



# RiverPark/Wedgewood Fund

## (RWGIX/RWGFX)



### Fourth Quarter 2019 Review and Outlook

#### Performance: Net Returns as of December 31, 2019

	Current Quarter	One Year	Three Year	Five Year	Since Inception
<b>Institutional Class (RWGIX)</b>	9.37%	32.29%	14.95%	8.15%	12.28%
<b>Retail Class (RWGFX)</b>	9.40%	31.96%	14.69%	8.00%	12.07%
<b>Russell 1000 Growth Total Return Index</b>	10.62%	36.39%	20.49%	14.63%	16.00%
<b>S&amp;P 500 Total Return Index</b>	9.07%	31.49%	15.27%	11.70%	14.25%
<b>Morningstar Large Growth Category</b>	9.35%	31.71%	18.10%	11.98%	13.58%

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, 2019, for Institutional and Retail classes are 0.92% and 1.15%, respectively.

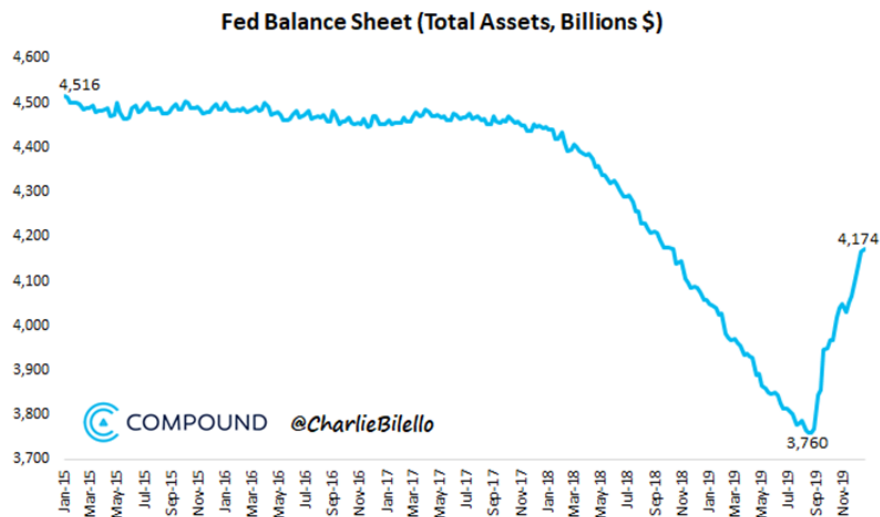
Index performance returns are for illustrative purposes only and do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index.



## Punch Bowl: Redux

*“In no sense is this QE. This is nothing like it”*

Jerome Powell, October 8, 2018



For calendar 2019 the Fund gained +32.29%. The S&P 500 Index gained +31.49%. The Russell 1000 Growth Index gained +36.39%.

Top performance contributors for the year include Apple, Edwards Lifesciences, Facebook, Visa, and Fastenal. Top performance detractors for the year include Qualcomm, Alcon, C.H. Robinson, Cognizant Technology Solutions, and FleetCor.



<b>Top Contributors to Performance for the Year Ended December 31, 2019</b>	<b>Average Weight</b>	<b>Percent Impact</b>
Apple Inc.	8.47%	5.86%
Edwards Lifesciences Corp.	8.89%	4.36%
Facebook, Inc.	8.16%	4.00%
Visa Inc.	8.14%	3.33%
Fastenal Co.	5.33%	2.37%

*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.*

<b>Top Detractors to Performance for the Year Ended December 31, 2019</b>	<b>Average Weight</b>	<b>Percent Impact</b>
QUALCOMM Inc.	0.61%	-0.63%
Alcon, Inc.	1.61%	-0.20%
C.H. Robinson Worldwide, Inc.	3.58%	-0.09%
Cognizant Technology Solutions Corp.	0.96%	-0.05%
FleetCor Technologies, Inc.	0.44%	-0.01%

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The Fund gained +9.37% during the fourth quarter of 2019. The S&P 500 Index gained +9.07% during the quarter. The Russell 1000 Growth Index gained +10.62%.

Top fourth quarter performance contributors include, Apple, Facebook, NVIDIA, Alphabet, and Visa. Top performance detractors for the fourth quarter include C.H. Robinson, Motorola Solutions, Alcon, Ulta Beauty, and Starbucks.

<b>Top Contributors to Performance for the Quarter Ended December 31, 2019</b>	<b>Average Weight</b>	<b>Percent Impact</b>
Apple Inc.	8.64%	2.46%
Facebook, Inc.	8.34%	1.24%
NVIDIA Corporation	3.77%	1.16%
Alphabet Inc.	8.25%	0.79%
Visa Inc.	8.13%	0.73%

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<b>Top Detractors to Performance for the Quarter Ended December 31, 2019</b>	<b>Average Weight</b>	<b>Percent Impact</b>
C.H. Robinson Worldwide, Inc.	1.46%	-0.34%
Motorola Solutions, Inc.	3.65%	-0.14%
Alcon, Inc.	3.20%	-0.11%
Ulta Beauty Inc.	0.32%	-0.10%
Starbucks Corp.	4.29%	-0.04%

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We were unusually busy during the fourth quarter. We sold Ulta Beauty and C.H. Robinson. We bought FleetCor, S&P Global, and Copart. We trimmed Fastenal, Ross Stores, Apple, Celgene, Edwards Lifesciences, and Visa. We added to NVIDIA, Tractor Supply, Electronic Arts, CDW Corp., Motorola Solutions, Bookings Holdings, and Bristol Myers.

Motorola Solutions reported +7% revenue growth, driven by software and services growth of +12% along with continued margin expansion. Recall that Motorola Solutions' primary business is providing specialized communication infrastructure, equipment and software to public safety, law enforcement, and increasingly to large corporations. Motorola's backlog of sales to these customers, which we typically use as a reasonable proxy for future revenue growth, was up +17% overall and up +26% in the higher margin software and services segment. As such, we continue to believe Motorola Solutions has room to accelerate top and bottom-line growth, while the stock continues to exhibit an undemanding, market multiple – rare, in our view, whereby almost any company these days exhibiting double-digit growth commands rich multiples.

