-17% shareholder returns from EPS growth and dividend yield. With the company posting consistent 2%-3% same store sales over the past five quarters and DG shares now trading at a below market multiple, we initiated a small position in this high quality retailer.



Although the fourth quarter was a difficult one across the markets, we believe that we enter 2019 with a portfolio that is populated by high quality, strong secular growth business with long histories of earnings and free cash flow growth, strong (mostly cash rich) balance sheets and exceptional management teams that also now trade at what we believe to be compelling values in relation to both the overall market and each company's unique long term potential. These are businesses that we believe will be resilient through economic cycles and whose double digit annual growth in earnings and free cash flow will be sustainable over the long term given their dominance of long tailed secular growth industries. We believe that our companies will continue to thrive in 2019 and the years ahead, and that their stocks will, over time, compound along with their strong growth in earnings and free cash flow that they produce in the years to come.

Portfolio Review

Top Contributors to Performance for the Quarter Ended December 31, 2018	Percent Impact
CME Group Inc.	0.32%
American Tower Corp.	0.30%
Dollar Tree, Inc.	0.10%
Palo Alto Networks, Inc.	0.05%
ServiceNow, Inc.	0.04%

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 ex-cash and gross of fees. Holdings are subject to change.

CME Group: CME shares were our top contributor for the quarter, as the company reported solid third quarter results in October and indicated that market volatility and the continued expectation of rising interest rates were generating a surge in trading volume (volumes ended the quarter up over 30% versus last year's fourth quarter). The company continues to keep a tight lid on expenses (operating expenses were down 2% in the most recent quarter, leading to a 67% operating margin), which bodes well for earnings growth if trading volumes continue to grow. Earnings for the year are expected to be up over 40% driven by strong trading volumes, expanding margins and a lower tax rate. In addition, its accretive merger with NEX Group closed in November, which adds additional fixed income, rates and commodity products to the company's platform and is expected to be accretive to earnings.

CME remains positively levered to interest rate, equity and commodity price volatility across its platforms. This trend was demonstrated in the 2003-2005 interest rate increase cycle when CME



interest rate trading volumes grew at about a 30% CAGR (about 30% of revenue comes from interest rate derivatives). Over the long-term (1972-2017) in a variety of environments, CME has grown its average daily trading volumes across its product set at a 13% CAGR. Against these growing volumes, expense growth has averaged only about 1% per year over the last several years, and we would expect this limited expense growth to continue, sustaining high margins and strong free cash flow for the company. Through its regular quarterly dividends and its annual variable dividend (for a combined 2.4% trailing yield), CME has returned more than \$2 billion to shareholders over the last twelve months, and has returned more than \$10 billion since beginning its variable dividend policy in early 2012.

American Tower: AMT shares were the next top contributor for the quarter on better-than-expected third quarter results and increased 2018 guidance. The company reported “same tower” revenue growth of 7.4% for the U.S. and 8% in international markets (excluding the one-time effects of its settlement with Tata for \$320 million in India), and a 60% increase in new, signed business. Adjusted Funds from Operations increased 7% for the quarter while the company’s dividends per share have increased over 20% year to date, both ahead of expectations. Management also raised its guidance for the year. Free cash flow is expected to hit \$3.8 billion this year, as AMT’s tower portfolio continues to grow and its capital intensity continues to decline (the company has reduced the ratio of its capital expenditures to revenue by 1/3 over the past 10 years), which bodes well for the company’s long-term plan to grow its per share dividend 20% per year.

Relentless data usage growth continues to drive robust capital investment within the wireless industry globally. U.S. carrier capital expenditures, for example, are forecast to grow about 10% this year (to greater than \$30 billion). This tailwind, combined with world class execution, should drive consistent long-term revenue, cash flow and dividend per share growth at AMT.

Dollar Tree: DLTR shares advanced on the market’s rotation back towards consumer retail stocks during October’s volatility, as well as the news that activist investor Carl Icahn was accumulating a stake in the company. Icahn was previously a top holder in Family Dollar, which was sold to Dollar Tree in 2015 (in June 2014 Icahn accumulated his stake and demanded Family Dollar be put up for sale; one month later a transaction was announced). We continue to be disappointed by the pace of the turnaround efforts at FDO and used the recovery in the shares on the rumor of activist involvement to exit our position.

