



RiverPark/Wedgewood Fund

(RWGIX/RWGFX)



First Quarter 2018 Review and Outlook

The Fund declined -0.91% during the first quarter of 2018. The benchmark Russell 1000 Growth Index gained +1.42%. The S&P 500 Index declined -0.76% during the quarter.

Performance: Net Returns as of March 31, 2018

	Current Quarter	Year-to- Date	One Year	Three Year	Five Year	Since Inception
Institutional Class (RWGIX)	-0.91%	-0.91%	12.28%	4.75%	9.20%	11.63%
Retail Class (RWGFX)	-0.91%	-0.91%	12.19%	4.69%	9.06%	11.45%
Russell 1000 Growth Total Return Index	1.42%	1.42%	21.25%	12.90%	15.53%	15.68%
S&P 500 Total Return Index	-0.76%	-0.76%	13.99%	10.78%	13.31%	14.21%
Morningstar Large Growth Category	2.28%	2.28%	20.38%	10.54%	13.61%	13.47%

Total returns presented for periods less than 1 year are cumulative, returns for periods one year and greater are annualized. The inception date of the fund was September 30, 2010. 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 1/25/2018, for Institutional and Retail classes are 0.85% and 1.08%, respectively.

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



Hello Volatility, My Old Friend, I've Come To Talk With You Again

"I have never seen a market this volatile to this extent in my career...Now that's only 66 years...I've seen two 50 percent declines, I've seen a 25 percent decline in one day and I've never seen anything like this before."

John Bogle, Founder of The Vanguard Group - April 2018

SPX Years by % of Days Down -2%
1950-2018 (as of April 6, 2018)

Year	-2% Days	Trading Days	% of Days Down 2%
2008	41	253	16.2%
2002	29	252	11.5%
2009	28	252	11.1%
2018	7	66	10.6%
2011	21	252	8.3%
1987	20	253	7.9%
2000	19	252	7.5%
1974	15	253	5.9%
2001	13	248	5.2%
1998	12	252	4.8%
2007	11	251	4.4%
2010	10	252	4.0%
1999	9	252	3.6%
1990	8	253	3.2%
1950	7	249	2.8%
1980	7	253	2.8%

@OddStats source: Yahoo Finance
Red Years Saw a Bear Market

Top first quarter performance detractors include Tractor Supply, Kraft Heinz, Qualcomm, Celgene, and Facebook. Top first quarter performance contributors include Edwards Lifesciences, Booking Holdings, Cognizant Technology, Visa, and PayPal.

Stock market volatility returned with a thunderclap during the first quarter – consequently, we were quite happy – and quite busy. We sold T.J. Maxx and Verisk Analytics. We bought Facebook (in fact, we added to Facebook three times during the quarter). We trimmed Alphabet twice. We added to Apple, PayPal, and Ross Stores.



Top Contributors to Performance for the Quarter Ending March 31, 2018	Average Weight	Percent Impact
Edwards Lifesciences Corp.	6.29%	1.25%
Booking Holdings Inc.	6.43%	1.10%
Cognizant Technology Solutions Corp.	3.23%	0.42%
Visa Inc.	6.19%	0.28%
PayPal Holdings Inc.	3.80%	0.15%

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.

Performance attribution is shown ex-cash and gross of fees. Holdings are subject to change.

Top Detractors to Performance for the Quarter Ending March 31, 2018	Average Weight	Percent Impact
Kraft Heinz Company	4.55%	-0.94%
Tractor Supply Co.	5.48%	-0.78%
QUALCOMM Inc.	5.44%	-0.68%
Celgene Corp.	4.27%	-0.63%
Facebook, Inc.	2.31%	-0.62%

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During the quarter we liquidated our positions in Verisk Analytics. Over the past several years, Verisk has gone outside its core competency of serving the Insurance Industry, in an effort to drive continued revenue and earnings growth. Although the Company has executed well in the insurance vertical, we are less impressed with the execution of their acquisitions in the energy, health care, and financial verticals. Those verticals still represent a minority of their profitability (they exited health care in 2016); however, we think the returns to date have not justified the balance sheet risk the Company has taken and would prefer management return capital to shareholders, rather than growing for growth's sake. We reinvested proceeds into better opportunities that were presented during the brief bouts of heightened volatility.

We liquidated our positions in T.J. Maxx and used the proceeds to add to faster growing businesses. The Company continues to be exceedingly well-run and has pioneered many new concepts in the off-price retail industry and managed to expand the concept internationally, where price umbrellas have emerged. However, there are few markets where that off-price opportunity is better than in the U.S. We think T.J. Maxx is further along the maturity curve in the U.S., relative to another portfolio holding, Ross Stores, which also competes well within the off-price space. Ross continues to have ample room to grow its footprint in the highly lucrative off-price space through core concept expansion and potential entry into new, relatively underpenetrated retail segments, particularly in home.

Tractor Supply Company posted solid same-store sales (“comp”) growth of 4%, topping consensus expectations. Despite providing good comp guidance for the coming year, and a longer-term plan for operating margin expansion, investors ignored this and shifted their gaze to the Company's lower near-term operating margin guidance. We think the recent selloff is overdone. Lower margins are being driven by investments in distribution and personnel capabilities, which were telegraphed a few quarters ago; and therefore they are not new developments. We continue to think the reinvestment of excess capital into new productive assets and workflows will result in sustainable longer-term sales and operating leverage. Further, gross margins continue to be steady, leaving little sign that there has been a meaningful change in competitive encroachment. For example, we think many of the Company's most popular consumable, usable, and edible (CUE) items do not lend themselves well to fulfillment by the U.S. Postal Service; instead they'd do well to leverage Tractor's brick-and-mortar locations. Tractor has long focused on niche merchandising and services – focusing on rural land owners with higher than average income – that fall outside the purview of typical mass-market retailers. We think expectations for the Company are quite low, as consensus expects flat margins for several years, despite the Company reaching a point where we expect they can leverage their overhead investments from the past several quarters and drive low double-digit earnings per share growth.

