RiverPark/Wedgewood Fund
(RWGIX/RWGFX)

First Quarter 2020 Review and Outlook

Performance: Net Returns as of March 31, 2020

	Current Quarter	One Year	Three Year	Five Year	Since Inception
Institutional Class (RWGIX)	-16.46%	-4.00%	6.24%	4.19%	9.84%
Retail Class (RWGFX)	-16.62%	-4.26%	5.98%	4.01%	9.62%
Russell 1000 Growth Total Return Index	-14.10%	0.91%	11.32%	10.36%	13.72%
S&P 500 Total Return Index	-19.60%	-6.98%	5.10%	6.73%	11.27%
Morningstar Large Growth Category	-15.54%	-3.81%	8.60%	7.52%	11.21%

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 January 28, 2020, for Institutional and Retail classes are 0.86% and 1.13%, 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.

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Pandemic

"It's very irresponsible for somebody to suggest we can have the best of both worlds. What we need is an extreme shutdown so that in six to 10 weeks, if things go well, then you can start opening back up."

Gates noted that while isolation in populated areas — along with widespread testing — is difficult and "disastrous" for the economy, "the sooner you do it in a tough way, the sooner you can undo it."

Bill Gates, TED, March 24, 2020

"COVID-19 won't go away. It'll infect the southern hemisphere as they winter and will want to come back to U.S. in fall. But we'll have a massive surveillance system by then, and I believe more than one drug to both prevent and treat infection. Our toolbox will be very different."

Scott Gottlieb, MD. March 30, 2020

Source: Influenza 1918. PBS

The Fund fell -16.46% during the first quarter of 2020. The S&P 500 Index fell -19.60% during the quarter, its worst first quarter decline since 1938. The Russell 1000 Growth Index fell -14.10%. The Russell 1000 Value Index fell -26.73%.

Top performance contributors for the quarter include NVIDIA, Microsoft, Bristol Myers CVR, Ross Stores, and S&P Global. Top performance detractors for the quarter include Booking Holdings, Edwards Lifesciences, Facebook, Apple, and CDW.

Top Contributors to Performance for the Quarter Ended March 31, 2020	Average Weight	Percent Impact
NVIDIA Corp.	3.59%	0.47%
Microsoft Corp.	0.11%	0.18%
Bristol-Meyers Squibb CVR	0.10%	0.03%
Ross Stores, Inc.	1.99%	-0.14%
S&P Global Inc.	2.59%	-0.25%

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 Ended March 31, 2020	Average Weight	Percent Impact
Booking Holdings Inc.	5.68%	-2.07%
Edwards Lifesciences Corp.	8.46%	-1.52%
Facebook, Inc.	8.52%	-1.35%
Apple Inc.	9.08%	-1.22%
CDW Corp.	3.11%	-1.19%

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During the quarter, we sold Ross Stores and Fastenal. We bought Keys Technologies and Microsoft. We trimmed NVIDIA, Visa, and Booking Holdings. We added to CDW, Starbucks, Facebook, and Motorola Solutions.

NVIDIA actually finished the quarter with a positive absolute return as the Company reverted to solid revenue growth of +41% after a few quarters of declines. Most of the revenue growth was driven by rapid uptake of NVIDIA's datacenter processors, especially for training natural language processing models that are being utilized for search engines, virtual personal assistant development, customer service chatbots, and other real-time conversational artificial intelligence (AI) applications. We think NVIDIA should continue to see strength in datacenter demand as well as gaming, despite the effects of COVID-19, but will monitor its valuation relative to opportunities that have more pessimistic embedded future growth assumptions.

Ross Stores was eliminated from the portfolio. Though we did not contemplate a global pandemic would affect Ross's performance, we managed to sell before much of the negative reaction to COVID-19 began to get priced in. Our sales of Ross were mostly driven by what we thought was a full valuation as well as the need to fund better ideas.

Electronic Arts held up relatively well though still finished in the red, as investors are anticipating the Company will benefit from increased video game consumption due to various public lockdowns that have dramatically reduced other available forms of entertainment. Several sources have noted video game consumption over the past several weeks has risen quite dramatically compared to year ago periods, with NVIDIA mentioning an over +50% increase in gaming hours seen on its installed base. The stock continues to trade at attractive multiples with several durable, growing franchises and a fortress balance sheet that should help sustain returns in this difficult economic environment.

Booking Holdings has borne the brunt of the COVID-19 crisis, with global inbound and outbound travel at an unprecedented standstill. Booking has $3 billion in net cash ($12 billion in gross cash and about $9 billion in debt) and has very little in the way of net working capital commitments or capital equipment requirements, which positions the Company quite well to withstand this unprecedented disruption. Nevertheless, we trimmed our holdings in Booking to fund purchases in Facebook and Motorola Solutions, both of which are trading at similar and historically depressed multiples, but with less direct exposure to the effects of COVID-19. We still hold a small weighting in Booking as we continue to monitor the potential for multiyear headwinds to leisure travel, offset by what are already relatively pessimistic long-term growth assumptions embedded in Booking's current valuation.

Edward Lifesciences reported exceptionally strong results for the final quarter of 2019, with U.S. transcatheter aortic valve replacement (TAVR) revenues accelerating to +40% growth, driven by approval for use in low-risk populations. In addition, Edwards benefited from some share take from its second largest TAVR competitor, Medtronic, which had problems meeting the rapid increase in TAVR demand. However, Edwards stock sold off as investors were disappointed that management maintained conservative growth guidance for 2020 and, subsequently, the spread of COVID-19 began disrupting the normal operation of non-emergency procedures at hospitals and cardiac catheterization labs. We do not think many TAVR or SAVR procedures can be postponed

longer than a few weeks or months, as the prognosis for severe aortic stenosis is quite dire, so the revenue risk to Edwards should be mostly related to short-term timing. As such, Edwards' valuation has become increasingly attractive and we will look to opportunistically add to positions.

Facebook reported strong revenue growth; +26% currency adjusted and +21% growth in adjusted operating income during its fourth quarter. The stock has sold off since COVID-19 spread to Western economies, where Facebook generates the majority of its profits. However, we estimate Facebook has relatively small exposure to travel and hospitality advertising – so far, the most negatively affected industries – while we also believe the Company's platforms are well positioned to benefit from a reprioritizing of marketing budgets toward digital channels during this crisis. During the first quarter 2020, Facebook's stock traded as low as 13x 2021 consensus estimates, which is much too pessimistic for a company with Facebook's long-term position as a winner in enabling advertising and commerce, combined with a massive net cash pile and spiking user engagement during the crisis. As such, we added to our already overweight position in Facebook.

Company Commentaries

Fastenal

We sold our position in Fastenal during the quarter after owning it for a bit more than three years. We have been pleased with the fundamental performance of the Company during our holding period, and we continue to like Fastenal's business model and competitive position in an industry that will benefit from the long-term renaissance in American manufacturing. The stock, however – separately from the business fundamentals – has been a bit more of a wild, occasionally head-scratching ride during our holding period.

In terms of fundamentals, we timed our purchase of the stock quite well, as the Company began to recover from the U.S. industrial recession in 2016 and moved from declining revenues and profits to double-digit percentage growth in each for an extended period, as the Company took share in a healthy industrial economy. However, the stock was sluggish for a time as the distribution industry suffered from an "Amazon panic," with the market suddenly deciding that Amazon was going to take over the industry. We argued at the time that Fastenal, uniquely in the industry, had capabilities – specifically, physical locations, physical inventory, and live humans on the ground near its customers, or even stationed on its customers' factory floors – which Amazon did not have, and that Fastenal would be fine. This proved to be correct over the past few years and will continue to remain correct, we believe. Fastenal's stock eventually shook off this Amazon panic and started to perform as its fundamental performance warranted.

We then had a period during 2019 when the U.S. economy, and especially the U.S. industrial complex, slowed, primarily due to a variety of trade- and tariff-related issues that caused investment in heavy industry to pause while decision-makers awaited more clarity. Strangely, while fundamentals were slowing, Fastenal's stock continued to find favor with investors, eventually leading to us trim the stock as it hit all-time highs while fundamentals were going in the wrong direction.

This continued divergence between sliding business fundamentals and a relatively resilient stock has led us to sell our position outright. The primary problem for us right now is that we still do not believe most investors appreciate how much the American manufacturing/industrial renaissance has been dependent, directly or indirectly, on the fracking-driven oil and gas revolution in the U.S. We think the clear evidence for this was the complete collapse of the entire U.S. industrial complex when oil prices collapsed in the 2014-2016 period, despite an otherwise healthy U.S. economy. This 2014-2016 collapse, incidentally, took Fastenal's business with it.

With Saudi Arabia currently using the coronavirus pandemic as cover for starting another oil price war – similar to the price war it initiated in 2014 – the price of oil swiftly collapsed to a level even worse than its trough in the last oil crash. While it is impossible to determine how long current prices might last, or whether some semblance of normalcy in financial markets might lead oil prices to recover somewhat, we can predict with certainty that oil demand currently is nothing like it was before the pandemic, and Saudi Arabian supply is rising. This means that American oil and gas production will be lower, for some period of time, through economic choice (i.e., not choosing to pump oil at a money-losing price) and/or through financial stress.

