RIVERPARK FUNDS

RiverPark/Wedgewood Fund

(RWGIX / RWGFX)

Wedgewood. PARTNERS, INC.

First Quarter 2016 Review and Outlook

Performance for the RiverPark/Wedgewood Fund during the quarter ended March 31, 2016 (net-of-fees)[i] was +1.15% compared to the Russell 1000 Growth benchmark's gain of +0.74% and the S&P 500 Index's gain of +1.35%.

TABLE I
Net Fund Returns for Quarter ended March 31, 2016

	INSTITUTIONAL SHARES (RWGIX)	RETAIL SHARES (RWGFX)	RUSSELL 1000 GROWTH INDEX	S&P 500 TOTAL RETURN INDEX	MORNINGSTAR LARGE GROWTH CATEGORY[1]
FIRST QUARTER 2016	1.15%	1.04%	0.74%	1.35%	-2.48%
YEAR-TO-DATE	1.15%	1.04%	0.74%	1.35%	-2.48%
ONE YEAR	-6.41%	-6.28%	2.52%	1.78%	-2.37%
THREE YEAR - ANNUALIZED	8.14%	8.02%	13.61%	11.82%	11.01%
FIVE YEAR - ANNUALIZED	10.20%	10.02%	12.38%	11.58%	9.62%
SINCE INCEPTION – ANNUALIZED (SEPTEMBER 30, 2010)	11.93%	11.74%	14.68%	13.72%	12.00%

*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 1.16% and 0.85%, respectively.

[1] Source: Morningstar Principia

After a very difficult relative performance year in calendar 2015, our process performed much more favorably during the volatile first quarter of 2016. While the fund is "focused" in the sense that the number of holdings in our portfolio are substantially less numerous than those of most active managers, we believe that the portfolio still has ample diversification, particularly across business models, as we stick to "best of breed" companies, meaning that we usually find just one good idea for a given business model. When we see lopsided performance, similar to what we've seen over the past five or so quarters, we try to remind ourselves – and our clients – that, despite what many might think about focus, our diversification (by business model) and our position limit size (which is 10%) make it very difficult for just a handful of companies to account for all of the relative performance. For example, during the first quarter of 2016, we owned 20 companies in the Fund, where 14 of them contributed positively to outperformance, and just six detracted. The result of having the majority of our stocks outperform was, unsurprisingly, a quarter of outperformance. This compares to calendar year 2015, when we owned 24 stocks, and just seven outperformed while 17 underperformed. With such a large number of our companies behind the benchmark in 2015, it was difficult to chalk up the underperformance responsibility to any single business model. Instead, that responsibility laid at the feet of an out of favor investment process.

Even with our focused portfolio, we believe that our investment process should drive our performance, more than any single or even a couple of big winners or losers. For example, looking at each of the past five calendar years, we have never outperformed the Russell 1000 Growth Index in a calendar year if the Fund had substantially less than half of the stocks in the portfolio outperforming. The corollary is that we have never underperformed if we had less than half of the stocks underperform. That might seem obvious, but we reiterate that it takes more than just a few good ideas to drive long-term performance in our focused portfolio. While some focused managers might rely on a couple of "big positions" (i.e. several different companies with the same business models, and/or more than 10% of the portfolio in a single position) to drive things, it is our process that is the "connective tissue" across our holdings that manages both risk and reward.

Table II
Top Contributors to Performance for the Quarter Ended March 31, 2016

	Average Weight	Percent Impact
Berkshire Hathaway Inc.	9.66%	0.71%
Apple Inc.	9.40%	0.51%
The Kraft Heinz Co.	4.91%	0.46%
LKQ Corporation	4.71%	0.44%
Mead Johnson Nutrition Co.	4.43%	0.44%

Portfolio Attribution is produced by RiverPark Advisors, LLC (RiverPark), the Fund's adviser, using FactSet Research Systems Portfolio Analysis Application. Please take into account that attribution analysis is not an exact science, but may be helpful to understand contributors and detractors.

Table III
Top Detractors From Performance for the Quarter Ended March 31, 2016

	Average Weight	Percent Impact
Express Scripts Holdings Co.	4.75%	-1.52%
M&T Bank Corporation	1.20%	-0.96%
Perrigo Company plc	5.50%	-0.74%
Alphabet Inc. Class A	4.42%	-0.11%
The Charles Schwab Corporation	2.22%	-0.08%

Portfolio Attribution is produced by RiverPark Advisors, LLC (RiverPark), the Fund's adviser, using FactSet Research Systems Portfolio Analysis Application. Please take into account that attribution analysis is not an exact science, but may be helpful to understand contributors and detractors.

Relative contributors during the quarter included Berkshire Hathaway, Apple, Kraft Heinz, LKQ and Mead Johnson.