We eliminated C.H. Robinson and Ulta Beauty from the Fund during the quarter to fund, what we believe to be better growth opportunities. Over the past year or so, C.H. Robinson benefitted from a pronounced tightening in truckload (TL) supply; however more recently management made the decision to compete on price in order to take share as TL supply loosened relative to 2018's historical supply crunch. We prefer to invest in businesses that execute strategies that can enhance returns, rather than simply compete on price, so we sold C.H. Robinson. Ulta Beauty reported a slowdown in sales growth, particularly in its core U.S. cosmetics business, which management attributed to a decline in the overall U.S. cosmetics category. While the U.S. cosmetics industry is not likely to shrink in perpetuity, we think Ulta's expense structure is ill-suited to handle slower growth and expect returns will suffer as the business is reset to slower growth.

Apple reported better growth than investors were expecting, as the Company's foreign-exchange-neutral revenues in China recovered to positive growth. Apple's shares finished substantially higher for the year, driven by earnings multiple expansion we believe to be related to expectations for the Company's upcoming next-generation 5G product cycle. We trimmed our outsized Apple positions in order to fund new portfolio holdings, bringing our weighting to around 9%. Remarkably, the Russell 1000 Growth Index consists of over 500 holdings yet carries a weighting in Apple at over 8.5% (and about 4.5% in the S&P 500).

Facebook recently reported a sterling +31% FX-neutral revenue growth and also managed to keep expenses in line with that growth. We believe Facebook is approaching the end of a period of heightened expense growth, which was in response to privacy-related scrutiny the Company received early in 2018. NVIDIA, one of our newer positions, continued strong sequential growth in both gaming and datacenter processor sales. Against the backdrop of diminishing marginal improvements from traditional general compute chip manufacturers (i.e., Intel), we expect the



relentless demand from compute-intensive applications, such as artificial intelligence (AI), to continue to drive growth across NVIDIA's ubiquitous compute acceleration platform.

## Company Commentaries

### **Alphabet**

Alphabet's core Google subsidiary continues to show accelerating growth, driven by YouTube advertising and share gains in Google Cloud Platform (GCP), with the latter competing against Microsoft Azure and Amazon's AWS. In addition to continued revenue growth, we think Alphabet has ample room to improve both margins and capital allocation over the next several years and drive excess returns.

Over the years, we have seen Google change its search and advertising algorithms on a regular basis, and sometimes those changes can have a disproportionate impact on quarterly revenues, but they are usually temporary. After dropping to mid-teens growth in the first quarter of the year (from the mid-20's during 2018), shares sold off and provided an attractive opportunity to add to positions, given Alphabet's history of tweaking its Google model and the associated short-term effects. Since then, advertising revenue growth has accelerated and is back to nearly 20% growth. Importantly, Google's owned and operated properties continue to exhibit healthy growth, which are higher margin revenues relative to its largely pass-through Network Member revenues. A key driver of Google property growth continues to be mobile search, as well as increased monetization of YouTube. IDC estimates that around 8 in 10 smartphones shipped globally are Android-based, which typically come preinstalled with Google search and/or Google's mobile browser. As for Apple iOS devices (iPhones and iPads), we estimate Google's traffic acquisition costs (TAC) for Apple device traffic has plateaued over the past year or so and expect the growth of this expense to be more in line with iOS device growth (we estimate mid-single digits) longer term and should represent an attractive opportunity for margin expansion. As for YouTube, Alphabet's management considers it to be "TAC-free," so continued strong growth in this Google property should help bolster ex-TAC revenue longer term, as well.

Earlier this year, Alphabet gave a bit of incremental disclosure about the size and growth of its GCP service, which provides cloud infrastructure as a service to developers and IT departments. We estimate that this platform is likely outgrowing industry leaders AWS and Microsoft Azure, albeit from a smaller revenue base. While the Company does not disclose its cloud profitability, we expect GCP to drive incremental profit-dollar growth as this business gets larger and utilization rates increase.

Alphabet also has a couple of return-enhancing capital allocation options at its disposal. First, Alphabet is sitting on a mountain of cash, around \$120 billion, and should generate close to \$25 billion in free cash flow during 2019. We expect the Company to double its free cash flow over



the next couple years with just a modicum of capital expenditure discipline. Second, if Alphabet's historical trend of few large acquisitions continues, we would expect the Company to buy back stock at what would be a very attractive forward free cash flow multiple, especially relative to drop-dead (i.e. negative) rates on debt issuance around the globe. Last, we think Alphabet's "Other Bets," which represents a gaggle of non-core, under-disclosed, money-torching projects that have very little bearing on Google's business, could easily be wound down. We estimate this could save shareholders between \$3 billion and \$5 billion per year and could be used to reduce the Company's share count or supplement M&A.

### **Booking Holdings**

As we have been writing since Booking began discussing a change in its advertising strategy back in 2017, we believe investors have completely failed to grasp the significance of the Company's strategic initiatives over the past few years. Booking had found that traditional search engine optimization (SEO) advertising, primarily with Google, was not generating the return in bookings/revenue and profits that it had generated in the past. Furthermore, Booking noted this was in some part due to metasearch providers (such as TripAdvisor) – of which Booking was the most important customer – competing directly with its online travel agency customers for bookings by investing in SEO themselves, rather than "staying in their lane" and functioning solely as a search service. This dwindling return on advertising spend had led to continually shrinking margins, as Booking had to invest more and more to generate the same level of booking growth.

Booking laid out a clearly articulated strategy to reduce its reliance on SEO advertising as well as its spend with the metasearch providers that were using Booking's own ad dollars to compete against it, and it proceeded to execute this strategy exactly as laid out. This led to slowing – but still healthy – bookings growth, but it also led to rapidly accelerating profit growth, exactly as planned. Furthermore, and more importantly, its business model developed less reliance on more expensive forms of advertising, such as SEO, and its strategy changed the behavior of the major metasearch providers, dissuading them from competing directly against its customers, such as Booking.