So, as this situation pertains to Fastenal, industrial demand is definitely lower right now, with most of the economy on lockdown, and the oil price definitely will come out the other side of this period lower than it was before, meaning activity in the U.S. industrial complex likewise will be lower after this lockdown period than it was before. When we weighed this clearly worse near and intermediate-term fundamental position against a stock that had held up surprisingly well, both before and after pandemic worries, we decided to sell our position and to deploy the proceeds elsewhere. We want to state clearly that we believe in the long-term American manufacturing and industrial renaissance, and we also believe in Fastenal and its dominant competitive position, so we will continue to monitor the Company.

Keysight Technologies

Keysight is the largest developer of software and hardware used for electronic design and test functions in research and development labs around the globe. The Company has roots in the original electronics measurement business of Hewlett-Packard that dates back to the 1930's,

which was spun out of HP in 2000 in the form of Agilent Technologies. Agilent subsequently spun Keysight out in 2014.

Since its separation from Agilent, Keysight's management has ramped up its focus on expanding high-value software and integrated solutions that cater to research and development labs, particularly in wireless and wired communications, aerospace and defense, semiconductor, general industrial, and next-generation automotive applications. Keysight often has a dozen or more engineers working onsite with its largest customers in these segments in order to develop the tools necessary for prototyping, design verification, and field testing of new products. Keysight customers are a "who's who" list of innovators, including: Apple, Amazon, Google, Microsoft, Mediatek, Facebook, NVIDIA, Qualcomm, Taiwan Semi, Tesla, U.S. Naval Research Lab, and NASA (to name more than a few), yet Keysight has over 30,000 clients, with very little in the way of customer concentration.

The product development at these leading customers is usually spread across several phases, with each phase requiring a different set of test-and-measurement tools, such as oscilloscopes, signal analyzers, logic analyzers, and digitizers. Meanwhile, the customer will make numerous revisions to the product or service in development, requiring repetitional use of the test tools. In order to maintain continuity of customer settings and data for the various test-and-measurement tools during this rapidly shifting development workflow, Keysight offers a software platform called Pathwave. Pathwave automatically replicates many steps that have to be done manually for competing solutions, and helps innovators get their products to market much faster. In turn, Keysight gains valuable knowledge about where industry standards are moving, years in advance, and uses internal R&D spending to quickly expand its cutting-edge solution portfolio to its broader customer base.

We estimate around 60% of revenues are derived from recurring software and hardware sales into R&D labs and expect such revenues to continue growing faster than the rest of the Company. Importantly, these solutions tend to have higher margins than Keysight's average corporate profitability, as there is less competition and more value-add, relative to the Company's legacy manufacturing test-and-measurement business.

Keysight should be able to grow organic revenues at close to double-digit rates over the next several years as it increasingly enables customers in rapidly growing end markets. For example, Keysight's largest business segment is focused on serving R&D labs in the wireless and wired communication ecosystems. We expect the Company to benefit from a continued ramp-up in customer investments to develop and rollout the various flavors of 5G air interface technologies over the next several years. In addition, nearly all major automotive manufacturers are increasing the content of electronic systems onboard vehicles – from advanced driver-assistance systems (ADAS) to infotainment – which is a vast new market that Keysight has been recently tapping into. Also, the Company has long served government, aerospace and defense customers, with nearly $1 billion in sales in this sector – particularly focused on communications. The

recent passage of the National Defense Authorization Act in the U.S. should enable faster growth than in years past.

We started purchasing Keysight Technologies in early January – before the COVID-19 outbreak began in China and added to positions during COVID-19 related weakness. The stock currently trades at very attractive historical and absolute multiples, and we think the Company has the ability to grow earnings at double digits for several years. As such, Keysight will be competing with existing names in the portfolio for capital as we progress through the year.

Microsoft

We initiated a new position in Microsoft during the quarter. Microsoft's sprawling software and services portfolio has sustainable competitive advantages and durable long-term growth prospects, combined with more reasonable valuation as the stock has sold off from its all-time highs due to COVID-19 disruptions. Although the Company ended the quarter at a +9% weighting in the Russell 1000 Growth Index benchmark, we still believe Microsoft is a worthy destination for our clients' portfolios on an absolute basis.

Microsoft has a formidable position in productivity software, with between 80% and 90% market share, thanks to the multi decade dominance of Microsoft Office in both commercial and personal end markets. Over the past several years, a substantial portion of the Office-installed base has converted from perpetual licenses to subscriptions, yet a still meaningful amount of Microsoft Office revenue remains on perpetual terms. We estimate Office 365 subscriptions could generate a two to three times uplift in revenue per user and add an incremental $20 billion in revenue if Microsoft can manage to phase out perpetual licenses over the next several years. In addition, with a cloud-based delivery model, the Company can quickly develop and add new products and services to the Office 365 suite and monetize by adding higher pricing tiers – rather than waiting years at a time for a new product cycle for on-prem deployments. Microsoft's newfound ability to quickly develop products, helps maintain its position in the productivity market, despite smaller, fast moving competitors. For example, Microsoft Teams is the Company's business communication platform that was developed internally over the past few years and officially launched in 2017. Teams has already amassed over 44 million active users to date, with 12 million of those users joining in just the past few weeks, as they seek work-from-home solutions. Microsoft's ability to develop and deploy quickly should allow the Company to continue to be in the right place at the right time.

Microsoft has done an excellent job entrenching its position as a mission-critical provider of infrastructure software and services, especially with its Azure cloud platform. Businesses continue to move more workloads onto infrastructure as a service (IaaS) platforms, as IaaS enables more IT flexibility and has lower capital commitments, relative to on-premises hardware and perpetual licenses. Large IaaS offerings, such as Azure, also enable smaller, more

sophisticated startups to be more productive, without having to maintain expensive hardware and maintenance headcount. We estimate both on-prem and new market opportunities should continue to drive healthy growth at Azure, where we expect revenues could triple over the next 5 years to between $30 billion and $40 billion, while also displaying substantially better profitability with that scale.

Last, Microsoft's on-prem Windows server and PC businesses continue to be cash cows that have managed to grow, we estimate, at "GDP"-type rates. While these business lines do not have the secular tailwinds of cloud-based solutions, they continue to be critical investments for on-prem customers and increasingly popular hybrid IT customers. Importantly these customers represent a large installed base that Microsoft can cross-sell existing cloud-based offerings.

We initiated positions in Microsoft after the stock sold off due to a cautious update to its guidance for its Windows OEM business driven by supply chain disruptions in China related to the COVID-19 outbreak. We sold shares in Fastenal to fund the Microsoft purchase, as both have held up similarly well since the market peaked in mid-February. Both maintain similar forward earnings multiples in the low twenties. However, Microsoft has decidedly more Company-specific growth drivers that can offset the inevitable macroeconomic headwinds that the manufacturing sector will throw at Fastenal after the collapse in oil (which was somewhat unrelated to COVID-19). We will look to continue to add to our Microsoft positions as opportunities present themselves in this volatile environment.

Ross Stores

We sold our position in Ross Stores (ROST) during the quarter, ending approximately four years of ownership. Our sale had nothing to do with our feelings about the Company, as – prior to the coronavirus pandemic, at least – conditions were quite strong, both in terms of demand and supply chain conditions, and the major off-price retailers, including Ross, TJX Companies (TJX), and Burlington Stores (BURL), remained in extremely strong competitive positions. We have been very pleased with Ross's fundamental performance during our holding period, aside from one particular disappointment, which we probably should have anticipated: the Company's need to make greater investments in store labor. Still, this was not a thesis-busting disappointment; it weighed somewhat on margins during the latter half of our holding period and constrained profit growth to a level modestly below our earlier expectations.

Clients will note that we have added to and trimmed our core Ross position over time as the stock's valuation looked more or less attractive. In the end, we decided to sell our position entirely as the stock broke beyond the valuation range with which we were comfortable, hitting all-time highs earlier this year, and we eventually saw better investment opportunities elsewhere.

Since our sale, the coronavirus pandemic has created a variety of disruptions around the world, causing Ross to close all of its stores and creating severe displacements in the global apparel supply chain – between limited capacity in some places and massive order cancellations leading to oversupply in others. Obviously, with Ross's stores closed, demand will be running at zero for the moment, but developments in the apparel supply chain should create a very favorable environment for it when business reopens and heads toward normalization. Demand disruption, excess supply, and complicated, extended supply chains all create even more opportunities than usual for the off-price retailers and its massive, nimble, fast-moving buying organizations, and all of these conditions can be expected to persist for the foreseeable future. Especially considering the collapse in the stock, we will continue to monitor Ross Stores.