Our top contributor, Berkshire Hathaway completed its largest acquisition in its history, closing on Precision Castparts for over $37 billion in total consideration. Berkshire Hathaway will continue to favor purchasing operating businesses, as opposed to securities, given the rapid growth of cash flow and management's long-held policy of retaining all earnings. We continue to believe that Berkshire Hathaway is under-rated as a growth company, as very few companies of this size retain all of their earnings for reinvestment – a hallmark of growth. In fact, of U.S.-based companies with a market cap in excess of $50 billion, there are just eight that have 0% earnings payout ratios (last 12 months). Notably, over the past decade Berkshire Hathaway's retained earnings have grown from $47.7 billion to $187.7 billion.

Company Name	Market Capitalization (USD, Millions)	Company Country Name	Payout Ratio (%) LTM
Alphabet Inc	520,944.59	United States of America	0.00%
Berkshire Hathaway Inc	349,681.97	United States of America	0.00%
Facebook Inc	323,650.55	United States of America	0.00%
Amazon.com Inc	283,935.27	United States of America	0.00%
Celgene Corp	84,591.74	United States of America	0.00%
Priceline Group Inc	64,154.75	United States of America	0.00%
Biogen Inc	61,134.33	United States of America	0.00%
Salesforce.com Inc	50,706.62	United States of America	0.00%

Source: Thomson Reuters Eikon

If Berkshire Hathaway is not careful of the company it keeps, at least on this score, then it "risks" being misconstrued as a growth company! (Please note: Alphabet and Priceline Group are also in the portfolio.) Readers will note too that three of the four "FANG" stocks are listed in the table above. We will have more on Berkshire Hathaway later on in our Letter, but for a precursor on how un-loved the shares of Berkshire stack up against the beloved FANG stocks, please digest the table below from Semper Augustus Investments Group.

	Sales *	Net Profit *	Price/Sales	Price/Earnings	Market Cap #
Facebook	$17.9 B	$3.6 B	17.0x	83x	$305 B
Amazon	107	0.6	3.0	545	325
Netflix	6.7	0.12	7.6	425	51
Google/Alphabet	75	18.5	7.1	29	534
Total	$206 B	$22.9 B	5.9x	53x	$1,215 B
Berkshire Hathaway	$220 B	$25 B	1.5x	13x	$325 B

* Sales and Net Profit are 2015 Estimates
\# Market Cap at December 31, 2015

Relative detractors during the quarter included Express Scripts, M&T Bank, Perrigo, Visa, and Alphabet.

Express Scripts, our largest detractor in the quarter, sold off after their largest customer by revenues, Anthem, threatened to sue the Company for issues related to contract pricing. We believe the lawsuit has little merit based on our research. Further, despite the contract running through 2019, we believe the market has already priced in the complete loss of the Anthem business, with shares trading near all-time low valuations, at just 10x consensus 2017 estimates. We believe the rapidly increasing supply of high-cost drugs and therapies continues to drive secular demand for Express Scripts' best-in-class cost-containment services, which are insulated by the Company's scale and increasingly rare independence.

Portfolio Changes

During the quarter, we initiated a new position in a familiar name, Charles Schwab, which we have owned in years prior, and liquidated our position in M&T Bank Corp.

We also added to Priceline, Apple, Kraft Heinz, and Stericycle, all due to attractive valuations. We trimmed Qualcomm to fund our Apple purchases, as we continue to limit our collective weighting in those two companies, given that the supplier-customer relationship is quite meaningful to Qualcomm's future cash flows. Both companies were trading at similar ex-cash multiples, but we have relatively more conviction in Apple's future prospects.

Company Commentaries

LKQ Corp

During the quarter, LKQ continued to execute on its mid-single digit organic growth plus M&A strategy. In addition, the Company provided a convincing case for its continued execution at their first-ever Investor Day. The Company also announced the acquisition of Pittsburgh Glass Works for $635 million in enterprise value and finalized the acquisition of the RHIAG group of Italy.

LKQ is both the largest distributor of aftermarket collision parts in North America and the largest distributor of mechanical aftermarket parts in Europe. We think scale is critically important to most distribution businesses, and LKQ is no exception. In North America, LKQ's primary customers are collision repair shops that often participate in volume programs organized by casualty insurers looking for low-cost but high-quality repair parts. These collision repair shops must turn their repair jobs over relatively quickly or risk losing out on volume business. As such, LKQ's unmatched product availability and fulfillment rates are differentiators in the eyes of the Company's customers, while cost-conscious insurers provide another impetus for low-cost, aftermarket collision parts demand, so we expect LKQ's profitability to reflect the return on the inventory and distribution capital expenditure risks that LKQ takes on behalf of its customers.

LKQ's organic revenue growth consists of increasing the penetration of after-market parts to collision and mechanical repair shops, as well as increasing route density. Increasing this "base" off which LKQ can organically grow, is their long-held approach of acquiring several under-scale competitors per year. As we have seen over the past few years, LKQ has very little in the way of rival competition, and the industry is mature, so aside from integration risks, LKQ's accretive growth from acquisition appears to be repeatable. While LKQ contributed to our outperformance during the quarter, we continue to think that LKQ's growth prospects are under-appreciated by investors.