Notably, the benchmark Russell 1000 Growth Index capped its 10th consecutive gain and has finished higher during 20 out of the past 21 quarters. Despite this relentless appreciation, there was enough volatility this quarter to serve up a few good opportunities. Most of the volatility



occurred in February and March but was not enough to repeal January's meteoric gain. Most of our relative underperformance for the quarter was posted during January, as a few large weightings in the benchmark, namely Microsoft, Netflix and Amazon (the three roughly 10% of the total benchmark weighting), tacked on almost \$250 billion in market cap in only 21 trading days and ended up detracting around 130 basis points from our relative performance for the full quarter.

We continue to be skeptical that the value of the aforementioned businesses are creating is anywhere near enough to justify such price appreciation, but we are also well aware that this skepticism can be viewed as obstinacy. However, we continue to invest with the basic expectation that value creation is not just a revenue function driven by customer delight; but instead is a series of prudent and sustainable tradeoffs between revenue opportunity and the very real shareholder capital required to address that opportunity.

Further, when a business successfully manages that difficult balance, it is not necessarily sustainable for several years, let alone decades – or even centuries. We think a multi-century time horizon is patently absurd, yet there are exceedingly large pools of capital that invest in our universe using that framework.¹ So although this capital continues to flow into the system, we continue to focus on stocks that reflect much more modest expectations. Of course, we also think our prudence will be rewarded in our lifetime, and even sooner – likely within this market cycle.

“A dangerous feedback loop now exists between ultra-low interest rates, debt expansion, asset volatility and financial engineering that allocates risk based on the volatility.”

Volatility and the Alchemy of Risk, Artemis October 2017

In our recent Client Letters, we have chronicled the astonishing, historically low stock market volatility over the past few years. With the clarity of hindsight, it looks like 2017 was a capstone to the one-way direction bull market. With all due respect to Mr. Bogle, we believe Mr. Market might just be getting warmed up.

Speaking of volatility, this is what we wrote just last quarter:

Incredibly, the Great Bull Market of 2009-2017 momentum actually increased during the fourth quarter. Volatility in the stock market appears to be a thing of the past. (We are dubious.) 2017 set numerous records for historically low volatility in both the stock and bond markets. The fourth quarter represented the 20th positive quarter over the past 21.

¹ <https://www.softbank.jp/en/corp/about/philosophy/vision/>



The last negative quarter was two years ago when the stock market “suffered” a -6.6% “collapse” during the third quarter of 2015. In fact, if the current bull advances without at least a -5% correction by the third week in January, it will be the longest such streak since 1928. Further, the stock market has not suffered just a -3% drawdown in over 13 months, by far the longest in history.

In 2017 alone, the stock market was up every month (a calendar year record) and now up 14 months in a row (a record). 95% of the trading days during 2017 had an intraday swing of less than 1% - another historic record. The Dow Jones Industrial Average set 71 new highs in 2017 - the most since 1910. The second most new highs (65) was recorded back in 1925. The last notable double-digit “correction” was six years ago way back in 2011. The stock market has recorded positive gains 9 consecutive years and 14 out of the past 15 years.

We need to repeat what we wrote in our last Letter; “volatility is a dear friend of the active, patient, value-sensitive investor. We miss it terribly.”

Well. Welcome back, our old friend.

According to Jefferies, so far in 2018 (early April), the S&P 500 Index sustained its third highest sustained volatility this decade, the fifth +10% correction this decade. In fact, 24 of the past 43 trading days have experienced +1% S&P 500 moves. Over at the NASDAQ (QQQ), one week realized volatility reached a +52 volatility – the third highest this decade. In addition, QQQ registered 10 different +1% moves in just a single trading day (March 28th).

Recall that back in early February a volatility spike bludgeoned a few exchange-traded products to the point of forced liquidation. Such “products” allow speculators to bet on a volatility index such as the CBOE Volatility Index (VIX). As if speculating on the short-term rise or fall on stocks, commodities, or market indices themselves is daunting enough, imagine speculating on the speed of price movements themselves. Imagine betting on horses at the Kentucky Derby or drivers at the Indy 500. Now imagine betting on the speed of the horses or race cars during the race. Sounds nuts, right? Yep. It might too sound like some insignificant, perhaps even infinitesimal crap shooting game played in the far corners of financial markets by uber-speculators too, right? Nope.

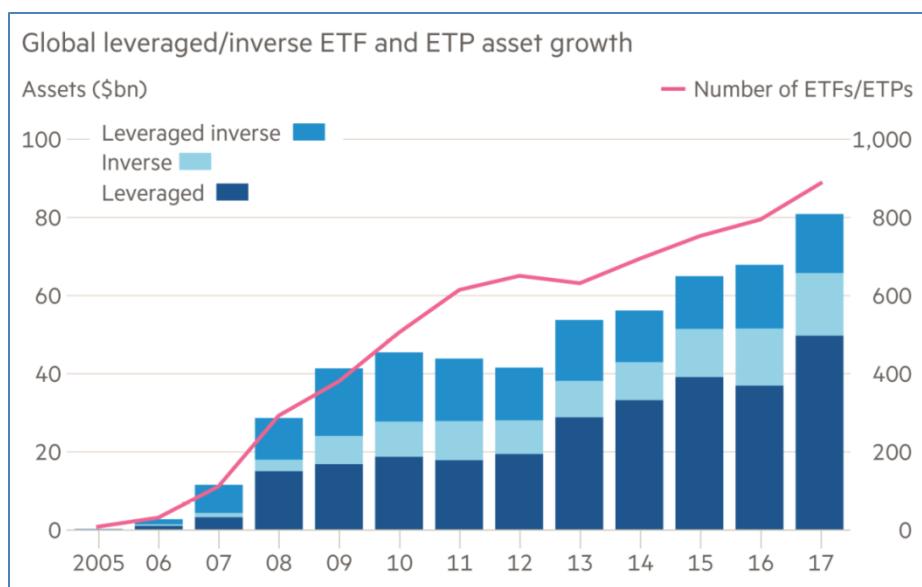
The Financial Times (FT) estimates that there is \$80 billion in 883 global volatility-linked leveraged and inverse ETFs and ETNs. Further, the FT estimates that the plunge in the stock market was largely due to the automatic selling, triggered by a spike in volatility of up to \$200 billion in such products. You read that right, automatic selling. Once the algorithmic machine selling starts, the vicious selling circle begets even more selling. Even more daunting is the lack of fundamental buyers stepping up to buy against the machines. Worse still, such structural