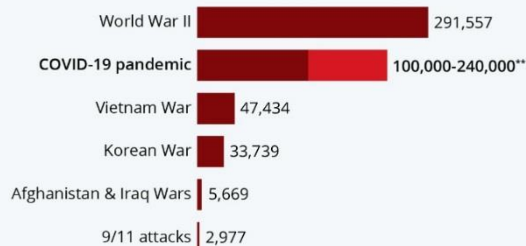
The $15 Trillion Margin Call

Late last year, on December 12th, the residents in the city of Wuhan in the Chinese province of Hubei started becoming ill with common flu-like symptoms of fever, fatigue, dry cough, and difficulty breathing. By the 29th, nearly sixty residents had become ill, with seven in serious condition. On January 7th, the Hong Kong Hospital Authority activated its Serious Response Level in public hospitals raising the response level from "Alert" to "Serious." At the time, Chinese health authorities ruled out SARS, MERS, and the bird flu. In fact, the authorities even ruled out further infections at the time. Little did China's health authorities, or the world, know that this mysterious flu-like illness was caused by a highly contagious, novel SARS-like virus or that a global pandemic was birthed. COVID-19 (coronavirus disease 19) is caused by the novel virus SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2). In its most severe form, COVID-19 produces acute inflammation of the respiratory system leading to severe pneumonia. In just three months from that small outbreak in Wuhan, on March 11th, the World Health Organization (WHO), belatedly motivated by politics, finally would declare a global pandemic. At the same time, financial markets across the globe, and across nearly every asset class, were reeling from a $12 trillion margin call.

At quarter end, the number of global COVID-19 cases reached over 857,000 with over 42,000 deaths. In the U.S. the numbers have accelerated sharply over the past two weeks to 185,200 cases and 3,815 deaths as of March 31st. Cases outside of the northeast in Florida, Texas, Louisiana and California are set to rise sharply in the weeks ahead. According to statistics from John Hopkins University, as of April 1st, the mortality rate of COVID-19 has spiked to 2.16% from 1.50% the previous week. No April Fools' jokes this year. We wish it weren't so.

White House Projects Devastating COVID-19 Death Toll

Projected U.S. COVID-19 deaths compared to major historical events*



* War deaths refer specifically to U.S. combat deaths
** Projected fatality numbers even if strict mitigation measures are kept in place
Sources: U.S. Department for Veteran Affairs, White House Coronavirus Task Force

statista

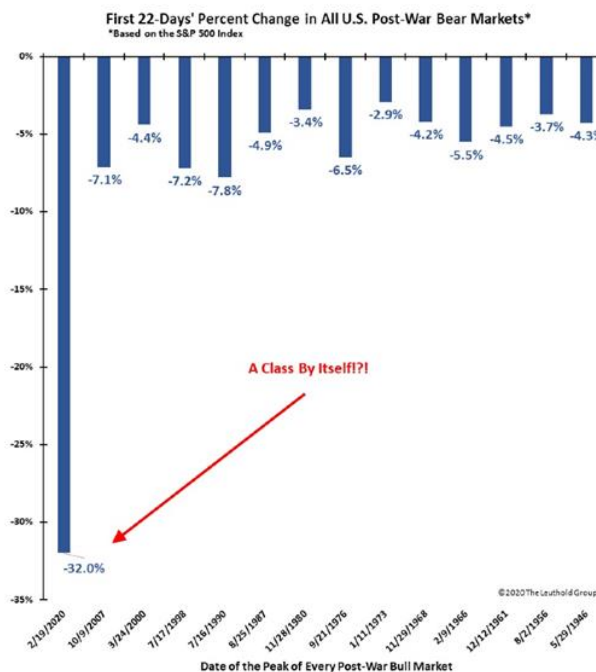
The financial markets began to tremor during the third week in February. February 19th would mark the end of the glorious 2009-2020 Great Bull Market in stocks. Hereafter, the financial market convulsed with strength and speed that shocked even the most hardened veteran investor. As usual, the uber-sensitive credit markets began to sniff out the brewing cauldron first. The 10-year and the 30-year U.S. Treasury yields began to fall during the last week of December. Corporate credit markets, both investment-grade and junkier high-yield markets, along with the stock market, were nonplussed until the third week in February. China exited January with about 12,000 COVID-19 cases. China's health authorities had seen enough. Wuhan was shut down on January 23rd to such an extent that only a totalitarian regime could muster. Other cities in the province in Hubei were shut down as well. In short, over 73 million people were on lockdown. By the third week in February, the number of China cases skyrocketed to over 70,000. The world began to take notice – and shut down.

Once we rolled into March, well, all hell broke loose in the global financial markets.

Historic measures of asset market prices and volatility were broken by the day. No asset market was immune (unfortunate pun) from the global rush to raise cash – some of it voluntarily, much of it involuntarily due to margin calls. The stock market saw six consecutive trades of at least 4% – an extremely volatile event last experienced in 1929. The VIX (volatility index) skyrocketed during the quarter, smashing all records to *289%!*

Source: Bespoke

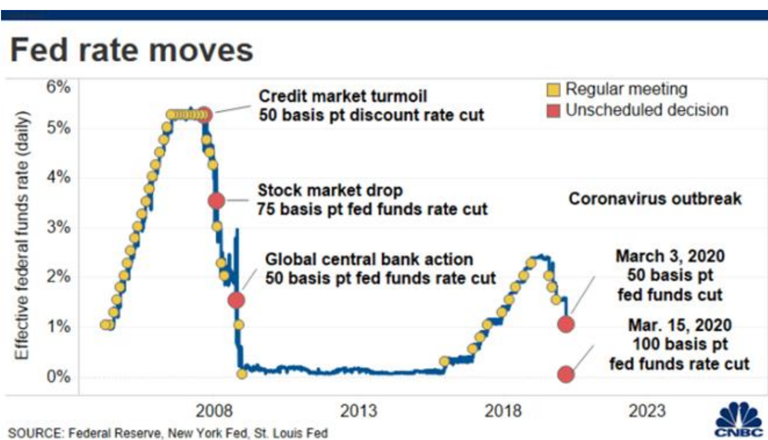
The speed, size, scope, and scale of asset declines would quickly be referenced only by both chapters 1929 and 2008 in the history books. Cash was no longer trash. Cash became gold. Debt markets, and stock markets too, which heretofore were levitated on ocean-trillions in debt, all but seized. Margin clerks suddenly became as powerful as central bank potentates. Asset declines historically measured and dated as "bear markets" emerged not in months and years, but in weeks and days.



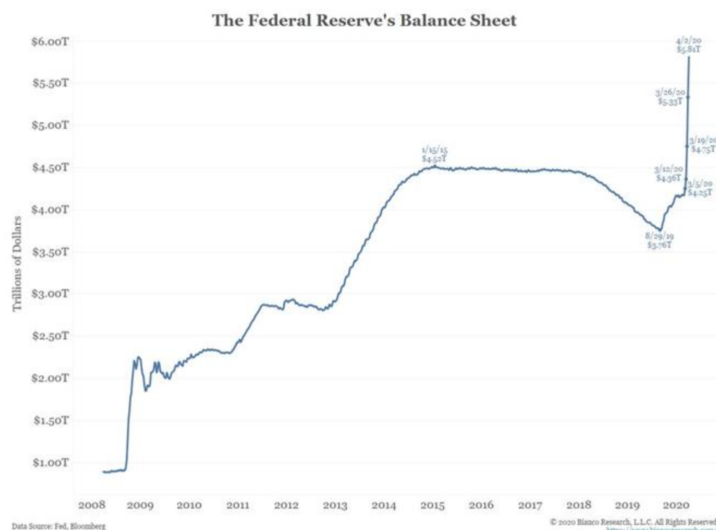
On February 28th, the Federal Reserve presaged its imminent DEFCON bombardments and issued the following brief announcement:

The fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments and their implications for the economic outlook. We will use our tools and act as appropriate to support the economy.

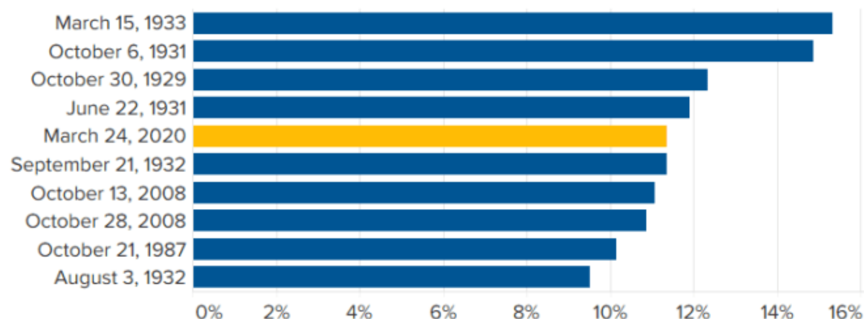
By March 3rd, Federal Reserve Chairman Jerome Powell had seen enough economic risk from the coronavirus and cut the Federal Funds Rate rates by ½ of a percent (50 bps), but also stated, *"the fundamentals of the U.S. economy remain strong*." It wasn't enough. Twelve very short days later, Powell & Co. fired their Guns of March (with apologies to Barbara Tuchman) cannons, cutting rates to zero to stave off a freezing of the nation's financial pipes. Investors took skeptical note – intra-meeting rate cuts tend not to be stock market-bottoming events. Markets were still not impressed. They yawned, loudly but sharply, to the downside. The "Fed Put" was so yesterday's elixir anyway.