Perrigo

Perrigo was a performance detractor in the quarter, as the company reported a miss in its Branded Consumer Healthcare (BCH) segment. Management attributed the miss to execution issues and dedicated themselves to solving these problems over the coming quarters. We are willing to be patient, as we think that Perrigo's core, private label OTC business is unique and should remain a healthy and sustainable source of internal capital.

Perrigo's BCH segment was established after closing on the acquisition of Omega Pharma (Belgium) in March 2015. Mylan's hostile bid for Perrigo was launched a few weeks later, and did not conclude until mid-November. We think that Perrigo's BCH execution issues are understandable (if not predictable), as management was admittedly distracted by fending off Mylan's hostile bid for the Company during much of 2015. Over the next several quarters, we expect BCH to post improved results, as it is better integrated with Perrigo's corporate planning cycle.

M&T Bank

Our growth thesis for M&T Bank was predicated on the company's ability to maintain its historically successful inorganic growth strategy. We purchased the stock in mid-2013 as the Company moved forward with its acquisition of Hudson City Bank (announced in August 2012). More than three years later, after extensive AML/BSA expenses (the company spent over $150 million to improve these systems in 2014 alone) and four extensions to the closure date, regulatory approval was finally granted and the acquisition was complete. Of note in the Fed's approval, however, was a restriction stipulating that M&T Bank must fully integrate the Hudson City deal and cure all BSA deficiencies fully before pursuing further growth through acquisition. We fully expect the Company to follow through on the Fed's requirements, but given how cumbersome and expensive it has been to integrate this acquisition, we are not convinced that future acquisitions will be any less cumbersome. Furthermore, we are concerned that future returns on acquisitions will be much lower than we initially expected. As such, we liquidated our holdings in M&T Bank.

Charles Schwab

As our conviction in M&T Bank waned, conviction built in another previously held financial, Charles Schwab. We previously held Schwab, ultimately selling the stock for valuation reasons in late 2013, after the stock got well ahead of what we thought were solid fundamentals. Valuation was the driving factor for the sell approximately two years ago, and valuation was the driving factor for this most recent purchase. In other words, little has changed from a fundamental point of view. Schwab has maintained their low-cost leadership (per dollar of platform assets) by leveraging their independent open-architecture asset gathering platform, and scaling over $2.3 trillion in client assets across decades of technology investments. Schwab's low cost of servicing allows them to pass on lower fees to advisors and clients, which is a key advantage, particularly in the highly commoditized financial services industry. While Charles Schwab's capital intensity has increased over the past several years, they continue to maintain industry-leading pretax profit margins. We expect Schwab to continue gathering assets at a mid-single digit organic growth rate, combined with continued expense leverage, and only modest help from the interest rate environment.

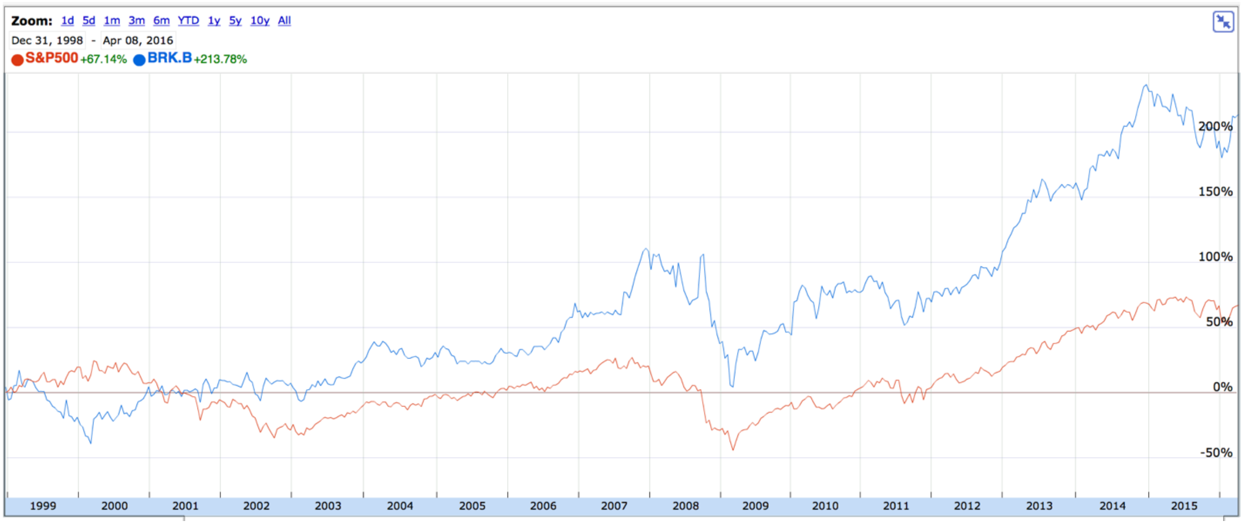
Berkshire Hathaway: Still the Greatest Growth Company Wall Street Has Never Heard Of

Berkshire Hathaway

"We want to do business in times of pessimism, not because we like pessimism but because we like the prices it produces. It's optimism that's the enemy of the rational buyer. We do not measure the progress of our investments by what their market prices do during any given year. Rather, we evaluate their performance by the two methods we apply to the businesses we own. The first test is improvement in earnings, with our making due allowance for industry conditions. The second test is whether their moats (competitive advantages) have widened during the year."