We believe the considerable success of these initiatives – if the Company's profit growth over the past few years, and struggles and strategy swings from its peers, were not proof enough – emerged in the third quarter 2019 earnings season. A day after two of its large peers, Expedia and TripAdvisor, reported massive profit shortfalls due to a change in Google's landing page methodology that had caused these companies' SEO spend to generate lower returns in their respective bookings, Booking reported that the quarter had been just fine, and that it didn't really have much exposure to SEO any longer. Basically, while the rest of the industry is still relying on the advertising model Booking was using 2-3 years ago, Booking has reworked its model in a



more efficient way, generating roughly the same bookings growth as everyone else, but doing it more efficiently.

We continue to see very clear proof that the Company's strategic initiatives of the past three years – which have gone largely misunderstood and unappreciated by the broad market – have caused a positive shift in the Company's business model and in the structure of the overall industry, both of which are firmly in the Company's favor. Whether the market ever fully appreciates this theoretically or not, we believe the reality of the Company's dominant and growing market position will continue to make this Company a long-term winner in an attractive, growing industry.

## **Copart**

Copart is the largest company in the automotive salvage and auction industry. The industry is a duopoly, with the Company commanding a +40% market share. Insurance Auto Auctions is the Company's only competitor of size or scale. The Company generates about 80% of its revenue in the U.S. The other 20% is generated in international markets. The U.K. generates the lions share at 15%. The rest is spread out in newer markets that include Canada, Brazil, Ireland, Germany, Spain, the U.A.E., Bahrain, Finland and Ireland. Copart owns the largest global buying network, which essentially matches global demand with local supply.

The demand for salvage autos is a mix of dismantlers and rebuilders of used and refurbished auto parts that serve the auto repair market, whereby salvaged parts are considerably cheaper than new or OEM parts. Demand for autos that are damaged but worthy of repair has become a staple of international demand whereby repaired cars are not subject onerous safety regulations. With the Company's advent of nationwide and global online salvage bidding additional demand for complete, drivable autos from used car dealers and individuals has become quite significant in the demand mix. Insurance companies processing totaled autos make up the bulk (+87%) of the supply of auctioned autos. Copart has long relationships with State Farm, Allstate, Nationwide, and Farmers. GEICO recently signed on, which could easily yield +130,000 autos per year in supply. Other supply parties include charities, banks, rental car companies, fleet operators, and auto dealers. Copart acts as an agent, earning fees from both buyers and sellers.

For decades the industry has been a rough-and-tumble affair dominated by local mom-and-pop barbed-wire salvage yard owners serving local, state, and regional northeastern markets. That is until Copart entered the scene. Copart was founded in Northern California in 1982 by born entrepreneur Willis Johnson. Johnson was in a hurry, but growth was slow during his first ten years. On the back of private loans, Johnson has acquired three more yards in Northern California. Recognizing the network and scale effects, plus the operational leverage of just a few additional salvage yards Johnson's insatiable desire for growth could only be quenched by more





yards. That took more money – a lot more money. Johnson took the Company public in 1994. The \$27 million in fresh equity capital was quickly put to use. By March 1994 Copart added eight more yards and significantly expanded geographically with the purchase of North Texas Salvage Pool in Dallas, Texas. By 2004 Copart owned over 100 locations and was generating \$400 million in annual revenues.

Arguably one of Johnson's most significant strategic decisions was his very early use of information technology. As early as 1992 Johnson gave auto insurers online access to track salvage sales. These early technology initiatives led to the creation of Copart Auction System (CAS) in 1997, which allowed sellers access to a myriad of information. In 1998 Copart launched a true eBay-like internet-based auction system. The days of the traditional local, in-person salvage auctions were numbered. In 2003 the Company released VB-Squared, which opened up the auction process to registered buyers and sellers on a global basis.

In 2010 Johnson passed on the role of CEO to his son-in-law Jayson Adair, who has been an executive with the Company since 1989.

Fast-forwarding to the current decade of unabated growth, Copart reached the 10 million auction unit milestone and built network capacity in the U.S. and U.K. of over 500,000 autos by 2012. When Hurricane Sandy hit on the eve of Thanksgiving that year the Company was tested as never before. Hurricane Sandy affected 24 states, including the entire Eastern seaboard from Florida to Maine, up west across the Appalachian Mountains, and finally to Wisconsin and Michigan. Severe damage even went as far as New York and New Jersey. Copart employees worked 60 straight days – including Thanksgiving. Some 325 Company employees outfitted with 575 car transporters worked around the clock. In 90 days, the Company picked up over 85,000 cars – more than during a given year at the time. At its peak, the Company picked up 2,300 autos in a single day. The damaged autos would consume 11 acres of storage per day.

2013 brought the acquisition of Quad Cities Salvage Auctions and Desert View Auto Auctions (donation vehicles for charities). VB-cubed rolled out. The new auction platform now included non-members and expanded the buyer base. Auction attendance was up sharply +48% for the year. The Company launched its mobile app on iPhone and iPad. The bidding on the new app grew quickly to 10% of all bidding. By the next year, mobile auction attendance more than tripled (+214%), and mobile made up +23% of all auction attendance. By 2016, 19% of winning bids came from mobile and the mobile app would be downloaded in nearly 200 countries.

