RIVERPARK FUNDS

RiverPark/Wedgewood Fund

(RWGIX / RWGFX)

Wedgewood. PARTNERS, INC.

Second Quarter 2015 Review and Outlook

During the second quarter the RiverPark/Wedgewood Fund (net-of -fees) declined -1.45%. The S&P 500 Index gained a nominal +.28%. The Russell 1000 Growth Index gained .12%.

TABLE I
Net Fund Returns for Quarter ended June 30, 2015

	INSTITUTIOAL SHARES (RWGIX)	RETAIL SHARES (RWGFX)	RUSSELL 1000 GROWTH INDEX	S&P 500 TOTAL RETURN INDEX	MORNINGSTAR LARGE GROWTH CATEGORY[1]
SECOND QUARTER 2015	-1.45%	-1.52%	0.12%	0.28%	0.52%
YEAR-TO-DATE	-0.76%	-0.87%	3.96%	1.23%	3.99%
ONE YEAR	4.85%	4.56%	10.56%	7.42%	9.30%
THREE YEAR	15.11%	14.85%	17.99%	17.31%	17.36%
SINCE INCEPTION – ANNUALIZED (SEPTEMBER 30, 2010)	15.19%	14.91%	16.62%	15.70%	14.72%

[1]*Source: Morningstar Principia*

*Total returns presented for periods less than 1 year are cumulative, returns for periods one year and greater are annualized. The performance quoted herein represents past performance. Past performance does not guarantee future results. High short-term performance of the fund is unusual and investors should not expect such performance to be repeated. 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. For performance data current to the most recent month end, please call **888.564.4517.***

Gross expense ratio for Retail and Institutional classes are 1.05% and 0.88%, respectively.

Wedgewood on Sale

Review and Outlook

The second quarter was rather uneventful – at least up until late June when the saga of Greece and the sharp -30% bear market in China stocks woke U.S. stock market volatility (VIX) from its Rip Van Winkle-like slumber. Greece declared their fiscal and monetary independence from the European Union on July 5 with a "No" (Oxi) vote. The Greeks decisive vote (60%) that they and their citizens had reached the austere limit of borrowing more and more money to pay off more and more debt that they will never be able to pay back. Their key lenders, IMF and the Germans, seemed to be no longer nonplussed at the idea of keeping Greece afloat either – particularly the Germans. But at the eleventh hour, all parties are back at the negotiating table to keep Greece in the European Union.

The plunge in China's stock market has been so swift that the People's Bank of China (PBoC) has morphed into a cosmic personality collision of J.P. Morgan and Karl Marx. The PBoC is pulling out all of the central bank's tools of the trade to stop their relentless bear market (crash). Like J.P. Morgan, circa-1929, the PBoC will inject capital into China Securities Finance Corp., which will use such funds as a conduit through brokerage firms to then in turn boost stocks and public investor confidence. Further, twenty-one of China's biggest brokerage houses have been asked (ordered) to promise that they will spend 15% of their net assets to stem the panic. Like Marx, hundreds of companies are indiscriminately halted for trading. Other government mandates include the order to the country's largest funds to hold their stocks without selling for *six months*. IPO's have been forced shelved. (We are sure this will end just dandy.)

During the quarter our portfolio turnover remained sloth-like. We trimmed **Perrigo** on heightened concerns that the proposed buyout from Mylan Labs may not be consummated. We added to **M&T Bank** on attractive valuation.

Our largest performance detractors during the quarter were **Coach, Qualcomm, Berkshire Hathaway, Mead Johnson** and **Varian Medical Systems**. Our best contributors during the quarter were **LKQ Corporation**, **Perrigo** and **Core Labs**.

As of the writing of this Letter, since the end of 2013 the Fund is up 8.5% – underperforming the double-digit gains in both the S&P 500 Index and our style benchmark. All the while though the intrinsic value in our portfolio companies, as we conservatively calculate it, collectively has increased by at least at a double-digit rate.

In addition, the near tripling in weighting of our oil service holdings over the past 9 months (Core Labs, **National Oilwell Varco** and **Schlumberger**), plus the other portfolio trims and adds has further enhanced the prospective risk-reward of our portfolio. By our calculations, the Fund's portfolio is valued at just 16.2X forward 12 months IBES consensus earnings estimates, versus 18.7X and 20.0X, for the S&P 500 Index and Russell 1000 Growth Index, respectively. In addition, our valuation discount is actually *understated* given the outsized cash/liquidity positions on the balance sheets of many of our portfolio companies, who are currently engaged in accretive share buybacks, plus the cycle low earnings estimates of our oil service holdings.