fundamental buyers don't exist. Here is an example of such exotica; VelocityShares Daily Inverse VIX Short Term ETN.



Such algorithmic products grew like weeds during the low-interest rate QE regimes of the global central banks against a backdrop of historically low asset price fluctuations and flourished for years in a sea of market tranquility. All told, Standard & Poor's estimates that "financial engineering strategies" pegged to various algorithms of low-volatility still control from \$1.5 trillion to \$2.0 trillion of gasoline just waiting to be thrown upon even the smallest market fire. This is Mary Shelly's Frankenstein redux of another, frightening order.



Source: Financial Times

For some of our more senior readers, we confidently posit that such casino-like activity sounds all too familiar to the oh-so-sophisticated Portfolio Insurance crack-up circa 1987. We'll let Warren Buffett continue the narrative from here. The following is excerpted from his 1987 Chairman's Letter 30 years ago:

Let's look first at common stocks. During 1987 the stock market was an area of much excitement but little net movement: The Dow advanced 2.3% for the year. You are aware, of course, of the roller coaster ride that produced this minor change. Mr. Market was on a manic rampage until October and then experienced a sudden, massive seizure.

We have "professional" investors, those who manage many billions, to thank for most of this turmoil. Instead of focusing on what businesses will do in the years ahead, many prestigious money managers now focus on what they expect other money managers to do in the days ahead. For them, stocks are merely tokens in a game, like the Thimble and Flatiron in Monopoly.

An extreme example of what their attitude leads to is "Portfolio Insurance," a money-management strategy that many leading investment advisors embraced in 1986-1987. This strategy - which is simply an exotically-labeled version of the small speculator's stop-loss order dictates that ever increasing portions of a stock portfolio, or their index-future equivalents, be sold as prices decline. The strategy says nothing else matters: A downtick of a given magnitude automatically produces a huge sell order. According to the Brady Report, \$60 billion to \$90 billion of equities were poised on this hair trigger in mid-October of 1987.

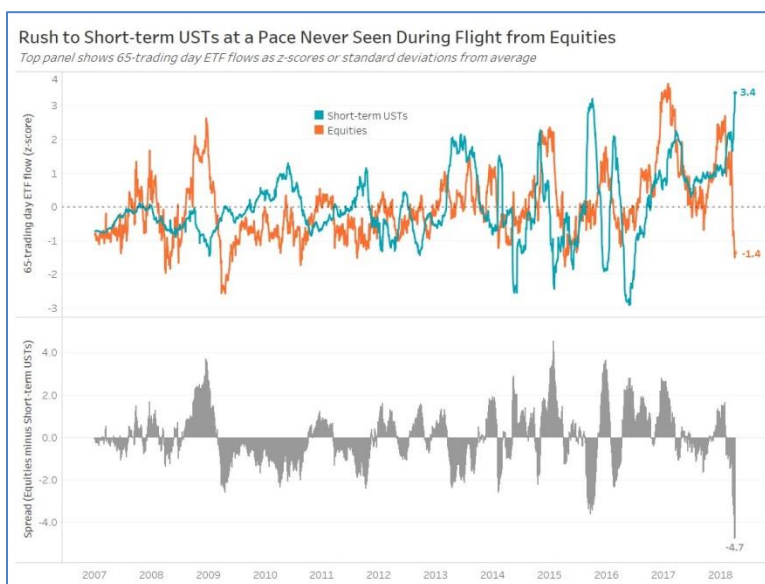
If you've thought that investment advisors were hired to invest, you may be bewildered by this technique. After buying a farm, would a rational owner next order his real estate agent to start selling

off pieces of it whenever a neighboring property was sold at a lower price? Or would you sell your house to whatever bidder was available at 9:31 on some morning merely because at 9:30 a similar house sold for less than it would have brought on the previous day?

Moves like that, however, are what portfolio insurance tells a pension fund or university to make when it owns a portion of enterprises such as Ford or General Electric. The less these companies are being valued at, says this approach, the more vigorously they should be sold. As a "logical" corollary, the approach commands the institutions to repurchase these companies - I'm not making this up - once their prices have rebounded significantly. Considering that huge sums are controlled by managers following such Alice-in-Wonderland practices, is it any surprise that markets sometimes behave in aberrational fashion?