Nary a day went by during the second half of March that the Fed didn't dust off its 2008-2009 Market Panic Playbook to announce liquidity measures to stem the unfolding panic in bank lending, commercial paper, primary dealer credit, money market funds, U.S. dollar liquidity, state and municipal money markets. On March 23rd, Powell & Co. dropped the mother-of-all QEI (Quantitative Easing *Infinity)* bombs on the U.S financial markets. The Federal Open Market Committee (FOMC) announced the purchase of at least *$500 billion* in Treasury securities and *$200 billion* in mortgage-backed securities. In addition, the Fed announced a *$300 billion* laundry list of liquidity, credit and equity measures to employers, consumers, and businesses (ESF, PMCCF, SMCCF, TALF, MMLF, VRDNS, CPFF, and SPV). All told, Powell & Co. took just weeks to accomplish what Bernanke & Co. took months to accomplish in 2008-2009, and much more – *$1 trillion per day* in repurchase agreements and over *$600 billion* in Quantitative Easing-Infinity (QEI) bond buying *per week*.



Not to be outdone, at the same time our elected mandarins launched their own staggering $2 trillion fiscal bazooka. All told, to combat the fear of the fear itself, our D.C. generals delivered *$6 trillion* in armaments to combat our new hidden enemy. By this hour on March 23rd, every asset market was severely, no, *historically* oversold. Markets were duly impressed and mounted historic rallies. For example, the S&P 500 Index had plunged – 34% from its very recent high on February 19th to its recent low in just 23 trading days. On the heels of the $6 trillion monetary and fiscal announcements, the "Fed Put" was not only back in play, but the "D.C. Trampoline" was *en fuego.* The ensuring rally of *20%* over just *three trading days* was breathtaking – the best 3 trading days since *1931!* The Dow Jones Industrial Average recorded one of its best single days (+11%) in history. Over the course of the past 27 trading days, the stock market has suffered the quickest -36% bear market in history, as well as the quickest +20% bull market in history – *27 trading days!*



We'll leave it to the history books to ultimately decide what to call the 27-trading day "market cycle." Time too will reveal if the recent stock market lows on March 23rd were the final market lows of the coronavirus crisis, but if we had to guess, we'd have to say no. We will submit that the stock market (and other asset markets) have likely sniffed out the extent of the "supply shock" to the economy. However, on the "demand" side of the economy, there has been so much fundamental damage already to every corner of the economy, with undoubtably much more to come, that it is simply too soon to state with any accuracy; forecasts today will look like foolish guesses tomorrow.

There is no perfect historical analog, no playbook to reference as we as a society and citizenry (much less investors) ponder our near-term future on the heels of the global economy purposefully shutting down. As to the matter of the stock market, it may be wise to carburate one's bullishness by remembering that of the top-25 daily gains in the Dow Jones Industrial Average, 15 occurred during the Great Depression (1929-1933) and the Great Recession (2007-2009).
Here are the current concerns and questions that we at Wedgewood are contemplating:

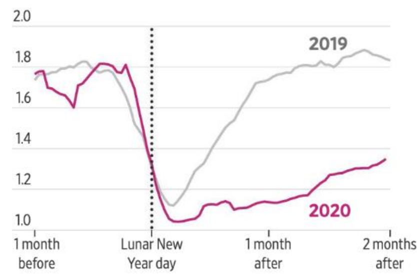
- COVID-19: When and how we will know when the coronavirus crisis is ending? Will either remdesivir, chloroquine and/or hydroxychloroquine prove to be effective treatments? Will Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New Orleans, and Philadelphia be the last of the "hot spots" joining NYC? Is it simply but a daunting matter of testing the entire population? Does the virus burn out over the summer, only to return once the fall school year begins anew? Will April be the cruelest month?

Slow Recovery

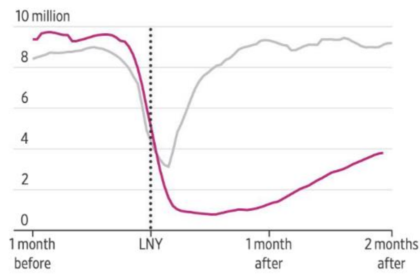
China's economy gets back to work but is hobbled by plummeting demand abroad.

People's movements are not coming back yet...

Beijing traffic congestion index*, 7-day average

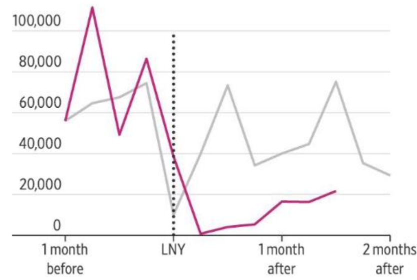


Guangzhou subway rides, 7-day average

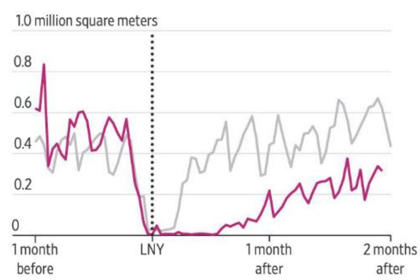


...and that's why people are not spending money...

Weekly automobile sales, retail

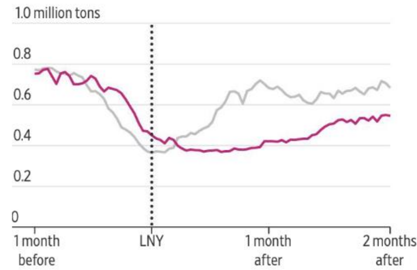


Property transactions in 30 cities, by floor area

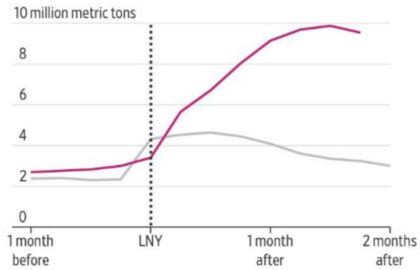


...while the government encourages industry to resume.

Coal consumption by six major power plants



Construction steel, inventories

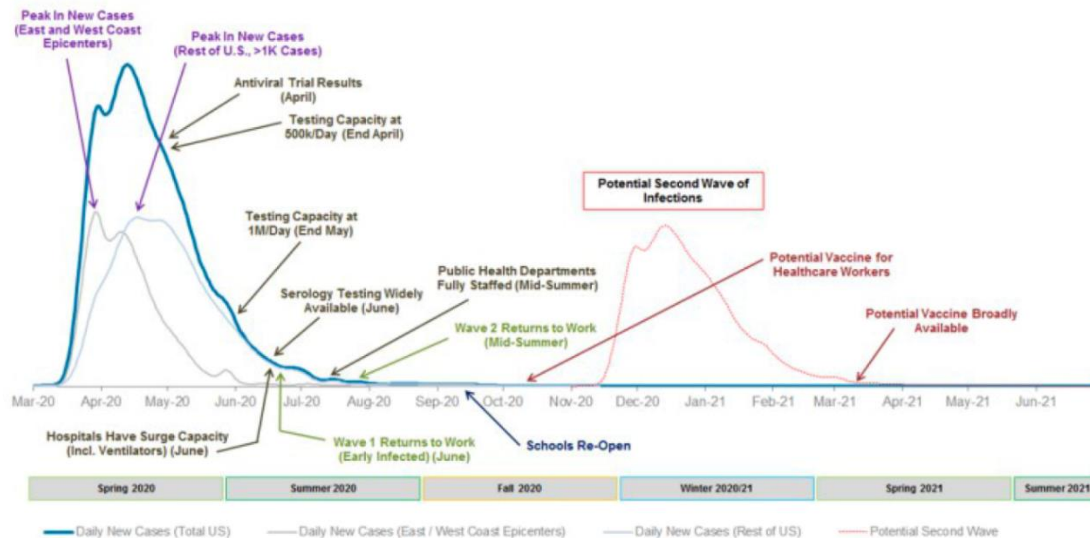


*The index measures traffic flow, including how long it takes to commute compared with normal.
Sources: Gaode-Wind (beijing index); Wind

