



RiverPark/Wedgewood Fund

(RWGIX/RWGFX)



Fourth Quarter 2017 Review and Outlook

The Fund (net-of-fees) gained +19.9% during 2017. The benchmark Russell 1000 Growth Index gained a stunning +30.2%. The S&P 500 Index gained 21.8% during 2017.

The Fund (net-of-fees) gained +8.7% during the fourth quarter of 2017. The benchmark Russell 1000 Growth Index gained +7.9%. The S&P 500 Index gained 6.6% during the quarter.

Performance: Net Returns as of December 31, 2017

	Current Quarter	Year-to- Date	One Year	Three Year	Five Year	Since Inception
Institutional Class (RWGIX)	8.70%	19.90%	19.90%	5.31%	10.62%	12.20%
Retail Class (RWGFX)	8.65%	19.65%	19.65%	5.24%	10.47%	12.01%
Russell 1000 Growth Total Return Index	7.86%	30.21%	30.21%	13.79%	17.33%	16.03%
S&P 500 Total Return Index	6.64%	21.83%	21.83%	11.41%	15.79%	14.85%
Morningstar Large Growth Category	6.41%	27.84%	27.84%	10.96%	15.02%	13.61%

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 1/27/2017, for Institutional and Retail classes are 0.82% 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



The Great Bull Market of 2009-2018: The Greatest

I am the Greatest of All Time...I'm fast...I can't possibly be beat...I'm pretty...I shook up the World!

Muhammad Ali

Top 2017 performance contributors include Apple, PayPal, Visa, Alphabet, and Berkshire Hathaway. Top 2017 performance detractors include Schlumberger, Core Labs, Kraft Heinz, Celgene, and Mead Johnson.

Top Contributors to Performance for the Year Ending December 31, 2017	Average Weight	Percent Impact
Apple Inc.	7.99%	4.05%
PayPal Holdings Inc	4.69%	3.57%
Visa Inc.	6.30%	2.80%
Alphabet Inc.	6.70%	2.18%
Berkshire Hathaway Inc.	8.85%	1.84%

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

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

Top Detractors to Performance for the Year Ending December 31, 2017	Average Weight	Percent Impact
Schlumberger NV	5.56%	-1.25%
Core Laboratories NV	4.46%	-0.39%
Kraft Heinz Company	6.08%	-0.35%
Celgene Corporation	2.49%	-0.34%
Mead Johnson Nutrition Company	0.22%	-0.02%

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Top fourth quarter performance contributors include Qualcomm, Fastenal, Ross Stores, Tractor Supply and Apple. Top fourth quarter performance detractors include Celgene, Priceline, Schlumberger, Cognizant Technology and Kraft Heinz.

Top Contributors to Performance for the Quarter Ending December 31, 2017	Average Weight	Percent Impact
QUALCOMM Inc.	6.17%	1.58%
Fastenal Company	5.72%	1.12%
Ross Stores, Inc.	4.36%	1.04%
Tractor Supply Company	5.82%	1.03%
Apple Inc.	7.49%	0.84%

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

Top Detractors to Performance for the Quarter Ending December 31, 2017	Average Weight	Percent Impact
Celgene Corporation	3.88%	-0.92%
Priceline Group Inc.	5.96%	-0.31%
Schlumberger NV	4.85%	-0.18%
Cognizant Technology Solutions Corp.	3.04%	-0.05%
Kraft Heinz Company	4.93%	0.06%

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During the fourth quarter, we increased our positions in Celgene and Edwards Lifesciences. We trimmed PayPal.

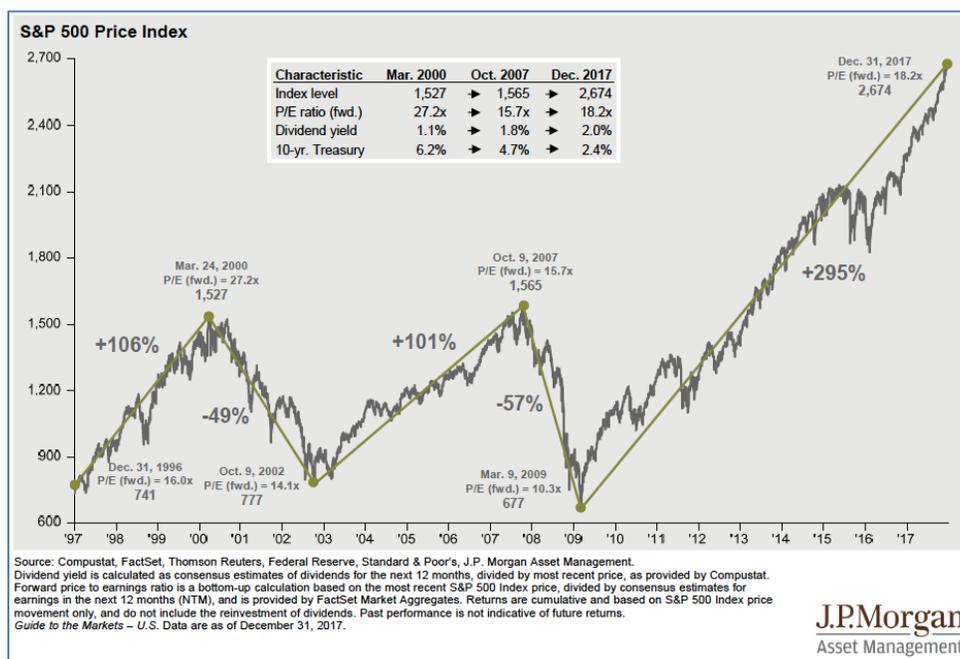
In an investing environment where every major index (and asset class) is at an all-time, nearly 9-year high, we are still able – because of our focus – to construct a portfolio of growth companies with much better growth and profitability profiles *but at quite favorable valuations*. Specifically, our portfolio's future annual EPS growth rate (IBES consensus) is projected to be approximately

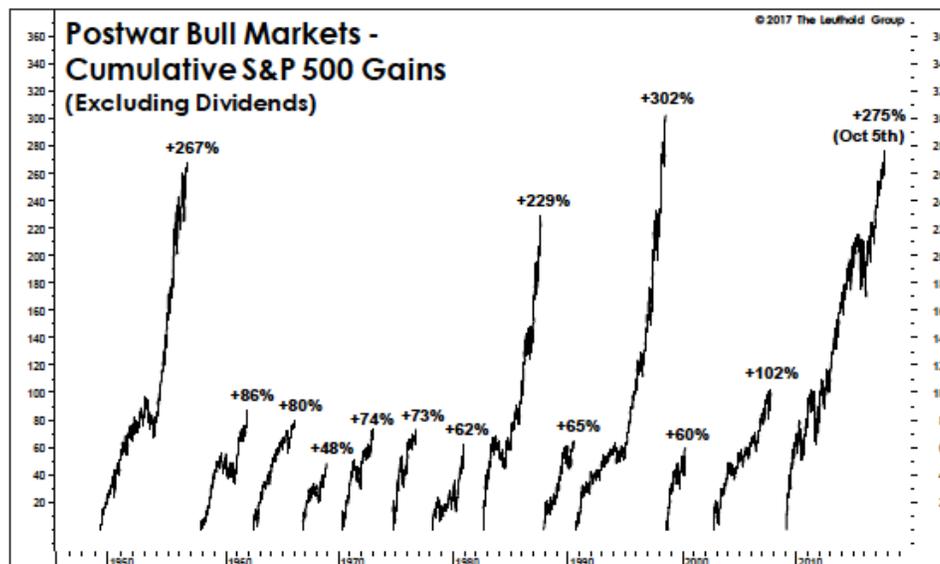


15%. (Our internal growth rate is higher still.) The forward 12-month P/E is 22X. Our prospective growth rate is +29% *higher* than our benchmark and +51% higher than the S&P 500. Our forward 12-month P/E is -4% *lower* than our benchmark and at parity versus the S&P 500.

The Greatest

Back in 2016, we spent a good portion of our client letters putting this incredible bull market into historical context. 2017 was more of the same, whether it was the continued length of the bull market or the near-historic gains (set to eclipse the record +302% gains of the 1990s). In addition, we have chronicled historically high valuations that continue to get pushed into risky territory, as well as the incredible monies allocated to passive investing, the historically low volatility, etc. As we now look back upon 2017, we admit that we are running out of superlatives. This incredible bull market is now just two short months shy of its ninth anniversary.





The fourth quarter continued what began during the third quarter, in that more than a few of our non-tech portfolio holdings finally started to “catch a bid.” The hit parade during much of this bull market has been dominated by technology stocks – particularly the largest cap-weighted technology stocks. Indeed, the five largest stocks in our benchmark (Apple, Alphabet, Microsoft, Amazon and Facebook) now make up an astonishing 24% of the Russell 1000 Growth Index.

Further, the benchmark’s tech stock weighting (using S&P GICS, which does *not* include Amazon) is nearly +38% and now above where it peaked back in those heady tech stock days in March of 2000. Even in our focused portfolio, we struggle to find that much compelling opportunity without significantly compromising future returns.