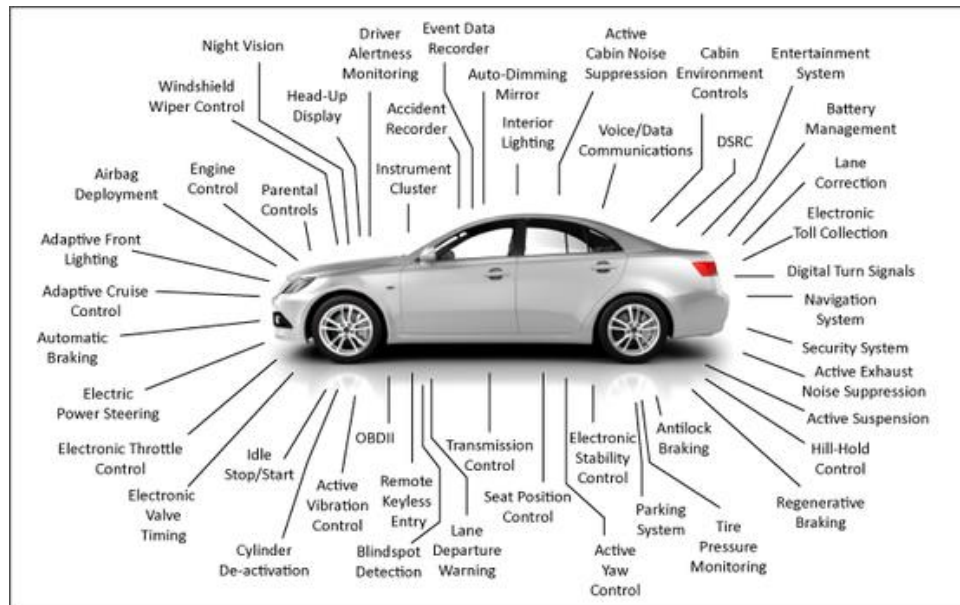
On the international front, 2013 saw the expansion into Brazil, Spain, Dubai, and Germany. 2014 saw 400,000 new registered members globally. 2015 witnessed significant growth in Germany and Spain and expansions in both Oman and Bahrain. By the end of 2015 the Company operated 175 locations worldwide, including 25 outside of the U.S. Auctions went live in Germany and Spain during 2016.



Over the past five years, physical inventory more than doubled to over 200 yards, covering 9,000 acres. The Company's capex continues to accelerate to three times its 10-year average. Today the Company operates 200 yards with over 9,500 acres. On a typical day the Company has around 200,000 vehicles for sale on its auction website. Today, about 50% of all auction cars are sold inside of state yards, 30% are sold across state lines and 20% are sold outside the U.S. According to the Company, 75% of all U.S. based auctions receive a bid from an international buyer.

Scrap and salvage yards have long possessed the classic not-in-my-backyard competitive advantages. Over the years more stringent local, state, and federal regulations have served to amp up NIMBY attributes. As mentioned, Willis Johnson early-on saw firsthand the economic benefits of local network effects of size and scale in terms of growth and profitability. The network scaling leap from local, to state, to nationwide, and ultimately international, via both hard-asset raw land and a huge fleet of transporters, plus captive insurance companies totaling a greater proportion of accident-damaged autos, combined with technological assets of best-in-class internet-mobile auction sites, has produced manifold operating leverage. To wit, over the past decade, the Company's average revenue per location has increased over +50% – \$7.1 million vs. \$4.6 million and average net income per location has soared 150% – \$2.0 million vs. \$.79 million.

As 2020 clocks in, Copart is riding a wave of both company specific growth drivers, plus industry-specific drivers. On the industry front, Copart's supply of prospective auctioned and salvaged vehicles continues to be robust due to the rise of accident frequencies due to the combination of aging vehicles (almost 12 years on average), increasing driver distractions (smartphones), and rising miles driven (at least in most geographies). In addition, the rising complexity of new autos, particularly since 2014, has resulted in a marked increase in the frequency in total losses from insurance companies. Think of your current newer car as a series of a few dozen small computers (some connected to each other) and related perimeter sensors and cameras fastened upon four rubber tires. In addition, new technologies like LIDAR – a laser/wavelength surveying method and detection that measures distance to a target by illuminating the target with pulsed-laser light and measuring the reflected pulses with a sensor used to make digital 3-D representations of the approaching target – will become standard technologies in the near years, along with related self-driving enhancements.



Source: Chipsetc

Even seemingly minor fender benders have become prohibitively expensive to repair due to a wicked combination of expensive electronic parts replacement, the growing time needed to make such repairs and related cost of insurance plan rental coverage, and the lack of mechanics and auto technicians with the necessary expertise. The resultant lumpy increase in the average selling prices of salvages autos has been a boon to the Company's bottom-line. Such trends will likely never abate and will likely get worse as EV vehicles become mainstream. (Ask a Tesla owner how long it takes a certified mechanic to repair even a small dent in their car and ask them too how much their insurance coverage has soared over the past few years.) According to Copart, autos totaled by the insurance industry, which had flat-lined at around 14% of total claims have charted a new path upward each year since 2014 and have now reached 20% of total claims.

(A technological aside: According to Tony Seba (author and entrepreneur) at his recent presentation at the Robin Hood conference, Google early on estimated that its LIDAR system, which originally cost \$150,000 to build, would cost just \$70,000 by 2012. At the time, industry watchers and analysts sneered at Google's estimate. Google proved itself correct. Its LIDAR systems' cost in 2012 did indeed fall to just \$70,000. Remarkably still, in just 12 months' time that same equipment cost \$10,000. One year later in 2014 the cost dropped sharply to just \$1,000 – and then three years later to just \$250! Seba also noted that as recently as 2000, a top computer used for nuclear warfare simulations had a capacity of 1 teraflop (1 trillion floating point operations per second), cost \$46 million, used 850 kilowatts of energy, and took up 1,600



square feet. By 2017, Nvidia had developed a 2.3 teraflop computer that cost \$59, used 15 watts of energy, and was small enough to fit in your pocket.)

The combo of both company-specific operating levers, plus booming industry-specific fundamentals has manifested itself in the Company's impressive profitability and growth. Over the past five fiscal years (July), the Company's return on assets and return on profitability have doubled to 26% and 31%, respectively. Over the same period, annual revenues have almost doubled to just over \$2 billion and earnings per share has nearly tripled. In the latest fiscal first quarter of 2020, the Company reported the second consecutive quarter of +20% auction revenue, the fifth consecutive quarter beating consensus EPS expectations and the third consecutive quarter of double-digit U.S. revenue-per-unit growth.