Source: Wall Street Journal

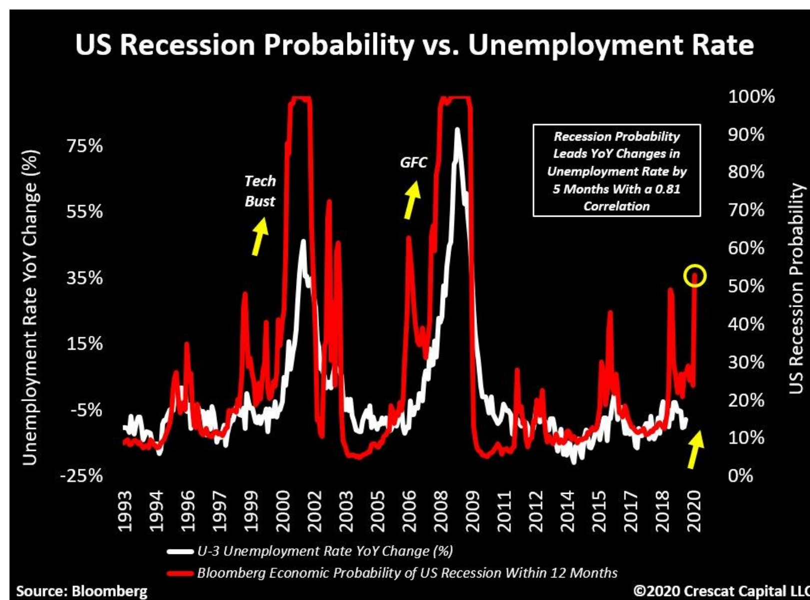
Exhibit 1: Projected timeline and milestones for a return to work in the US

Actual/Estimated New Case Count (United States, Non-Cumulative)

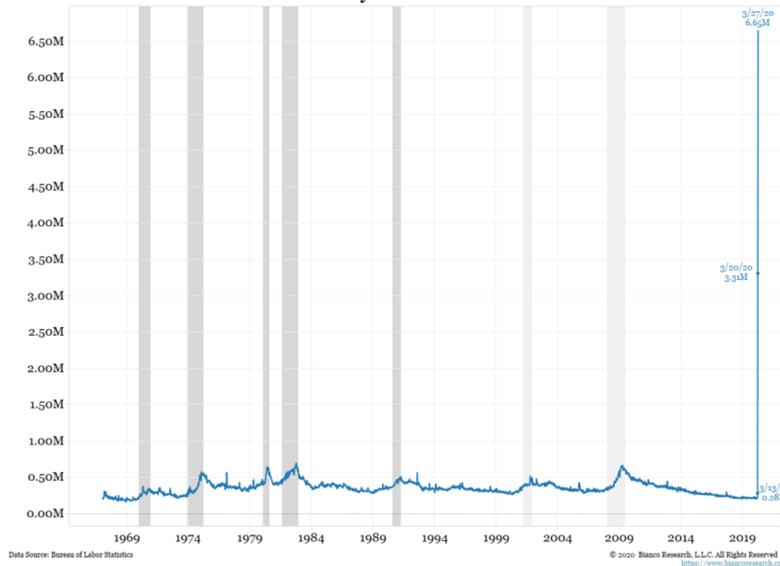


Source: Morgan Stanley Research

- Economy: What is the length and duration of the current recession? When do our political leaders turn the global economy back on? Countries around the globe have closed their respective economies in a staggered manner as each assesses the coronavirus risk. Will the opening of these countries' economies be staggered as well? China's economy is slowly coming back online, but will it be an imperfect analog at best? Will the GDP shock in the second quarter be -15%, -20% or -30%? A -30% collapse comes to about $1.5 trillion in GDP. (Goldman Sachs expects second quarter GDP to collapse by -34%.) All told, we are in the grip of a global supply shock, global demand shock, global oil shock, and global credit shock and the resultant negative wealth shock. Is a "V" shaped economic recovery even possible? (The incredible stock market rally certainly expects a very sharp "V" recovery in the third quarter.)

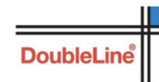


- Consumers: On March 26th, the Labor Department reported that a mind-numbing 3.3 million Americans applied for unemployment (consistent with an unemployment rate of *20%!*). 9,000,000 Americans are now unemployed. To say that this number is a "record" does not do justice to the nightmare far too many people find themselves in. During the worst unemployment peaks over the past 60 years (1981-82 and 2008-09) unemployment claims were just shy of 700,000. Considering that too many state unemployment online systems crashed, phone systems have been overwhelmed, and many people simply don't know if they will qualify for unemployment benefits, is the real number 4 million, 5 million, or more? We'll take the over. Well, the latest unemployment number came in while we were putting the final edits in this Letter. The number? *6.65 million!* The unemployment rate nearly *tripled* in the past two weeks to *10%.* Consider, too, the current fate of our 30 million small businesses, which employ nearly 60 million people; Homebase, a provider of payroll services to small businesses reports that as of just March 22nd, the number of hourly employees working in March compared to those same weekdays in January has plunged *-65%.* To what extent is the consumer shocked enough to alter long-time spending and savings patterns? Are we at a generational peak of consumer debt versus trough savings? Will the next fiscal "stimulus" package out of D.C. be temporary suspension of debt payments or a complete debt moratorium?



U.S. - 35 million Low Quality Jobs at Risk

As of February 27, 2020



US Front Line "At-risk" Jobs During COVID-19 Crisis
Based on Job Quality Index ("JQI") Data

Low-wage/Low-hour Jobs Below the JQI Benchmark Weekly Average Income of $801.47 (as of January 2020)	Thousands of Jobs
Gasoline stations	798.00
General merchandise stores	2,841.90
Employment services	3,469.70
Business support services	749.90
Travel arrangement & reservation services	178.60
Museums, historical sites, and similar institutions	137.40
Amusements, gambling, and recreation industries	1,567.80
Education	3,273.70
Special food services	629.90
Drinking places, alcoholic beverages	342.90
Full-service restaurants	5,043.20
Limited-service restaurants	4,022.80
Cafeterias, grill buffets, and buffets	102.00
Snack and nonalcoholic beverage bars	694.20
Membership associations & organizations	2,497.90
Other motor vehicle dealers	132.70
Auto parts, accessories, & tire stores	474.40
Furniture stores	184.30
Home furnishings stores	211.80
Building material and supplies dealers	959.40
Lawn and garden equipment and supplies stores	129.50
Clothing stores	799.40
Shoe stores	143.90
Jewelry, luggage, & leather goods stores	97.30
Sporting goods & musical instrument stores	396.30
Book stores & news dealers	68.40
Florists	49.30
Office supplies, stationery, & gift stores	183.40
Used merchandise stores	152.70
Other miscellaneous store retailers	289.50
Lessors of real estate	481.10
Offices of real estate agents and brokers	268.70
Performing arts companies	114.50
Spectator sports	124.50
Agents, promoters & managers of arts, sports, & similar events	152.30
Traveler accommodation	1,726.20
RV parks and recreational camps	56.90
Auto repair & maintenance services	774.40
Personal care services	631.60
Drycleaning and laundry services	254.30
TOTAL AT-RISK LOW QUALITY JOBS	**35,206.70**

Source: jobqualityindex.com

The U.S. Private Sector Job Quality Index (JQI) was created by researchers at Cornell Law School. The table comes from their recent report titled "Statement from the U.S. Private Sector Job Quality Index ('JQI') Team on Vulnerabilities of Jobs in Certain Sectors to the Covid-19 Economic Shutdown":
https://d3n8a8pro7vhmx.cloudfront.net/prosperousamerica/pages/5561/attachments/original/1584703152/JQI_Team_Statement_on_COVID-19_Economic_Shutdown_Job_Impact_031920.pdf?1584703152

- Businesses: When will U.S businesses come back online? At what speed? At what capacity? At what employment levels? The core of the U.S.' gigantic services industry is restaurants. According to the National Restaurant Association (as of March 25th), 3% of restaurant operators have already permanently closed their restaurants, 44% have temporarily closed their restaurants, and 11% say they anticipate they will permanently close within the next 30 days. In addition, during the first 22 days of March, the restaurant industry lost an estimated $25 billion in sales and more than 3 million jobs. Does Corporate America continue to feast on cheap and easy credit? Are debt-bloated balance sheets finally a thing of the past? According to Guggenheim Investments non-bank Corporate America has grown their collective debt by *$1.7 trillion* since the last business peak in 2007 – largely to buy back stock. Indeed, Moody's and Standard & Poor's have already begun slashing credit ratings. Are they in the first inning or eighth? We'll take the under. How many businesses have discovered that many workers can work from home efficiently enough to reorder and shrink their respective office square footage needs? If outsized business failures do come to pass, how long does it take to adjudicate such bankruptcies, and what would be the concomitant deflation spiral as assets are liquidated?

The High Yield Default Rate Could Breach 20%

Global Trailing 12-month Speculative-grade Default Rates and Macroeconomic Indicators						
	Actual			Scenario		
Time Period Scenario	2001-02	2008-09	As of Feb 2020	Short, Sharp Downturn	Similar to 2008	Severe Recession
Default Rate (actual peak/12 mo forecast)	9.6	13.4	3.1	6.8	16.1	20.8
U.S. Unemployment Rate (peak)	6.0	10.0	3.5	6.1	10.0	15.0
U.S. HY Spread (peak)	1,014	1,833	500	1,060	1,833	2,500
Europe Unemployment Rate (peak)	9.1	10.3	8.3	9.7	12.5	15.0
Europe HY Spead (peak)	1,373	1,949	419	1,014	1,949	2,500

Source: Moody's Investors Service and Moody's Analytics Note: Default rates and unemloyment rates are in percent. HY spreads are in basis points.
In the "Similar to 2008 scenario" peak employment rates for Europe were used, which did not occur during 2008/09.