Technology’s current weighting contrasts with the financial and energy sectors, the latter two of which collectively represent *less than 5% of the entire Russell 1000 Growth Index*. Our bottom-up investment process makes us hardly a “bull” on any industry, but an “equal-weight” in a roughly 20-stock portfolio is about 5%, so a single holding can easily skew our industry weightings, given that the fine folks at Russell seem to be OK with carrying sub-1% weightings in very large sectors of the U.S. economy. Suffice it to say that we find enough compelling growth in the underrepresented industries to warrant inclusion of a few holdings in our portfolio.

Peering across the stylistic grid, it is no secret that the Russell 1000 Value Index must also be particularly lop-sided – indeed, with a 26% weighting in financials and 11% weighting in energy, it is also not surprising that Growth has dramatically outperformed Value in 2017, not to mention most of the duration of this bull market (more on this later).

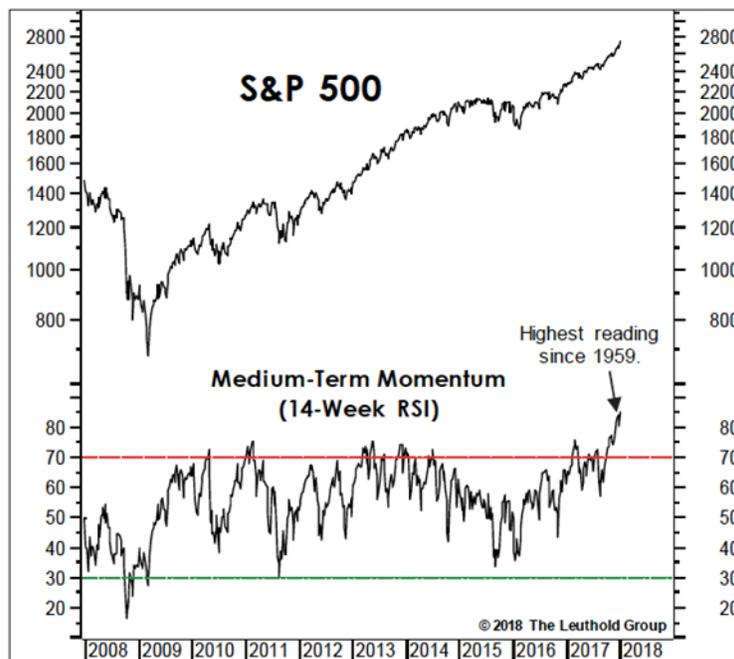


As long-term, multiyear investors in highly profitable, growing, large-cap businesses, such businesses accumulate significant amounts of retained earnings. As shareholders, these retained earnings, that capital, is “ours.” As long-term shareholders, we typically don’t demand that such retained capital be returned to shareholders in the form of stock buybacks or via dividends (we don’t care to own bond proxies). In effect, our attitude is that we, as shareholders (partners, really), *are effectively providing capital* to management to be reinvested back into our companies. Thus, we heartily encourage and expect our companies to reinvest large enough amounts of retained capital to create value by generating further high returns on a growing capital base. This compounding effect is the financial mother’s milk to then, in turn, drive future double-digit earnings growth.

Today, *our double-digit return hurdle relative to the market* has rarely seemed higher, as we observe marginally profitable, large businesses able to borrow at interest rates that are *negative*.¹ We think our demand for double-digit returns looks *positively* quaint (pun intended) in this narrow light. But if debt and equity are substitutes, it begs to wonder what a *guaranteed* loss of principal looks like in the equity realm. We imagine the equity analog looks something like a large company that regularly loses money, but regularly issues stock. We have seen several large technology companies that issue 5 to 10% of their stock every year, for years on end. The influx of capital to fund those numerous and regular offerings has been truly remarkable, but also completely undemanding from a profitability perspective. As a competing source of finance, we think indexation has risen to prominence on a kernel of truth, and a mountain of indiscriminate return requirements, as over *\$10 trillion* in capital has been injected into public markets over the past decade, courtesy of the three largest central banks on the planet.

Alas, we can nearly always complain about monetary stimulus, if only because it has run completely counter to our philosophy as investors. On a brighter note, we expect recent *fiscal* stimulus to benefit our great businesses that *do* generate pre-tax profits, in the form of lower corporate tax rates. After all, few if any growth companies can invest 100% (or more) of their excess capital, year in and year out, and get a return on every single dollar (or even a majority of those dollars) – we think even the shrewdest, most successful businesses and management teams are right 60-70% of the time. So, we are more than forgiving when our companies generate copious amounts of pre-tax profitability. As such, many of our internally-funded businesses – particularly those focused on the U.S. market – should reap a windfall of costless (at the margin) capital, and put them on a more even playing field relative to those businesses that regularly access negative cost capital.

¹ https://www.veolia.com/sites/g/files/dvc181/f/assets/documents/2017/11/CP_Callisto_161117_EN.pdf



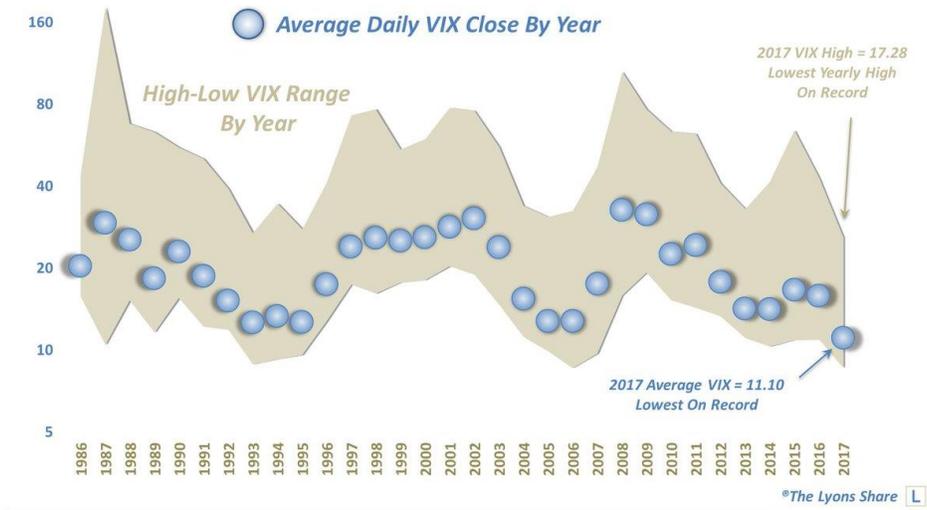
Downside volatility in the stock market simply appears to be a thing of the past (though we are dubious). 2017 set numerous records for historically low volatility in both the stock and bond markets. The fourth quarter represented the *20th* positive quarter over the past 21.

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 even a -3% drawdown in over 13 months, by far the longest period in history.

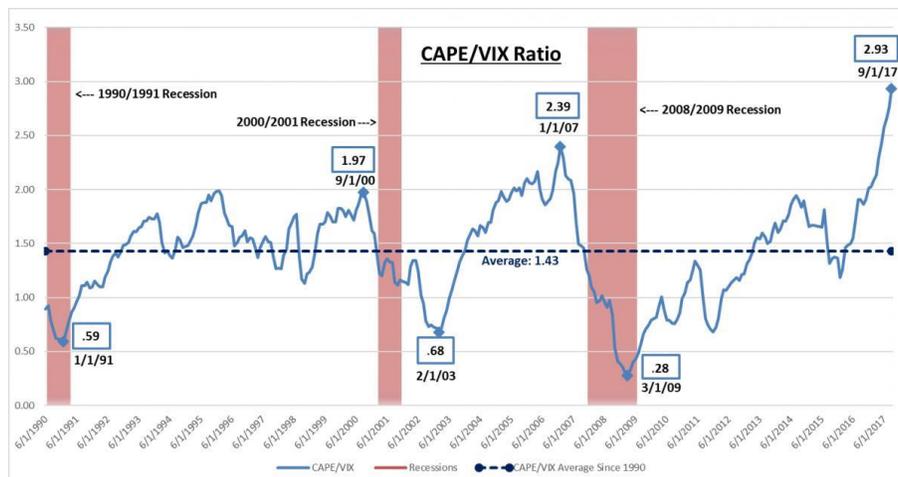
In 2017 alone the stock market was up *every* month (a calendar year record) and has now been up 14 months in a row (a record). 95% of the trading days during 2017 had an intraday swing of less than 1% – another historic record. The Dow Jones Industrial Average set 71 new highs in 2017 – the most since 1910. The second most new-highs figure (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 in 14 out of the past 15 years. Even volatility *highs* during 2017 were the *lowest* on record.

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*.

