RiverPark/Wedgewood Fund

(RWGIX / RWGFX)

Third Quarter 2017 Review and Outlook

The Fund gained +4.6% during the third quarter of 2017. The benchmark Russell 1000 Growth Index gained +5.9%. The S&P 500 Index gained +4.5% during the quarter.

TABLE I
Net Fund Returns for Quarter Ended September 30, 2017

	INSTITUTIONAL SHARES (RWGIX)	RETAIL SHARES (RWGFX)	RUSSELL 1000 GROWTH INDEX	S&P 500 TOTAL RETURN INDEX	MORNINGSTAR LARGE GROWTH CATEGORY[1]
THIRD QUARTER 2017	4.64%	4.61%	5.90%	4.48%	5.35%
YEAR-TO-DATE	10.30%	10.12%	20.72%	14.24%	20.14%
ONE YEAR	12.85%	12.62%	21.94%	18.61%	19.77%
THREE YEAR – ANNUALIZED*	4.19%	4.09%	12.69%	10.81%	10.26%
FIVE YEAR – ANNUALIZED*	8.80%	8.64%	15.26%	14.22%	13.46%
SINCE INCEPTION – ANNUALIZED* (SEPTEMBER 30, 2010)	11.33%	11.14%	15.40%	14.36%	13.13%

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 ratios, as of the most recent prospectus dated 1/27/2017, for Institutional and Retail classes are 0.82% and 1.08%, respectively.*

[1] Source: Morningstar Principia

The Bull Market in Everything

Top third quarter performance detractors include Kraft Heinz, TreeHouse Foods, Edwards Lifesciences, Qualcomm, and Core Labs. Top third quarter performance contributors include, PayPal, Tractor Supply, Visa, Berkshire Hathaway, and Apple.

During the third quarter we increased our positions in Fastenal, Tractor Supply, Ross Stores and twice in Edwards Lifesciences. We trimmed Kraft Heinz and Priceline. We sold TreeHouse Foods.

Table II
Top Contributors to Performance for the Quarter Ended September 30, 2017

	Average Weight	Percent Impact
PayPal Holdings Inc.	5.45%	0.95%
Tractor Supply Co.	5.46%	0.94%
Visa Inc.	6.25%	0.74%
Berkshire Hathaway Inc	8.97%	0.70%
Apple Inc.	7.78%	0.59%

Portfolio Attribution is produced by RiverPark Advisors, LLC (RiverPark), the Fund's adviser, using the FactSet Research Systems Portfolio Analysis Application. Although RiverPark believes that the FactSet model adheres to generally accepted standards in the industry, attribution analysis is not an exact science and different methodologies may produce different results.

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

Table III
Top Detractors From Performance for the Quarter Ended September 30, 2017

	Average Weight	Percent Impact
Kraft Heintz Company	5.20%	-0.39%
QUALCOMM Incorporated	5.46%	-0.27%
TreeHouse Foods, Inc.	1.22%	-0.25%
Edwards Lifesciences Corp.	3.13%	-0.25%
Core Laboratories NV	4.30%	-0.08%

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

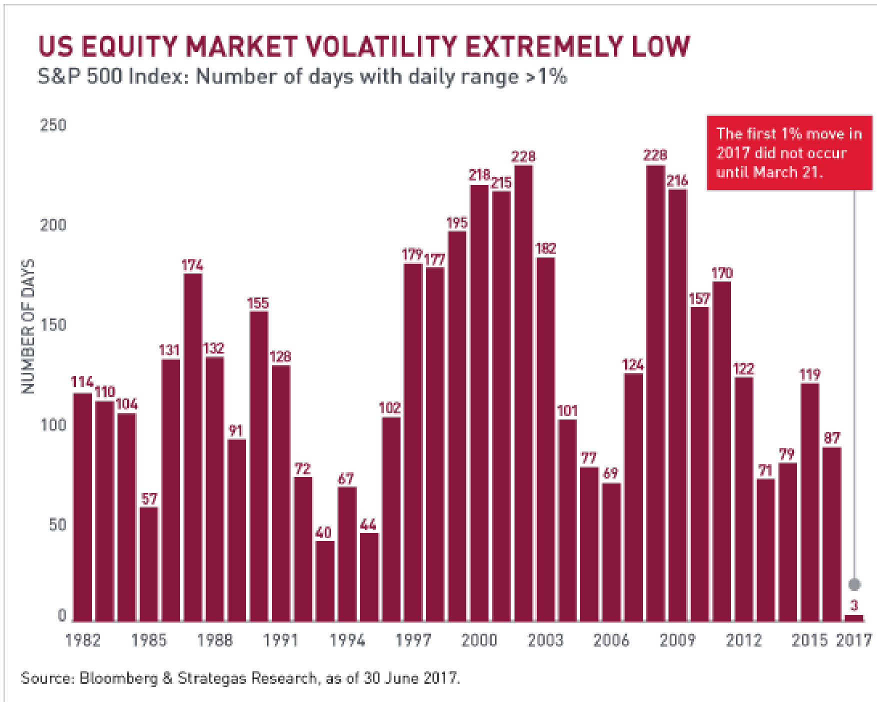
While we are not particularly happy with 3rd Quarter underperformance *relative* to our benchmark, we also are not surprised, as the portfolio trades at a substantial discount to the benchmark's price-to-book valuation, and a comfortable discount on a price-to-earnings basis. In a financing environment characterized by low, no, or negative long-term borrowing rates, we continue to see highly levered, uncertain cash flows outperform compared to our more conservatively valued growth companies.