Source: Quill Intelligence

- Oil: The so-called "independence" of the U.S. energy sector was shattered by just one meeting gone bad between the House of Saud and the Russians, plus the double-whammy in the demand shock of idled planes, trains, and automobiles. The oil glut literally worsens by the day in the U.S. (WTI Midland contract has collapsed to *$5* a barrel – it was $65 at the beginning of the year.) According to Kemp Energy, in nominal terms, prices at Midland are the lowest since before the oil shock in 1973, in inflation-adjusted terms, prices have collapsed to levels last seen during the 1930's. The race is on to cut back production before storage becomes full. Yet, cutting production quickly curtails producers' cash flow to service the industry's out-sized debt. According to HFI Research, $133 billion of U.S. shale debt and interest payments are due over the next six years. Will the Fed/D.C. backstop shale debt? If not, will the industry's long-held reserve-based lending model be in ruins? The recent Dallas Fed survey for March showed an utterly collapsed oil-based economy. The index plunged to a record (by far) low at -70, from +1.2 in February. The complexities of oil supply and demand are such that one can easily envision a stunning reversal in prices once demand is largely restored, but the labyrinth of global supply restoration (including U.S.-based producer bankruptcies) issues take much longer. We suspect that as the current deflationary pendulum reaches its current extreme, the inflationary snap back may be another economic shock to rattle markets over the intermediate term. The moves in oil continue to bedazzle. As of this writing, President Trump has publicly entered the fray between Russia and Saudi Arabia. The skyrocketing price of crude oil on April 1-3 of nearly *+40%* was the largest 2-day gain since the early 1980s. The second largest 2-day gain? +24%, between March 31st and April 2nd.

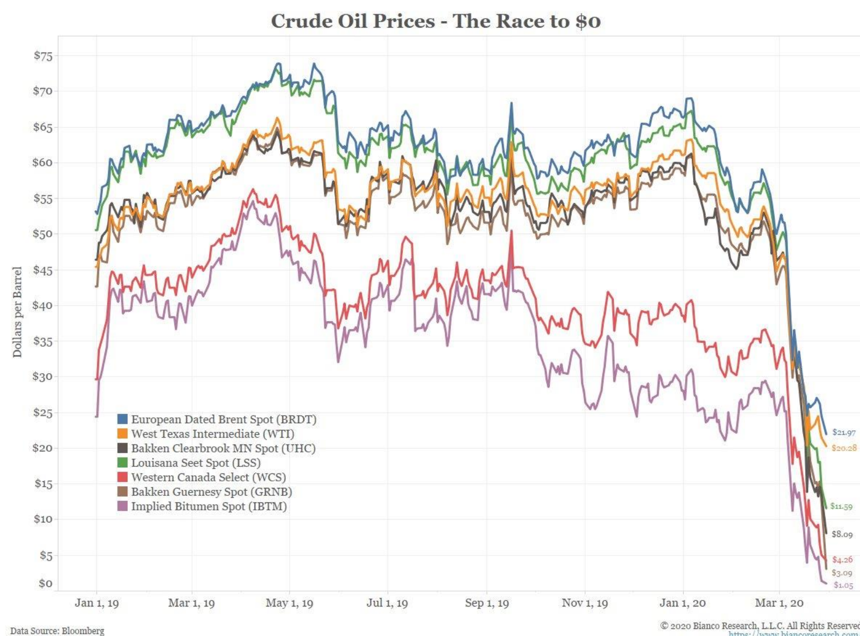
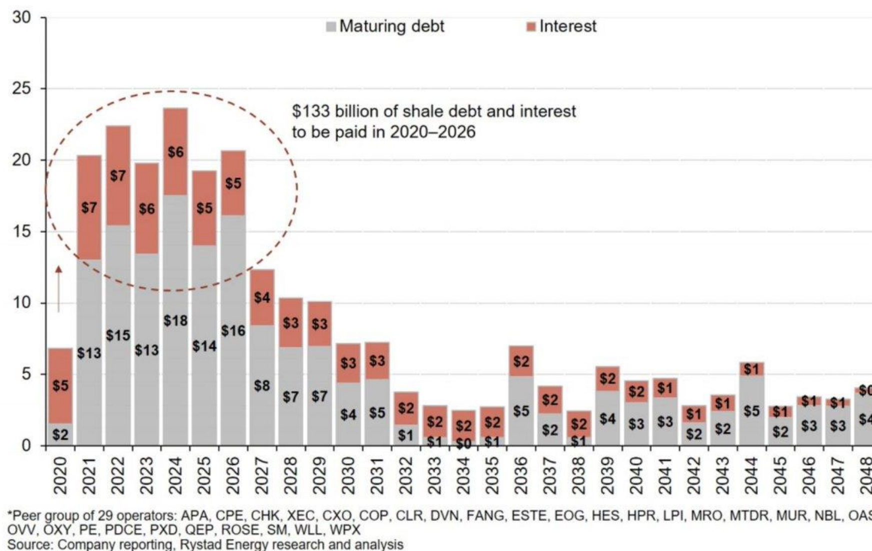
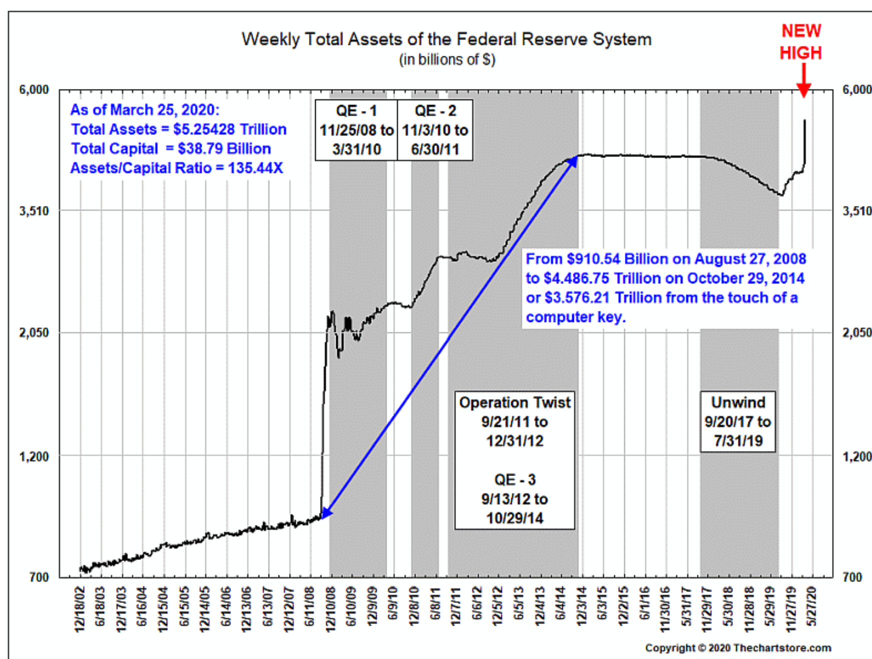


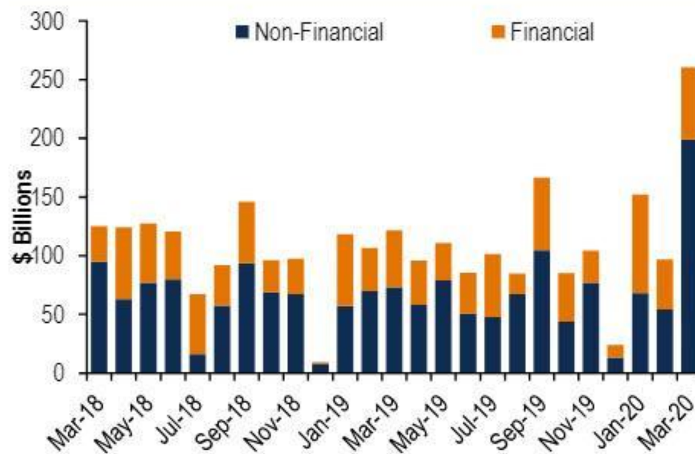
Figure 1: Debt and interest by maturity
Billion USD



- The Fed: What do negative short-term interest rates mean for lenders, borrowers, and savers? What does the prospect for negative interest rates mean for the same and the banking systems collective profitability? Does the Fed's balance sheet in *QE-Infinity* essentially become the balance sheet for both the banking system and Corporate

America? Is the Federal Reserve effectively merging with the U.S. Treasury? Is the Fed in full "yield-curve control?" If so, what does this mean? We think it means the Federal Reserve has become the 1st Nationalized Bank of the District of Columbia. Specifically, the Fed has become the government "bureaucrat price setter" of interest rates all along the yield curve, rather than allowing the manifold forces of the market to set the price mechanism of credit. The Fed's grand experiment (illusion?) continues apace. Indeed, the Fed is now backstopping (read: *risk*-free) investment grade bonds. Wall Street sure took notice. According to Bank of America, prior to the Fed's March 23 historic bond buying announcement, the investment grade bond market was effectively shut down. Since then, U.S. new corporate debt issuance reached a new monthly record of $261 billion in just the last week of March, bringing year-to-date to $510 billion – the fastest ever start to a year and *+47%* ahead of 2019's blistering pace.





