



Wedgewood Fund

(RWGIX/RWGFX)



Fourth Quarter 2020 Review and Outlook

Performance: Net Returns as of December 31, 2020

	Current Quarter	One Year	Three Year	Five Year	Ten Year	Since Inception
Institutional Class (RWGIX)	12.14%	31.38%	18.51%	15.85%	13.54%	14.01%
Retail Class (RWGFX)	12.05%	30.84%	18.16%	15.54%	13.31%	13.77%
Russell 1000 Growth Total Return Index	11.39%	38.49%	22.99%	21.00%	17.21%	18.02%
S&P 500 Total Return Index	12.15%	18.40%	14.18%	15.22%	13.88%	14.65%
Morningstar Large Growth Category	12.53%	34.84%	20.22%	18.04%	14.66%	15.49%

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, 2021, for Institutional and Retail classes are 0.90% and 1.05%, 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.



For calendar 2020 the Fund gained +31.4%. The S&P 500 Index gained +18.4%. The Russell 1000 Growth Index gained +38.5%. The Russell 1000 Value Index gained +2.8%.

For the fourth quarter of 2020 the Fund gained +12.1%. The S&P 500 Index gained +12.2%. The Russell 1000 Growth Index gained +11.4%. The Russell 1000 Value Index gained +16.3%.

We are pleased to report that the Fund has outperformed the S&P 500 Index over the past 1, 2, 3, 4, and 5-years. (+31.4% vs. 18.4%, +73.8% vs. +55.7%, +66.4% vs. 48.7%, +99.6% vs. +81.3% and +108.6% vs. 103.0%.)

Top performance contributors for the year include Apple, PayPal, Facebook, Tractor Supply, and Alphabet. Top performance detractors for the year include Booking Holdings, Fastenal, Fleetcor, and Ross Stores.

Top Contributors to Performance for the Year Ended December 31, 2020	Average Weight	Percent Impact
Apple Inc.	8.62%	6.22%
PayPal Holdings, Inc.	6.09%	5.23%
Facebook, Inc.	8.99%	3.86%
Tractor Supply Company	6.79%	3.60%
Alphabet Inc.	8.47%	2.76%

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 gross of fees. Holdings are subject to change



Top Detractors to Performance for the Year Ended December 31, 2020	Average Weight	Percent Impact
Booking Holdings Inc.	1.67%	-2.09%
Fastenal Company	0.82%	-0.47%
FLEETCOR Technologies, Inc.	0.63%	-0.24%
Ross Stores, Inc.	0.49%	-0.14%

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Top fourth quarter performance contributors include Alphabet, Keysight Technologies, PayPal, Edwards Lifesciences, and Starbucks. Top performance detractors for the fourth quarter include S&P Global, Tractor Supply, Progressive, Bristol-Myers Squibb, and Microsoft.

Top Contributors to Performance for the Quarter Ended December 31, 2020	Average Weight	Percent Impact
Alphabet Inc.	8.27%	1.52%
Keysight Technologies, Inc.	4.55%	1.35%
PayPal Holdings, Inc.	6.94%	1.25%
Edwards Lifesciences Corp.	7.55%	1.04%
Starbuck Corporation	4.49%	1.04%

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Top Detractors to Performance for the Quarter Ended December 31, 2020	Average Weight	Percent Impact
S&P Global, Inc.	2.51%	-0.22%
Tractor Supply Company	6.66%	-0.15%