To better illustrate the "bear market" within our portfolio over the past twelve months, consider the following individual stock declines relative to their 52-week highs: Out of our current portfolio of 21 stocks, 1 stock has fallen to almost -50% below its 52-week high, 1 stock -36% below, 3 stocks -25% to -30% below, 5 stocks -15% to -20% below and 5 stocks -10% to –15% below. In the aggregate, nearly 25% of our portfolio is more than -25% below their respective 52-week highs – nearly half of our portfolio is more than -15% below. The RiverPark/Wedgewood Fund is on sale.

During our calls and visits with clients over the course of the past two months we have referenced two recent articles published at Morningstar.com in which our mutual fund was highlighted. For those clients that may not have read these articles we would like to explain why they might be worthy of your time and consideration. Each article encapsulates our investment process from both the "growth company" prism and the related "value stock" prism.

The first Morningstar article of note is entitled *"When Will Quality Bounce Back?"* (Sept. 2014). A key attribute of quality companies is high levels of profitability. High levels of profitability are inherent in businesses that possess a competitive advantage. Further, the reinvestment of profits at continued high rates of return on capital is the mother's milk of future earnings growth. In this article the RiverPark/Wedgewood Fund sported the 6th highest portfolio returns on invested capital (ROIC) out of funds with a Morningstar Analyst Rating (Note: If Berkshire Hathaway's $107 billion equity portfolio were not included in the Company's capital base, our portfolio's ROIC would be among the highest of the Morningstar Medalists funds listed in this article).

An interesting aside: In the current environment of near record 50-year highs in the profitability of Corporate America, in the aggregate, CEOs are not reinvesting at all. Indeed, instead of trying to reinvest as much of their current earning power at truly historic rates of return on assets and capital, Corporate America, again in the aggregate, is paying out all of its earnings in the form of both dividends and in stock buybacks. The skeptic might ask, why should they reinvest when such actions – particularly on the dividend front – have been hugely rewarding for shareholders over the past few years (see "S&P Dividend High Growers median Forward P/E" chart on page 8.) Remember this in short years ahead when mystified CEOs lament the lack of earnings growth.

The other, more recent Morningstar article, *"Seeking Value Among Large-Cap Medalists"* (April 2015), wherein Morningstar ranks their large cap Medalist funds on their proprietary Price/Fair Value calculation. We are quite pleased to report that our fund currently sports the most attractive P/FV (lowest) out of their large cap Medalists funds.

"So, today our strategy has the unique distinction, if you will, according to Morningstar of having both the best (lowest) Price/Fair Value Ratio (.94) and the 6th best (highest) portfolio ROIC (~19%) within Morningstar's 100 Large Cap Medalists funds (Large Growth, Large Blend and Large Value). "Net, net, over the course of our +23-year history we have rarely been able to build a uniquely high-quality portfolio as *relatively* cheap versus our Large Cap Growth peers and the S&P 500 Index.

In our April 2015 Client Letter (*Crude Realities…and Opportunities*) we discussed what we believe are the imperative realities of focused investing. In addition, we chronicled our long history of outsized calendar returns (both poor and good) versus our benchmark. Specifically, we wrote:

Simply put, we believe that the only systematic way for active managers to outperform over meaningful time horizons, and in both bull markets and bear markets is to be as different as possible from the investing crowd. The hardest ways, in our view, to try to outperform the market (and one's peer group) is to think you possess an IQ and/or an informational advantage. If an individual (or firm) may in fact possess either, we believe such advantages are fleeting and not repeatable.

In this Letter, we would like to discuss the importance (and difficulty) in measuring an investment manager's performance over the course of a full investment cycle. A full investment cycle defined is simply the peak-to-peak measure of a classically defined bear market followed by a bull market. Alternatively, a full market cycle could be measured trough-to-trough, from the start of a bull market followed by a complete bear market.

Given the myriad of investment styles, most managers of any stripe typically find their respective sweet spot (and sour spot) over the course of a market cycle. At Wedgewood we typically post our strongest relative returns over the course of a full bear market, flat markets and the earliest stages of a bull market. The bane of our relative underperformance is the non-stop advancing quarters during a bull market. To take the full measure of an investment manager, the measure of time is most appropriate if an investor has the patience over a full market cycle. This is easier said than done.