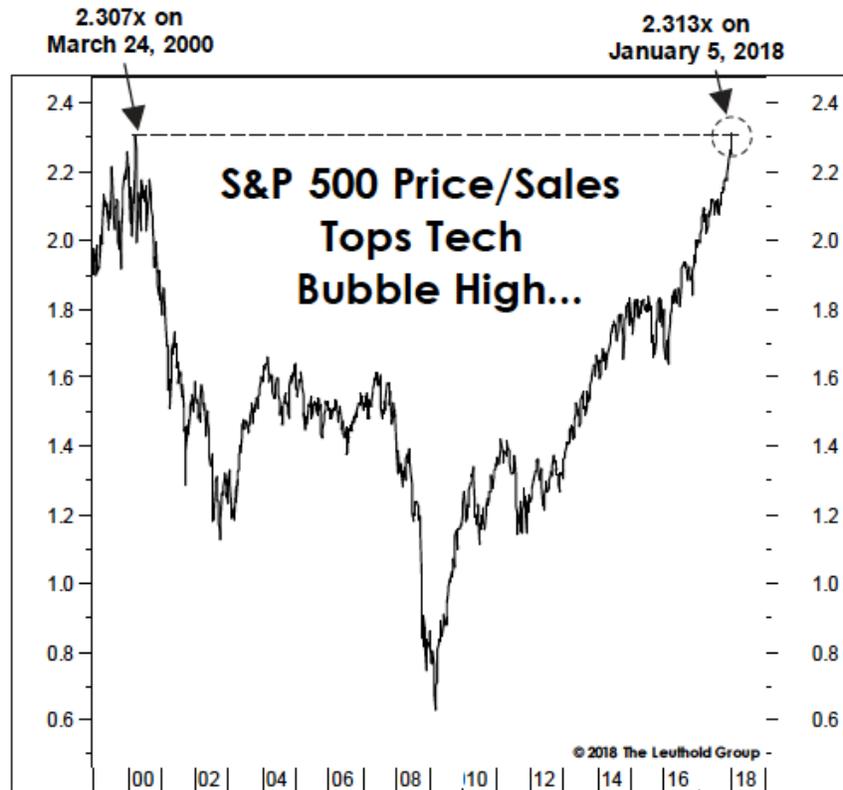
2017: Calmest Stock Market Year On Record



If history has taught us anything, it is that at market extremes the most logical (but often the most difficult) decision is to do the exact opposite of the majority of investors. Our defense-first, conservative investment strategy has not been ideal during the euphoric environment of the past 3-4 years. Again, we believe that the next few years will likely look very different than the past few. In times past, when extremely high valuations were met with extremes in low volatility, the ensuing investing environment typically rewarded defense-first strategies once again.



Source: Euro Pacific Capital

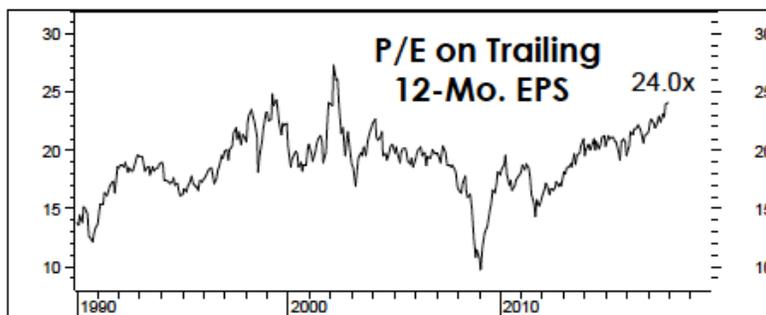
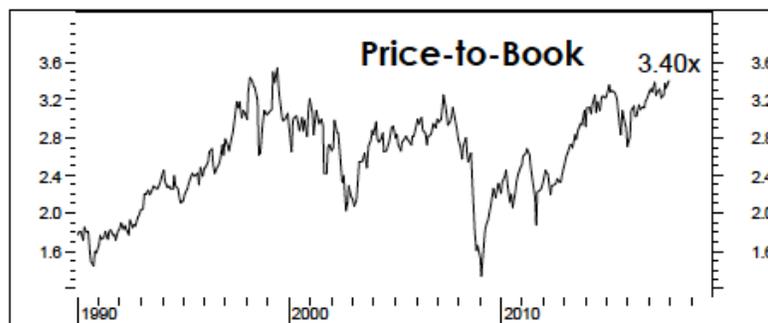
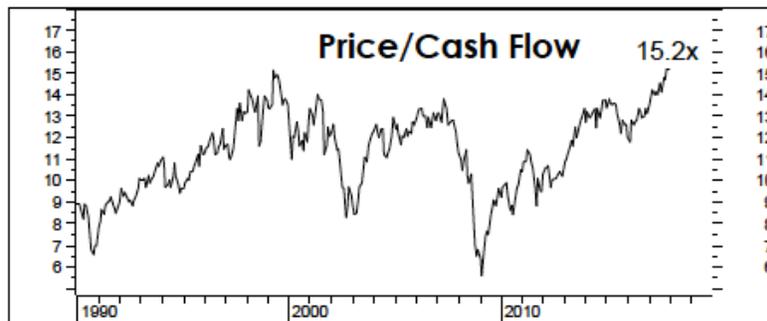
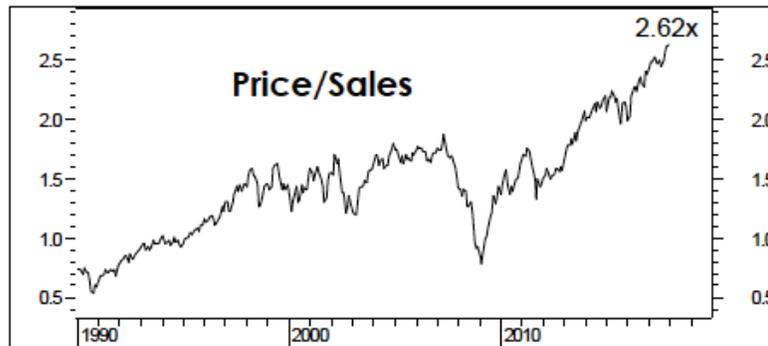


**S&P 500 Median Stock:
Reward/Risk Analysis**

© 2018 The Leuthold Group	Dec17 Close	1990-To- Date High	Pct. Chg. To High	1990-To- Date Median	Pct. Chg. To Median	1990-To- Date Low	Pct. Chg. To Low
S&P 500 Median:							
Trailing P/E	24.0	24.7	3%	19.0	-21%	9.7	-60%
Normalized P/E	27.2	31.5	16%	23.9	-12%	11.8	-57%
Price/Cash Flow	15.2	15.2	0%	11.6	-24%	5.6	-63%
Price/Sales	2.62	2.62	0%	1.46	-44%	0.54	-79%
Price-to-Book	3.40	3.54	4%	2.69	-21%	1.33	-61%
Avg. Upside/Downside To 1990-To-Date Highs & Lows			5%		-24%		-64%



Valuation Ratios For The Median S&P 500 Stock



Source: The Leuthold Group



Active managers have had their hands full during most of this bull market. Our clients (as well as all of us at Wedgewood) have felt the full sting of underperformance over the past few years. We have never had a calendar year of mistake-free investing. We deploy a defense-first philosophy to avoid what we believe to be the ultimate mistake we could make, and that is a permanent loss of capital on individual portfolio holdings.

Such conservatism has served us well over full market cycles since the founding of our firm back in 1992. Since then, we have come to believe that we have seen “everything” that investing in the stock market can throw at an investor – lay investor or professional. Well, the last few years have been certainly new territory for us. In the never-ending performance race, it’s always a marathon, but sometimes it’s a sprint, and the definition of a “mistake” seemed to take on new meaning over the past few years.

Heretofore, “mistakes” at the individual stock level were those of permanent loss of capital. Given the nonstop advancement of the stock market since the end of 2012 (up 20 quarters of the past 21), “mistakes” are now defined as degrees of how much a stock lags its respective style benchmark. Even “winners” have been redefined as mistakes. For example, consider the 5-year gain in Cognizant Technology: \$10,000 invested in the stock five years ago at the beginning of 2013 has nearly doubled to \$20,000, a terrific gain of +14.1% per year.

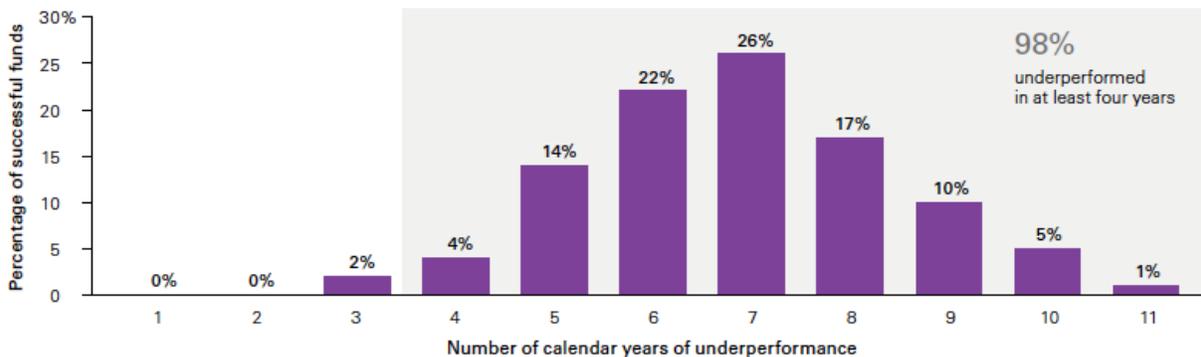
However, compared to the staggering 5-year annual gain in the benchmark (Russell 1000 Growth Index) of +17.1%, our investment in Cognizant is, well, a mistake. Again, in terms of “degrees of mistakes,” the 5-year annual gain in Berkshire Hathaway – with the same +17.1% as the benchmark – has been, to a degree, a mistake too, since the stock has not outperformed. The performance derby has been a demanding mistress over the recent cycle. But as with all cycles, the past is not prologue.