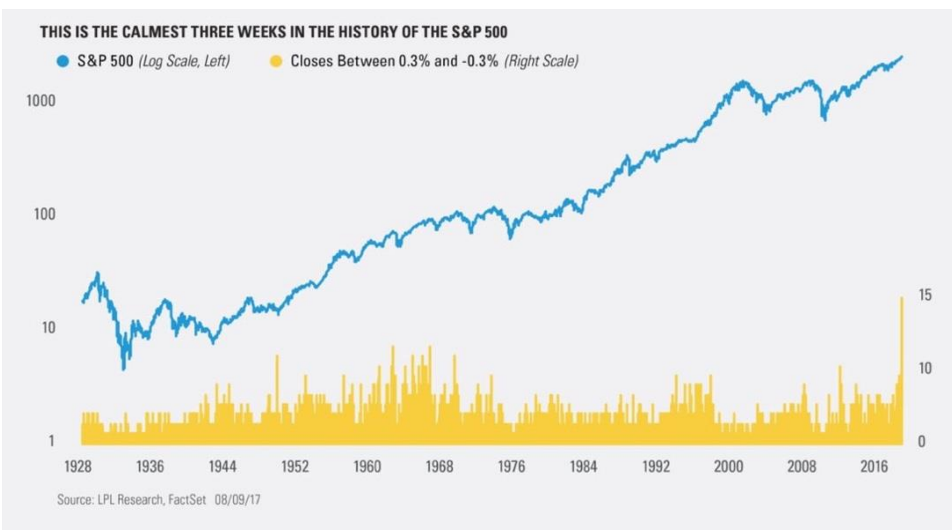
We are, however, pleased with our *absolute* performance, as the Fund's year to date returns have been in line with the earnings trajectories of our businesses. As the quarter progressed it was encouraging, in our view, that more than a few of our non-technology holdings finally started to "catch a bid," owing to each company's respective growth prospects and/or far too cheap valuation.

We have been quite frustrated over the past few years that far too many of our growth companies have not participated in the stock market's relentless valuation march to new all-time highs. A significant driver of the market's advance has come from the remarkable run of technology companies. Nowhere is this more on display than in large cap growth. During the 3rd Quarter, the Russell 1000 Growth averaged a roughly 37% weighting in Information Technology. The benchmark's 37% weighting comes close to (or exceeds) previous peaks set around the turn of the century.[2] We are dyed-in-the-wool focused investors, but we do not think there are enough unique business models in the information technology sector (as defined by GICS) to warrant a 40% weighting.

And speaking of marching, the stock market continues to march higher indeed in truly historic fashion. The third quarter represented the *19th* positive quarter over the past 20. The last negative quarter was two years ago when the stock market "suffered" a -6.6% "collapse" during the 3rd quarter of 2015. In fact, the current bull advance without at least a -5% correction is now the 4th longest streak since *1928*. The last notable double-digit "correction" was *six years ago*, way back in 2011.

[2] This weighting does *not* include tech-oriented businesses such as Amazon and Netflix – which together would move the benchmark's weighting comfortably beyond 40%.


US EQUITY MARKET VOLATILITY EXTREMELY LOW
S&P 500 Index: Number of days with daily range >1%
The first 1% move in 2017 did not occur until March 21.
NUMBER OF DAYS
250
200
150
100
50
0
114 110 104 57 131 174 132 91 155 128 72 40 67 44 102 179 177 195 218 215 228 182 101 77 69 124 228 216 157 170 122 71 79 119 87 3
1982 1985 1988 1991 1994 1997 2000 2003 2006 2009 2012 2015 2017
Source: Bloomberg & Strategas Research, as of 30 June 2017.


THIS IS THE CALMEST THREE WEEKS IN THE HISTORY OF THE S&P 500
S&P 500 (Log Scale, Left)
Closes Between 0.3% and -0.3% (Right Scale)
1000
100
10
1
15
10
0
1928 1936 1944 1952 1960 1968 1976 1984 1992 2000 2008 2016
Source: LPL Research, FactSet 08/09/17