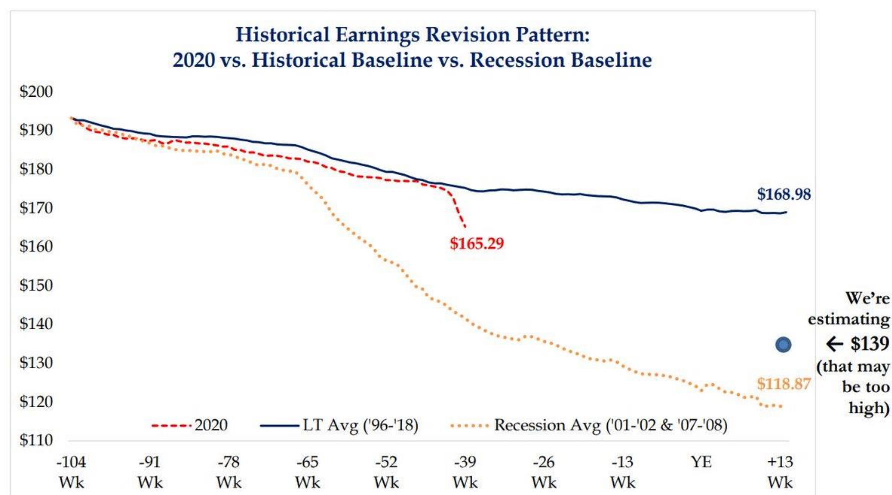
- Politics: Are we at peak Keynesian whereby Federal governments can buffer the length and depth of recessions? Is the $2 trillion stimulus package really "stimulus" or just enough transfer payment "room and board" to compensate the citizenry to stay indoors? Enough too for businesses to stay closed? If $2 trillion isn't enough, is the next step the early innings of universal basic income (UBI)? How much does the success (or failure) of the Trump Administration, Congress, and state governors alter the political and electoral landscape during an election year?

Table 2: U.S. Government COVID-19 Fiscal Responses

U.S. Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	
Amount (US$)	**Description**
Businesses	
$349B	Small business interruption loan program (forgivable bridge loans and funding for grants/technical assistance)
$117B	Hospitals, healthcare providers for equipment and supplies
$150B	State and local fund
$25B	Loans to U.S. passenger airlines (suspends some aviation excise taxes)
$4B	Loans to U.S. cargo airlines
$3B	Loans for airline industry contractors (catering, baggage, ticketing, cleaning)
$17B	Loans for businesses deemed important to national security
Individuals	
$250B	Direct payments to individuals ($1,200 tax rebate per adult and $500 per child under 17) with income below $75,000 (phased out between $75k-$99k)
$250B	Unemployment insurance extended to four months and increased by an extra $600 weekly; eligibility expanded
	Defer student loan payments for six months
	Waiver of 10% early withdrawal penalty from retirement funds for affected individuals

Source: U.S. Government, Rosenberg Research

- Corporate Earnings: How far do earnings plunge in the second quarter, the third quarter or perhaps even the fourth quarter this year? Brace yourselves for the growing reality that the second quarter S&P 500 earnings may actually print a *negative* aggregate number – only the second time in history (last time was fourth quarter 2008). Do earnings fully rebound by early 2021, the middle of 2021, or early 2022? What industries and businesses become more dominant post-coronavirus? What industries or businesses become permanently impaired?



Source: Strategas

TABLE 1: S&P 500 Earnings Per Share During Recessions
United States

	Earnings per Share		
Dates	Peak	Trough	Change (%)
Nov 1973 - Mar 1975	$9.6	$7.6	-21.6%
Jan 1980 - July 1980	$15.6	$13.7	-12.2%
July 1981 - Nov 1982	$16.3	$12.1	-25.8%
July 1990 - Mar 1991	$23.9	$15.1	-36.8%
Mar 2001 - Nov 2001	$54.8	$41.9	-23.5%
Dec 2007 - June 2009	$90.2	$42.9	-52.4%
		Average	-28.7%
		Median	-24.7%

Source: Bloomberg, Rosenberg Research

- Investors: Boomer investors were about 45 years of age during the DotCom tech crash, around 53 during the Great Recession crash, and are now 65 years of age. Will this generation ride out the third potential -50% bear market in just over 20 years? Will stock investors flock to the safety of near-zero interest rate U.S. Treasuries? Are BTD (Buy The Dip) and TINA (There Is No Alternative) still in vogue for equity investors? What is more important to successful equity investing; the valuation one pays for the future stream of corporate cash flows, or the Fed? Given that the Fed's powers are now unrivaled as never before ($4.25 trillion in alphabet-soup lending facilities, $625 billion weekly run rate of QEI, and its *$5 trillion* balance sheet)? Stock buybacks were a nonstop tailwind during the Great Bull Market of 2009-2020. Rosenberg Research reports that during this bull market Corporate America issued *$2.5 trillion* in debt to buy back *$2.7 trillion* in equity. Can this seismic debt-for-equity swap continue? The stock market typically discounts better news (corporate, economic), but rarely discounts bad news. Is the bad news over? We don't think so. Please note, in the graphics below, that stock market declines associated with recessions are historically the worst – typically those of overindebted balance sheet recessions.

  During these trying times, we at Wedgewood Partners recall a kind of Hippocratic Oath for investing, First, Do No Harm. As we try to envision to what degree, if any, the business models of our invested companies may be permanently earnings impaired on the other side of the pandemic, we find little to be concerned about today. Our invested companies, are typically industry leaders possessing terrific balance sheets and terrific profitability. We have little to fret on that score. As you read at the beginning of this Letter, we made just a few portfolio changes to date. If the market carnage continues, we will look for outsized opportunity, as we always do.

Date on which decline in S&P 500 exceeded 19%	Additional % decline to S&P 500 low	Subsequent 12-mo. % chg. In S&P 500	Associated with recession?
October 21, 1957	-0.4 %	31.0	Yes
May 28, 1962	-5.7	26.1	No
August 29, 1966	-1.8	24.6	No
January 27, 1970	-20.9	8.3	Yes
November 26, 1973	-35.5	-28.1	Yes
March 6, 1978	0.0	12.6	No
September 25, 1981	-9.2	9.4	Yes
October 19, 1987	-0.4	23.2	No
October 11, 1990	0.0	29.1	Yes
August 31, 1998	0.0	37.9	No
March 2, 2001	-37.1	-8.3	Yes
July 2, 2008	-46.4	-28.9	Yes
October 3, 2011	0.0	32.0	No
December 24, 2018	0.0	37.0	No
March 11, 2020	**?**	**?**	**?**
Average	**-11.2 %**	**14.7 %**	
Median	**-1.1 %**	**23.9 %**	

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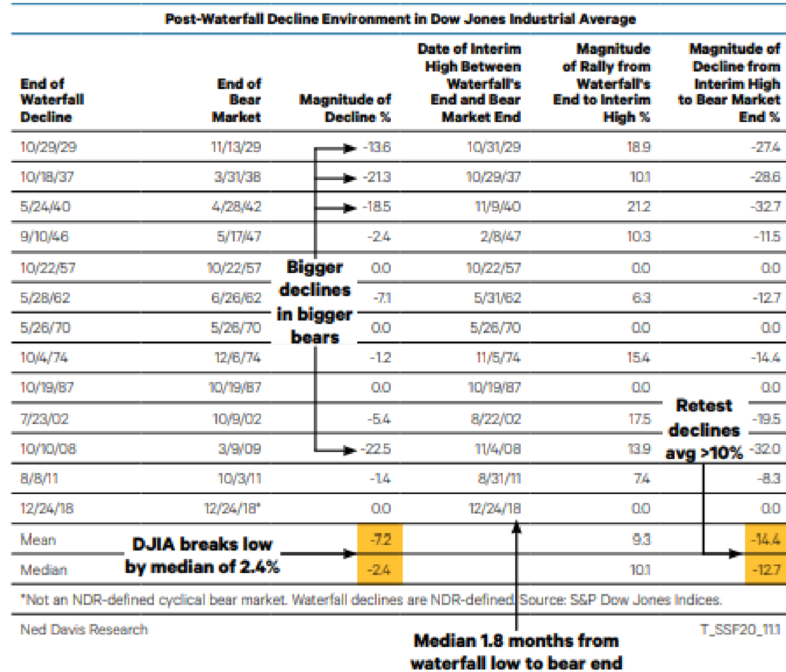
After waterfalls, retests are common