Warren Buffett

We have invested in Berkshire Hathaway on behalf of clients, including since 2011 for the Fund, nearly continuously since the end of December 1998(We exited the shares for a brief period after the share price spiked when the stock was added to the S&P 500 Index in early 2010.). Since our initial investment, the stock has meaningfully outperformed the S&P 500 Index by a factor of better than three-fold (+214% vs. +67%), buoyed by the tailwind of significant corporate growth. An aside: alert readers will note, if not recall, the significant underperformance of Berkshire stock during the first quarter of 2000 at the height of the dot-com bubble. Perhaps recalling too, the cover stories in the financial press then that the new new-world investing had laid waste to dinosaurs like Buffett. Well...Berkshire shares bottomed literally within days of the top in the NASDAQ. Since that seminal bottom 16 years ago, Berkshire shares have gained +292% versus a paltry gain of just +34% (Cisco Systems has declined -65% since March 30, 2000.). Valuation matters.



Source: Google Finance

Over the course of our decade and a half investment in Berkshire Hathaway, the most common question we have been asked on any stock we have owned – and continue to be asked to this day is – *"Is Berkshire Hathaway a "growth" company?"* We attempted to answer this question back in early 2004 in a Client Letter titled, "Berkshire Hathaway: The Greatest Growth Company Wall Street Never Heard Of" (as excerpted):

> *"Even casual students of Buffett have long since learned that Berkshire Hathaway is quite a different entity than it was only ten years ago. Where once Berkshire was not much more than Buffett's personal investment portfolio, the Company is now a conglomerate of mutually exclusive businesses, dominated by a core of insurance companies. Wall Street is not casual about anything. When it comes to Berkshire and Buffett, Wall Street has finally caught on to the reality that the Company is mainly a conglomerate of businesses. Wall Street does not slavishly follow every Buffett buy and sell as Holy Grail secrets any more.*
>
> *"That said, we still think Wall Street once again remains behind Buffett's learning curve. We believe that the Street fails to realize that Buffett has slowly built Berkshire Hathaway into a true growth company. In fact, not only is Berkshire a growth company, but a remarkably rapid one considering the enormous asset base ($180 billion) and equity base ($78 billion). Would anyone believe that a conglomerate could grow operating earnings*

per-share by 28% compounded over the past five years? The key here is the term per-share. Wall Street worships the mantra of "growth." Too many corporate executives are compensated far too largely for any type of growth – good growth or bad growth. Make no mistake about it: not every type of growth is good for shareholders.

"Growth via acquisition and mergers is the most prominent means of growth, and often the most fraught with abuse (Enron, Tyco, WorldCom, etc.). Investors must also be aware of managements' claims of "record" growth. Buffett reminds us that even a simple passbook savings account generates "record" growth every year.

"This matter underscores a most underappreciated aspect of Berkshire: non-dilutive growth by acquisition. Buffett has a growing reputation, particularly among large family-owned private businesses, that Berkshire is a terrific home for them since Buffett will not dismantle what these families have built over the years. More to the point, mediocre businesses become good businesses under the Berkshire umbrella. Moreover, good businesses become great businesses. We cannot stress this point enough.

"The simple but powerful reason for this is that Buffett dramatically changes the reinvestment equation for Berkshire's wholly-owned companies. Consider the capital reinvestment plight of a good-sized carpet or brick manufacturer. Now such a business may be considered a "good" business by measures such as profitability and market share, but unless the respective CEO can reinvest retained cash earnings accumulated in owner's equity to earn future high returns, such businesses fail to be true "growth" companies. Of course, the carpet CEO or brick CEO can pay out all net earnings as dividends, but this is unlikely; since most CEOs are paid in part (in too many cases, in large part) on the size of the firm. Then the reinvestment of earnings becomes the paramount job of the CEO. So, what is the CEO to do if reinvestment opportunities back into the business are lackluster? Not much. This "lack of sustainable growth" is the simple reality facing the majority of Corporate America. Most businesses, by economic reality, cannot achieve growth much better than their underlying industry growth, or faster than the overall economy. We have stated for years that true growth companies are rare.