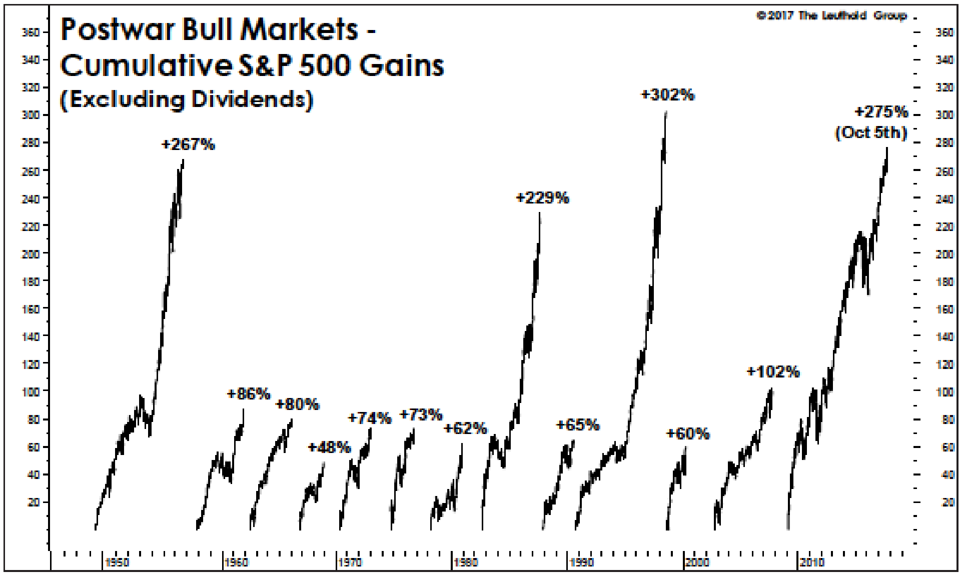
Volatility in the stock market (and bond market) appears to be a thing of the past (we are manifestly dubious). The VIX has closed under 10 an astonishing 27 times so far in 2017. Such low readings in the VIX are quite rare, only occurring just *9 times* from 1990 through 2016. According to Pension Partners, since 1990, 10 of the lowest 20 VIX readings have occurred just since this past May. The other 10 lowest VIX readings over the past 28 years were clustered in 1993, 2006 and 2007. Just recently, (as of Oct. 3rd), the S&P 500 Index has closed within 0.5% of the previous days close for the past *16 consecutive days.* This is the longest streak since *1969.* If calendar 2017 ended today, the current maximum drawdown of just a few percentage points (-2.6%) would be the smallest calendar drawdown since *1914.*

Volatility is a dear friend of the active, patient investor. We miss it *terribly*.

The Great Bull Market of 2009-2017 continues to rack up new records or close in on historical records in terms of gain, duration, and lack of volatility. The next graphics speak for themselves:

Contributions To S&P 500 Total Return:
October 9, 2007 Bull Market Peak Through October 5, 2017

	October 9, 2007	October 5, 2017	Percent Chg.	10 Years Annualized
S&P 500 12-Mo. Trailing GAAP EPS	$84.92	$104.02	22.5 %	2.0 %
P/E on 12-Mo. Trailing GAAP EPS	18.4 x	24.5 x	33.1 %	2.9 %
S&P 500	1566	2552	63.0 %	5.0 %
S&P 500 Dividends Per Share	$28.24	$49.88	76.6 %	5.9 %
Dividend Contribution To Return				2.3 %
S&P 500 Total Return Index	2447	4953	**102.4 %**	**7.3 %**



As we continue to ply our investing trade as focused, high active-share investors, we would like to share with you a recent study (and article) on our particular craft of differentiated, patient investing. The study referenced below was recently referenced by Harris Associates on the time-immemorial topic of "active" versus "passive" investing, in which they (Harris) propound on the findings of Dr. Martijn Cremers' *"Patient Capital Outperformance."*

We have studied successful investors for a few decades now (a must for any investor, budding or seasoned). The investment management business is literally an open book on this matter. Between quarterly and annual firm commentary from successful investment firms, plus countless books on the Cooperstown members in the investment management pantheon, one can find more intimate details on the enshrined than TMZ on the Kardashians.

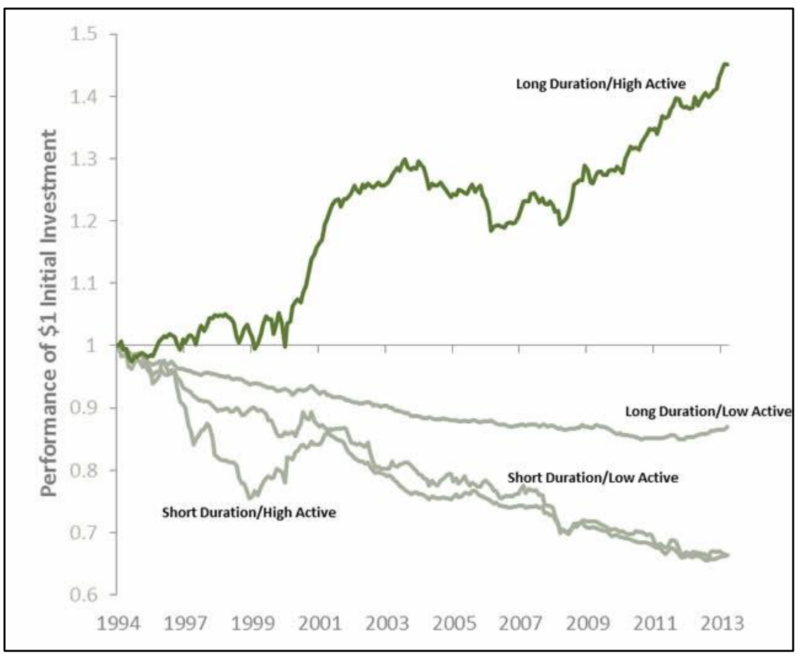
We are particularly enamored by those investment shops that have stuck with a winning investment philosophy and strategy that has endured for time periods measured in decades, rather than years. Without exception, such carbon-dated firms – including their leading managers - will no doubt suffer periods of infamy. Harris Associates has been on our study list from the beginning.