Palo Alto Networks and ServiceNow: PANW, an enterprise IT security vendor, and NOW, a high growth software-as-a-service leader, rounded out our top contributors for the quarter. We purchased small positions in each company late in the quarter (with each down sharply from prior 52 week highs) and both appreciated nicely in the market’s year-end rally. We give an overview of both Palo Alto and ServiceNow above in our Portfolio Review.



Top Detractors From Performance for the Quarter Ended December 31, 2018	Percent Impact
Apple Inc.	-1.57%
Amazon.com, Inc.	-1.18%
The Blackstone Group L.P.	-1.05%
Activision Blizzard, Inc.	-0.97%
Facebook, Inc.	-0.77%

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 ex-cash and gross of fees. Holdings are subject to change.

Apple: Despite reporting its best fourth quarter results ever, Apple shares declined sharply for the quarter as the company gave revenue guidance that disappointed investors (while also announcing that it would no longer provide unit level hardware details) and, a few weeks later (in the first days of 2019), pre-released results that were below even that disappointing guidance. Although the company had pockets of weakness in emerging markets and capacity constraints in some of the company's newest product launches, the majority of the short fall came in the company's China iPhone business. The recent guide-down stands in stark contrast to Apple's recent results in which the company, in its September quarter, generated revenue of \$63 billion, 20% year-over-year growth, the ninth straight quarter of revenue acceleration and its highest revenue growth rate in three years. The company also generated record fourth quarter EPS, with 41% year-over-year growth to \$2.91. iPhone revenue for the quarter rose 29% year-over-year to \$37 billion, a new fourth quarter record (all from higher average selling prices), as Apple released the XS Max, its most expensive iPhone ever, with prices starting at \$1,100. Mac revenue also set an all-time revenue record, and wearables (Apple Watch, AirPods and Beats) revenue grew more than 50%.

The sharp deceleration in iPhone sales in China and the magnitude of the miss to guidance (Apple's first guide-down in years) has reignited the debate as to whether the iPhone's dominance (currently over 60% of the company's revenue) and Apple's history of innovation and growth are each coming to an end. While we agree that the days of consistent double digit iPhone sales with expanding ASPs are likely behind the company (we expect moderate long-term iPhone growth in coming years, though likely ebbing and flowing around the company's release schedule), we believe that a transition to strong services revenue growth combined with



substantial share repurchases from the company's strong free cash flow can sustain double-digit earnings growth for the company for years to come.

We believe that Apple remains the dominant and most innovative consumer IT vendor in the world with an unmatched product line-up, global retail footprint and commitment to customer service that creates an ecosystem of loyal users and repeat purchasers of its products. The company now has an active base of 1.4 billion iOS devices in use globally. That's more than 1.4 billion devices in regular use (some estimates indicate that the average iPhone users checks their phone up to 100 times per day) on Apple's ecosystem buying products, buying apps, and buying services. These services are comprised of revenue generated from the App Store, Apple Music, iTunes, iCloud, Apple Pay, Apple Care, Licensing, and other service related offerings. The company's services business grew 24% last year and currently generates nearly \$11 billion in revenue per quarter, while generating gross margins that are nearly double the gross margins of its hardware business (which are nearly double the gross margins of other hardware vendors). These services, and the services Apple will introduce in the future, are what drive a greater than 92% loyalty rate among Apple iOS users.

Even with flat to single digit growth in total hardware sales and profits, we believe that the growth of services revenue and profits will continue to drive double digit annual growth in Apple's earnings. In addition, the company currently has \$130 billion of excess cash on its balance sheet that management has stated will be spent in the coming years on dividends, share buybacks, and (potentially) acquisitions. When combined with the nearly \$60 billion of free cash flow we expect the company to generate over the next 12 months (and growing with earnings in the future), Apple has the liquidity to buyback nearly a third of its outstanding shares this year alone. We believe a continued aggressive buyback program will further support double-digit annual earnings growth.

This most recent sell-off marks the seventh decline of over 20% for Apple's share price since the introduction of the iPod in 2001. That's roughly once every two and a half years. In each case, Apple's future relevance was similarly called into question as its hardware dominance was thought to have peaked. And, in each case, as the company continued to update its current products, launch new platforms and take share in new geographies, a new cycle of revenue and profit growth ensued. Although its stock has rarely traded in-line with, much less at a premium to, the market during these past 17 years, it has risen more than 12,000% over this period as each period of doubt was replaced by renewed cycles of innovation and growth. We believe the current predictions of Apple's demise are similarly premature. Assuming it continues to trade at its current valuation of about 11-12x forward earnings (a discount to the market and in-line with low-to-no growth IT hardware companies) we believe that Apple's share price will be driven higher at the double digit annualized pace we expect for the growth of its earnings and free cash flow. Should the market begin to shift away from a focus on the ups and downs of the iPhone



cycles and towards a services view of the company, AAPL shares could trade at a materially higher valuation more in-line with other secular growth technology services and software firms.