"Consider the capital reinvestment options if our carpet/brick company is wholly-owned under the conglomerate of Berkshire. Buffett solves the reinvestment conundrum unlike almost any other business we know of. Sure, Buffett can allow CEOs to reinvest in carpets or bricks – but only if the CEO can convince Buffett that these reinvestment opportunities are superior to Buffett's exceptionally wide canvas of reinvestment opportunities. This is highly unlikely since Buffett can invest in any asset, stock or bond, private or public company, or do nothing and just sit on wads of cash. Rare is the CEO who sits on stacks of idle cash. Too many CEOs view any and all activity as progress.

"This is why businesses become better as a wholly-owned subsidiary of Berkshire. Buffett solves the ever-present capital reinvestment dilemma: this is the unique essence that too many investors fail to appreciate about Buffett and Berkshire Hathaway.

"Now back to that pesky matter of "per-share" growth. Berkshire's growth has been driven in large part by acquisition. However, Buffett – unlike most companies –rarely uses Berkshire stock to fund an acquisition. Therefore, as Buffett reinvests Berkshire's many billions of cash into seemingly boring, but profitable businesses, revenues grow, earnings grow and cash flow grows. But since outstanding shares do not grow, per-share growth explodes. Per-share earnings have compounded at 28% for the past five years and 24% for the past ten years.

"So, make no mistake about it –Buffett has masterfully built Berkshire Hathaway into an outstanding growth company.

We would change little in that Letter. However, we did miss a few key elements. We failed to mention the evolving, solidifying culture of management independence at each wholly owned business. Buffett ain't making chocolates at See's Candies, and he ain't driving locomotives at Burlington Northern (though he probably wouldn't mind such gigs from time to time). We failed to mention too the swiftness and tax efficiency with which billions can move throughout the Company's conglomerate structure. A huge, and hugely underappreciated, element of Berkshire's key enduring competitive advantages particularly the durability of the Company's +$87 billion of insurance float. We would also add, after another decade of Buffett and Munger adding new diverse streams of revenues, earnings, and cash flow in very long-lived assets via acquisitions, plus significant organic growth within the Company's best-in-class insurance operations, that Berkshire Hathaway has become what capitalism may have never contemplated, a perpetual growing cash flow machine. Notable acquisitions over the past decade include ISCAR, PacifiCorp, Burlington Northern, Marmon, Lubrizol, Bank of America, Heinz, and, most recently, Precision Castparts. We do not type such words lightly, but as long as the Company retains all of their earnings (no dividends) for additional future acquisitions, the compounding will continue.

The 50-year compounding of Berkshire Hathaway on a per-share basis is without peer in the annals of capitalism. Many have tried to build conglomerate empires over the many years, but few have survived. Fewer still that might have the lights still on are but a shell of their former short-term glory selves. Wall Street has a long history of feeding and promoting faux empire builders who ultimately choke on too much dilutive common stock, too much easy debt, too many accounting schemes, too many lousy businesses acquired – and far too much fraud. Inevitably, the investment bankers stop calling (or returning calls) and the empire-builder CEO now must try to manage their colossus for organic growth and some semblance of true cash flow generation. At best, the colossus has morphed into a colossal mess (envision herding cats). At worst, the jig is up and the lawyers start calling. Berkshire Hathaway is the antithesis of this litany of conglomerate woe.

The table below outlines the growth of a number of fundamental metrics since we first began investing in Berkshire, as well as more recent growth.

Year	1998	2011	2015	1998 % Change	Year % Change
Shares Outstanding	1,519,548	1,649,891	1,643,183	+8%	0%
Book Value Per Share	$25.20	$66.57	$103.67	+311%	+56%
Assets	$122,237	$392,647	$552,257	+352%	+41%
Revenues	$13,832	$143,688	$210,821	+1424%	+47%
Pre-Tax Operating Earnings	$4,314	$17,184	$25,214	+484%	+47%
Pre-Tax Operating Earnings Per Share	$0.32	$5.03	$8.20	+2463%	+63%
Insurance Float	$22,762	$70,571	$87,722	+285%	+24%
Investments Per Share	$31.76	$65.58	$106.53	+235%	+62%

Source: Berkshire Hathaway Company Reports

A couple of observations hopefully stand out in the table above, but first a few notes. Assets, Revenues, Pre-tax Operating Earnings and Insurance Float are in millions. The shares outstanding are A-share equivalents. All per-share figures have been converted to 1/1500 B share equivalents.

Observations since 1998:

- The 25X increase in pre-tax operating earnings per share illustrates the dramatic transformation of Berkshire from a "closed-end stock fund" into the mighty conglomerate it is today.

- Over the past 17 years, shares outstanding have only increased 8%.

- Insurance float increased a terrific +285%, but the change in float during 1998 was substantially increased by roughly $15 billion with the acquisition of Gen Re. Growth in float from year-end 1997 was +1,137%. Also of considerable note in June of 1998, Buffett swapped shares of Berkshire for shares in the purchase of Gen Re. At the time when the stock of Coca-Cola was valued at an incredibly rich +40X earnings and the Company's equity portfolio alone made up 115% of book value, Buffett swapped Berkshire stock valued then at 3.0X book value, which tripled the Company's float, "sold" stocks and "bought" a huge fixed income portfolio. One of the greatest tax-free market-timing and asset allocation moves of all time.