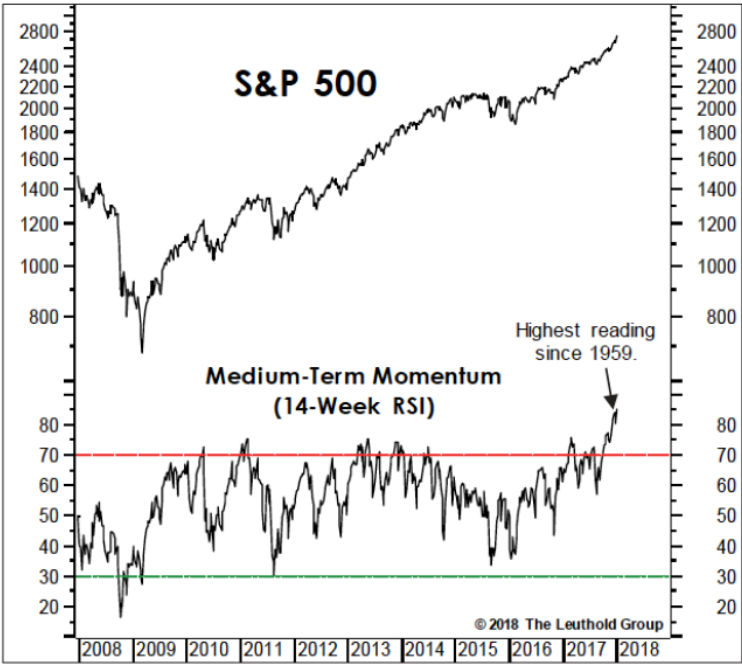
Many commentators, however, have drawn an incorrect conclusion upon observing recent events: They are fond of saying that the small investor has no chance in a market now dominated by the erratic behavior of the big boys. This conclusion is dead wrong: Such markets are ideal for any investor - small or large - so long as he sticks to his investment knitting. Volatility caused by money managers who speculate irrationally with huge sums will offer the true investor more chances to make intelligent investment moves. He can be hurt by such volatility only if he is forced, by either financial or psychological pressures, to sell at untoward times.

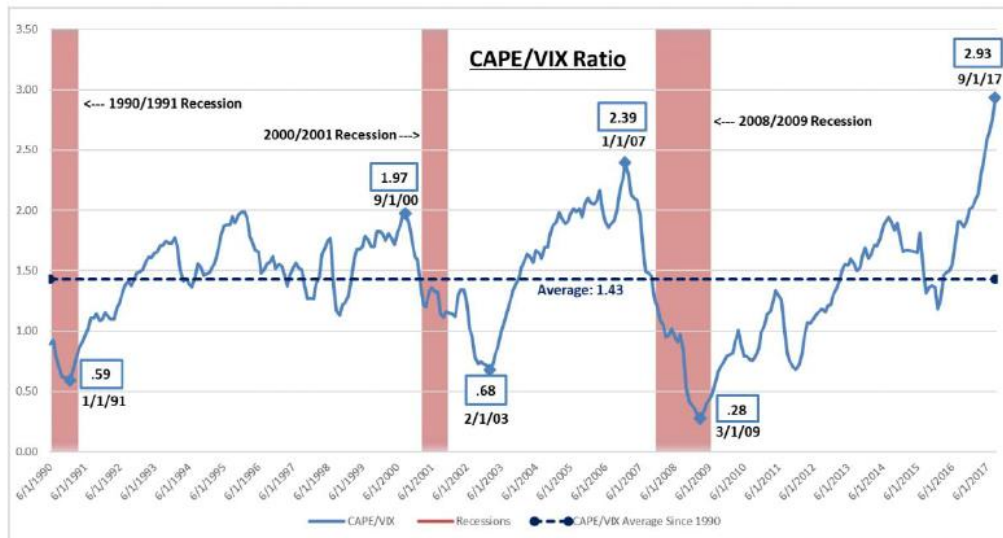
Market participants have begun to react like something new indeed is afoot in the stock market. We can't help but think that more and more investors are starting to realize that the recent unnerving volatility has little to do with the bulls' and bears' time-honored battling over cheap and expensive stocks.



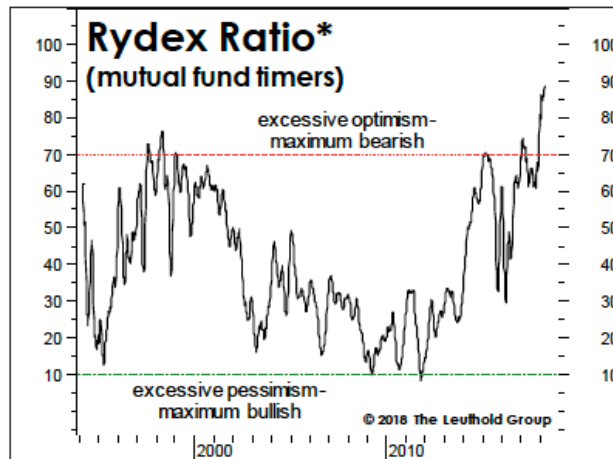
Source: Bianco Research

We certainly welcome our old friend volatility, as it serves up opportunity. However, we are still cognizant that every major index (and asset class) is near all-time, historic highs. That said, we are still able – because of our Focus – to construct a portfolio of growth companies with much better growth and profitability profiles, but at quite favorable valuations. Here are a few more graphics (including the first two from our last Letter) that speak to a current market environment that is quite ripe for many more numbing stock market flash crashes.