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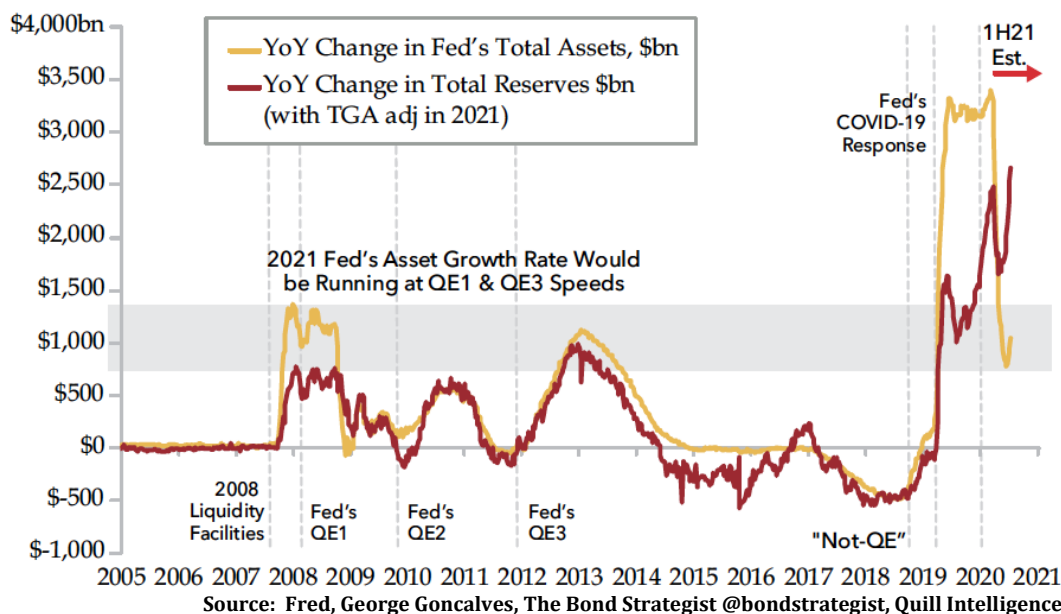
Performance attribution is shown gross of fees. Holdings are subject to change.

Trampoline or Tightrope

"If I could avoid a single stock, it would be the hottest stock in the hottest industry, one that gets the most favorable publicity, the one that every investor hears about in the carpool or on the commuter train - and succumbing to the social pressure, often buys."

Peter Lynch, Magellan Fund

Taper Risk: The (Not Priced-In) Risk that the Fed Has Already Done Too Much QE





We were unusually inactive during the fourth quarter. We purchased Progressive and trimmed Tractor Supply.

S&P Global announced the acquisition of IHS Markit, a provider of financial indexes, fixed income data, and industrial market data. S&P Global offered about \$40 billion in their equity to IHS at a modest premium to IHS' price at the time. S&P Global's management has done an excellent job managing costs and we expect this discipline should translate well to IHS' expense base. In addition, the high level of recurring revenue and competitively advantaged positioning of both businesses should auger well for continued top-line growth.

Tractor Supply reported +27% growth in same-store sales ("comps") as the Company's value proposition continues to resonate in the pandemic-affected U.S. We do not expect Tractor Supply to report similarly stellar comps next year and trimmed some of the gains to fund a new position in Progressive. However, we still think the market continues to under-appreciate the long-term benefits that have accrued to the Company. The Company should be able to sustain its new customer base due to investments made both pre-pandemic and post-pandemic which should drive double-digit earnings growth rates at very attractive returns on capital. As such, we continue to maintain Tractor Supply at a full weighting in portfolios.

Progressive was a new addition to portfolios during the 4th quarter. Growth investors have widely eschewed financial stocks over the past decade, often for good reason. But we think there are a handful of superior financial service companies, including First Republic and S&P Global, that can generate attractive growth at superior returns. Progressive fits the bill as a Company capable of driving double-digit top-line growth, thanks to a decade-plus of property and casualty underwriting innovation, combined with an aggressive, but prudent, marketing strategy. As mentioned, we funded our Progressive position with proceeds from an overweight in Tractor Supply. (See more on Progressive below.)

Bristol-Myers Squibb recently reported accelerating sales as much of the medical services industry returned to work. The Company continues to expect double-digit earnings growth over the next few years, driven by existing drugs, in addition to a broad pipeline of new drugs and indications. While the market remains fixated on a couple of patent expirations that could occur over the next several years, we think this is well-known at this point, yet the market still undervalues a couple of key acquisitions the Company has made in the past few years, particularly Celgene, which was acquired for a song.