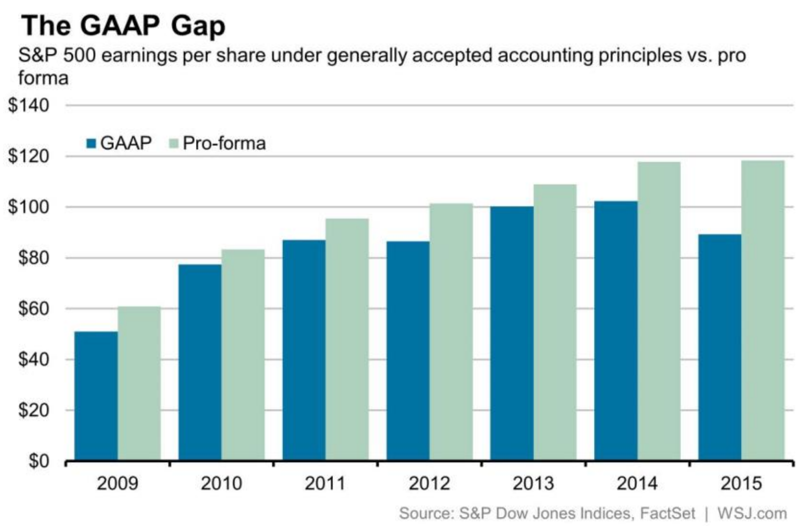
• Investments per share "only" grew at a rate of 235%, yet this is far below the other conglomerate-related metrics.

Observations since 2011:

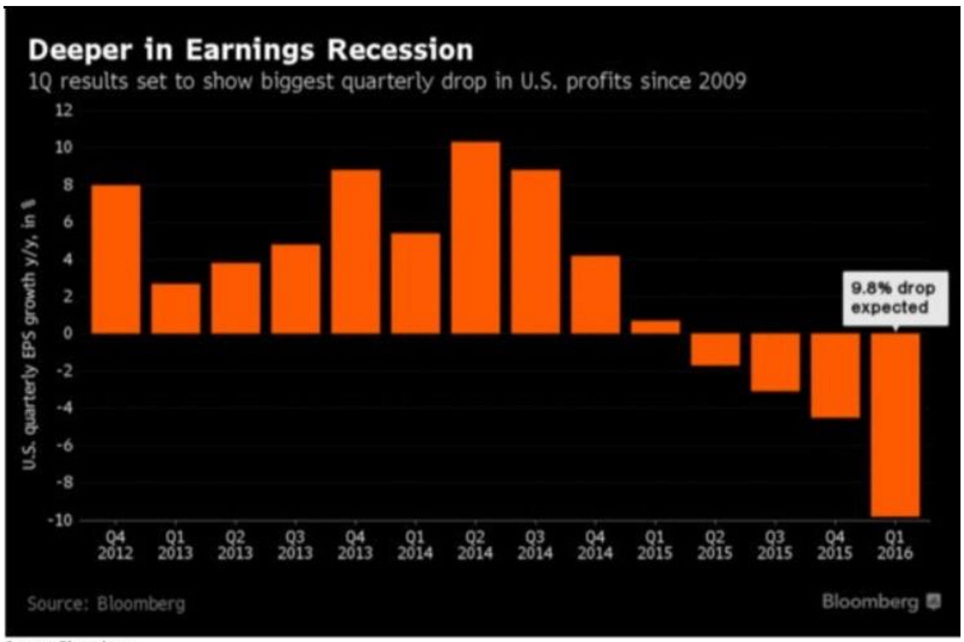
• In an environment where the GAAP earnings of the S&P 500 Index companies was flat (see graphic below), Berkshire increased their pre-tax operating earnings per share by +63%, as well as reloading Buffett's elephant gun (investments per share) by +62%.

• Growth in shares outstanding that included the following acquisitions: Bank of America warrants ($5 billion), Heinz ($12 billion), and Precision Castparts ($32 billion)? Zip. Zero.

• While not shown, sourcing the Company's Statement of Cash Flows, specifically cash flows from investing activities less depreciation has collectively amounted to $101 billion since 2011. Post-Precision Castparts, Buffett's annual cash for elephant and gazelle hunting should now exceed $25 billion per annum.