Most investors are willing to give a manager at least three years – maybe five. However, even a 5-year time horizon may only include bull market years. Managers that boom relative performance gains during a bull market may often post quite different relative returns in the inevitable bear market to come. Giving a manager the benefit of a full market cycle is one heck of a tall order for the investor, since many a full market cycle can last 6 to 8 years. Heck, eight years may well exceed the career life of a portfolio manager, as well as the tenure and careers of investment committee members and manager due-diligence analysts.

An analysis of any manager's performance over the current investment cycle might be quite instructive for not only the time component (+7 years), but also given the severity of the past bear market[2] (-57%) and prosperity of the current bull market[3] (+205%). It is not an exaggeration to state that the past +7 years have been a severe test of investor and portfolio manager conviction alike. Indeed, focused investing – and their associated lumpy returns - may require the highest of all convictions.

Despite our competitive percentile rankings of both annualized rate of return and alpha over the course of the current investment cycle, we are most pleased by our peer-related downside capture rankings. Our investment philosophy and process is predicated on "defense first." Even the most successful investors suffer from market amnesia when Mr. Market delivers historic bull markets that *triple* in gain in *just six short years*. We remind ourselves that prior to the inception of the Fund, we experienced eyes-wide-open three bear markets that declined by -50%. The tyranny of negative compounding returns may be the hardest lesson that far too many investors never master.

Regular readers of these Letters know full well our heightened concerns of the lack of high conviction bargains as the Great Bull Market of 2009-2015 rolls into its 7th year. We don't have much to add to our past few Letters on these concerns, other than to offer a few more worrisome graphics – particularly on valuation and the current meme of supposed "safety" of dividend-yield investing.

Valuation levels, through nearly any measure (Earnings, Dividends, Sales, Cash-Flow, Mean, Median, Shiller-Cape, Trailing, Forward and Real) are all at, or just shy, of *multi-decade* highs – save one – the Dot-Com Bubble years of 1998 through early-2000. So unless one can make a cogent case that the current Great Bull Market cannot possibly end until valuations reach those Dot-Com bubble extremes (we certainly can't), the stock market's current risk-reward is quite poor.

A few points on the Dot-Com era bears (apropos pun not intended) mentioning, as index valuation metrics may not tell the full story of that specific era. Significant drivers of those out-of-this-world valuations were confined to large cap technology and telecom companies that had little to no earnings. Relatedly, the profit margin of the S&P 500 Index at the Dot-Com market peak was just 6.9% (see bottom chart on page 7) – or *-32% lower* than today. The uber-bulls better be right that the current decades high level of Corporate America profitability is here to stay, or current valuations are even more extreme than they presently are. Consider still sales, and not the vagaries of profit margins, the median trailing price/sales ratio among the S&P 400

[2] S&P 500 from October 2007 – March 2009
[3] S&P 500 since March 2009 - Present

largest non-financial companies at the peak of the Dot-Com bubble reached 1.65X – the highest in decades at that time.[4] Today, the median value is 2.13X, *29% above* the Dot-Com bubble peak[5].

The first cousin of "dividend yield" investment strategies is "high quality" strategies. Many higher quality companies possess a long, consistent stream of rising dividends. Both strategies have been terrific performers over the past few years, largely, in our opinion, in the chase for yield. According to the Leuthold Group, the bull case for high quality strategies is getting long in the tooth. Specifically, Leuthold states*, "…while during the last bear market, High Quality stocks outperformed by a large margin (from late 2007 to late 2008), that outperformance was driven from a much lower relative valuation base. In November 2007, High Quality stocks were trading at a 30% discount to Low Quality stocks, versus a mere 5% discount right now*[6]*."*

Lastly, and right on euphoric schedule, as it were, the last stock market double-digit correction was a seemingly distant memory *16 quarters* ago, today the amount of cash retail investors hold in their accounts as a percent of their equity holdings has reached 35-year lows[7]. Maybe the Federal Reserve's QE balance sheet expansion to $4.5 trillion[8] has so spiked the stock market that imbibed investors truly do think bear markets are historical flukes.