### **FleetCor Technologies**

We initiated a position in FleetCor Technologies, a global provider of fleet and workforce payment solutions. FleetCor is primarily focused on business-to-business (B2B) payments, and operates across five spend categories: Fuel, Lodging, Tolls, Corporate Payments, and Gift. In the most generalized terms, FleetCor simplifies the way businesses manage and pay for expenses. B2B payments are evolving from paper checks and ACH (which are still the most common B2B payments methods<sup>1</sup>) to electronic payment delivery (which can take many forms), and FleetCor is at the forefront of this transition, benefiting from the continued secular shift to electronic payments.

The Company uses both proprietary and third-party networks (MasterCard in the U.S., Visa in the U.K. and Europe, as well as others) to deliver its payment solutions. Its customers tend to have recurring revenue models and specialized networks which create barriers to entry for competition to compete at any sort of scale. This can be evidenced by the Company's near duopoly in their largest product category - its fuel payment product line. In addition, the solutions tend to be specialized for specific spend categories (fuel, lodging, etc.) and/or specific customer segments, for example the long-haul transportation industry. We also note that MasterCard and Visa have stated priorities to penetrate B2B payments aggressively, and both of these major payment processors view FleetCor as a useful partner in expanding their reach into this area.

Among Fleetcor's five primary spend categories, the Fuel Payment product is the largest segment making up about 45% of total revenues and customers/partners of this segment include major oil companies, fuel marketers, and businesses with small- to medium-sized fleets. This segment offers customers discounts to the retail price of fuel and helps control unauthorized

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<sup>1</sup> <https://www.mastercard.us/content/dam/mccom/en-us/business-payments/documents/b2b-payments-tipping-point-sept-2018.pdf>



spending; this is a service to both the fuel provider and to the fuel consumer. While we view this core segment as an attractive business, FleetCor has made a concerted effort to diversify the overall business into related categories; this fuel segment made up as much as 70% of the business only a few years ago. The Lodging Payment product, one of the smaller segments, functions similarly to the Fuel product and often serves a customer base that overlaps with the Fuel program. In 2016, FleetCor entered the Toll Payments line through its acquisition of STP in Brazil. This acquisition brought the 2nd largest toll company in the world under the FleetCor umbrella, and its 5 million toll users. The Corporate Payments product optimizes corporate spending for businesses offering the use of virtual cards to enhance security and increase automation and savings. Finally, the small Gift payment product – a gift card management service – rounds out its business segments. In total, the Company has generated strong double-digit growth in the non-fuel products, both organic and through acquisition, contributing to the ongoing diversification away from fuel card segment.

FleetCor has developed a growth algorithm to grow through M&A, or what the Company terms “build, buy, partner” whereby it will grow through a combination of building its existing infrastructure organically by investing in sales and marketing, buying businesses through either small tuck-in acquisitions or the occasional large acquisition, or partner with large third parties or major oil companies in order to enter markets the Company currently does not have a presence in today. Fleetcor targets to be in as many of the top 25 GDP markets around the world as is practical, and it will do this primarily through its M&A strategy. More recently, FleetCor has developed additional growth drivers coined “Beyond Fuel” and “Beyond Toll.” These initiatives essentially are a means by which it uses its existing product categories of fuel and toll and offer ways to get more spend from existing customers through these categories. In the Beyond Fuel initiative, Fleetcor is expanding the revenue per transaction of existing customers in the U.S. and U.K. by expanding the purchases it can offer on their fuel cards. The Company still offers great control for management teams over what can be purchased, but it is opening up the spend to construction supplies, service, maintenance, etc. for its fleet customers while at the same time still preventing unauthorized spending on the card. Similarly, Beyond Toll is for the Company’s toll product in Brazil, where the toll tag has been expanded to be read by scanners in parking garages, gas stations, and even fast food restaurants.

FleetCor operates in the very attractive electronic payments space and currently trades at a valuation level below that of our existing payment names in the portfolio yet growing at similar levels. The Company generates \$1 billion in free cash flow annually, providing ample cash to continue its build, buy, partner strategy. It has laid out 2019 targets for +9-11% organic revenue growth and +15-20% EPS growth achieved through organic growth initiatives, accretive acquisitions, and occasional share repurchases. As FleetCor pushes to double the size of its business every four years, we believe the Company is well positioned to be a healthy growth name in an attractive industry, well capable of achieving that goal.



## S&P Global

During the quarter we initiated positions in S&P Global. SPGI has several unique assets that benefit from a couple of strong secular trends that should drive attractive double-digit earnings growth. S&P's ratings business is in a virtual duopoly and should be a long-term beneficiary of perpetually low interest rates. Low rates and active central bank purchases of corporate debt should help debt issuance trends remain robust even in a lower-GDP-growth environment. In addition, we think the ratings business still has room to scale and drive margin expansion. S&P's Market Intelligence is a low-price information service offering, growing user base at a double-digit clip as it breaks into non-financial industry verticals. S&P Indices segment is highly profitable due to very little overhead and continues to grow along with passive asset under management equity flows, especially into ETFs. We expect S&P will grow revenues in a mid-to-high single digit range, and possibly faster if global capital markets continue to expand, thanks to routine central bank intervention. The Company also has room to leverage its expense structure by taking higher pricing in its market-dominant ratings business and Indices segments. We started with a half position and look to increase our weighting if valuation reverts closer to historical averages.