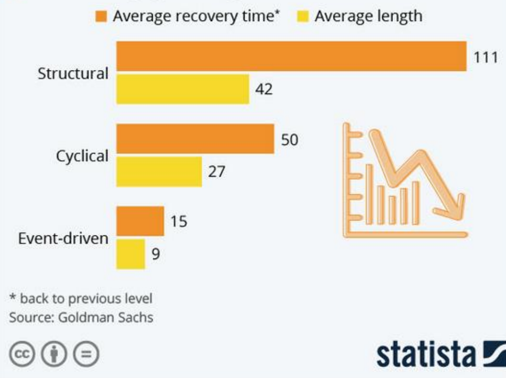


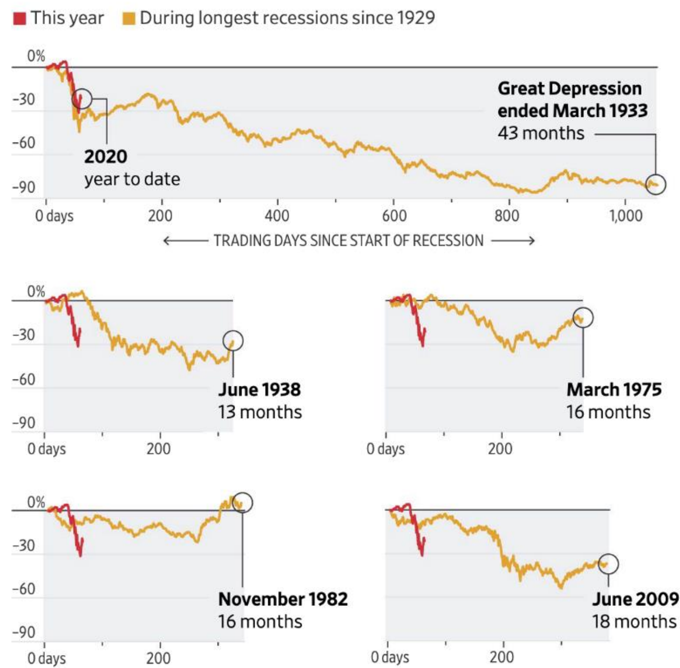
Post-Waterfall Decline Environment in Dow Jones Industrial Average

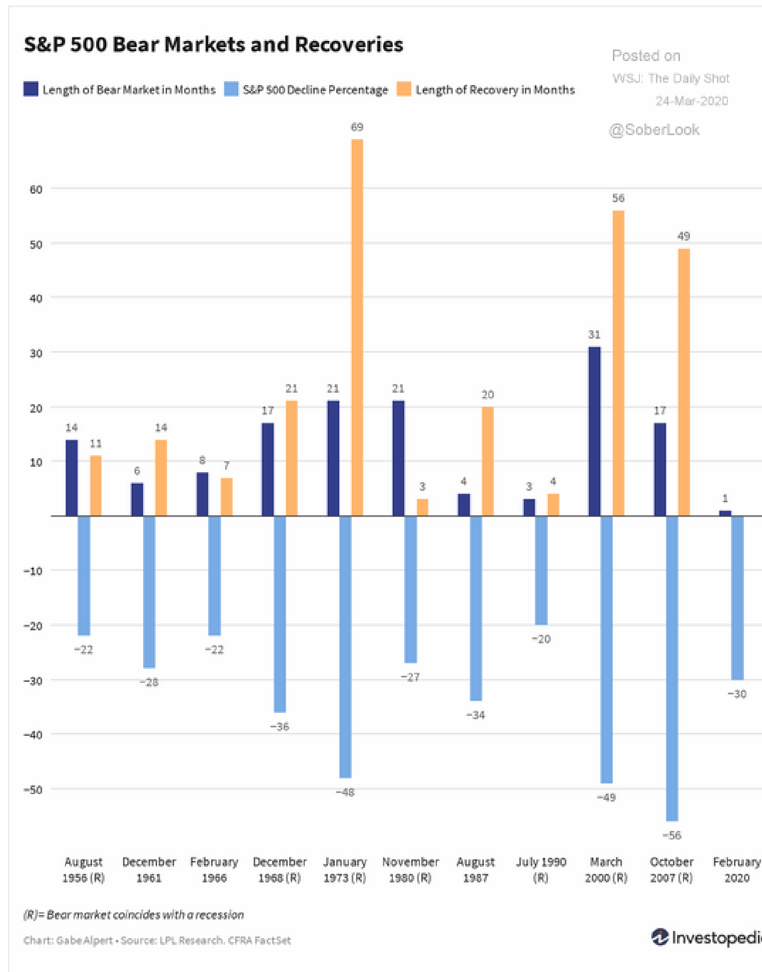
End of Waterfall Decline	End of Bear Market	Magnitude of Decline %	Date of Interim High Between Waterfall's End and Bear Market End	Magnitude of Rally from Waterfall's End to Interim High %	Magnitude of Decline from Interim High to Bear Market End %
10/29/29	11/13/29	-13.6	10/31/29	18.9	-27.4
10/18/37	3/31/38	-21.3	10/29/37	10.1	-28.6
5/24/40	4/28/42	-18.5	11/9/40	21.2	-32.7
9/10/46	5/17/47	-2.4	2/8/47	10.3	-11.5
10/22/57	10/22/57	0.0	10/22/57	0.0	0.0
5/28/62	6/26/62	-7.1	5/31/62	6.3	-12.7
5/26/70	5/26/70	0.0	5/26/70	0.0	0.0
10/4/74	12/6/74	-1.2	11/5/74	15.4	-14.4
10/19/87	10/19/87	0.0	10/19/87	0.0	0.0
7/23/02	10/9/02	-5.4	8/22/02	17.5	-19.5
10/10/08	3/9/09	-22.5	11/4/08	13.9	-32.0
8/8/11	10/3/11	-1.4	8/31/11	7.4	-8.3
12/24/18	12/24/18*	0.0	12/24/18	0.0	0.0
Mean		-7.2		9.3	-14.4
Median		-2.4		10.1	-12.7

*Not an NDR-defined cyclical bear market. Waterfall declines are NDR-defined. Source: S&P Dow Jones Indices.

Ned Davis Research T_SSF20_11.1


Bear Market Recoveries Faster After Adverse Events
Average length and recovery time of U.S. bear markets since 1800, by type of trigger (in months)
Average recovery time*
Average length
Structural
111
42
Cyclical
50
27
Event-driven
15
9
* back to previous level
Source: Goldman Sachs
statista


Crash Landing
The downturn of 2020 could rival market pullbacks during past contractions but is far from the lows reached during the Great Depression.
S&P 500 performance
This year
During longest recessions since 1929
0%
-30
-60
-90
2020
year to date
Great Depression ended March 1933
43 months
0 days
200
400
600
800
1,000
TRADING DAYS SINCE START OF RECESSION
June 1938
13 months
March 1975
16 months
November 1982
16 months
June 2009
18 months
Note: 2020 figures through March 27 close
Sources: Dow Jones Market Data (recessions ended 1933, 1938, 1975); FactSet (recessions ended 1982, 2009); National Bureau of Economic Research (recession durations)
Kara Dapena/THE WALL STREET JOURNAL



Finally, we want to assure you that we take the health and well-being of our community, clients, and employees very seriously. To prevent the spread of COVID-19, we will continue to practice social distancing. We have been smoothly operating remotely since March 23rd and are confident in Wedgewood's sustained ability to conduct business as usual. Wedgewood has the technology infrastructure, backed by years of disaster recovery testing, to ensure that we are fully operational for as long as necessary. We are all in this together. We will continue to monitor the situation and will follow guidance from public health officials and government agencies.

We wish to once again thank those clients who have been steadfast in support of Wedgewood Partners.

April 2020

David A. Rolfe, CFA
Chief Investment Officer

Michael X. Quigley, CFA
Senior Portfolio Manager

Christopher T. Jersan, CFA
Research Analyst

Top Ten Holdings

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

Holdings	Percent of Net Assets
Facebook, Inc.	9.6%
Apple Inc.	9.3%
Alphabet Inc.	8.8%
Edwards Lifesciences Corp.	8.4%
Visa Inc.	7.3%
Tractor Supply Co.	6.5%
Electronic Arts Inc.	5.4%
Motorola Solutions, Inc	4.9%
PayPal Holdings, Inc.	4.6%
Starbucks Corp.	4.6%
Total	**69.6%**

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

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable, but in no way are warranted by us to accuracy or completeness. We do not undertake to advise you as to any change in figures or our views. This is not a solicitation of any order to buy or sell. We, our affiliates and any officer, director or stockholder or any member of their families, may have a position in and may from time to time purchase or sell any of the above mentioned or related securities. Past results are no guarantee of future results.

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.

Mutual fund investing involves risk including possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Narrowly focused investments typically exhibit higher volatility. There can be no assurance that the Fund will achieve its stated objectives. The Fund is not diversified.

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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.