Vanguard authored an interesting study in 2015 of mutual funds that outperformed their respective benchmarks over a 15-year period. They deemed such funds “successful” in their study. The upshot of their study is that the vast majority of the very best active investment managers suffer through meaningful periods, even consecutive years, of underperformance.

The performance derby can be utterly humbling. We continue to learn from our mistakes – and our successes. Our learning process must not stop. We at Wedgewood remain steadfast in adhering to our time-tested investment philosophy and investment strategy.

Figure 5. Even successful funds had multiple periods of underperformance

Distribution of the 552 successful funds by total calendar years of underperformance, 2000–2014

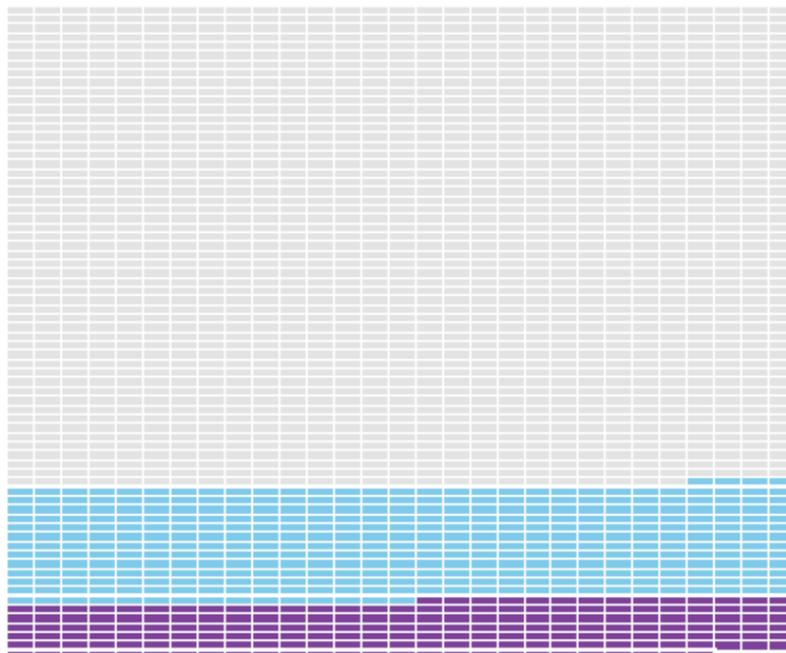


Notes: Data are as of December 31, 2014. Successful funds are those that survived for the 15 years and also outperformed their prospectus benchmarks. Our analysis was based on expenses and fund returns for active equity funds available to U.S. investors at the start of the period. The oldest and lowest-cost single share class was used to represent a fund when multiple share classes existed. Each fund's performance was compared with that of its prospectus benchmark. Funds that were merged or liquidated were considered underperformers for the purposes of this analysis. The following fund categories were included: small-cap value, small-cap growth, small-cap blend, mid-cap value, mid-cap growth, mid-cap blend, large-cap value, large-cap growth, and large-cap blend. Numbers do not add up to 100% because of rounding.

Sources: Vanguard calculations, using data from Morningstar, Inc.

Figure 6. Few funds avoided three consecutive years of underperformance

2,085 funds



- **18% 367 funds** Survived, outperformed, and experienced at least three consecutive years of underperformance
- **9% 185 funds** Survived, outperformed, and never experienced three consecutive years of underperformance

Notes: Data are for the 15-year period ended December 31, 2014. Our analysis was based on expenses and fund returns for active equity funds available to U.S. investors at the start of the period. The oldest and lowest-cost single share class was used to represent a fund when multiple share classes existed. Each fund's performance was compared with that of its prospectus benchmark. Funds that were merged or liquidated were considered underperformers for the purposes of this analysis. The following fund categories were included: small-cap value, small-cap growth, small-cap blend, mid-cap value, mid-cap growth, mid-cap blend, large-cap value, large-cap growth, and large-cap blend.

Sources: Vanguard calculations, using data from Morningstar, Inc.



Company Commentaries

Apple

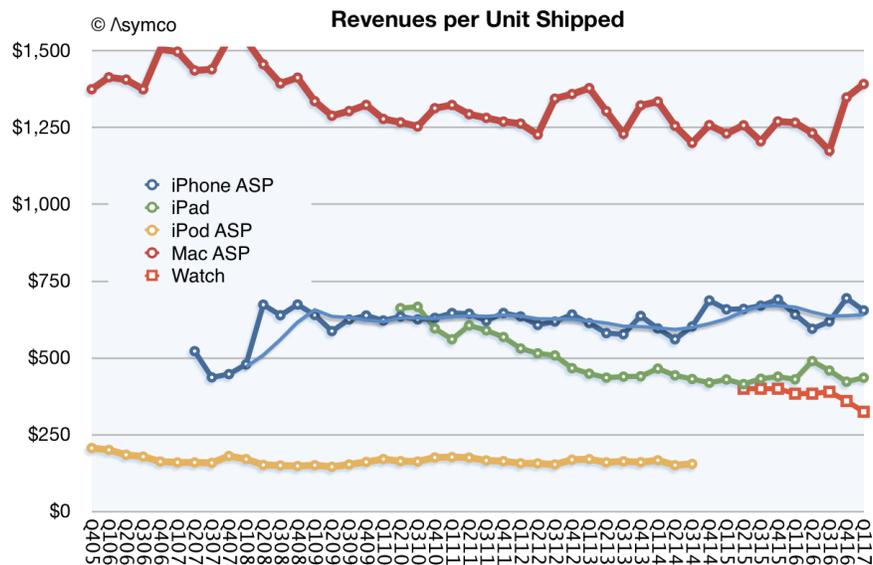
“You have to go back to Rockefeller and Standard Oil to find a company so dominant in a business so large,” says David Rolfe, chief investment officer at Wedgewood Partners, which manages \$5 billion. “Other companies settle for unit sales or revenues, but in many quarters, Apple collects more than 80% of gross profit across the smartphone industry.”

Barron’s
December 23, 2017

Apple enjoyed a stellar 2017 on both the product front and on the financial front. The stock performed in kind, posting a terrific total return gain of +48% - well ahead of both the S&P 500 Index and the benchmark. After a lackluster 2015, the stock is up +66% over the past 2 years. Revenue growth accelerated all four quarters in 2017. The Company’s fiscal year-end (September) ended on a high note of record revenue across all product categories, plus notable product momentum and market share gains in most products and in most geographies around the globe. China was notable, with market share gains for iPhone, iPad and the Mac. Specifically, Apple posted record revenue in China for its services business and the Mac. The Company’s fiscal fourth quarter posted record year-over-year September revenue of \$52.6 billion (+12%) and record earnings per share of \$2.07 (+24%).

Given the size of the Company’s iPhone franchise, the results in any given quarter or calendar year are dominated by the fortunes (or lack thereof) of the iPhone. The iPhone really is the straw that stirs the Apple drink. The iPhone celebrated its 10-year anniversary in 2017. Since the launch of the first iPhone, Apple has sold 1,250,432,000 iPhones. These sales have generated nearly \$800 billion. It is estimated that 800 million of these iPhones remain active.

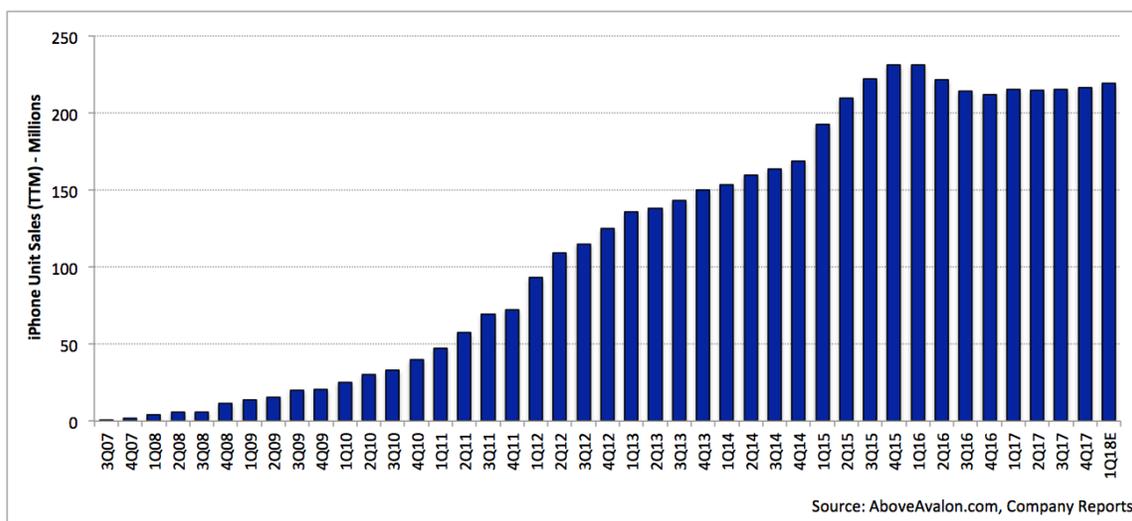
Over the past 10 years, the average selling price of the iPhone has, to the surprise of many, been remarkably steady for a technology hardware product. Over the years, the selling price has averaged about \$638. No doubt carrier-subsidized cost over many of the past 10 years has been part and parcel of ASP stability. In recent years, the acceptance of smartphone users that their very personalized phones have become indispensable in their daily lives so much so that millions of users now allocate as much monthly budget for their smartphones as they do for housing/rental, transportation, cable and electric bills. Dare we include food too? Remarkably, the utility and functionality of modern smartphones, with their myriad of Apps and capabilities (communication, social networking, entertainment, financial management, shopping, health tracking) are nothing short of daily human subsistence.