Amazon.com: AMZN shares were our next top detractor as the company, one of the year's bigger winners through the end of the third quarter, was caught up in the weakness in technology-oriented growth stocks during the quarter.

Amazon's business remains healthy as the company reported impressive third quarter results at the end of October—sales for the quarter were up 29% and third quarter net income was a record \$2.9 billion, up ten-fold versus last year and 85% better than expectations. North American retail sales grew 35% and its operating income grew 18-fold from \$112 million to \$2 billion. Amazon Web Services, the company's cloud unit, grew sales 46% to almost \$7 billion and its operating income grew 77% to \$2 billion. While Amazon continues to invest heavily in each of its businesses and in all geographic regions, the company also continues to grow operating income faster than its sales growth—operating margins grew 570 basis points year-over-year to 6.5%. Importantly, while the company's revenue growth remains strong across each of its divisions, the company's profitability has also been consistently strong as it has now posted four consecutive quarters of greater than \$1 billion in profit.

As the company's dominance of growing addressable markets continues, we believe that Amazon will continue to post robust top-line growth for years to come. We expect continued strong ecommerce gains, additional penetration in international markets, as well as strong contribution from its emerging business-to-business vertical (already at an approximately \$10 billion revenue run rate). In addition, with a \$27 billion revenue run rate, AWS continues to be the market leader in the public cloud market and should continue to enjoy years of secular tailwinds. Amazon Advertising, already about a \$9 billion business, should be the company's fastest-growing segment and could exceed \$40 billion in revenue by 2023. On top of continued robust revenue growth, we believe Amazon will continue to drive an expansion in operating margins (EBITDA margins have grown from 5% in 2011 to nearly 14% projected for 2018), with even more dramatic increases in free cash flow (for the trailing twelve months, free cash flow more than doubled to \$13 billion) as it continues to scale in each of its verticals. We believe that over the next several years, Amazon's revenue will more than double to in excess of \$500 billion annually with free cash flow per share exceeding \$100 per share (up from \$13 per share last year).

Blackstone: BX shares were a top detractor for the quarter and have been volatile over the past four months. Blackstone was a top contributor in September (due to its first investor day in four years), a top detractor in October (due to the sharply declining market), again a top contributor in November (as the market recovered), and again a top detractor in December (on the sharp market decline). This volatility occurred despite the company reporting strong third quarter earnings in October with solid private equity performance, strong fund raising and better realizations. During



the third quarter, Economic Net Income grew 11% year-over-year, Distributable Earnings grew 23% and Total Assets under Management (AUM), now at a new record level of \$457 billion, grew 18% year-over-year. Additionally, management continues to expect Fee Related Earnings to grow by 50% in the next two years.

We continue to view BX as one of the best risk-reward holdings in our portfolio given its impressive AUM growth (from \$400,000 of AUM in 1985 to \$88 billion at its 2007 IPO to \$457 billion today), world class fund returns and below average valuation. To us, BX shares remain substantially undervalued, trading at just 7x economic net income (at about a 50% discount to the market) with a trailing dividend yield of 8.5% (almost quadruple the market yield). As the strength of the company's fundamentals become more recognized by investors, we believe that the downside volatility in the company's shares in difficult markets will dissipate and the valuation discount between BX and the average company in the S&P 500 will close substantially in the years to come.

Activision Blizzard: ATVI shares were a top detractor for the quarter, as the company guided to weaker-than-expected fourth quarter revenue of \$3.05 billion, just shy of the Street consensus of \$3.06 billion, and EPS of \$1.27 vs. the Street's \$1.34. Investors may also be concerned about fiscal 2019 results as the company has not announced any major new product releases.

We believe Activision's fourth quarter (to be reported in February) could be quite strong as the company launched the latest versions of its two most popular video games -- Call of Duty: Black Ops 4 and Candy Crush Friends Saga -- in October, and these properties combine for more than 60% of operating income in an average year. Candy Crush Friends Saga is already the number one mobile game in 93 countries and Call of Duty 4 is beating its predecessor Black Ops 3 (the highest grossing game in the franchise) in terms of sales and engagement, with total active users up 16% and hours played up more than 20%.