Dr. Cremer deserves special note as well. Dr. Cremer has been a prolific researcher and scribe on the topic of active share investing as both the most logical and the best structural way for investors (lay and professional) to outperform the stock market. No surprise, then, that we at Wedgewood Partners wholeheartedly agree with his studies. The following are key excerpts quoted from the Harris article:

"One could argue that the active versus passive debate is poorly framed. While there is ample evidence to suggest that the average active manager underperforms net of fees, we believe 'closet indexers' are primarily to blame for active manager underperformance. Perhaps a more productive discussion on the value of active management would be to analyze truly 'active' managers versus 'closet indexers.' We think that if you can find a way to differentiate between the two, the potential reward is significant."

"In Dr. Martijn Cremers' 'Patient Capital Outperformance,' he suggests there is a cohort of active managers who provide excess returns net of fees. He recommends selecting those with two essential characteristics 1) high Active Share and 2) long Fund Duration. In other words, an investor should select active managers who hold their stocks for longer than two years and build their portfolios based on conviction rather than benchmark weights. This approach results in tracking error and performance that deviates from indices – but the payoff generates above-average performance results."

<u>Outperformance of High Active Share and Patient Mutual Funds</u>



Source: Harris Associates and Dr. Martijn Cremers

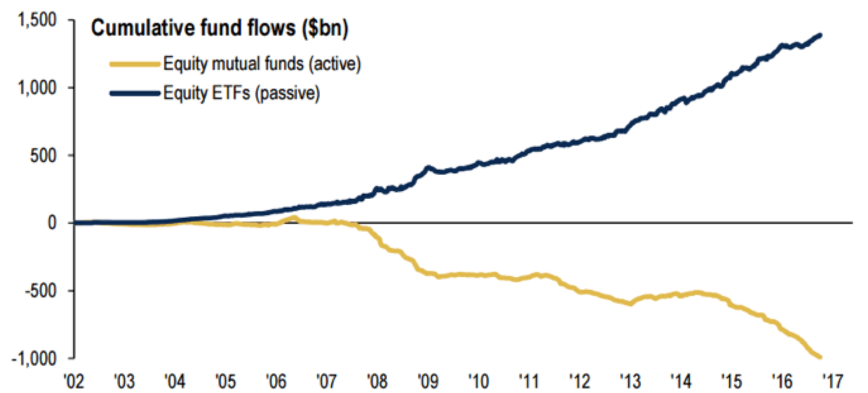
"For example, after sorting approximately 1,200 U.S. equity mutual funds into four distinct portfolios, Dr. Cremer concluded that a $1 investment in the portfolio of high Active Share/long Fund Duration mutual funds would have outperformed a $1 investment in the portfolio of respective benchmarks over 40% between 1994 and 2015 in terms of cumulative excess net returns. The other three portfolios underperformed the benchmarks."

"While it may be tempting to run out and build a portfolio that looks nothing like the market and hold it for a long time, there are other factors to consider when selecting a manager. According to Dr. Cremers, 'Successful managers need to have (i) the skill to identify good investment opportunities appropriate for their clients, (ii) the right judgment or willingness to choose among the identified opportunities in a prudent way, and finally (iii) sufficient opportunity or lack of practical obstacles to do so persistently."

"Consistently high levels of talent and effort can fail to produce consistently good short-term investing results. Michael J. Mauboussin writes, 'If an activity involves luck, then how well you do in the short run doesn't tell you much about your skill. A good process is the surest path to success in the long run.'
At Harris, our competitive edge is identifying growing businesses managed to benefit shareholders. Our investment team undertakes a rigorous due diligence process, akin to a private equity manager, to reveal these businesses…into what the company will look like in five to seven years…and we remain laser focused on business values, not stock prices: just because a stock is trading down doesn't mean long-term fundamentals have deteriorated. Our process gives us a yardstick to measure discrepancies in value and empowers us to act. Our long-term success requires the discipline to stick to our investment process, even if it produces short-term losses. In the end, we expect to choose more stocks that go up than down, and the magnitude of our winners to exceed that of our losers…we believe that success in almost any endeavor requires having the freedom to think differently than others - and we strive to maintain an environment where our investment professionals trust our process. Our conclusions are formed from facts, and as a team we openly debate them. We routinely conduct devil's advocate analyses to ensure we have uncovered material risks. Our process provides confirmation that our judgement is sound, which helps us act, even when the crowd is running in the opposite direction."