The surprise over the next couple of years might be a spike in iPhone ASPs. Apple could well sell 250 million iPhones each year over the next three years. As the user base (plus new users) upgrades to the iPhone 8 and the iPhone X, ASPs could easily exceed \$700 – and even approach \$750. The Company now offers six iPhone configurations between \$650 and \$850 – iPhone 7 and 8. The iPhone X (currently \$1,000 to \$1,150) really gets into ASPs next year.

In fiscal 2017 the Company sold nearly 217 million iPhones, a gain of just +2% over 2016 – and less than the 231 million iPhones sold in 2015. As seen below, the apex of iPhone sales was recorded back in late 2015 during the incredible success of the new, larger iPhone 6 era. Pent-up demand for the larger iPhone 6 (particularly in China) drove iPhone unit growth of +22% and revenue growth of +36% in fiscal 2015. Since the tough comparison from 2015, plus the realities of replacement demand for new iPhones driving unit sales, with new iPhone user growth losing its forming tailwind, unit growth was welcomed back in 2017.

China was key to the renewal of consistent iPhone growth during 2017. Kantar reports that iPhone market share fell from 25.3% in November of 2015 to 19.9%. By March of 2017 iPhone market share in China had tumbled to just 12.4%. That would mark the nadir of iPhone market share. Fast forward to today, and iPhone market share has steadily improved back to approximately 20%.



That first iPhone was truly revolutionary. Here is what we wrote on the iPhone launch back in April of 2007:

The hype and hyperbole over the iPhone has been such that a skeptic might suspect that expectations are so high on this so-called “revolutionary” device that it is doomed to disappoint all but the most die-hard Apple fans. Perhaps. But we don’t think so. In fact, despite the early glowing reviews thus far, and the gee-whiz ads (see for yourself: <http://www.apple.com/iphone/usingiphone/guidedtour.html> and here <http://www.apple.com/iphone/ads/ad1/>), we believe the iPhone will be in fact a quantum leap in the ever-evolving description and maturation of the “smartphone” market.

The iPhone raises the bar across all applications. It truly is a revolutionary cellphone; Apple’s best iPod to-date and the first truly useful web browser device. How did they accomplish so much in a single device? Simple answer; but hard for competitors to copy: cutting-edge software, delivered on very powerful hardware (three microprocessors within the iPhone). At the iPhones’ core runs a full version of Mac OS – with first-in-class integration of iPod software and Safari (web browser) software. Elements of the operating software in the BlackBerry Pearl, LG Prada, Motorola Q9, Nokia N95, Sony Ericsson W810i and Treo 750 are certainly robust, but the means to both next-generation application integration and user-experience superiority resides in best-in-class operating systems which is the Mac OS. We would not discount what Jobs said, the iPhone could well be years ahead of its respective competitors.

To mark the 10-year anniversary, Apple pulled out all the skunk-works stops in designing the iPhone X. Heretofore, every new iteration of the iPhone was certainly evolutionary, rather than revolutionary. Every new generation of the iPhone boasted the latest cutting-edge hardware and software marquee features from Apple. “S” generation iPhones haven’t garnered the enthusiasm from the user base, new customers or the press too, but they no doubt pushed enough elements of the Company’s technological prowess. New generations of iPhones that promised new design aesthetics and new form sizes have been seminal new product announcements. The all-glass iPhone 4 and the larger iPhone 6 come to mind on this score. The introduction of the App Store in the summer of 2008 with an initial 500 Apps fundamentally turned the iPhone into what would become a uniquely personal computing device. The App Store offerings continue to

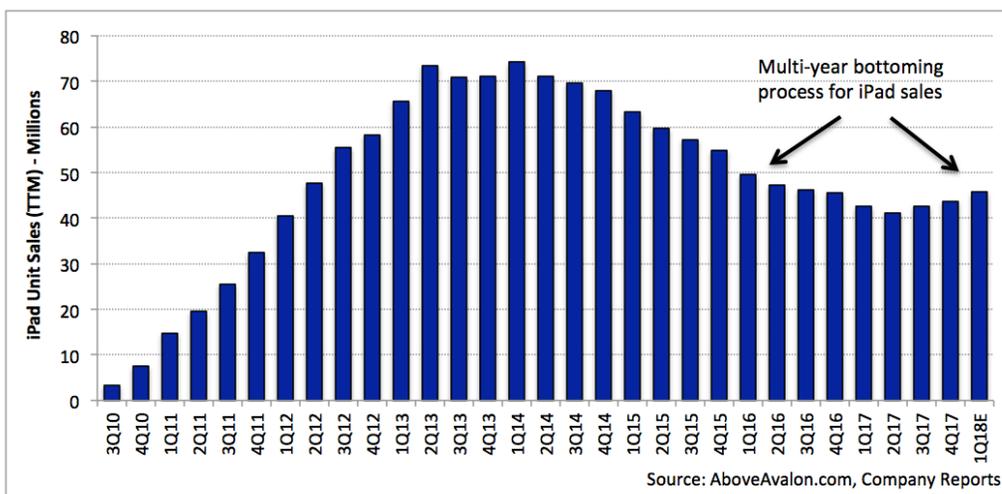


fundamentally change the way we communicate via social media, change our shopping habits, how we bank – and much more.

The iPhone X is not, in our view, a truly revolutionary product in the same sense as the first iPhone, but we do think of it as much more than an evolutionary improvement. Compare the iPhone 8 to the iPhone 7 and the evolutionary cadence is clear. The iPhone X is a new direction, an inflection point, as it were, toward a different iPhone future. The two design changes of the iPhone X that stand out versus the iPhone 8 are Face ID and the elimination of the front-facing home button. Removal of the home button not only frees up more space, but is a new, more intuitive gateway into the iPhone’s software via a swipe. Face ID is Apple’s entry into biometric authentication. From our experience using Face ID, we happily report that it works well – and it’s very fast. Apple reports that the typical iPhone is unlocked 80 times per day. Just in terms of unlocking an iPhone, compared to the early years of 4 and 6–digit PIN numbers, to Touch ID and now to Face ID, the daily time savings is apparent immediately to new iPhone X users.

Again, the iPhone X may not be revolutionary, but it does represent a paradigm shift in software interaction and presents the pathway for the development by both Apple and outside developers in the new, new world of augmented reality. Relatedly, last September Apple announced their latest processor, the neural engine A11 Bionic chip. This 4.3 billion transistor, 6-core chip is notable not only for its power (exceeding the power of current laptop PCs), but also the inclusion of the Company’s first-designed GPU solution. Following this processor roadmap, 2018 could bring the announcement of a system on a chip (SOC) that offers hardware acceleration for artificial intelligence (AI) processing.

Rounding out the other products and services that make up the Company’s best-in-class ecosystem, we find more good news to report. The iPad was awakened from its multiyear slumber in 2017. A mix of the larger, 10.5-inch iPad Pro, plus more attractive price points for the 9.7-inch iPad reignited growth. In all, iPad sales were up +15% in fiscal 2017 and the iPad global market share rebounded to 4-year highs. NPD reports that iPad market share in the U.S. jumped to 54% from 47% over fiscal 2017. Revenues in the all-important U.S. education market gained +32% during the fourth quarter. Unit sales were up +25% in China and +39% in India.