Microsoft continued to generate solid double-digit top-line, and operating earnings growth. The Company's all-encompassing portfolio of "hybrid" cloud solutions is compelling for customers as IT organizations vacillate between on-premises and off-premises (and then likely on-premises again). For example, Microsoft 365 has added an array of features to make remote work easier, yet, as customer applications grow in compute intensity, those customers' on-premises and edge computing topologies retain or grow in importance. Microsoft's strategic pivot to be more



customer-friendly and collaborative will sustain its growth and returns for several more years so we are happy with our position.

Alphabet's core Google revenues grew +9% during the quarter, a meaningful acceleration from the -8% decline during the COVID-19-impacted second quarter. The Google unit also unexpectedly showed some modest expense leverage after several quarters of heavy reinvestment, driving double-digit earnings growth at Alphabet. We would not be surprised if that leverage is short-lived. However, Alphabet continues to meaningfully under-earn relative to its potential, and we welcome any effort that brings forward, or at least highlights, the Company's pent-up earnings power. On the latter score, Alphabet announced it will be providing more detailed operating segment profit data in the coming year.

Keysight generated +20% adjusted earnings growth during the quarter on +9% growth in revenue as its high-margin software sales continue to grow at attractive, double-digit rates. Keysight's hardware and software solutions are increasingly tailored to research and development departments working on cutting-edge technology standards, such as 800 gigabit Ethernet and various upcoming iterations of 5G for wireless. The Company is also positioned well to serve the automotive industry's aggressive shift into electric vehicle (EV) and autonomous driving (AV) development. Keysight has not traditionally served the automotive industry to any great extent, prior to the EV and AV boom. However, Keysight sells laboratory solutions to help test protocols across the rapidly increasing ecosystem of EV and AV system and sub-system manufacturers. For example, during the quarter GM announced a \$7 billion increase to its \$20 billion AV and EV development budget. Keysight's focus on this attractive end-market growth is underappreciated as the stock continues to trade at below-market earnings multiples. We think the Company's superior profitability profile, combined with attractive and sustainable growth and undemanding forward earnings multiple, warrants a full position in the portfolio.

PayPal continued its torrid pace of payment volume growth, up +38% during the quarter, driven by over 15 million new accounts (almost double the pre-pandemic rate) and continued increases in transactions per account. This led to +25% growth in revenue and hefty margin expansion as the Company continues to effectively leverage its fixed cost base. PayPal's addressable market continues to be a multitrillion dollar opportunity, with the Company particularly focused on the faster growing and more lucrative e-Commerce channel.

Starbucks' sales trends improved substantially relative to the second calendar quarter, led by markets that were further along the post-COVID-19 reopening path, particularly mainland China. While the Company has experienced a challenging year due to the effects of the pandemic, Starbucks has quickly adapted and made investments that should move it into a better competitive position as society returns to normal. For example, it has ramped up opening more stores with drive-through and pick-up capabilities, in addition to continued digital and loyalty program expansions. We also think the Company has the opportunity to drive higher margins over the next several years as the growth rate of its store base inevitably matures.



Company Commentaries

Progressive

“Progressive is at its best imagining the unimaginable and doing the impossible. We will create an auto insurance experience that exceeds consumers’ highest expectations.”

Peter B. Lewis, Chairman, 1990 Annual Report Letter to Shareholders

“Insurance companies enjoyed some terrific advantages, as compared to manufacturers. Insurers offered a product that never went out of style. They profited from investing their customers’ money. They didn’t require expensive factories or research labs. They didn’t pollute. They were recession resistant. During hard times, consumers delayed expensive purchases (houses, cars, appliances, and so on), but they couldn’t afford to let their home, auto, and life insurance policies lapse. When a sour economy forced them to economize, people drove fewer miles, caused fewer accidents, and filed fewer claims—a boon to auto insurers. Because interest rates tend to fall in hard times, insurance companies’ bond portfolios become more valuable. These factors liberated insurers’ earnings from the normal business cycle and made them generally recession-proof.”

The Davis Dynasty. John Rothchild

We purchased Progressive in late 2020.