"As a result, we attempt to maximize our stock-picking skill by holding a focused number of stocks and weigh each one on conviction. Our portfolios range from 20 to 60 stocks and our most diversified portfolios have half the positions of our average competitor. Closet indexers do the opposite. They hold hundreds of stocks and mimic benchmark weights in an attempt to limit underperforming stocks. But the flip side is an inconvenient truth - closet indexers ensure their winners don't have a significant impact either. After charging active fees for a benchmarked portfolio, there is little wonder why closet indexers underperform. Tracking error is deemed a risk to avoid, but in the end it's outperformance that will be foregone."

Chart 1: Investors shun active for passive



Source: BofAML Global Investment Strategy, EPFR Global

"Active managers must have the opportunity to stray from the benchmark. Dr. Cremers concludes that the more a portfolio's weights differ from those in the benchmark, the more it works to outperform and justify management fees…we populate portfolios based on conviction rather than benchmark weight, which can lead us to buy specific companies or areas of the market that are unloved, underappreciated or misunderstood. Periods of underperformance can follow as the gap between the stock price and intrinsic value closes. But, if necessary, we will gladly sacrifice short-term results as it has so often been the fuel for long-term success."

We believe in the self-evident efficacy and competitive advantage of focused, high active share investing. The investment value proposition is clear. If one endeavors to outperform the stock market, plus their respective assigned benchmarks and like style peers, then one needs to have a repeatable, differentiated investment philosophy, process and structure. Critically, one needs an investment time horizon measured in enough years that the vast majority of investors can't stomach – at a minimum, including both a full bull and a full bear market cycle.

It ain't easy. As Charlie Munger repeatedly reminds us all, successful investing ain't supposed to be easy.

But if executed properly, exceedingly lucrative...

Company Commentaries

Alphabet

Alphabet has been in the Fund since inception, as the Company has invested in and developed more than a half-dozen digital content platforms, each with over 1 billion monthly users, to form the backbone of what is now the largest advertising franchise in the world. The Company continues to extend its lead, evidenced in its over 20% constant currency revenue growth for the June quarter, while generating 15% adjusted operating income growth. While traffic acquisition costs (TAC) to Google properties rose during the past few quarters, historically the Company has not managed margin trends as closely as they have revenue growth, and we would expect TAC growth to moderate over the next several quarters.

Alphabet continues to carry one of the strongest balance sheets in Corporate America, with nearly $100 billion in net cash and investments, a byproduct of the Company's attractive profitability profile, which is on pace to generate $25 billion per year in free cash flow, along with a *de minimis* payout ratio. We do not think Alphabet needs this level of cash on its balance sheet to sustain its growth or value proposition, and we would expect the Company to eventually begin returning it to shareholders. We think this should benefit existing shareholders, as a new class of income-oriented investors is brought into the ownership fold.

We continue to hold Alphabet at a roughly weighted 6% in the Fund, roughly in-line with where it's been for the past several years though, admittedly, below the 7% to 8% weightings of 2012, which saw the stock trade close to just 10X forward earnings on business model fears. Though Alphabet's multiple has expanded quite a bit since those fearful days, it still remains attractive, particularly given its financial strength and continued high-teens revenue and profitability growth.

Cognizant

Cognizant has been a strong performer throughout the year. In 2016 it proved to be a bit sluggish, particularly when the strong and steady revenue growth typically reported by the Company experienced headwinds in multiple business segments. In their Financial Services segment, 2016 was marked by large money center bank customers spending more cautiously due to the low interest rate environment. Political uncertainty in the U.S. during the election year also impacted spending by their customers. While these large banks continue to take a conservative approach to spending, management has noted some stability in the banking sector relative to last year.

Recall that when we last wrote on Cognizant's performance (about a year ago) we mentioned four Cognizant clients in the HMO industry were all attempting to merge with or acquire each other. This M&A activity caused these clients to pause their project spending until the mergers were either finalized or abandoned. It did not help that these large industry M&A transactions were slowed by regulatory hurdles. Both transactions were ultimately blocked by the Department of Justice and, as we predicted a year ago, spending has since bounced back as these clients are now looking to invest.

Perhaps the largest contributor to Cognizant's performance has been the announcement and implementation of their Strategic Plan earlier this year. The plan focuses mainly on accelerating the Company's shift to Digital Services (from a majority IT Services today) through both organic investments and acquisitions. Digital Services make up approximately 26% of total Company revenue (this is up from 23% of total revenue when the plan was first announced). However, these revenues are growing well above the Company average. While the digital market is not without competition, we certainly believe there is enough addressable market for Cognizant to take a reasonable share.

Additional initiatives of the Strategic Plan include improving margins and enhancing capital deployment. Historically, management has targeted a fairly steady operating margin level of 19-20%. As part of this plan, Cognizant is targeting 22% operating margins by 2019, a fairly substantial expansion but one we believe is achievable as the Company optimizes its cost structure. The shift to digital also helps in this area as these revenues generate higher margins in addition to growing faster than the Company average. Capital deployment plans include increased capital returns which include both share buybacks and dividends (the Company had not paid a dividend prior to the announcement of this plan), with a plan in place to return 75% of U.S.-generated free cash flow from 2019 onward.