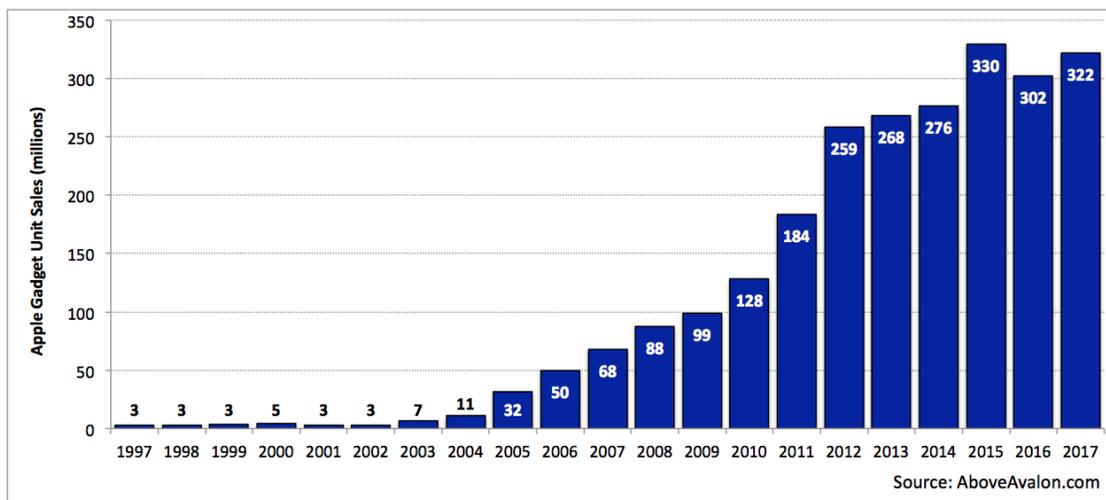


2017 was a significant year for Apple Watch. The Apple Watch was first introduced in September of 2014 and became available for sale in April of 2015. Today, and in very short order, Apple can boast that they have become the world’s largest watchmaker. Rolex, founded a few years ago in 1905, ceded its #1 ranking to Apple last quarter. Apple reports that their Wearables (Watch, AirPods and Beats headphones) business in units was up +75% year-over-year in the fourth quarter of fiscal 2017 – and was now the size of a Fortune 400 business. Apple Watch ended the fiscal year having grown at +50% for three consecutive quarters. As 2018 rolls in, Apple Watch’s revenue run-rate looks to be approaching \$5.5 billion – driven by the launch of the LTE cellular-enabled Series 3 Watch, as well as repositioning the Watch as a best-in-class cardiovascular wearable. All told, the Company sold 18 million watches in 2017 – and has sold 33 million since its initial launch. The Watch story could well be in the very early innings of growth, as the adoption of the Watch within the iPhone user base is just 5%.

Even the Mac had its best-ever revenue year in 2017, reaching \$25.8 billion. During the September quarter, Mac revenues grew +25%, and grew +10% for fiscal 2017. These results sparkle even more against the backdrop of a punk industry environment that IDC reports shrank by -1% on a global basis. Apple’s long-held position in the premium PC segment continues to serve them well. Note the stability and the ASP of Macs in the first graphic. The recently introduced iMac Pro is a wonder of desktop horsepower – a well-received addition to the Mac lineup after the lackluster launch of the latest MacBook Pro in late 2016.

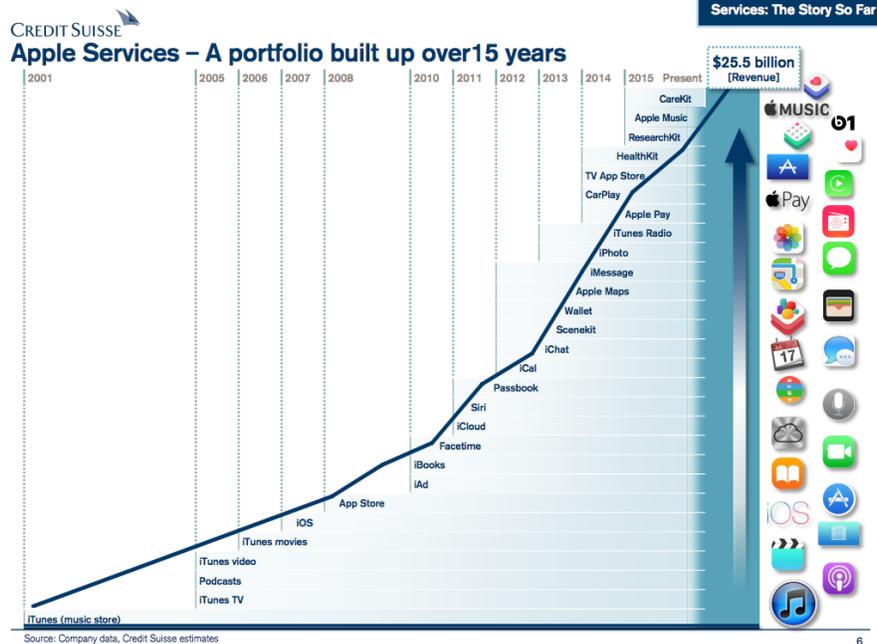
Apple’s Services business may have been the bright spot during 2017. Long in the making, Services is the glue of Apple’s incredible ecosystem. Key elements of the Services business – App Store, iCloud, AppleCare, Apple Pay, Apple Music, plus add in Apple Maps and Siri – are the connective tissue between the Company’s connected hardware to enhance the customer experience.

Today, Apple’s ecosystem has grown to over 900 million customers and over 800 million active devices and over 300 million devices sold per year. This ecosystem is no doubt giant, as well as global in size, scale, and scope. While Apple outsources the manufacturing of its hardware products, the Company has long owned a staggering amount of equipment located in their manufacturing partners’ plants - *\$54 billion* of machinery, equipment and internal-use software on Apple’s balance sheet certainly attests to the enormity of the scale and financial resources it takes to manufacture and sell +300 million gadgets per year. On this score, Apple is unmatched.



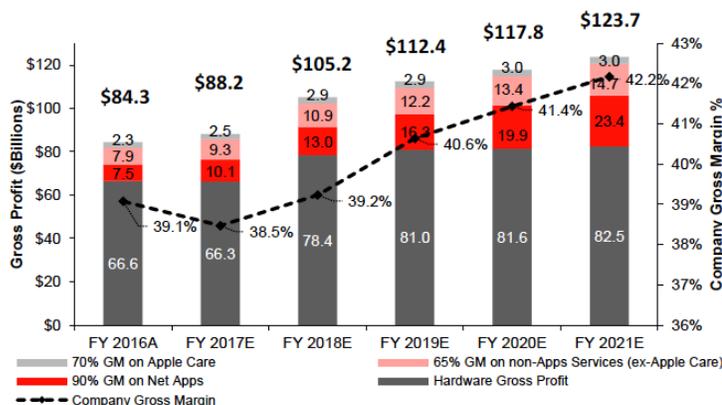
For example, Apple is the best-selling western brand in China. Greater China (including mainland China, Hong Kong, and Taiwan) revenues eclipsed \$10 billion in 2011 and soared to \$59 billion in 2015. After two years of decline, the Company’s recent Greater China revenue acceleration may challenge the 2015 high-water mark in 2018.

The Company’s nonstop efforts to improve their ecosystem delivers, prospectively, stickier customers, halo effects, and annuity-like revenues. Like most technology company ecosystem efforts (think Software as a Service and the sort), the Company’s Services is a bastion of stellar revenue growth, but unlike most, a profit machine.



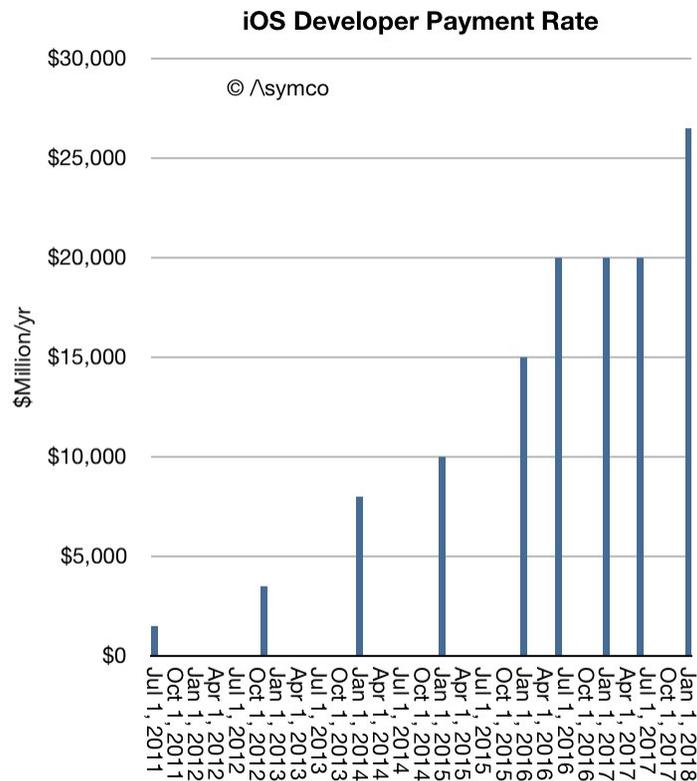
Services revenue reached an all-time quarterly record of \$8.5 billion last quarter (+34%) – reaching a \$30 billion annual run-rate. The business is now the size of a Fortune 100 business. Across all of the Company’s Services offerings, the number of paid subscriptions has reached 210 million. Paid subscriptions for Apple Music have reached 30 million in just 27 months – it took Spotify 74 months to reach that mark. Over the course of 2017, Apple Pay users have doubled and annual transactions went up +330%. The AppStore set a new record in 2017 and enters 2018 as the Company’s fastest-growing and highest-margin business. The Company’s AppStore gross margin is as high as 90% on Net Apps purchases.

Fig 3 Increased Services to Drive Gross Margin Expansion



Source: Company data, Macquarie Capital (USA), January 2018, (\$m except per share data)

In fact, as of this writing, the Company just reported that the AppStore's New Year's Day purchases of \$300 million set a new record. In addition, during the week starting on Christmas Eve, a record number of customers both purchased and downloaded apps from the AppStore, to the tune of \$890 million during those seven days. Lastly, on app purchases during 2017, the Company reports that they paid out \$26.5 billion to iOS developers – a +30% increase.