The first American automobile manufacturing company was the Duryea Motor Wagon Company, founded in 1893 in Springfield Massachusetts. Henry Ford’s first attempt to manufacture an automobile didn’t end as planned. In late 1901, Ford sold his first car company to the Cadillac Motor Company. Ford’s second attempt at auto manufacturing began in 1903, as we all now know, was a booming success. By 1908, Ford’s Model T – the car for the masses – changed the automobile market forever. Over the next 20 years Ford would sell more than 15,000,000 “Tin Lizzies.” In all, almost 2,000 companies would try their hand at manufacturing that revolutionary technology.

The country’s nascent automobile industry would, in time, bring unimaginable societal change over the ensuing decades, but one of the first inevitable realities was automobile owners’ operating errors, better known as auto accidents. Accordingly, the first auto insurance policy was issued by Travelers Insurance Company in 1898. According to the Company, this policy was a \$5,000 liability coverage for a premium of \$12.25. Thus, the automobile insurance industry was not borne out of ingenuity, but legal necessity. Interestingly, back in the day, Massachusetts must have had some unique combination of terrible drivers, terribly difficult cars to operate, and terrible roads as the state was the first to pass legislation requiring mandatory auto insurance. Massachusetts held that rather ignoble first for over 30 years.



The top five auto insurers all have a rich (both storied and lucrative) history of selling auto insurance for decades: State Farm (1942), GEICO (1936), Progressive (1937), Allstate (1930) and USAA (1922).

In early 1937, Joseph Lewis and Jack Green founded the Progressive Mutual Insurance Company in Cleveland, Ohio. Their stated desire at the time was to operate a different kind of an auto-only insurance company, hence the name Progressive. Over the years, the Company would introduce a number of industry firsts, including the industry’s first drive-in claims office; monthly installment premium pay; public loss reserve reports; public monthly underwriting reports; and 24/7 claims reporting; comparison rates; buy by phone; 24/7 auto insurance comparison rating service; first industry website; online agent referral service; real-time buying; instant quotes for motorcycles, boats, watercraft, and RVs; and Name Your Price policy quotes.

Growth was relatively slow the first two decades with annual premiums reaching around \$2.6 million. 1956 was notable in the Company’s desire to focus on high-risk drivers when they formed Progressive Casualty. In 1965, Peter B. Lewis, the son of cofounder Joseph Lewis (along with his mother) bought out the Green family’s interest in the Company and rechristened it as Progressive Corporation. Peter Lewis, who started at the Company at twelve years of age, would be the cultural driving force at the Company for the next 35 years. Lewis, the iconoclast, proffered a simple financial dictum, its North Star, that still serves the Company today: underwriting profitability over policy growth. Specifically, the Company’s long-held goal is to operate at a combined ratio of 96. In other words, the Company wants to earn 4 cents on every premium dollar. The Company went public in 1971. Since Lewis stepped down as CEO in 2000, the Company has had only two other CEOs – Glenn Renwick (2000-2016) and current CEO Patricia Griffith.

Name	Age	Position	At Current Position Since	Prior Experience
Susan Patricia Griffith	54	President and CEO	2016	Mrs. Griffith has been with PGR since 1988 and has held numerous executive leadership positions, including Chief Human Resource Officer, Claims Group President, President of Customer Operations, and Personal Lines Chief Operating Officer.
John P. Sauerland	54	VP and CFO	2015	Mr. Sauerland joined PGR in 1991 as an Assistant Product Manager. Since then, he has served as Product Manager and General Manager. In 2006, Mr. Sauerland was named President of Progressive’s Direct business and, after the combination of PGR’s Agency and Direct businesses, he served as President of Personal Lines for eight years.
William M. Cody	56	Chief Investment Officer	2003	Mr. Cody joined PGR in 1996 as a portfolio manager. During his tenure at the company, he has administered PGR’s corporate bond, CMBS, residential mortgage, preferred stock and municipal bond portfolios. Prior to joining PGR, Mr. Cody was an options trader for a number of securities dealers in New York City.
John A. Barbagallo	59	Commercial Lines President	2007	Mr. Barbagallo joined PGR in 1983 as a claims adjuster. Since then, he has held management positions in Claims, Sales, Operations and Marketing. He most recently led PGR’s enterprise wide Agency Distribution and Agency Experience process groups.
M. Jeffrey Chamey	59	Chief Marketing Officer	2010	Mr. Chamey joined PGR in 2010 from Aflac, where he was Senior Vice President and Chief Marketing Officer. He previously held CMO positions at QVC and Homestore.com (now Move.com) and was President of Fringe Ventures, an experiential digital/marketing and consulting company he founded.