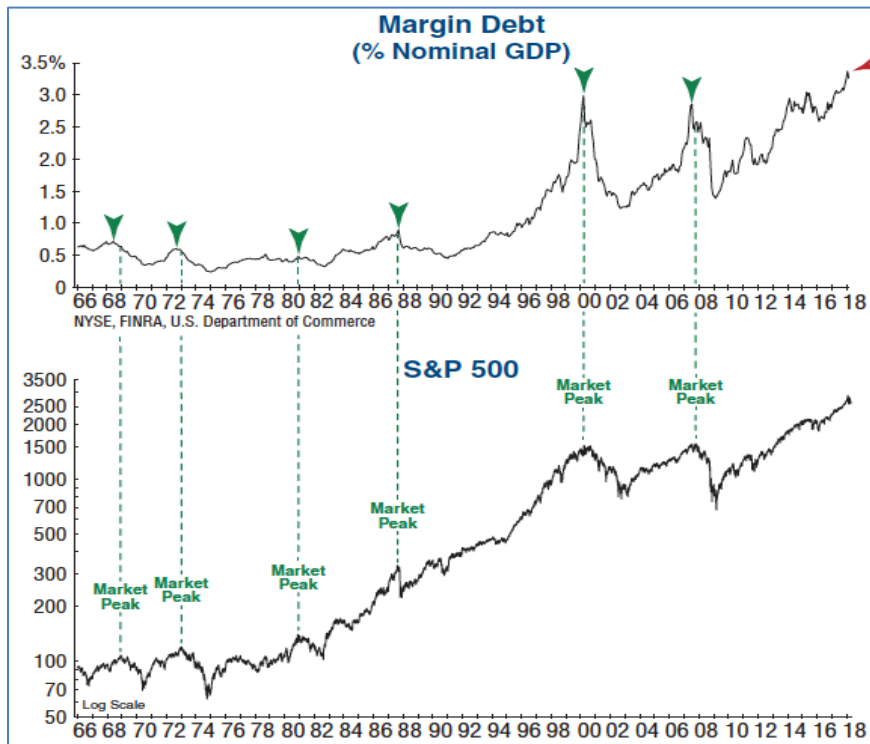
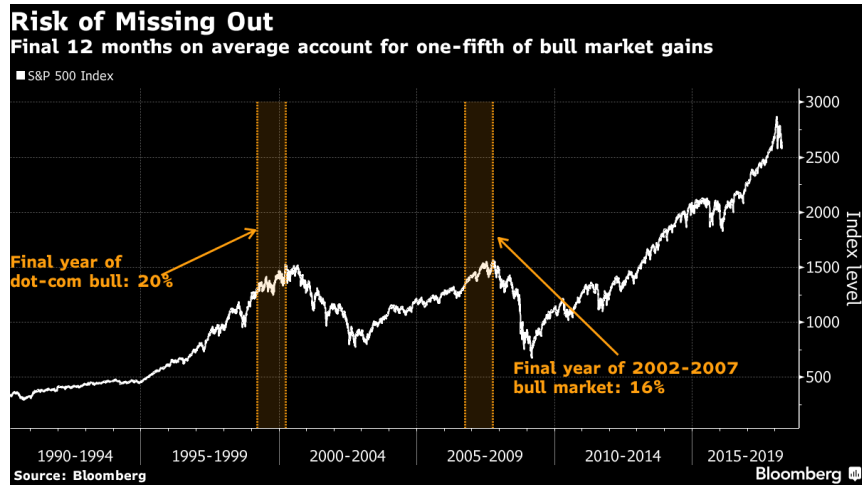