## Tractor Supply Company

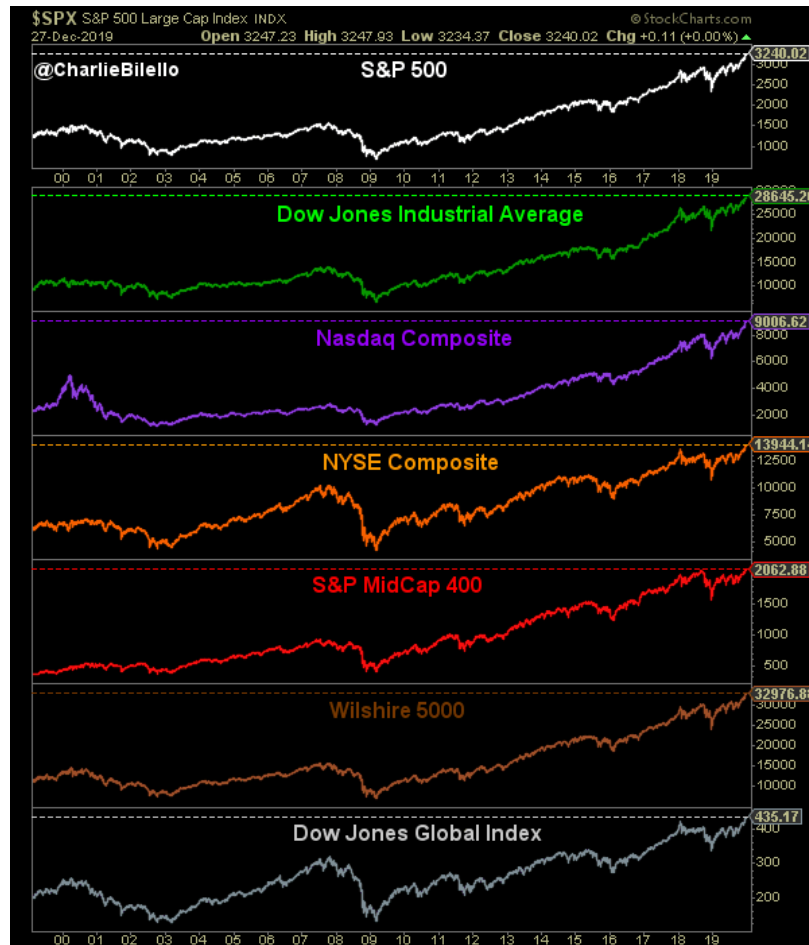
We added to our long-term holding Tractor Supply during the quarter, as what we view as largely irrational short-term noise led some investors to take profits on the stock after it had more than doubled in the prior two years. Primarily, we believe the market suddenly decided to trade the stock as an oil stock several months ago, which is interesting on a few fronts, not least because the price of oil has been very steady in the \$50s for the past year (and topping \$60 early in 2020 on the most recent round of geopolitical concerns). Although the Company has a not-meaningless portion of its stores in oil-producing states (roughly 10% in Texas, for example), we do not view flattish oil price trends as a notable problem. We would note that management did specifically call out the oil-producing regions as a drag on the business in 2016, before we bought the stock, but only after oil had collapsed from over \$100 to below \$30 from 2014 through early 2016, for a decline of roughly -75%. In the current cycle, the industry is running less than -20% below the 2018 peak. Furthermore, the Texas rig count, which likewise collapsed by roughly -80% in that 2014-2016 period, is running approximately -25% below its 2018 peak today. While rig count over these last two cycles cannot be used as an apples-to-apples comparison, because a rig today is more efficient than a rig five years ago, directionally there is a loose correlation between rig count and employment activity in the industry. So while we agree that a decline in the Texas rig count is not a positive influence on Tractor's overall business, we also do not view this as a meaningful detractor.



Additionally, and arguably of greater relevance, some investors have been concerned with the Company's plans to replace its retiring Chief Executive Officer, Greg Sandfort. Tractor Supply's board announced in August that it had decided not to pursue its prior plan to elevate the Chief Operating Officer to the role of Chief Executive Officer upon Mr. Sandfort's retirement; within a few months, the Company had announced an alternative replacement for Mr. Sandfort, and we do not believe there will be any change to the very successful long-term corporate strategy that has been developed through the tenures of many senior executives in this Company for approximately fifteen years. We do believe, however, that this was another factor that caused some shareholders to book their solid gains over the past few years

Aside from these two issues, we know any physical retailer will be continually open to shorter-term weather nuances – positive and negative – and the occasional freak-out from the investment world, generally related to Amazon, but occasionally due to other factors, as the market loves to find reasons to dismiss these companies, despite clear evidence that many of them (i.e., Tractor, Best Buy, Walmart, Target) are using their physical store and distribution assets as an advantage versus online competition. As our clients will have noticed over the past several years, this usually leads us to attempt to pick off the higher-quality, growing assets on pullbacks, when valuation is very attractive. That is what we have attempted to do with this latest addition to our Tractor Supply holding.

## Punch Bowl: Redux

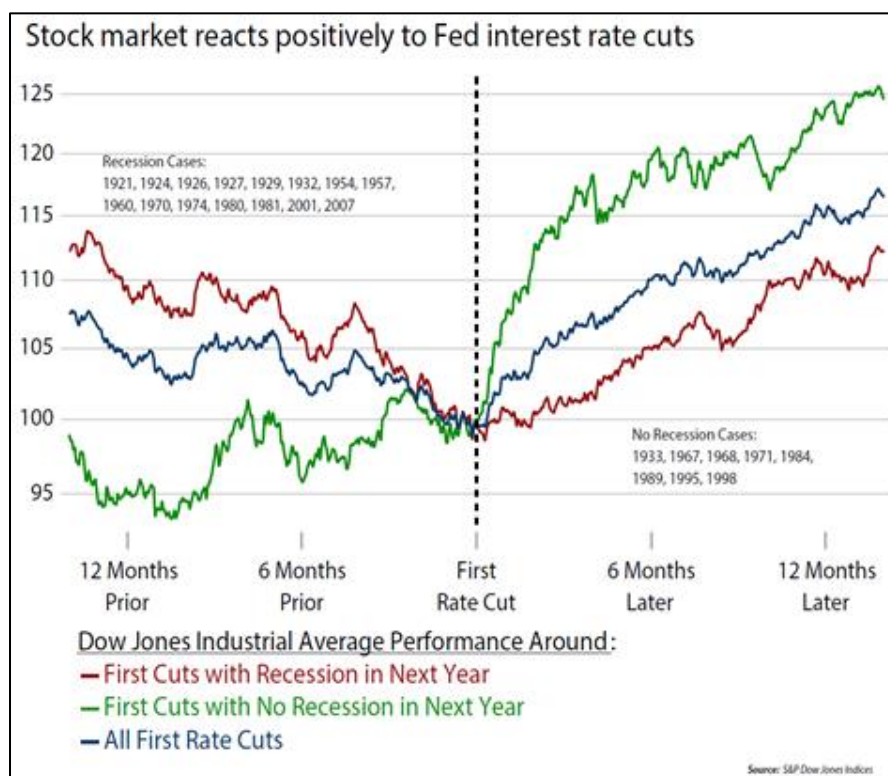


The stock market ended the decade in extraordinary fashion. All major stock market indices and averages are at all-time highs. In fact, literally all financial assets were in the green in 2019. Longer-dated U.S. Treasury bonds had their best year since 2002. (Maybe bonds do have more fun!) The classic 60%/40% stock/bond portfolio had its best year since 1997. The stock market led the return parade in 2019. The S&P 500 Index gained +31.5% – its best year since 2013.