When we consider the current weak economic environment, and the concomitant weakening environment for corporate earnings, we expect Berkshire's enduring earnings growth to be a standout among the largest market cap companies. Bloomberg reports that U.S. corporate EPS growth has been falling since the second quarter of 2014 and has been increasingly negative for the past twelve months. In addition, factor in, that, according to Standard & Poor's, Apple alone has contributed 22% of the S&P 500's margin expansion. Remember, too, that these earnings per share figures are populated with plenty of convenient measures such as "adjusted net income," "adjusted sales," and "adjusted EBITDA." Berkshire is quite unique too within their aforementioned long-lived assets. Utilities, pipelines and railroad assets consume many billions in annual capex expenditures. Accelerated depreciation is in effect a "tax-free loan." As Berkshire continues to grow Property, Plant and Equipment faster than depreciation, deferred tax liabilities will continue to grow too. Over the past dozen years the Company's deferred tax liability for PP&E has grown 30X from about $1.2 billion to over $36 billion. Said another way, Berkshire's GAAP earnings are meaningfully understated. If you want earnings clarity, just follow the money – i.e., cash. The cleanest, most conservative accounting is routinely found in Omaha.



Source: Bloomberg

Source: Bloomberg

Over time, this asymmetrical accounting treatment (with which we agree) necessarily widens the gap between intrinsic value and book value. Today, the large – and growing – unrecorded gains at our "winners" make it clear that Berkshire's intrinsic value far exceeds its book value. That's why we would be delighted to repurchase our shares should they sell as low as 120% of book value. At that level, purchases would instantly and meaningfully increase per-share intrinsic value for Berkshire's continuing shareholders.

Warren Buffett
2015 Chairman's Letter to Shareholders

We have also put together a table to track the growth in the intrinsic value of Berkshire's stock since the 9/11 terrorist attacks in 2011; Berkshire recorded over a $2 billion loss that year. Working backwards, the last column is the pre-tax earnings of the Company's various and numerous non-insurance subsidiaries. The second to last column is the pre-tax earnings of Berkshire's Ft. Knox-like insurance companies. Total Insurance is simply the sum of the prior two columns – Underwriting Profit plus Investment Income. Float and Float Growth are self-explanatory.

Year	IV Share	Invest./ Share	PTOE/ Share	Float	Float Growth	Under. Profit	Invest. Income	Total Insur.	Sub. Op. Income
2015	**$191**	$107	$8.38	$87,722	$3,801	$1,837	$4,550	**$6,387**	**$18,827**
2014	**$175**	$93	$8.19	$83,921	$6,681	$2,668	$4,357	**$7,025**	**$17,511**
2013	**$161**	$86	$7.52	$77,240	$4,115	$3,089	$4,713	**$7,802**	**$15,458**
2012	**$139**	$76	$6.34	$73,125	$2,554	$1,625	$4,454	**$6,079**	**$14,000**
2011	**$116**	$66	$5.03	$70,571	$4,739	$248	$4,725	**$4,973**	**$12,211**
2010	**$112**	$63	$4.91	$65,832	$3,921	$2,013	$5,145	**$7,158**	**$10,113**
2009	**$86**	$61	$2.49	$61,911	$3,423	$1,559	$5,173	**$6,732**	**$4,239**
2008	**$96**	$51	$4.54	$58,488	-$210	$2,792	$4,722	**$7,514**	**$7,757**
2007	**$104**	$60	$4.35	$58,698	$7,811	$3,374	$4,758	**$8,132**	**$6,727**
2006	**$97**	$54	$4.32	$50,887	$1,600	$3,838	$4,316	**$8,154**	**$6,159**
2005	**$64**	$49	$1.51	$49,287	$3,193	$53	$3,480	**$3,533**	**$3,445**
2004	**$65**	$45	$2.00	$46,094	$1,874	$1,551	$2,824	**$4,375**	**$3,065**
2003	**$61**	$42	$1.94	$44,220	$2,996	$1,718	$3,223	**$4,941**	**$2,776**
2002	**$45**	$35	$9.80	$41,224	$5,716	-$398	$3,050	**$2,652**	**$2,667**

Source: Berkshire Hathaway Company Reports

The fun starts with columns 2 through 4. Regular readers of Buffett's Chairman's Letter will recognize the variables that Buffett regularly publishes on how he and Charlie Munger determine the Company's intrinsic value (IV). Buffett breaks down the Berkshire conglomerate into just two parts. The first (column 4) is the Pre-Tax Operating Earnings of the Company's non-insurance businesses. The third column represents the Company's Investments Per Share. Since most of the Company's investments reside on the books of the Company's insurance companies, Investments Per Share is a very good, but arguably conservative measure if the composition of the investment portfolio is largely made up of higher-quality, growing businesses. However, this measure could be aggressive if the portfolio is excessively valued at any given time.

The most important element for an investor is to try to figure out the most fair multiple to capitalize the non-insurance part of Berkshire. We have chosen a pre-tax multiple of 10X, so the IV math for 2015 looks like this: 10 X $8.38 = $83.80, then add the insurance side + $107 = $190.8. With the stock at $142, the shares seem like a bargain relative to IV of prospectively $191.