Source: Company Reports and J.P. Morgan



The table below shows the significant and consistent market share growth of the three direct auto-insurers (Progressive, GEICO and USAA). In 2009, the three direct insurers held a combined industry premium share of just 20% – about the same as State Farm and Allstate combined. Today, these three direct insurers command a combined share of 32% – almost 20% greater combined share of State Farm and Allstate. Notably, too, most of the other industry competitors have bled premium share. Specifically, today the five largest auto insurance companies by market share are State Farm (16%), GEICO (14%), Progressive (12%), Allstate (9%) and USAA (6%). The cost advantage of the direct insurers is simply too great to think that Progressive and GEICO (and to a lesser extent USAA) won’t continue to take industry share.

Figure 19: Private Auto Insurance Market Share
 Ranked based on 2018 Direct Written Premiums (Total = \$246 billion)

2018 Rank	Company	Primary Channel	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	State Farm	Captive	18.1%	18.1%	18.1%	17.9%	18.0%	18.2%	18.3%	18.3%	18.1%	17.1%
2	GEICO / Berkshire	Direct	8.4%	8.6%	9.2%	9.7%	10.3%	10.9%	11.4%	11.9%	12.8%	13.5%
3	Progressive	Direct	7.6%	7.8%	8.1%	8.4%	8.5%	8.8%	8.8%	9.2%	9.9%	11.0%
4	Allstate	Captive	11.1%	10.9%	10.5%	10.2%	10.0%	10.1%	10.1%	9.7%	9.3%	9.2%
5	USAA	Direct	4.1%	4.4%	4.6%	4.9%	5.1%	5.2%	5.3%	5.5%	5.7%	5.9%
6	Liberty Mutual	Indep.	4.4%	4.6%	4.6%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	4.8%
7	Farmers Insurance	Captive	6.3%	6.0%	6.0%	6.0%	5.5%	5.1%	5.0%	4.8%	4.5%	4.3%
8	Nationwide Mutual	Indep.	4.6%	4.4%	4.2%	4.1%	4.0%	3.9%	3.8%	3.6%	3.2%	2.7%
9	Amer. Family Ins.	Hybrid	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	2.0%	2.0%	2.0%
10	Travelers Companies	Indep.	2.1%	2.1%	2.1%	2.0%	1.8%	1.7%	1.7%	1.8%	1.9%	1.9%
Top 3			34.0%	34.6%	35.4%	36.0%	36.8%	37.8%	38.6%	39.4%	40.8%	41.5%
Cos. ranked 4-10			35.1%	34.6%	34.2%	33.9%	33.4%	32.9%	32.7%	32.4%	31.6%	30.8%
Top 10			69.1%	69.2%	69.5%	69.9%	70.2%	70.7%	71.3%	71.8%	72.3%	72.4%

Source: SNL Financial.

Source: J.P. Morgan

(An aside: GEICO continues to be the keystone owned company within our former, long-held portfolio holding Berkshire Hathaway.)

Today, Progressive is the only public, pure-play auto insurer. Progressive is both a direct insurer, as well as an independent agency, with policies sold by independent agents. In other words, it is sold by agents who are not “captive” to Progressive and can sell policies from other insurance carriers.

Along with our long admiration for GEICO’s multi-decade juggernaut of growth and industry leading profitability, Progressive has long been GEICO’s kissing cousin on this financial score.