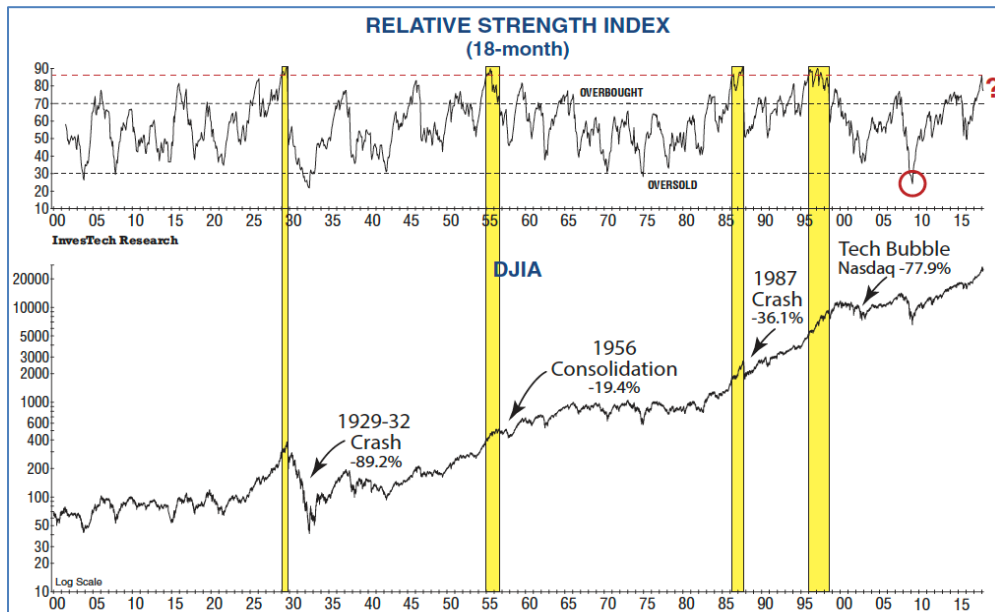
Source: Euro Pacific Capital



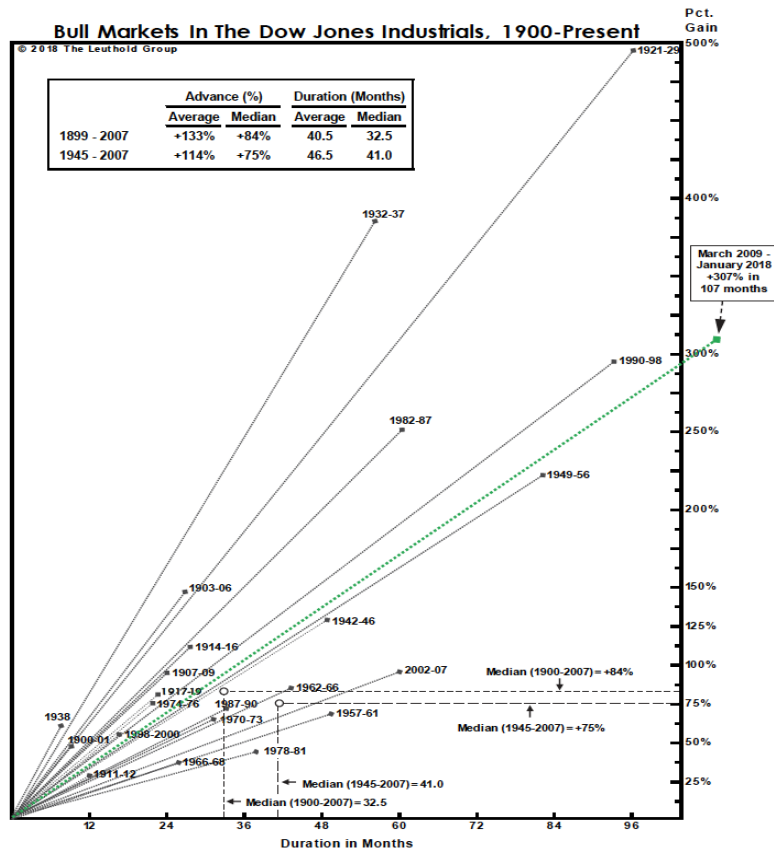
*Rydex Nova (leveraged long) Fund assets as a percentage of Nova plus Ursa (short) Fund assets, shown as 10-wk avg.



Source: Investech



Last, but not least, the stock market's recent bout of EKG-like volatility knocked the Great Bull Market of 2009-2018's ninth birthday celebration off the front pages.



Company Commentaries

Edwards Lifesciences

Edwards Lifesciences was our top contributor in the first quarter. Honestly, we couldn't be much more pleased with the way fundamental developments have played out during our ownership of the Company. As you know from our earlier commentary, the primary driver for the Company is Transcatheter Aortic Valve Replacement (TAVR), where the Company has a significant market leadership position. As a reminder, TAVR is a much less invasive alternative to open-heart surgery for the replacement of the aortic valve, in which the new valve is put into place through a catheter, typically inserted via a tiny pinprick in a patient's leg. The aortic valve is generally replaced due to a condition known as Aortic Stenosis (AS), which is a narrowing of the valve, which restricts blood flow within the heart. TAVR has seen successive waves of growth as the procedure has been approved first for patients for whom surgery was not a viable option, then for patients at high-



and medium-risk of complications from surgery. The Company is also working on approvals for low-risk patients and for patients currently showing no symptoms of AS.

Our research has led us to believe, from the beginning, that the Company's publicly-stated intermediate-term expectations for the size of the potential patient population and market opportunity were vastly understated. We believed that both physicians and patients have tended to delay addressing potential heart valve issues due to the rather traumatic prospect of open-heart surgery. With a much less invasive option now available for treatment, we have believed that the pool of potential patients would prove to be much greater than anyone could have tracked previously, especially among patients who were "less sick," for lack of a better term. As initial approvals have been for patients already known to be the "most sick" – specifically, patients already known to be suffering from severe AS, and who have other complications that make open-heart surgery a risk – the addressable patient population in the early stages of TAVR rollout has been fairly predictable. However, as approvals move toward "less sick" patients over time, we firmly believe the addressable patient population will repeatedly surprise to the upside. Therefore, it has been gratifying to see this part of our thesis already playing out. In just the past year, the Company has increased its guidance for the total TAVR market by 2021 from \$5 billion to greater than \$5 billion, also noting that the opportunity beyond 2021 is significant. Specifically, they have said that they believe the prevalence of AS is larger than they previously had anticipated, meaning that treatment rates are much lower than they had anticipated.

Furthermore, activity from competitors in the TAVR market has turned out to be more benevolent than we had expected. Medtronic's CoreValve remains the #2 competitor, and it is growing slightly faster than Edwards in TAVR, since it came to market later and is capturing some share, as Edwards no longer has the market to itself. This is exactly as we have expected. We also anticipated that Boston Scientific's Lotus valve, which has had some quality issues and has been off the market for several quarters, would reenter the market and capture modest share as a #3 option, as our research has indicated that this valve is better than the other two companies' offerings in specific situations but is not comparable in the majority of situations. We also assumed that pricing would decline across the TAVR space as Boston's product came to market, because Boston would try to compensate for an inferior product with lower pricing. However, since our initial purchase, the following events have occurred: 1) Boston has repeatedly struggled to get Lotus back on the market; 2) both Medtronic and Boston have basically admitted that Edwards has the best product, and the other two will be slugging it out for second place; 3) Boston has claimed (optimistically, according to our research) that its product is just as good as Medtronic's, so they will have no need to resort to a price war in order to capture share. These are all very positive developments in relation to our initial expectations. In rough terms, we originally had expected something like a 45-45-10 eventual market share split between Edwards, Medtronic, and Boston Scientific, and with a degradation in pricing; instead, Boston still hasn't managed to get back on the market yet, and we could eventually be looking at something as positive as a 60-20-20 split



with little or no pricing degradation, if Boston is to be believed – although, as previously noted, we are skeptical of some of Boston’s projections.

Finally, we would note a couple of slightly less significant developments. First, an early ruling in some TAVR patent litigation between Edwards and Boston just went in Edwards’s favor; we see this litigation as routine for the industry and believe it is most likely to end in some fairly benign cross-licensing agreements between the companies, but this early ruling may point to a more positive outcome than we had expected. Next, although we still see significant long-term opportunity in TAVR, we are getting closer to the Company’s next growth drivers in transcatheter mitral and tricuspid valve repair and replacement, areas estimated by the Company to be at least a \$3 billion market opportunity by 2025. The Company expects to launch at least one new product in these areas in each of the next three years.