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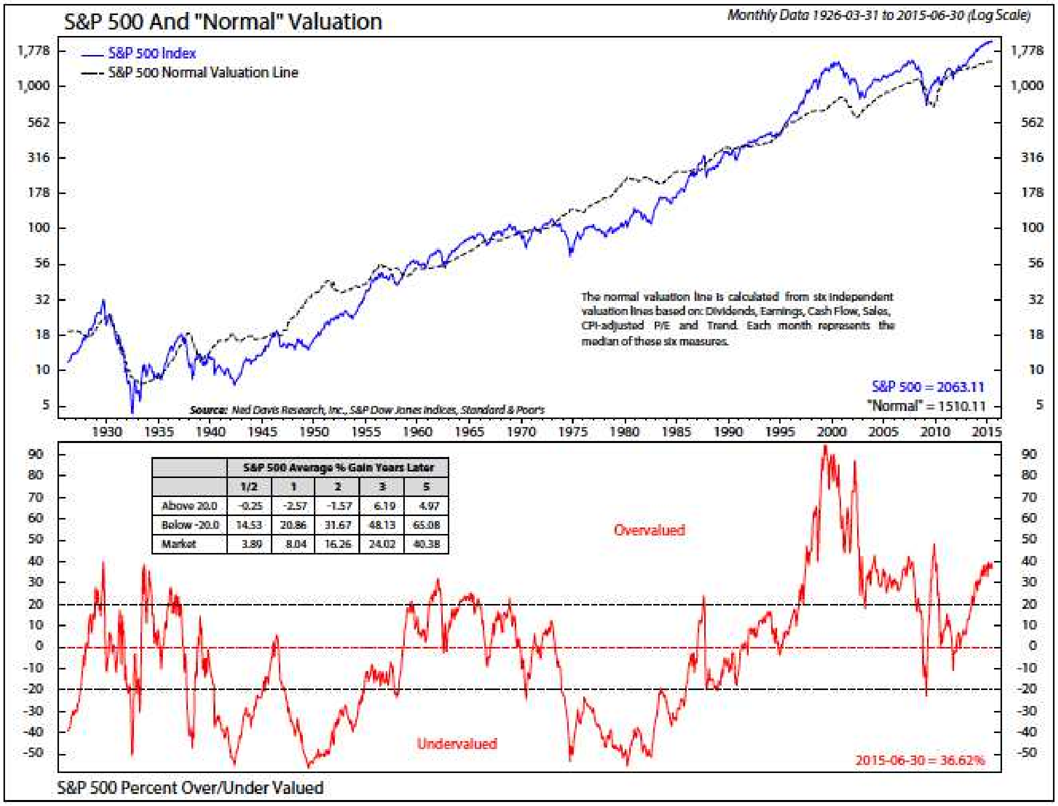
[4] Standard & Poor's
[5] Standard & Poor's
[6] The Leuthold Group
[7] The Leuthold Group
[8] FederalReserve.gov



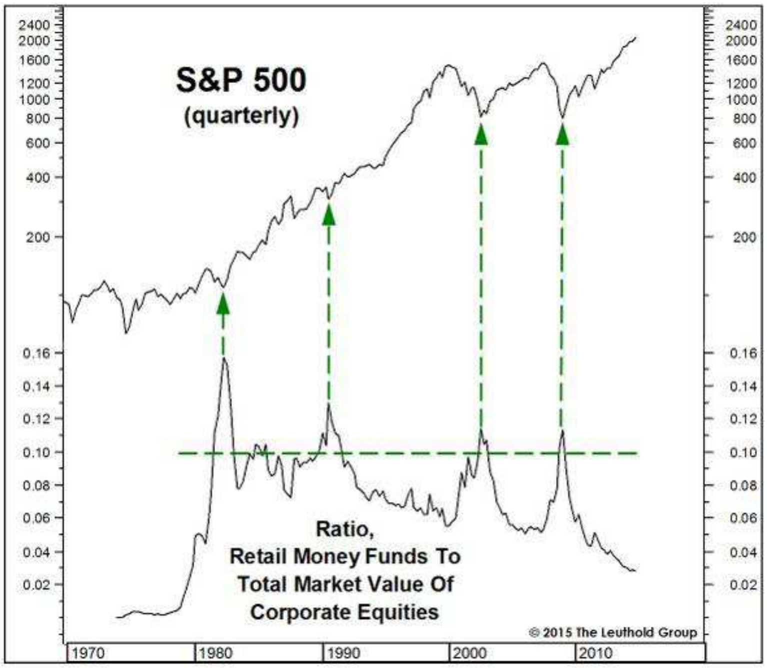
Source: Ned Davis Research, Inc., S&P Dow Jones Indices, Standard & Poor's