The following annotated transcript from Berkshire Hathaway’s Annual Meeting in May 2019 offers interesting insight into the lucrative rivalry between Progressive and GEICO:



Question: *This question is on GEICO. Progressive is gaining the most market share among the major auto insurers, based on its presence in the direct and independent agency channels, as well as now bundling its auto and homeowner's insurance coverage. How does GEICO plan on responding to competitive threats so that it can retain its place as the second-largest auto insurer?*

Warren Buffett: *Progressive is a very well-run business. GEICO is a very well-run business. And I think they will, for a long time, be the two companies that the rest of the auto insurance industry has trouble not losing share to. Progressive has been very well run. They have an appetite for growth. Sometimes they copy us a little, sometimes we copy them a little. And I think that'll be true five years from now and 10 years from now. The big thing is auto insurance. And we grew in the first quarter about 340,000 policies, net, which will look quite good compared to anybody but Progressive, but I think that Progressive is an excellent company, and we will watch what they do, and they will watch what we do. And we will see, five years from now or 10 years from now, which one of us passes State Farm first. Ajit, would you like (comment)?*

Ajit Jain (Vice Chair Insurance Ops): *Well, the underwriting profit is really a function of two major variables. One is the expense ratio and the other is the loss ratio, without getting too technical. GEICO has a significant advantage over Progressive when it comes to the expense ratio, to the extent of about seven points or so. On the loss ratio side, Progressive does a much better job than GEICO does. They have, I think, about a 12-point advantage over GEICO. So, net-net, Progressive is ahead by about five points. GEICO is very aware of this disadvantage on the loss ratio that they are suffering, and they're very focused on trying to bridge that gap as quickly as they can. They have a few projects in place, and, you know, sometimes GEICO is ahead of Progressive. Right now, Progressive is ahead of GEICO. But I'm hopeful they'll catch up on the loss ratio side and maintain the expense ratio advantage as well.*

Warren Buffett: *I would bet significant money that GEICO increases its market share in the next five years. And I think it will, for sure, this year. So, it is a terrific business, but Progressive is a terrific business. As Ajit says, we've got the advantage in expenses, and we will have an advantage in expenses. They have a very sophisticated way of pricing business. And the question is whether we give some of that five points back... or six points back... in terms of loss ratio. We are working very hard at that, but I'm sure they're working very hard too to improve their system. So, it's a... to some extent it's a two-horse race, and we've got a very good horse.*

Charlie Munger: *But Warren, in the nature of things, every once in a while, somebody's a little better at something than we are.*

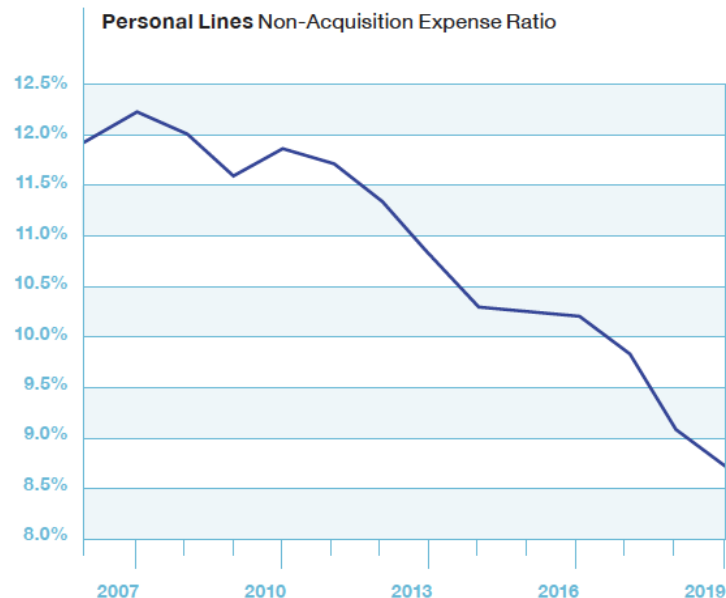
Warren Buffett: *Ha. You've noticed.*

Charlie Munger: *Yeah. I noticed.*

Warren Buffett: *Yeah. I'd settle for second place in a lot of the businesses.*



GEICO's Jain is quite right to point out Progressive's advantage in loss ratio versus GEICO. On that score, we don't expect Progressive to cede much ground back to GEICO anytime soon as Progressive is relentless on its cost structure. (Chart below from Company reports.)