Fastenal

Since we first bought Fastenal at the end of October last year, the U.S. manufacturing and energy industries have transitioned from approximately two years of recessionary conditions to a healthy recovery, driven in large part by a rebound in U.S. energy production. In fact, we note that the Institute for Supply Management's Purchasing Managers Index – a widely-used gauge of manufacturing activity – just hit a 6-year high in September, with the component of the index representing actual production hitting its highest level in 13 years. Fastenal's own results have moved from declining revenues and operating margins to double-digit percentage revenue growth and improving operating margins.

Fastenal (FAST)
Sales and Margin Trends

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17
Daily Sales growth	9%	5%	2%	-2%	2%	2%	2%	3%	6%	11%
EBIT margins (+/- in bp)	+100	+80	+40	-110	-100	-200	-190	-10	-20	+50
EBIT growth	14%	9%	3%	-6%	-1%	-7%	-8%	2%	5%	13%
EPS growth	15%	10%	5%	-3%	1%	-5%	-7%	3%	6%	13%

Source: Fastenal company reports

Aside from an aggressive run in the stock for a brief period after the U.S. presidential election, Fastenal's stock has barely noticed the significant recovery in both the end markets and the Company's results, leaving valuations still near 2009's recessionary lows. Persistent noise about potential disruption to the industry from Amazon has weighed on the stock to some degree; we note that Amazon is actually Fastenal's largest vending customer, meaning that Fastenal clearly can offer value that Amazon is not able to provide itself. This highlights, again, that the strategies used by the Company for decades to differentiate its business model versus traditional competitors are the same strategies that differentiate its business versus online competition: specifically, Fastenal has people, products, branches, and a local delivery fleet on the ground as close to the customer as possible – in fact, in many cases, Fastenal is managing a customer's inventory right on the customer's factory floor. We continue to view Fastenal as a high-quality growth business, benefitting from the continuing long-term renaissance in U.S. manufacturing and energy production, while gaining share in this highly fragmented industry from a variety of competitors who are unable to offer the services Fastenal provides. We believe this is a great example of the sort of investment opportunity that occasionally will be tossed up by an exceptionally narrow market. In Fastenal, we have a company and its end markets involved in the creation of real products, real profits, and real cash flows, which create real economic value for stakeholders and for the economy as a whole.

Qualcomm

Qualcomm's stock continues to be stuck in lawsuit purgatory. Ironies abound. A judge says Apple doesn't have to pay Qualcomm, even though Apple admits they owe Qualcomm at least $4 per phone. The FTC says Qualcomm is violating antitrust, even though the head of the FTC admits Qualcomm isn't violating anti-trust. Both Companies have been quite public in their respective legal positions. Apple is adamant about letting a judge decide on a fair price (or royalty rate) from them to pay for Qualcomm's technology. Qualcomm is just as adamant that they will once again go to great lengths to defend what they believe is a fair market price for their technology. The public posturing from Apple's CEO Cook seems to imply that Apple is in no hurry to reach an out-of-court settlement. Qualcomm's CEO Mollenkopf continues to expect an out-of-court settlement.

Our main position in holding the stock throughout this turmoil is that we cannot conceive that a U.S. court (judge) would rule that a U.S. company's patent estate can be rendered virtually worthless. In addition, at the stock's current valuation, the market, in our view, has priced in either an onerous settlement with Apple or an onerous settlement that for all practical purposes emasculates Qualcomm's cash-cow royalty business. We believe either extreme is unlikely. Furthermore, the risk/reward for Qualcomm's stock (currently in the low $50's), again in our view, is significantly asymmetric to the upside, particularly in a world where other notable semiconductor companies such as NVidia and Broadcom sport market caps of over $110 billion and over $105 billion, respectively – and both on lower revenues and profits than Qualcomm.

Last, we believe that the market is giving little benefit for the earnings accretion of the Company's planned year-end closing of their +$47 billion acquisition of NXP Semiconductor. The Company has obtained regulatory clearance in four jurisdictions, including the U.S. and Taiwan, and is still working on clearances from five other regions consisting of the EU, China, Japan, South Korea, and the Philippines. Just recently the Company has offered NXP-owned patent concessions to win regulatory approval in the EU.

PayPal

PayPal Holdings was a top contributor to relative performance during the third quarter. The Company's constant currency revenue growth, operating earnings and earnings per share continue to grow at high-teens rates as their core payment services gain relevance with a growing base of more than 15 million merchants and over 200 million users. We think PayPal's large-scale, two-sided platform is a unique value proposition to the payments industry where competitors typically focus on either merchants or customers, but rarely integrate both at scale. PayPal's traction with users and merchants proliferated during its decade-and-a-half tenure under the eBay umbrella, concomitant to the rise of the e-commerce sales channel. The core value proposition of PayPal – then and now – is its ability to offer a turn-key payments platform that includes payment acceptance, processing, fraud detection, and an increasing array of financial services traditionally offered by banks, to merchants of any size, particularly small and mid-sized merchants.