"Median" S&P 500 Stock Pricier Than At 2000 & 2007 Peaks

	S&P 500 Median Net Profit Margin
March 2000	6.9%
October 2007	8.9%
March 2015	10.1%

Source: The Leuthold Group 2015

Source: Ned Davis Research, Inc., S&P Capital IQ Compustat



Source: The Leuthold Group 2015

Investment Process

Give me a one-handed GARP manager! All my GARP managers say, "On the one hand, growth…on the other hand, value…" [9]

While we are fairly certain U.S. President Harry Truman did not utter those words, we are very certain everyone on the Wedgewood Investment Committee invests with "two hands" - that is, we invest as if "growth" and "value" are inextricably linked. On a relative-performance basis, this wretched-sounding acronym can be for better or for worse. However, on an absolute basis, we believe it is unequivocally better. Our uniquely focused approach - investing in just 20 or so stocks - demands valuation prudence, as it is key in managing absolute downside risk. After over 10 quarters of market appreciation, downside capture might seem like a quaint relic of a non-QE era, but we are forever paranoid about booking permanent losses.

At times, our conviction in the limited absolute downside of an investment is, arguably, more valuable to our process than conviction in some huge multiple of upside. As such, our analysis of valuation has less to do with expecting the market to close the "valuation gap" for the sake of generating upside (i.e. multiple expansion), and more to do with limiting the absolute damage when we are inevitably wrong about an investment.

[9] GARP: "Growth at a Reasonable Price"

As a portfolio, our investments are decidedly growth, according to Morningstar attribution. Of course, not every individual holding in the portfolio is considered "growth" as per those measures. Typically, in the cases where an investment is characterized as "core" or even "value," a key expectation that we have, is that the upside of those investments will be driven by double-digit, bottom-line growth, over an investment cycle. But that is no different from our expectations of stocks that are considered "growth," where we think our "growth" companies have similar downside capture as our "value" companies.

All told, various third parties offer proprietary definitions for different equity styles, often for the sake of industry expediency, as the typical, actively managed portfolio has several dozen if not a few hundred individual holdings. Suffice it to say, our definitions of value and growth haven't changed much over the past 23 years, and we continue to think of them as respective proxies for risk and reward, rather than two different ways of assessing reward.

A good example of a company that we think is a growth company that third parties often refer to otherwise is **Coach**. On a trailing basis, the past 24 months certainly do not show "growth." But we prefer to invest looking out across the next 3 to 5 years. We believe Coach has the ability to post earnings that are two times higher than what we think are current, trough earnings estimates. The Company's total addressable market is expanding at a mid-single digit rate and should be close to $50 billion in 5 years. Meanwhile, we have seen a few meaningful competitors dramatically slow over the past few quarters. We think this is partially related to Coach's brand reinvestment initiatives as well as a "peaking" of competitors' brands after several years of overexpansion. In addition, over the next few years, we think Coach's International segment is capable of doing well north of $2 billion in revenues, compared to the $1.6 billion trailing 12-month tally. Further, we expect that the negative leverage from Coach's aggressive reinvestment will begin to subside over the next 6 to 12 months, and double-digit earnings growth should resume, driven by a reinvigorated North American business and steady constant-currency growth in international markets.

Often, we are wrong about whether or not this growth will come to pass. We are acutely aware of this reality, so we "hedge" this risk by attempting to purchase stocks that are at attractive valuations. So we are actively managing the risk of losing money, which is *very different* from managing the risk of deviating from the benchmark - the former risk is absolute, the latter is relative. Paradoxically, we believe our focus on absolute returns is part and parcel of what makes our strategy relatively unique enough to post superior, long-term relative performance.

Continuing with the Coach example, now looking at valuation, we capitalize the future profits of Coach's international business, and add net balance sheet cash**,** plus long-term investments. Using this "sum of the parts" analysis, we figure that the implied value assigned to the core of Coach's business, North America, is at most, equal to one year of sales or about 25**%** to 30% of the current market cap, despite typically generating between 60 and 70% of revenues.