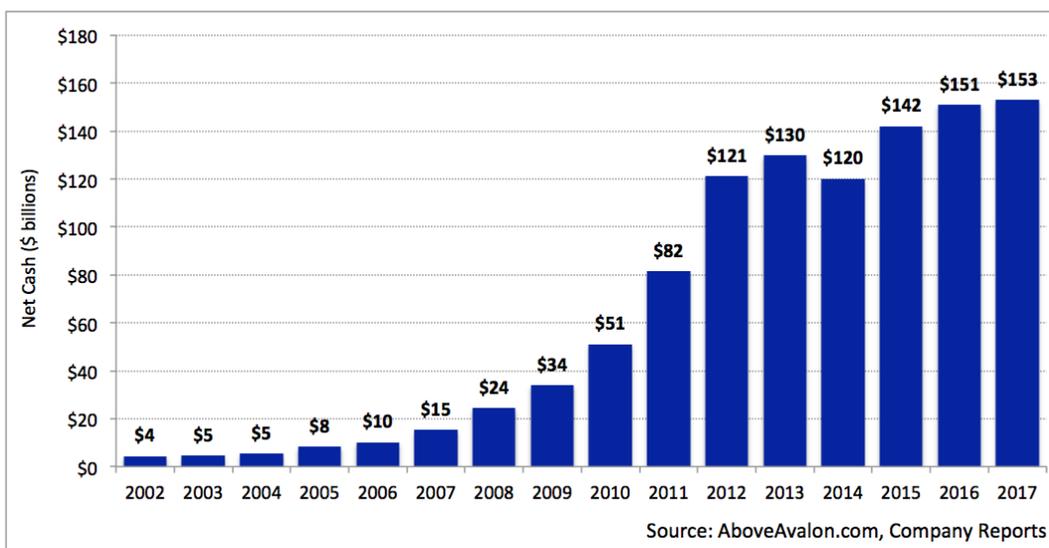
Late in 2017 brought the significant news that the cash problem of the 1st National Bank of Cupertino was fixed when President Trump signed the "Tax Cuts and Jobs Act" into law on December 22. Under the current U.S. tax system, Apple owes 35% tax to the federal government on all revenue earned - both in the U.S. and abroad. The new law enacts a deemed repatriation of overseas profits at a rate of just 15.5% for cash and equivalents and 8% for reinvested earnings. Goldman Sachs estimates that U.S. companies hold \$3.1 trillion of overseas profits.

As of September 30, Apple alone holds \$252 billion in tax-deferred foreign earnings, 94% of its total cash and marketable securities. This is most welcome news for shareholders. Heretofore, Apple has needed to borrow heavily to fund capex, buy back stock and pay dividends. Their U.S.-only operating cash generation wasn't footing the bill.

Now, before you think Apple wants for cash, a little perspective is in order. We have chronicled Apple’s prodigious cash generation for over a decade now, so let’s get caught up: Over the past ten years, Apple has generated *\$450 billion* in operating cash flow and *\$373 billion* in free cash flow. Over just the past five years, they have generated *\$324 billion* in operating cash flow and *\$267 billion* in free cash flow.

In fiscal 2017 alone, Apple generated nearly \$64 billion of operating cash flow, about as much as that of Alphabet, Amazon and Facebook combined. On a free cash flow basis, which is a measure of how much cash is generated after taking into account such items as capital expenditures and other expenses associated with running the Company, Apple's \$51 billion of free cash flow was *\$2 billion greater* than the free cash produced by Alphabet, Amazon and Facebook combined.

In 2013 and 2014, Apple began taking on both long-term and short-term debt to offset their international earnings. Today the Company has \$113 billion in debt, netting out their cash and liquidity to approximately \$150 billion. After repatriation, Apple will be sitting on a cool +\$213 billion in U.S. cash. Net of debt, the Company will have about \$100 billion.



The Company began returning capital to shareholders back in 2012, first as a dividend. Share buybacks started in 2013. To date, the Company has returned \$234 billion of their current \$300 billion capital return program. While the shares are still reasonably valued we would prefer the Company to continue to buy back stock. The Company has been buying back stock to the tune of \$6 billion to \$10 billion per quarter (dividends are almost \$3.5 billion per quarter). Perhaps a \$50 billion to \$75 billion Dutch Auction stock buyback is in order.



In sum, we hope to convey that the State of Apple is quite healthy – and growing. Recall that the Company’s recent financial peak was fiscal 2015 when the Company generated \$81.3 billion in operating cash flow. We expect that level to be breached in the next couple of years. Capital spending has clocked in around \$13 billion over the past few years. Even if the Company spends \$45 billion in capex over the next three years, the Company will generate many billions more than they need to keep the lights on. iCash indeed!

Celgene

Celgene was a top detractor to performance due to a couple of negative news events released during the quarter. The company announced they would discontinue a phase III trial for their drug GED-0301 in Crohn's disease (CD) and an extension trial, following a recommendation of the Data Monitoring Committee. They also decided that another phase III trial for Crohn's disease would not be initiated. While a phase II trial with GED-0301 in ulcerative colitis is still ongoing, the Company is currently awaiting review of data to determine their next steps for this indication. In the absence of any information on whether the trial failure was due to something specific to CD or the drug itself, it is currently assumed to be a high-risk program for that indication. This study was deemed a high risk/low-probability study, especially when compared to other IBD drugs. However, its success could have been a blockbuster Inflammation & Immunology (I&I) asset for the company, making its failure a disappointing loss.

In addition to these trial failures, during the third quarter earnings release, management brought down 2020 guidance, partially due to the discontinuation of GED-0301 program in CD. While sales were only modest in their 2020 model, management did forecast multibillion dollar peak sales potential for the drug. The largest impact to 2020 guidance, however, was weak performance of their existing drug Otezla, which experienced headwinds due to slowing growth and increased competition in the psoriatic arthritis and psoriasis markets. The updated guidance takes into account GED-0301, the market dynamics impacting Otezla, as well as reassesses the opportunities and risks associated with the remaining phase III studies expected to read out by the end of 2018. We believe management took a conservative stance with their update and yet the resulting guide maintains more than +14% revenue growth and nearly +20% earnings growth on a compounded annual basis through 2020.

We realize there will be phase III failures; and with each failure comes the potential for more risk and less growth. We reiterate that the Company has a very broad pipeline, with 12 phase III studies set to read out between now and the end of this year, making setbacks like these more manageable in the longer term. Celgene has substantially more phase III assets than any other biotech company. Several of these pipeline assets are not incorporated in the current 2020 guidance, as they read out at a date when any sales potential will contribute at future dates. With nearly +20% compounded annual earnings growth through 2020 and free cash flow generation of \$100 billion over the next ten years, Celgene continues to offer a compelling growth opportunity.



Kraft Heinz

Kraft Heinz underperformed during the past quarter and throughout the year as tough conditions in the traditional branded food industry – primarily negative volume growth, as well as pricing pressure from retail customers intent on giving away their profits to chase market share – weighed on the company’s results. Furthermore, investors have been itching for the Company to execute another major acquisition, and this failed to materialize in 2017, although the Company did make an ultimately abandoned approach for Unilever early in the year. We have been impressed, during our ownership of Kraft Heinz, with management’s ability to cut costs and to improve margins at the businesses it has integrated, but, with over \$1.5 billion of cost savings already behind us, and with volume growth nowhere to be seen, we believe we need to see a major acquisition to drive the stock meaningfully higher.

We believe the company remains active in its pursuit of acquisitions, and this would seem to be an ideal environment for buying, between still-low interest rates, relatively lower valuations across the Consumer Staples sector, and nearly limitless available liquidity between Kraft Heinz and its co-sponsors, 3G and Berkshire Hathaway. We believe acquisition integration and operational and financial improvement are core strengths of the organization, and we would be positively biased toward any acquisition. With all of this in mind, we did trim our position in the stock throughout the year, particularly as we saw the stock bouncing off of all-time highs while the fundamental performance of the company, in terms of volume/revenue/profit growth, was struggling. In the most recent quarter, we were relieved to see underlying organic performance improve somewhat, but we continue to believe the growth we require will only come from a continuing acquisition strategy, and we are monitoring this situation closely.