However, IV calculations are inherently imprecise. If we thought a fairer pre-tax multiple was, say, 12X – given what we believe are the Company's significant and enduring competitive advantages – the IV would be a robust $208 per share. On the other hand, we must also recognize that we should be as conservative as possible in such calculations, so if we capitalize the non-insurance subsidiaries at, say, an 8X multiple, then IV is only $174.

We do take significant clues from the words of Buffett on this critical topic to help us determine a conservative – but not too conservative – calculation of fair value. Specifically, Buffett has stated that he would like to buy back billions in Berkshire stock at a minimum price-to-book value of 1.2X. Furthermore, and quite significant, Buffett has noted, without equivocation, the rewards to shareholders of such actions.

Share buybacks are only advantageous to existing shareholders if they are executed below IV. In classic Benjamin Graham style and discipline, Buffett will only buy back Berkshire stock at a significant margin of safety. Book value at year-end sits at $104 per share. 1.2 X $104 comes to $125, so, $125 is Buffett's fat pitch. If, say, IV is $174 (8X), then Buffett's margin of safety is 28%. In our view, this is not fat enough. At $208 (12X) the discount is 40% - maybe on the high side for Buffet, perhaps not. At $191 (10X) the discount is 35% - a minimum margin of safety discount for Buffett in our view.

Here are a few other observations to consider:

- For the first time, Buffett included insurance underwriting results in the calculation of non-insurance operating results. His decision, after 12 years of annual underwriting profits, speaks to his expectation of continued insurance profitability in the years ahead. This decision, well past due in our humble view, underscores the amazing insurance business that Buffett and Ajit Jain have built over the years. There is no comparison anywhere in the world in terms of size, sticky float, and profitability. When Buffett states that the largest IV value over book resides in the insurance companies, believe him.

- We have added underwriting profits in the calculation of PTOE/share for all years.

- The profits of the non-insurance subs eclipsed the insurance side for the first time in 2010 after the sizable acquisition of Burlington Northern (The purchase of BNSF alone immediately increased the Company's pre-tax earnings by almost 40%, while only increasing the share float by just 6%.).

- Note the underwriting profits in 2006 and 2007, post-Katrina. If Berkshire could ever achieve such results on their current base of float, underwriting profits would approach $5.5 billion.

- In a world of zero to negative interest rates, investment income in excess of $4 billion is remarkable.

What will Berkshire Hathaway look like at the end of the next 10 years? Well, if the Company continues to retain all earnings, and redeploys capital with the same demonstrated success and discipline, shareholder's equity could reach $650 billion and the stock's market capitalization could reach $1 trillion. Of course, past performance is no guarantee of future results. But, we'll take such growth...

Conclusion

We hope that our commentary provides a helpful glimpse into our investment process. We believe that our position limits and our best-of-breed investing provide substantial diversification benefits, without forcing us to dilute our best ideas. Discussing individual companies is a good way to understand our process, but we think that every company that we invest in is different – the business model, the valuation, or even the prevailing opportunity set – can vary. As such, there is limited insight in discussing any individual portfolio holding. When setting our future expectations for investment performance, it is our investment process that ultimately provides the "common denominator" across our portfolio. Far from relying on a couple of big winners (or blaming a few big losers), we believe that true focused investing requires a prudent level diversification and process discipline to construct a portfolio where the majority of ideas drive superior results over longer time horizons.

We would also like to announce the well-deserved promotion of our new President, Bill Thomas, who joined the firm last year. Bill has had a substantial impact on the culture and operations of Wedgewood in a relatively short period of time. Not least because he is great at sharing his wealth of experience, but also his excellent performance makes us think we are pretty good at this hiring thing. We'll try not to let it go to our heads.

We hope these Letters give you some added insight into our portfolio strategy and process. On behalf of Wedgewood Partners, we thank you for your confidence and continued interest. As always, please do not hesitate to contact us if you have any questions or comments about anything we have written in our Letters.

April, 2016

David A. Rolfe, CFA
Chief Investment Officer

Michael X. Quigley, CFA
Senior Portfolio Manager
Senior Research Analyst

Morgan L. Koenig, CFA
Portfolio Manager
Research Analyst

Table IV
Top Ten Holdings For the Quarter Ending March 31, 2016

	Percent of Net Assets of the Fund
Berkshire Hathaway Inc.	9.5%
Apple Inc.	9.1%
Cognizant Technology Solutions Corp.	6.8%
The Priceline Group Inc.	6.3%
Stericycle, Inc.	6.0%
The Kraft Heinz Co.	5.5%
Verisk Analytics, Inc.	5.5%
Schlumberger Ltd.	5.5%
LKQ Corp.	5.3%
Perrigo Company plc	5.0%
Total	**64.5%**

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

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Wedgewood Partners is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe," "think," "expect," "anticipate," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our *appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.*

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.

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[i] Returns are presented net of fees and include the reinvestment of all income. "Net (Actual)" returns are calculated using actual management fees and are reduced by all fees and transaction costs incurred.