So, on one hand, we believe Coach has a good probability of doubling earnings over the next few years, driven by reinvestments focused on North America. Philosophically speaking, we assume that the upside appreciation of the stock should follow that fundamental. On the other hand, if we are wrong about the future growth of Coach, then we see limited downside, because even if the North American business doesn't grow and instead *gets cut in half*, that would represent just 10 to 15% downside. On an absolute basis, we believe that this upside and downside proposition is quite attractive. Importantly, none of our upside expectations are predicated on multiple expansion, let alone the closing of any kind of relative "valuation gap."

Of course, it is hard to know how attractive this is on a relative basis. Over the past 5 years, the Russell 1000 Growth has had nary a 20% drawdown on its way to more than doubling. If the market continues that trajectory, our Coach risk/reward will look rather mundane.

To conclude, while we understand that prevailing sentiment of markets often dictates what is "growth" and what constitutes "value," we believe those definitions are fleeting and impossible to predict. So we continue to focus on the absolute growth and valuation parameters established by our philosophy and process. Over multiple, full investment cycles (a bull and bear market) we have seen this strategy add significant relative value for clients. The current one-way market naturally challenges this approach, however we remain convicted in our time-tested methods of managing risk and reward, using both hands.

Company Commentaries

QUALCOMM

Qualcomm continued to detract from relative performance during the second quarter. However, we are still maintaining Qualcomm as the largest weighting in the portfolio (excluding cash), as its absolute risk-reward proposition skews very favorably, compared to alternative opportunities. Earlier this year a key overhang was removed after Qualcomm settled an investigation by China's National Development and Reform Commission (NDRC), regarding alleged anti-monopoly violations. Prior to the settlement, Qualcomm's licensing business was not effectively participating in the local smartphone market, as many original equipment manufacturers (OEM) flouted the Company's well-established, globally recognized intellectual property. That said, we believe most of the non-compliant OEMs do not compete in Western markets, much less outside of China, which is where Qualcomm generates the vast majority of its licensing revenues. As Qualcomm's IP is increasingly enforced across China's emerging smartphone OEMs we estimate the settlement could represent 5% to 10% upside for earnings over the next few years. While Qualcomm's licensing business represents about two-thirds of the Company's profitability, the chipset business represents most of the balance. Qualcomm's chipset business has stumbled of late, losing key application processor sockets to in-house rivals, particularly

Samsung, while ceding share to MediaTek in basebands. Though Qualcomm's chipset business is witnessing increased competition, the Company's ubiquitous "system on a chip" platform, and pioneering technology in mobile connectivity has them maintaining over half the revenue share in the application processor and baseband markets[10]. Despite these near-term pressures, we see this as more than priced into shares. At just over $100bn in market cap, Qualcomm has about $20bn in net cash on the balance sheet after the Company issued $10bn in debt (about half of that at rates lower than or equal to the current dividend yield) with the intention of executing an accelerated repurchase program. Further, if we capitalize the still-growing income stream from Qualcomm's licensing business - even assuming a sub-market multiple - we surmise that shares imply close to zero value (and maybe even slightly negative) for the Company's chipset business. In other words, effectively winding down the chipset business would generate more value than what the market is assigning it, which is quite draconian, considering Qualcomm's still dominant presence in mobile chipsets, and growing licensing franchise.

Berkshire Hathaway

Berkshire was a performance detractor during the second quarter. As of this Letter the stock is down nearly –10% year-to-date. We are not concerned about the recent stock drop. Indeed, we are rooting for further declines so that we can add to our long-held, out-sized position. The recent drop in the stock is entirely unsurprising to us after the near doubling in the price of the shares (+97%) from 2012 to 2014.

We once again made the trek to the Berkshire Hathaway annual meeting in early May. The meeting, in terms of "new" news was rather uneventful. That is actually good news, in our view. Buffett and Munger were as sharp and lucid and hilarious as ever. The meeting festivities were as festive as ever. The 6-hour long Q&A was a textbook recital of the enduring culture of Berkshire that will long survive Buffett and Munger as pillars of competitive advantage.