Although we consider PayPal to be in competition with traditional banks, the nature of their competition is a rare partnership, where both create value beyond what either could achieve by themselves. Of course, if they both fail to create value, then their competitive dynamic will turn into winner-take-all, but we think PayPal is in the very early stages of adding substantial value to banks, via their recently signed partnership agreements with Visa and MasterCard. For years, traditional banks have been trying in vain to construct widely accepted mobile payment platforms, beyond what Visa and MasterCard offer, while PayPal has succeeded through its one-click checkout on mobile, Braintree mobile payment solutions, and more recently Venmo P2P money transfer application (among others). In exchange for capturing some of the economics from this mobile volume, banks have become a new source of distribution for PayPal, both on the user and merchant end.

In addition, PayPal has a disciplined value chain that is focused on procuring the natural operating leverage inherent to payments and prudently reinvesting it into large and growing addressable markets. We think PayPal is capable of further leveraging its fixed cost base as the aforementioned partnerships will reduce customer acquisition and support costs.

Over the next few years, we expect PayPal to monetize their credit receivables portfolio, which should free up a substantial amount of capital for reinvestment. Also, we think the Company will begin to specify their strategy around their exclusivity agreement with eBay, which expires in a few years. We believe a substantial portion PayPal's small and mid-sized merchants will continue to do business via the eBay marketplace. Considering that PayPal's most valuable offerings are to its small and mid-sized customers; we would expect the Company to take the appropriate measures to maintain these lucrative relationships.

While PayPal sports one of the richest earnings multiples in the Fund, we think the Company has a multi-year potential for double-digit revenue and profit growth, which is rare for a business of PayPal's size. If they continue to execute on this growth strategy, leveraging their unique, dual-sided platform in addition to optimizing their capital structure and maintaining their relationship with small and mid-sized merchants, we think the Company will continue to be a core holding for many years.

Tractor Supply Company

We have continued to add to our position in Tractor Supply, which was one of our top contributors in the third quarter. Over time, we have noticed that whenever we see unseasonable weather cause weakness in retail, the cries of *"Amazon, Amazon, Amazon!"* get louder for a period of time. As we have stated before, Amazon's retail business has been wildly successful in building revenues (if not profits or returns on capital) over the past 20 years, and this has led them to a low-single-digit share of U.S. retail. However, the U.S. retail market is a monstrous, and growing, multi-trillion-dollar opportunity, which leaves trillions of dollars (and growing) of addressable market for everyone who is not Amazon.

As this relates to Tractor Supply, specifically, we believe that the Company has spent most of its history differentiating itself from imposing competition. Their strategy to remain relevant to their customers in the face of Amazon is a natural evolution for a company that established its value proposition around the sides of Home Depot, Lowe's, and Wal-Mart – which, incidentally, has roughly 5-6X the domestic sales of Amazon, and which is a far more relevant competitive threat due to its size and physical proximity to Tractor. Reiterating our prior stance, we believe Tractor Supply brings stores, service, and on-the-ground inventory to an underserved, rural customer base. Weather will impact quarterly results, as it always has, and we are willing to accept these short-term disruptions. Finally, we have argued repeatedly that the stock was selling at or near recessionary valuations, and we would note that the stock bounced off of our estimate of its trough valuation on its most recent quarterly results, despite a reduction to full-year earnings guidance.

After unhelpful weather had hindered Q1, we saw a nice rebound in Q2 results, which coincided with a return to normal weather across most of the country. Revenues came in ahead of expectations, as did gross margins – in fact, gross margins turned in their best performance in six quarters – so we fail to see any sign that Amazon is encroaching on their business in terms of crippling sales or pricing pressure. Furthermore, just as we see every quarter, the Company's "CUE" (consumable, usable, edible) category – which should be the area most susceptible to online incursion – once again turned in the Company's strongest performance. Management did lower full-year guidance by 7% to account for the Q1 weakness, and, we believe, to build some cushion into second half expectations. We were expecting a modest guidance cut, ourselves, although we were a little disappointed with the magnitude of the cut; however, the market clearly was expecting much worse, with the stock having corrected -35% at that point from its highs in anticipation of what ended up being a 7% reduction to guidance. We believe the significant bounce in the stock since the Q2 report validates our belief that the market has been overly negative on financial expectations and valuation. We still believe that Tractor Supply can continue to grow its store base over time while generating healthy, flat to improving returns, leading to mid-to-high-single-digit revenue growth and double-digit EPS growth.

Treehouse Foods

After a relatively short holding period of just 12 months, we sold our TreeHouse position. After the acquisition of the Private Brands business from ConAgra in November of 2015, the Company became by far the largest manufacturer and distributor of private label grocery products in the U.S. With notable size and scale through unmatched scale in both manufacturing and distribution, we believed TreeHouse would significantly benefit from the secular shift toward private label, particularly in higher margin natural and organic segments, while driving out costs in lower growth segments. Specifically, the shift toward private label brands was one of the rare growth opportunities in the increasingly cut-throat battles in nearly every aisle of the grocery store business. We see private brands all around us in our local family-owned grocery stores and in the big national chain stores, as well as food retailers that are uniquely private label – Whole Foods, Trader Joe's, Aldi, and Costco.

Our investment thesis began to be challenged earlier in the year, as forecasted synergies from the Private Brands acquisition were slow to emerge. In addition, the cadence and frequency of privately-owned businesses pricing bids began to shorten from the industry standard 12-month pricing, rendering significant volatility to financial results – particularly at the earnings line. The Company's response – like most of the industry's – has been to protect revenues by reducing prices. By this point our original thesis was compromised enough that we sold our position to redeploy capital back into more promising portfolio positions.