Looking specifically at the stock, although investors with shorter-term time horizons have occasionally fretted over minor decelerations in TAVR growth rates—which have been nothing more than a function of mathematical realities, when the Company has lapped periods of the unleashing of pent-up demand after launching new patient populations in high-risk and intermediate-risk situations—we have focused on the long-term growth opportunities and have been able to build our position at attractive prices. As we say with pretty much every one of our positions in the current market, the stock’s valuation clearly is not cheap; in the tenth year of a valuation-agnostic bull market, very little is, by any reasonable historical standards. However, in a market where most stocks trade beyond the top end of historical valuation ranges, Edwards at least is trading firmly within the middle of its normal range during the current bull market, in the mid-to-high 20s on a forward P/E basis. Edwards also is generating very healthy double-digit percentage revenue growth (16% in 2017) as well as improving profitability, with consistent EPS growth over 20%. We continue to view this as good value.

Facebook

We have followed Facebook for quite some time, first as a potential competitor to Alphabet (formerly Google) and more recently (the past few years) as an investment opportunity. Facebook has historically carried a rich multiple relative to what we are willing to tolerate for earnings growth. However, earnings growth has continued at a robust pace while the stock has not kept up. For example, from year-end 2015 through year-end 2018 (estimated), Facebook will have compounded revenue and earnings by over 200%, whereas the stock has appreciated by about 75%². This has driven Facebook’s earnings multiple to contract to around 16-17X 2019 earnings (ex. balance sheet cash) – an all-time low for the stock, both absolute and relative to the S&P 500 Index and Russell 1000 Growth Index (n.b. P/E is at parity with the latter). We believe this is a

² Data from Factset



classic valuation setup for our portfolio: as the Company continues to compound earnings at 20%+ for several years, a conservative, flat multiple should still result in excellent absolute returns – and better still at deserved multiple expansion.

Facebook exhibits vastly superior profitability metrics relative to its peers in the media and advertising industry. In addition, we believe Facebook’s value proposition is unique and defensible relative to peers, which should enable the Company to generate industry leading returns on invested assets for several years. This value proposition is focused on providing advertising customers with highly attractive, triple-digit returns on advertising spend (ROIs).

While many of Facebook’s peers offer a value proposition that entails better ROIs, it is often via an inflexible, expensive, or monolithic solution. In contrast, the Company’s low-cost value chain – especially its multibillion user social platforms, and an arsenal of ad measurement tools both acquired and internally developed over the past several years – provides advertisers multiple avenues to drive successful ROIs.

Facebook’s social platforms serve as very low-cost forms of user traffic and content. Many of Facebook’s competitors pay a substantial portion of their ad revenues in the form of traffic acquisition (sometimes referred to as “customer acquisition”) and/or content costs. For example, television advertising platforms are dominated by telecommunication and multiservice-offering conglomerates. The advertising businesses of these platforms are often carved out from subscriber economics, with the cost of content typically being the largest expense, by far, in running the ad platform. Even digital competitors such as Microsoft Bing, while not having to spend quite as much on content, spend substantial portions of revenue on traffic acquisition.

Facebook’s scale across its platforms – including Instagram and WhatsApp – continues to drive a “virtuous cycle” of user engagement and therefore low-cost content creation. Some recent monthly active user (MAU) stats include 2.1 billion users on Facebook as of December 2017, 1.5 billion users on WhatsApp as of January 2018, and Instagram MAUs nearing the billion-user mark as well. In addition, Facebook continues to report stable user engagement (as measured by DAU/MAU) at 66%.

Facebook’s recent actions of culling certain content is evidence of quality control and, if anything, signals that there is perhaps too much content. While there is the risk this could increase the cost of content – especially curation – we did not see much evidence of that on the recent conference call or earnings report. We will continue to monitor the risks and opportunities related to the Company’s advertising ROIs and low-cost content platforms, which play key roles in maintaining Facebook’s superior industry profitability.

As we mentioned earlier, we first began following Facebook as a competitor to portfolio holding, Alphabet. Facebook has significant business model overlap with the Google arm of Alphabet,



with both companies hoovering-up share in ad spending globally, particularly in developed markets. The two companies’ combined are estimated to have accounted for over 60% of the digital advertising market in the U.S. in 2017; for example, with Google’s properties accounting for over 40% share and Facebook’s properties accounting for over 20%. To put the two companies’ dominance in perspective, no other competitor even cracks 5% of the U.S. digital ad market share.³ In the faster-growing mobile segment of the digital market, where Facebook derives the overwhelming majority (roughly 90%) of its revenues, the two companies are similarly dominant, with Facebook’s share (nearly 30%) much closer to Google’s (nearly 35%).

Net US Digital Ad Revenues, by Company, 2016-2019
billions

	2016	2017	2018	2019
Google	\$29.43	\$35.00	\$40.08	\$45.69
—YouTube	\$2.92	\$3.88	\$4.43	\$4.96
Facebook	\$12.37	\$17.37	\$21.57	\$25.56
—Instagram	\$1.61	\$3.08	\$5.40	\$6.84
Microsoft (Microsoft and LinkedIn)	\$3.34	\$3.60	\$3.84	\$4.04
—LinkedIn	\$0.73	\$0.81	\$0.92	\$1.02
Oath	\$1.27	\$3.60	\$3.69	\$3.77
Amazon	\$1.12	\$1.65	\$2.35	\$3.19
Twitter	\$1.36	\$1.21	\$1.16	\$1.16
Yelp	\$0.62	\$0.72	\$0.84	\$0.98
Snapchat	\$0.30	\$0.64	\$1.18	\$2.04
IAC	\$0.50	\$0.45	\$0.41	\$0.38
Yahoo	\$2.25	-	-	-
Total digital ad spending	\$71.60	\$83.00	\$93.75	\$105.44