If there was any new, news to report there seemed to be a not small contingent of shareholders who questioned the prudence, if not morality, of Buffett's deep-pocketed capital embrace of 3G Capital's $40 billion purchase of H.J. Heinz in 2013 - and its combination with Kraft Foods earlier this year. 3G Capital is the buyout shop, co-founded by Brazilian billionaire Jorge Paulo Lemann. 3G served notice (if not shock) of its arrival into the consumer staples industry, first with their controlling position in InBev who acquired Anheuser Busch in 2008 - and then buying Burger King in 2010. Berkshire's partnership with 3G formerly began when he parlayed billions as financier and equity partner with Burger King in its takeover of Tim Horton's in 2014. 3G is known for their second-to-none ability to boost margins by a management culture of no-expense-is-too-small-to cut. For those on the chopping block, such expense cuts have been described as both ruthless and draconian. 3G's prey are quite mature companies that generate very little in

[10] Strategy Analytics

the way of revenue growth so margin enhancement is the primary driver of the 3G playbook. Operating leverage and scale play no small part either.

According to Credit Suisse, following InBev's $52 billion takeover of Anheuser Busch in 2008, 3G Capital increased Budweiser's pre-tax margins by 600 basis points in just five short years. Lemann & Co. are smart and fast learners. At Heinz, operating margins increased 800 basis points in just 24 months - generating a 35% increase in pre-tax operating profits to $2.8 billion. In addition, when 3G Capital took the reins at Heinz, the Company's net working capital was a relatively fat 12% of revenues. By the end of 2014 that figure was slashed to a paltry 3.5%. Fast-forward two or three years hence; a reduction of debt and refinancing of other high-costs loans could put Kraft Heinz at a net leverage of 3X. The Company could then be financially and market-cap primed to make its next big financial move; an acquisition of a food industry competitor such as General Mills, Kellogg, or Mead Johnson, according to Credit Suisse, could be the next prey of the Barbarians in the Grocery Isle.

But make no mistake about this partnership, 3G gets results measured in the billions, Buffett is an unapologetic capitalist (Munger too) with a war chest of tens of billions – and Buffett and 3G may be just getting started. Kraft Heinz began trading this week. Buffett's combined investment of $9.5 billion is now worth an elephant-sized $24 billion. Kraft Heinz is now Buffett's second largest stock holding, ahead of Coca-Cola ($16 billion) and almost as large as Berkshire's Wells Fargo stake of $26 billion (nice work in just 24 months). Buffett usually secures a large dollop of icing in his financing deals, so no surprise that Berkshire also owns $8 billion of preferred shares in Kraft Heinz that pay a cool 9% in dividends annually.

The meeting was presaged by the 50th year anniversary annual report. We are often asked by our clients what are our favorite new books. Topping our short list is the 2014 Berkshire Annual Report. Buffett's Letter to Shareholder's was unusually informative and cogent (when is it not?). However, both Buffett and Munger spiked the 2014 Shareholder Letter punch bowl as each wrote a superlative independent 50-year retrospective on the Company. The 42-page Letter should have been entitled "Investing in Berkshire Hathaway For Dummies." No, scratch that. The Woodstock for Capitalists crowd tends to be a rather buttoned-down, cerebral crowd. The better title would be "The Little Book of Investing in Berkshire Hathaway."

After a thorough read of the Shareholder Letter, if a reasonably intelligent investor cannot come to the understanding, with great confidence, that Buffett, Munger, Jain & Co. have built a uniquely American institution that is forever both a perpetual cash-generating machine - and perpetual growth company (even without any more brilliance from Buffett or Munger) - they never will. Buffett has made the case for years now that the best investment, by far, for long-term investors is a low-cost S&P 500 Index fund. Furthermore, we believe he made an indirect, powerful case that an investment in Berkshire Hathaway shares would be better still. Why? Berkshire Hathaway shares the same key advantages of index investing (prudent diversification, low cost to administer (fees) and tax efficiency), yet Berkshire Hathaway trumps those powerful attributes with their own unique and powerful attributes: a better collection of businesses where many earn quite high returns on assets, sticky low-cost leverage (+$80 billion in insurance float), 100% reinvestment of earnings, unparalleled scale to deploy retained earnings in a select few industries (particularly with Berkshire Energy), best-of-breed corporate managers that are, in no small part, in place and dedicated to the anti-Wall Street culture to maximize their collective activity in bad economies, natural disasters and bear markets. We remain bullish on Berkshire Hathaway.