We began the year in these Letters describing the radical turnaround in the Federal Reserve’s monetary policy to one from tightening to significant easing as the Fed’s Powell & Co. scoop up T-bills almost as fast as the U.S. Treasury prints them. We sympathize with purists who opine that such policy really isn’t Quantitative Easing (QE), since the fed is not specifically purchasing coupon-bearing Treasuries. Perhaps so, but the reflexive animal spirit actions and consequences



of investors bear the hallmark of previous QE adventures – i.e., Don't Fight the Fed. Over the course of 2019 the Fed cut rates three times (-75 basis points in total) and in little more than four months increased the size of its balance sheet by over \$400 billion – a de facto interest rate cut of at least an additional 50 basis points. Remarkably, Powell & Co. cut rates with the unemployment rate below 4% – a first. The final -25 basis point cut came at the juncture of the stock market at an all-time high and with the unemployment rate at a 50-year low (3.5%)! Stunning... and right on historic cue.



Source: NDR Research

In Pavlovian turn, little else mattered to investors except an omnipotent Central Bank with its foot jammed on the monetary policy accelerator. Indeed, during just twelve months the stock market responded in kind with a rare four-point expansion in its P/E multiple – trailing P/E multiple of 21.6X from 16.5X and forward P/E multiple of 18.3X from 14.3X. Such a valuation multiple sprint has rarely, if ever, occurred outside of the final months of a recession, and this was the largest increase since the last days of the 2001 recession.



Technology stocks were by far the biggest winner in 2019 – soaring +50%. (See table below.) The NASDAQ 100 gained +38% - its best year since 2009. Technology stocks (ETF: XLK) have nearly doubled since 2017. No other sector has even been close over the past three years. The second-best sector since 2017 was Consumer Discretionary, up +61%. Third was Healthcare, up +55%.

@CharlieBilello		S&P 500 Sector ETFs: Annual Total Returns (1999 - 2019)																					
Ticker	S&P Sector	1999-2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
XLV	Consumer Discretionary	518%	28%	2%	23%	6%	10%	9%	43%	24%	6%	27%	41%	-33%	-14%	18%	-7%	13%	37%	-19%	13%	-17%	19%
XLV	Health Care	426%	20%	6%	22%	-3%	7%	25%	41%	17%	12%	3%	20%	-23%	7%	7%	6%	1%	15%	-1%	-1%	-11%	20%
XLI	Industrials	388%	29%	-13%	24%	20%	-4%	10%	41%	15%	-1%	28%	22%	-39%	13%	14%	3%	18%	32%	-25%	-10%	8%	21%
XLB	Materials	354%	24%	-15%	24%	17%	-9%	7%	26%	15%	-11%	21%	48%	-44%	22%	18%	4%	13%	37%	-5%	2%	-15%	23%
XLU	Utilities	352%	26%	4%	12%	16%	-5%	29%	13%	1%	20%	5%	12%	-29%	18%	21%	16%	24%	26%	-29%	-13%	22%	-4%
XLE	Energy	290%	8%	-18%	-1%	28%	-21%	-9%	26%	5%	3%	22%	22%	-39%	37%	18%	40%	34%	26%	-15%	-18%	24%	19%
XLP	Consumer Staples	273%	27%	-8%	13%	5%	7%	16%	26%	11%	14%	14%	14%	-15%	13%	14%	3%	8%	11%	-20%	-10%	26%	-14%
XLK	Technology	258%	50%	-2%	34%	15%	5%	18%	26%	15%	3%	11%	51%	-41%	15%	12%	0%	5%	38%	-38%	-23%	-42%	65%
XLF	Financials	144%	32%	-13%	22%	23%	-2%	15%	36%	28%	-17%	12%	18%	-55%	-19%	19%	6%	11%	30%	-15%	-9%	26%	3%
XLRE	Real Estate	N/A	29%	-2%	11%	3%																	
XLC	Communication Services	N/A	31%																				