Verisk

Verisk Analytics has been in the Fund since 2011, as the Company continues to serve a critical function in the property and casualty insurance value chain, providing many of the top 100 insurance customers in the US with proprietary risk data, compliance and analytical services. We estimate the Company generates over 70% of its revenues from this industry vertical, and is organically growing these revenues at a mid to high single digit, much faster than the underlying industry growth, which clocks in at a low single digit. As Verisk is able to scale its solutions across many customers, we expect margins to continue expanding and help drive a healthy double-digit earnings growth trajectory for the Company.

While the insurance industry is far from "hyper-growth," we think it nevertheless represents a stable base where Verisk can add significant incremental value as it aggressively reinvests in innovative ways for customers to get an edge. For example, the Company recently invested in a sophisticated data collection platform, Geomni, that includes remote sensing and machine learning technologies to gather, store, and process geographic and spatial information related to housing and commercial structures. After natural disasters, Verisk can rapidly deploy these assets to gather data and feed it into claims management tools, also maintained by Verisk. We think the value of innovative solutions like Geomni is amplified by Verisk's suite of data and analytics services, which enable insurance customers to assess and price risk more quickly and accurately.

Further, Verisk estimates the total cost of their services and data is just 25 basis points (0.25%) of the insurance industry's total expense structure, which we think represents a compelling value, given the mission-critical nature of many of Verisk's data sets. As such, over 80% of Verisk's revenues are subscriptions or long-term agreements. We expect Verisk to continue exhibiting attractive and expanding margins, particularly EBITDA margins, which clock in around 50% and are much higher than most subscription-based software as a service (SaaS) businesses. We think Verisk has a well-defined value proposition that makes the appropriate trade-offs between organic sales growth and maintaining superior profitability. While those tradeoffs sound like common sense, we think it has become troublingly unique, as large SaaS companies are often driven by rapid sales growth and rampant, protracted replacement of overhead expenses with highly dilutive, shareholder-funded equity issuance. Regardless, we think Verisk has struck a prudent balance between value creation and value capture, which we think should continue to drive excess returns, even against a difficult industry backdrop.

Off-Price Retail

It seems that nearly every quarter, a new headline makes its way to the forefront, declaring that brick and mortar retailing is dead – or at least on its death bed. The ongoing evolution and disruption of the retail market resulting from increased e-commerce assumes the impact is far-reaching, affecting ***all*** physical retailers. Here at Wedgewood, we perform our due diligence to determine the accuracy of these threats. Over time, we have studied the threat of e-commerce (Amazon in particular) quite thoroughly. What we find, and what our analysis leading up to our initial purchases indicated, is that our companies have differentiated models and/or operate in niche segments, allowing them to grow despite these threats. We wrote at length last quarter about the Amazon threat and clarified why we believe our retail holdings have insulated themselves from this threat. We invite you to return to that letter for a refresher whenever dour headlines raise concerns about this topic.

Both TJX Companies and Ross Stores have a very deliberate brick and mortar footprint. In fact, Ross has stated on public investor calls that they have no plans to pursue an e-commerce format. Their model, which we believe to be one of their competitive advantages, is successful despite the misconception that e-commerce means the end of all brick and mortar. Ross management has explained how the transaction economics of the shopping experience Ross provides simply would not work online. 90% of their product are priced under $30, with the average unit retail closer to $10. With online retail, product return rates are substantially higher than for in-store purchases.

In addition, by the time products are returned, they are potentially out of season. Add on to this the fact that these online sales are likely being offered with free shipping. The culmination of all of these factors, means that providing the value experience Ross offers would not be sustainable in an e-commerce format. To be profitable, online retail pricing is much more in line with that of department stores. This allows Ross to offer the same value proposition – delivering more for less – as usual, successfully.

We added to our position in Ross in the quarter as the Company continues to grow same-store sales and improve margins. Further, valuation levels were very attractive as we saw the stock price trade down during the quarter with the previously mentioned general concerns in the retail space. The Company plans to open 80-90 new stores each year in new and existing markets, providing a long path for growth that offers a differentiated retail model that insulates them from the disruption we are seeing with many standard brick and mortar retailers.

Thank you for your continued confidence in Wedgewood Partners.

October, 2017

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Table IV
Top Ten Holdings For the Quarter Ended September 30, 2017

	Percent of Net Assets of the Fund
Berkshire Hathaway Inc.	8.5%
Apple Inc.	7.6%
Alphabet Inc.	7.2%
The Priceline Group Inc.	6.1%
Visa Inc.	6.0%
Fastenal Co.	5.7%
QUALCOMM Inc.	5.7%
Tractor Supply Co.	5.6%
Schlumberger Ltd.	5.6%
Edwards Lifesciences Corp.	5.2%
Total	**63.3%**

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

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To determine if this 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 and full prospectuses, which may be obtained by calling 888.564.4517, or by visiting the website at www.riverparkfunds.com. Please read the prospectus carefully before investing.

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