Varian Medical Systems

Varian Medical Systems, a Company we have owned in other separate accounts since 2005 and in the Fund since inception, also detracted from relative performance during the quarter. The Company's non-core business of Imaging Components (about 20% of revenues) was buffeted by a host of macro pressures, including foreign exchange, as well as weakness in governmental security inspection budgets, which was mostly contained to petroleum-exporting countries. We expect these headwinds will abate over the next 12 months and for Varian's core competency in Oncology Systems to continue driving results. Varian's Oncology Systems maintains itself in a virtual duopoly, with 60% global market share in radiotherapy equipment. Though the installed base is reaching a saturation point in the US, we believe high-margin software sales along with the occasional replacement cycle, will continue to effectively monetize this cohort, as the Company continues growing its installed base in emerging markets. Valuation is relatively and historically undemanding, especially given its competitive positioning, so we continue to hold shares in the Fund.

LKQ Corporation

LKQ was a top contributor during the quarter as the Company's execution returned to form. With just under $7 billion in revenues, LKQ is the largest distributor of recycled, refurbished and aftermarket automotive replacement parts for collision and mechanic repairs, in North America and Europe (respectively). After establishing a European beachhead in late 2011 with their purchase of mechanical aftermarket distribution leader, Euro Car Parts, the Company continued to aggressively take share in Europe through both organic and inorganic reinvestment. We estimate LKQ's European subsidiaries now account for almost 30% of consolidated revenues, ranking it as one of the top distributors of mechanical aftermarket parts on the continent. LKQ's competitive moat is its unrivaled scale in the highly fragmented markets of collision repair in North America, and mechanical replacement in Europe. The Company's strategy is primarily focused on eliminating costs and redundancies while increasing fulfillment rates to end customers, including collision and mechanical repair shops. We expect LKQ to continue reinvesting in these core competencies, particularly paving the way for increased distribution of collision parts in Europe, where aftermarket penetration is still a single digit percent of repairs, compared to more than a third of repairs in the US. While the Company has made several key acquisitions over the past few years, it has been over 12 months since their last major purchase. As a result, we have gotten an unfettered glimpse into LKQ’s organic cash-generating capability of over $450 million in annual operating cash flow, which is more than double the peak levels seen prior to their European incursion. Lastly, LKQ’s stock continues to trade at an attractive historical, relative and absolute multiple, so we are still quite optimistic about the risk and reward profile of this investment.

Perrigo

Perrigo was also a top contributor during the quarter, after receiving a hostile takeover offer from generic drug manufacturer, Mylan (Netherlands). Upon the news, Perrigo’s share price spiked almost 20%, though it is currently at levels far from Mylan’s effective offer price. We think the discount to the offer price (which consists of cash and Mylan equity) is related to artificially inflated Mylan shares, which also received a hostile bid from Teva Pharmaceuticals. As of this writing, the ultimate outcome of the various bids is unknown, though we suspect Mylan is bidding on Perrigo as a ploy to fend off Teva’s advances. Regardless, in recognition of the relatively large multiple expansion in Perrigo’s stock, we trimmed weightings but continue to maintain it in the Fund, due to the Company’s formidable competitive positioning. Perrigo has close to 70% market share of store brand private-label products for over-the-counter drugs (OTC) in the US, +90% store brand private-label share for infant formula, and with the Company's recent acquisition of Omega they are only beginning to penetrate the large ($30 billion) but high barrier-to-entry European OTC market. As of the company's most recent earnings release, Perrigo identified a potential for $32 billion in prescription Rx-to-OTC switches over the next five years and are expecting over $1 billion of new product revenue over the next 3 years, helping revenues compound at an annual growth rate of approximately 25% compared to their most recent fiscal year revenue levels. So we remain confident in Perrigo's unrivaled business model, and will continue to closely monitor the Company’s valuation, as we are eager to add back shares on any merger-related weakness.

July 2015

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Chief Investment Officer	Senior Portfolio Manager	Portfolio Manager
	Senior Research Analyst	Research Analyst

Table II
Top Ten Holdings For the Quarter Ending June 30, 2015

	Percent of Net Assets of the Fund
QUALCOMM, Inc.	7.5%
Berkshire Hathaway Inc.	7.4%
Express Scripts Holding Co.	6.9%
Apple Inc.	6.4%
M&T Bank Corp.	5.9%
Cognizant Technology Solutions Corp.	5.4%
Coach, Inc.	4.9%
National Oilwell Varco, Inc.	4.6%
Schlumberger Ltd.	4.5%
Google Inc.	4.1%
Total	**57.5%**

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

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