Understanding a bit of the auto insurance industry's nomenclature will help to better understand the import of the discussion above, as well as understand both Progressive's and GEICO's long-held, considerable competitive advantages depicted below. But first a few industry definitions:

Loss Ratio: The formula to calculate loss ratio is essentially losses divided by company revenues, (total earned premiums). The complete loss ratio formula is insurance claims paid, plus adjustment expenses divided by total earned premiums. So, for example, if an insurance company pays \$50 in claims for every \$100 in collected premiums, the loss ratio would be 50%.

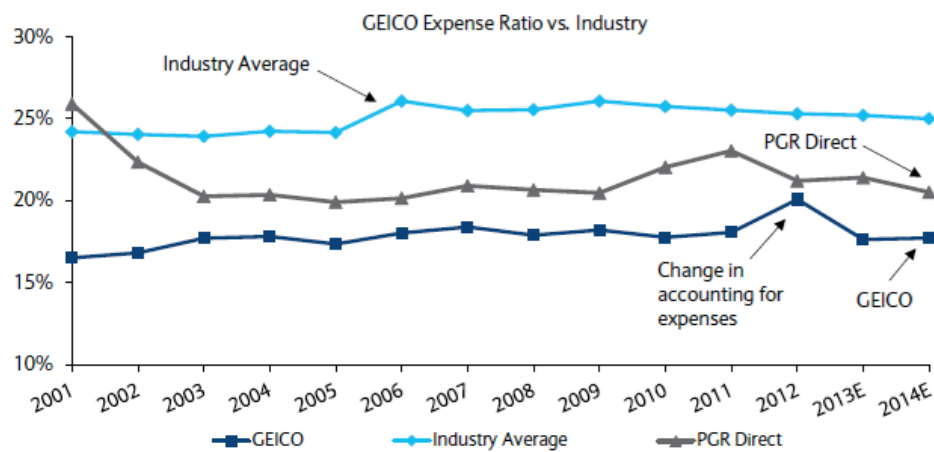
Expense Ratio: The expense ratio is a base measure of efficiency of an insurance company's administrative cost of doing business before factoring in insurance claims on its policies and investment gains or losses within its float investment portfolio. The base administrative expenses are advertising, employee wages, and commissions for the sales force. Specifically, the expense ratio in the insurance industry is a measure of profitability calculated by dividing the expenses associated with acquiring, underwriting, and servicing premiums by the net premiums earned by the insurance company.



Combined Ratio: The combined ratio is a comprehensive measure of profitability gauging how well an insurer performs its daily operations. The combined ratio is calculated by taking the sum of incurred losses and expenses and then dividing them by an insurance company's earned premium. A combined ratio of 100 basically means an insurance company breaks even. Any profits then must be generated by interest income, dividends, and capital gains from an insurance company's investment portfolio. Such investment portfolios of float are essentially premiums in excess of claims and expenses. The auto insurance industry, as most commodity-like insurance, is a brutal business, typically generating a combined ratio of 100-102 (2018 was an unusually good year).

A quick glance at the graphics below (though a couple are dated, the same trends persist today) and the latest available industry stats (2018) note the standout performance of Progress and GEICO (Berkshire Hathaway) in terms of expense ratio and combined ratio. In terms of expense ratio, GEICO (12.9%) and to a large extent Progressive (19.6%) too, possesses a critical competitive advantage in that GEICO does not employ a sales force; so, zero commissions. Progressive utilizes both direct and commissioned sales channels. As mentioned at the 2019 Berkshire Hathaway annual meeting, Progressive has been an outstanding underwriter, employing state-of-the-art tools and technology.