2019 and beyond should also benefit from the release in China of Call of Duty mobile, a collaboration with Tencent (the world's largest gaming and social media company), as well as from other new businesses. The company's eSports division continues to grow through its Overwatch League (20 total teams with 16 new teams sold in September at substantially higher prices as the league has outperformed expectations). The Company is preparing to launch a Call of Duty league and its nascent advertising business grew almost 50% quarter-over-quarter. We initiated a small position in ATVI early in the quarter (we discuss our overall thesis in more detail above in Portfolio Review) and subsequently added to our position on weakness during the quarter. At its current level, ATVI shares trade at about 15x forward earnings, roughly a market multiple for a business that we believe will generate well-above-average free cash flow growth in the years to come.



Facebook: FB shares were our next top detractor for the quarter as the company continues to battle a string of bad press in relation to various allegations of data privacy misuses. While these negative headlines have persisted, we believe that the company's financial results show that the core business has remained strong. Third quarter revenues grew 33% (amongst the highest growth rates in the Fortune 500) to \$13.7 billion, monthly and daily average users grew 9% and 10%, respectively, and average revenue per user grew 20%. Despite a dramatic increase in operating expenses to create an even more robust operating infrastructure to protect user data, the company still generated a 42% operating margin and generated a third-quarter record of more than \$7 billion of operating cash flow.

Despite these impressive results, the narrative around FB has shifted to concern that both revenue growth and margins will come under increasing pressure from heightened regulation, unfavorable media scrutiny and the need to protect the integrity of its platform through increased spending. While we do not believe that the company's core platform has been permanently damaged by recent events, we believe it could take a few quarters of continued strong revenue growth and tapering of current expense growth (which we project for 2H19) to alleviate investor concerns.

Looking past the near-term headwinds of bad press and excess expense growth, we continue to believe that FB's business and long-term opportunity remain robust and perceive FB's valuation to be particularly compelling (about 16x our one-year forward estimates and less than 14x our 2020 EPS estimate (a year that, we believe, will be a year of accelerating earnings growth). Based on current fourth quarter estimates, Facebook will generate \$55 billion in revenue, \$33 billion in EBITDA and more than \$8 in EPS for 2018. Revenues have increased over 5x, EBITDA over 7x and EPS about 12x over the past 5 years as the company has grown to 2.25 billion active monthly users (active monthly users grew 10% from the prior year in the most recent quarter despite all the negativity). We believe Facebook can maintain and grow its user base through the extraordinary efforts the company is undergoing to scale its data and privacy infrastructure and that advertisers will continue to pay to place ads across the Facebook platforms as the company remains one of (if not the) most targeted and highest ROI advertising properties in the world. We believe that revenue can still grow substantially from its current base as, despite Facebook's tremendous growth, the company will generate less than \$25 of advertising revenue per user in 2018, and this figure has room to double and double again over the next several years. We continue to project 20% revenue growth in 2019 and beyond with earnings growth, which may be flat to down in early 2019 from ramping expenses, at least in-line with revenue growth over the long-term.

On current EPS estimates, FB shares trade at 16x 2019 earnings and, based on renewed growth in 2020, trade at about 13x 2020 earnings. The company is also in the midst of a \$9 billion share repurchase program. We find this valuation particularly attractive given the dominance of FB's global properties and the tremendous prospects that we still predict for future advertising growth.



Top Ten Holdings

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

Holdings	Percent of Net Assets
Alphabet Inc.	5.8%
Amazon.com, Inc.	5.0%
Microsoft Corp.	5.0%
Apple Inc.	4.3%
Facebook, Inc.	4.0%
The Blackstone Group L.P.	4.0%
Equinix, Inc.	3.4%
UnitedHealth Group Inc.	3.3%
salesforce.com, Inc.	3.2%
Adobe Systems Inc.	2.9%
	40.7%

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	
Enterprise Cloud Software	▪ 14.0%
Internet Advertising	▪ 11.4%
Electronic Payments	▪ 8.8%
Med Tech	▪ 7.3%
E-Commerce	▪ 7.0%
Tech Real Estate	▪ 6.6%
Discount Brokers	▪ 5.0%
Athleisure	▪ 4.5%
Mobile Compute	▪ 4.3%
Alternative Asset Management	▪ 4.0%
Healthcare Insurance and Services	▪ 3.3%
Dollar Stores	▪ 3.1%
Market Trading Exchanges	▪ 2.8%
Free Cash Flow Energy E&P	▪ 2.6%
Aero/Space Defense	▪ 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 each 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. 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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