Data Source: YCharts

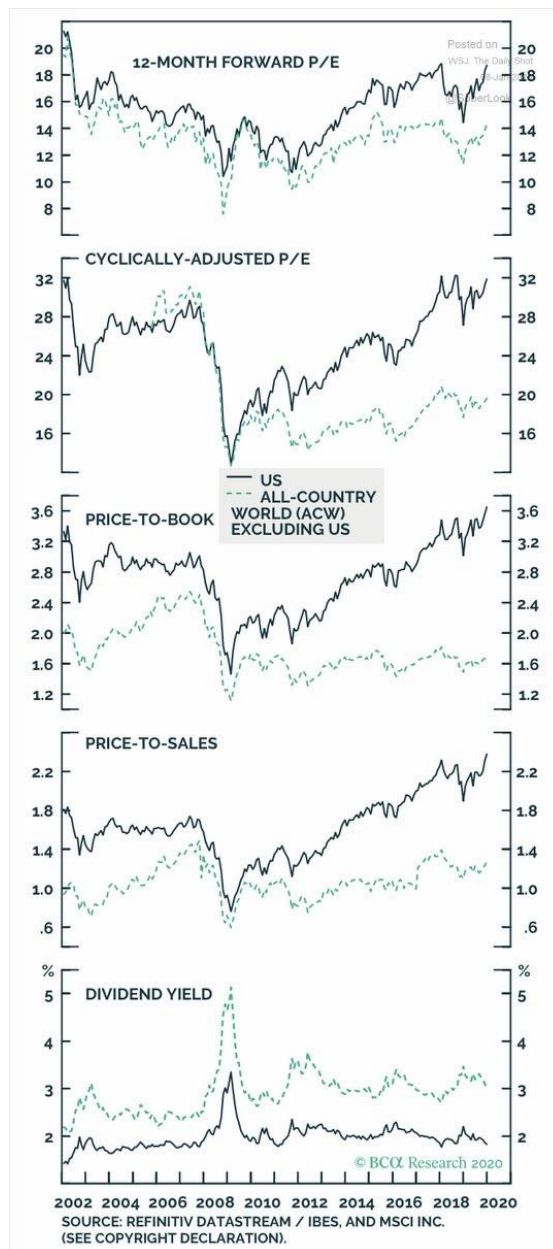
Technology stocks have become so large that the five largest components of the benchmark Russell 1000 Growth Index (Apple, Microsoft, Alphabet, Amazon, and Facebook) now make up a whopping +30% of the benchmark. The sharp 2019 gain in both Apple and Microsoft dominated the gain in the S&P 500 Index – along with Facebook and Alphabet. No other decision has been more paramount for active managers than their allocation to technology stocks over the past few years. (An aside: According to BofA, for the decade, the Growth index outperformed, no, crushed Value by a whopping 107% (+312% vs. +205%), leading in 8 of 10 years)

Top 10 contributors to S&P 500 2019 return								
Ticker	Company	Market cap weight		Total return	Fwd P/E	Consensus 2020 growth		Contribution to SPX return
		Dec-18	Current			EPS	Sales	
AAPL	Apple Inc.	3.4 %	4.6 %	88 %	23 x	11 %	6 %	303 bp
MSFT	Microsoft Corp.	3.8	4.5	57	29	13	11	217
FB	Facebook Inc.	1.5	1.8	57	23	36	22	86
GOOGL	Alphabet Inc.	3.0	3.0	28	26	15	18	86
JPM	JPMorgan Chase	1.6	1.6	46	13	2	NM	72
AMZN	Amazon.com Inc.	3.0	2.9	23	80	26	18	69
BAC	Bank of America	1.1	1.1	46	12	10	NM	50
MA	Mastercard Inc.	0.8	1.0	59	35	18	14	49
V	Visa Inc.	1.1	1.2	43	30	15	11	48
T	AT&T Inc.	1.0	1.1	44	11	2	0	44
<b>Top 10 contributors</b>		<b>20 %</b>	<b>23 %</b>	<b>50 %</b>				<b>1023 bp</b>
<b>S&amp;P 500</b>		<b>100</b>	<b>100</b>	<b>31</b>	<b>19 x</b>	<b>9 %</b>	<b>6 %</b>	<b>3149</b>

Source: Goldman Sachs



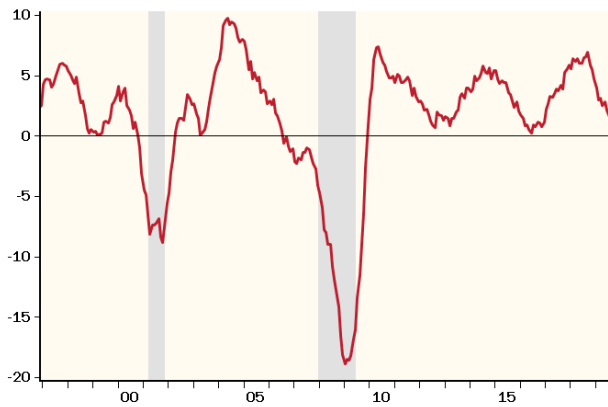
In our third quarter Letter we wrote our view that the stock market has priced in a “soft” economic landing. Economic indicators flashing yellow and red warnings of increased recession risks have been completely ignored. Seemingly no more worries of stall-speed GDP growth, flat-to-inverted yield curves, ISM Manufacturing Index (47.2) at the lowest levels since June 2009, four decelerating quarters of corporate profits, and China trade wars have quelled the stock market’s unrelenting advance to ever higher pieces – and to ever higher valuations.



The playbook for the stock market would seem to be quite binary – if not simplistically so. If the Fed calls it “Mission Accomplished” and once again tries to normalize (drain the punch bowl), then economic and corporate fundamentals may once again dictate investor’s appetite for equities. More than likely, at the first whiff of softer economic growth, we expect Powell & Co. to lend the Fed’s balance sheet to once again buttress any downside pain in the stock market.

LEADING INDICATOR WITHOUT THE S&P 500

Conference Board U.S. Leading Economic Indicator ex. S&P 500  
Year over Year Change



Shaded regions represent periods of U.S. recession  
Source: Haver Analytics, Rosenberg Research

CHART 2: ISM Manufacturing PMI Index  
United States  
(index >50 denotes expansion)



Shaded regions represent periods of U.S. recession  
Source: Haver Analytics, Rosenberg Research



Indeed, in a recently posted report on the Fed’s website, Michael Kiley (Deputy Director of the Fed’s Stability Unit) stated even a modest recession, “*may result in near-zero interest rates at long maturities, bringing U.S experience closer to that seen in Europe and Japan.*”

And so it goes...

We wish to once again thank those clients who have been steadfast in support of The RiverPark/Wedgewood Fund.

January 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
Apple Inc.	9.0%
Edwards Lifesciences Corp.	8.8%
Facebook, Inc.	8.4%
Alphabet Inc.	8.2%
Visa Inc.	7.5%
Booking Holdings Inc.	6.9%
Tractor Supply Co.	5.0%
Electronic Arts Inc.	4.8%
Fastenal Co.	4.7%
PayPal Holdings, Inc.	4.5%
<b>Total</b>	<b>67.7%</b>

*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](http://www.riverparkfunds.com). Please read the prospectus carefully before investing.*

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