Priceline

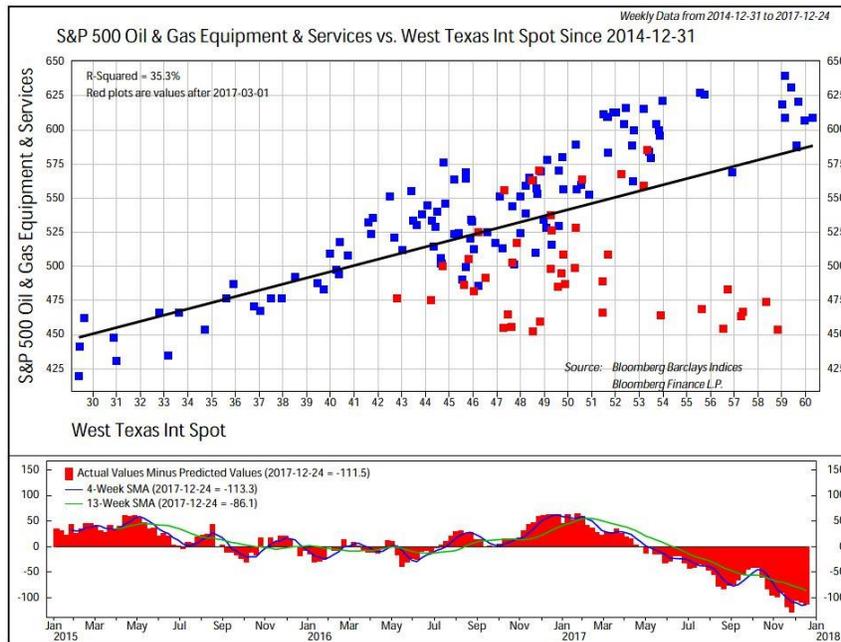
Priceline’s shares underperformed the benchmark after reporting +18% growth in travel bookings, +19% room night growth and +18% growth in adjusted EBITDA. Despite those strong results, we think most of the weakness is attributed to the Company’s guidance of a high-single-digit growth rate in bookings. Further, growth among Priceline’s largest peers in the online travel agency industry has slowed over the past few quarters, leading many to think the industry is slowing. Though we trimmed our position earlier in the year, we continue to think the OTA industry remains underpenetrated, particularly international markets, where lodging supply is more fragmented. We also think some of the Company’s peers, particularly in “meta-search,” have failed to innovate and have resorted to competing directly with their OTA customers - including Priceline’s properties – and it represents an unsustainable strategy. As such, Priceline is in the process of shifting advertising spend – a critical component of demand generation – away from metasearch providers and towards alternative marketing channels, in order to drive better profitability from bookings growth. While this might be having a near-term effect on Priceline’s booking growth, we also think the Company’s year-ago comparable of over +30% represents a

temporary “optical” hurdle. However, we continue to see Priceline as capable of reaccelerating to a double-digit growth rate in an industry that, overall, is taking share of travel spending.

Schlumberger/Core Labs

Our two oil service stocks detracted from performance for the year and were mixed during the most recent quarter – arguably our biggest surprise and disappointment in the portfolio last year. When we last wrote on our energy names in the second quarter Letter, we noted the low correlations between our energy service names and the underlying commodity performance. As a reminder, we found that less than a third of Schlumberger’s longer-term stock performance variation can be explained by the performance of oil. These findings played out further during the remainder of the year, unfortunately not in our favor – in the extreme. We saw oil prices rebound in the second half of the year as both Brent Crude and WTI prices returned +30%, while our energy names returned dismal low-to-mid-single-digit return rates.

For the year we saw this performance divergence even more exaggerated, as oil finished the year in the green, with WTI returning approximately +12% while Schlumberger was *down* nearly -20% and Core Labs -9%. As can be seen in the graphic below, divergences were quite extreme since the Fall of 2016.





While we go to lengths to explain that both Schlumberger and Core Labs create value far beyond that of owning the underlying commodity, we also must ask why they have not benefited from the apparent rebound of the energy market following one of the worst oil market crashes in recent history. The answer likely lies in the uncertainty around the production estimates for unconventional shale numbers.

Take, for example, the difference in conventional versus unconventional oil production. A conventional oil well typically operates on extremely long cycles. The amount of crude oil produced usually declines just 2-5% per year, and a well can keep pumping for 20 years, with some wells pumping far beyond that. So, the investment of billions of dollars into a conventional oil field to produce for several years, if not several decades, can withstand volatile oil prices as long as the price of oil exceeds the variable cost to extract the oil year after year. It typically does not pay to stop production of a conventional oil field.

Unlike conventional projects, unconventional shale wells have a rather short life, and most of a shale well's production comes during its first year after completion. Take the Bakken fields for example. A well in the Bakken will experience a production decline of -72% after the first year. More than half of the reserves of that well will be depleted by the beginning of year three and annual production will fall dramatically. To generate constant or increasing revenue, producers need to constantly drill new wells. In addition, work on a new shale well can be postponed after the drilling phase, and before the fracturing of the shale structure, so production can be taken on and off rather quickly in response to price swings in oil.

As oil prices rose into the \$100 range following the Great Recession, discovery and development of shale fields and production rates grew rapidly. Upon the subsequent crash in oil prices, shale production nearly stalled when prices fell to the low \$30s (and for a short period, below). As oil prices have once again begun to rise toward \$60 per barrel, we've seen capital spending rebound sharply in North American production. And yet international (unconventional) capital spending commitments remain hesitant, with some estimates indicating only modest growth for the year ahead, although this would be the first year-over-year increase in capex spending in four years.

It is this limited investment in international E&P spending that has likely contributed to the sluggish turnaround of our oil service companies relative to the commodity. International, conventional field production houses the higher-margin, bigger pay-off projects. Any stall in committing capital to this group will flow through to the companies that service that work. Schlumberger generates less than one quarter of the company's total revenue from the North American region. The majority of revenue is generated in servicing the international plays.

So, what gives us confidence that capital commitment toward international fields will increase beyond the modest rates projected for 2018? It is the broad belief that supply and demand will come into balance at some point in the year – this is as a result of OPEC and non-OPEC members'



continued compliance with an agreement reached over a year ago, which took more than 1 million barrels per day (bpd) out of production. In addition, global demand growth remains above 1 million bpd. This is offset, however, by the U.S. oil production increase of 800,000 bpd projected for 2018². And while NAM production growth is robust, the EIA currently forecasts a moderation of U.S. production growth to a more reasonable 200,000 bpd by the end of the decade.³

Of important note is the fact that U.S. oil production contributes a small fraction of total worldwide production. Global exploration expenditures have decreased year-over-year for three consecutive years, falling by over -60% from 2014-2017, with only modest increases estimated for 2018. If things stay at status quo – where global demand growth continues at its steady pace, the OPEC production-cut agreement remains in place, and investment levels in the production base outside NAM land remain at low levels – we could see a medium-term global supply challenge. We believe the need for higher investment in international production is imminent.

Charles Schwab

Charles Schwab continues to execute on their differentiated strategy of providing low-cost financial services to mass affluent customers and advisors in the U.S. The Company continued to generate excellent and expanding pre-tax profit margins relative to its large captive and independent competitors, despite aggressively lowering trading commissions earlier in the year, and launching low-cost index mutual funds in the most recent quarter. As Schwab attracts more assets to its banking and brokerage platforms, the Company's overhead expense as a percentage of platform assets continues declining to what we calculate to be roughly 15 basis points per dollar of assets (trailing four quarters through the end of September). This overhead expense compares to the nearly 150 basis points of net interest margin available to the Company on almost \$70 billion of client assets that they plan on transferring from money markets to the banking subsidiary over the next three years. Combined with a dramatically lower tax rate for the foreseeable future, we think Schwab has a unique opportunity to substantially grow its earnings base over the next several years.

Visa

Visa is a marvel – an incredible cash-generating machine. Visa was one of our top performers in the fourth quarter and for the full year (+47%) – and one of our very best performing stocks over both the past three years (+76%) and the past five years (+207%). The multiyear tailwind of the global transition away from cash transactions continues unabated, driving solid double-digit growth in payment volumes, transactions, revenues and earnings throughout the year. As of the end of the September quarter, Visa estimates that after all of these years only roughly 10% of

² https://www.eia.gov/outlooks/steo/report/us_oil.php

³ Schlumberger management presentation, Cowen & Company 12/4/2017



global payment volumes are paid by card; with cash, check, and ACH still making up the overwhelming majority of transactions. We continue to expect Visa to benefit as electronic payments take share throughout the world and increase their penetration in all forms of transactions, from Personal Consumption (where cards have a relatively higher, but still small, share than in other forms of payment) to the significantly underpenetrated areas of Business-to-Business, Person-to-Person, and Business-to-Consumer.

The Company is not resting on its laurels with their success in the U.S. Back in June 2016, Visa purchased Visa Europe for a whopping \$23 billion – adding over \$15 billion on its balance sheet to finance the deal. The acquisition will recombine the global Visa brand after eight years as separate entities.

The Company has large ambitions outside of Europe, too. The U.S. payment processors have their collective eyes on the giant Chinese market. The \$8 trillion yuan bank card network is currently dominated by state-backed China UnionPay. We expect the Company (if they haven't already) to begin preparing to request licenses to operate in China.

As with much of our portfolio, particularly in our tech-related holdings, we are not concerned about the company's growth prospects or long-term competitive position, but we are keeping an eye on valuation. Visa's competitive position and competitive advantage is nearly unmatched. The Company generates buckets of free cash flow (FCF) to match its competitive position. Visa's 5-year average FCF per revenues is an amazing 40%. But, like most of the market, Visa is trading at a healthy valuation on an absolute and relative historical basis, but we feel that the company's steady and highly visible longer-term growth potential in volume, revenue, earnings, and cash flows establishes Visa as an attractive value in relation to our investment universe.

January 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.	8.4%
Apple Inc.	7.0%
Alphabet Inc.	6.3%
The Priceline Group Inc.	6.2%
Visa Inc.	6.0%
Edwards Lifesciences Corp.	5.8%
Tractor Supply Co.	5.8%
Fastenal Co.	5.5%
QUALCOMM Inc.	5.4%
Schlumberger Ltd.	5.0%
Total	61.4%

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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