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites
Source: company reports; eMarketer, Sep 2017

230258 www.eMarketer.com

In a broad sense, our entire portfolio has some modest overlap with Facebook (and Google) as advertising partners. Advertisers’ ability to target customers in detail on both platforms makes the platforms attractive to both traditional large-scale advertisers (including consumer products and services companies such as Kraft Heinz, Visa, Apple, or Priceline/Booking) and to companies that might not have been able to target advertising effectively on traditional mass media, but who could cost-effectively target an ad to a specific group or to a specific user based upon search history (Google) or social media preferences (Facebook). We believe our entire portfolio either is, or will be, customers of one or both of these dominating digital media platforms.

³ www.emarketer.com



Facebook found itself in news crosshairs during the quarter. First, news emerged pertaining to ads purchased by Russia and posted on Facebook’s platform during the 2016 U.S. presidential election with the intent to sway voter opinion. A couple weeks later, additional news surfaced regarding a data analytics firm and the harvesting of Facebook data for political gain. In all, information on tens of millions of Facebook users was leaked, bringing to question Facebook’s privacy policy and what the Company is doing to protect its user data. Steps to prevent this type of breach were put in place by the Company back in 2014, when Facebook made changes to the way developer apps could access users’ and “friends” data. However, the stock sold off (to our investment advantage) on concern that the Company was not performing appropriate due diligence on app developers’ use of data and their subsequent deleting of that data once they were no longer using it.

The Company vows to make further changes, which include conducting audits, improving its privacy policy, and banning third-party data services from its ad targeting platform. While we expect these actions to increase Company expenses, we do not believe there will be any significant impact to the Company’s revenue growth as we believe there are few channels available that can match Facebook’s return on ad spend. We view the pull back in the stock as short-term headline risk, and we have used the opportunity to not only initiate our position in Facebook during the quarter, but also add to the position further at attractive valuation levels. We believe strong advertiser demand and healthy ROI, along with Facebook’s ability to increase pricing on their ads, leaves the Company with plenty of room for growth in the years ahead.

Qualcomm

Qualcomm was a top detractor during the first quarter. Shares retreated after President Trump issued an order to block any attempt by Broadcom to acquire Qualcomm shares or stage a proxy contest, per research from the Committee on Foreign Investment in the United States (CFIUS). As best as we can tell, given the limited public disclosures, CFIUS speculated that any change in control from Qualcomm to Broadcom could pose a risk to the national security of the United States. Specifically, CFIUS claimed that Qualcomm’s research and development (R&D) efforts were critical to the U.S.’ leadership in the development of global wireless communications standards, and worried that any efforts by Broadcom to defund that R&D risked a “reduction in Qualcomm’s long-term technological competitiveness and influence in standard setting [which] would significantly impact U.S. national security,” especially vis a vis China.⁴

While we’re not surprised that this deal was terminated, we are surprised that it was terminated in this manner. First, as we have frustratingly witnessed, regulators the world-over – including our own U.S. FTC – have pressured Qualcomm’s business model, and therefore R&D, for years, either

⁴ https://www.sec.gov/Archives/edgar/data/804328/000110465918015036/a18-7296_7ex99d1.htm#Exhibit99_1_081114



through fiat and/or lawsuit. Second, Apple (one of Qualcomm's largest customers) has indemnified and compelled its Chinese contract manufacturers to withhold several billion dollars in very high margin payments to Qualcomm over the past 15 or so months with little or no pushback from U.S. regulators. In addition, Huawei – a quasi-Chinese SOE – has mimicked Apple's behavior and withheld – what we estimate to be – several hundred million in high margin revenue dollars over the same timeframe – again, no regulators seem to have a problem with this. So, it makes us wonder why CFIUS and U.S. POTUS decided that Broadcom's proposed ~\$80 per share offer for Qualcomm represents the most intolerable potential risk to the national security of the United States, when clearly Qualcomm has already been pressured by the actual activities of governments, including the U.S. In fact, we'd argue that the actions (and inactions) of regulators, particularly during the past 15 months, are what precipitated Broadcom's attempt at unlocking growth and value at Qualcomm.

Despite this detour, we will continue to be patient with our Qualcomm ownership, as we think many investors have become overly negative. For example, it is consensus to assume close to zero revenues from Apple and Huawei over the next year, and maybe longer. However, Apple (and we suspect Huawei) is accruing expenses for a potential settlement with Qualcomm. While that might be an accounting necessity, we think it's also indicative of a real probability. Second, Qualcomm has set several hundred commercial precedents with handset OEMs, most recently with Samsung – the largest handset OEM by units – and offered similar licensing terms to Apple. So we are highly skeptical Apple is being treated unfairly, despite its claims. Once these commercial arrangements are settled, we expect Qualcomm's longer-term organic growth to be driven by the global shift to 5G standards, where Qualcomm has dominant technological positioning. Further, we think there continues to be a high probability that the Company's acquisition of NXP Semiconductor will get approved in the coming months, which could lead to sizable earnings per share accretion.

April 2018

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Top Ten Holdings

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

Holdings	Percent of Net Assets
Berkshire Hathaway Inc.	8.8%
Apple Inc.	8.3%
Booking Holdings Inc.	6.7%
Facebook, Inc.	6.3%
Edwards Lifesciences Corp.	6.3%
Visa Inc.	6.2%
Ross Stores, Inc.	5.9%
Fastenal Co.	5.8%
Schlumberger Ltd.	5.4%
Tractor Supply Co.	4.8%
Total	64.6%

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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