GEICO Expense Ratio vs. Peers

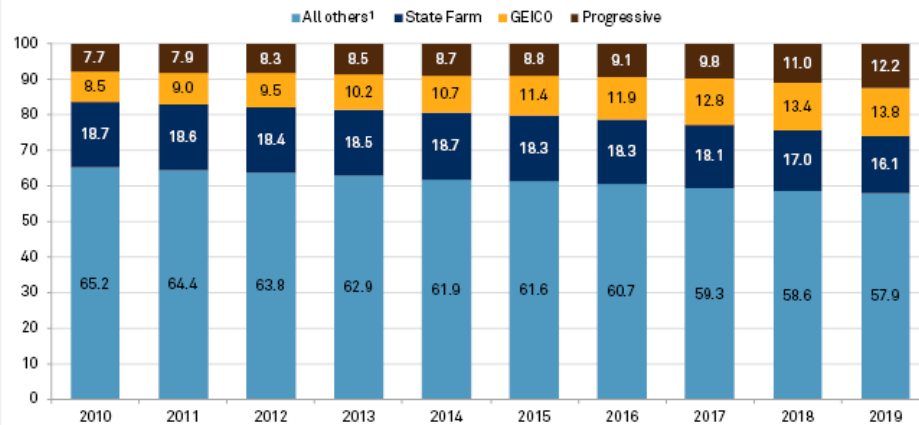


Source: Company data, A.M. Best, Insurance Information Institute, Barclays Research estimates

Source: Rational Walk



GEICO, Progressive continue to gobble up market share in personal auto (%)



Data compiled May 1, 2020.

¹ All others = combined direct written premiums for every other insurers including Berkshire Hathaway Inc. insurance subsidiaries not part of the GEICO Corp. SNL subgroup.

Based on direct premiums written sourced from the Exhibit or Premiums and Losses from the NAIC statutory property and casualty statement filings. U.S. filers only. May include business written outside of the U.S. if reported on NAIC statements.

Reflects consolidation of data from filers within SNL-defined corporate structures and unaffiliated companies for U.S.-based statutory insurance filers.

Source: S&P Global Market Intelligence

Year	GEICO					Progressive				
	Premiums Earned	Loss Ratio	Expense Ratio	Comb. Ratio	UW Profit	Premiums Earned	Loss Ratio	Expense Ratio	Comb. Ratio	UW Profit
1999	4,757	80.2%	19.3%	99.5%	24	5,684	74.9%	21.6%	96.5%	199
2000	5,610	85.7%	18.3%	104.0%	(224)	6,348	83.2%	21.7%	104.9%	(311)
2001	6,060	79.9%	16.5%	96.4%	221	7,162	73.5%	21.4%	94.9%	365
2002	6,670	77.0%	16.7%	93.7%	416	8,884	70.9%	21.5%	92.4%	675
2003	7,784	76.5%	17.7%	94.2%	452	11,341	67.4%	19.9%	87.3%	1,440
2004	8,915	71.3%	17.8%	89.1%	970	13,170	65.0%	20.2%	85.2%	1,949
2005	10,101	70.6%	17.3%	87.9%	1,221	13,764	68.0%	20.1%	88.1%	1,638
2006	11,055	70.1%	18.0%	88.1%	1,314	14,118	66.5%	20.1%	86.6%	1,892
2007	11,806	72.2%	18.4%	90.6%	1,113	13,877	71.5%	21.1%	92.6%	1,027
2008	12,479	74.8%	17.9%	92.7%	916	13,631	73.5%	21.1%	94.6%	736
2009	13,576	77.0%	18.2%	95.2%	649	14,013	70.6%	21.0%	91.6%	1,176
2010	14,283	74.4%	17.8%	92.2%	1,117	14,315	70.8%	21.6%	92.4%	1,084
2011	15,363	78.2%	18.1%	96.3%	576	14,903	71.4%	21.6%	93.0%	1,047
2012	16,740	75.9%	20.0%	95.9%	680	16,018	74.6%	21.0%	95.6%	709
2013	18,572	76.7%	17.2%	93.9%	1,127	17,103	73.0%	20.5%	93.5%	1,120
2014	20,496	77.7%	16.6%	94.3%	1,159	18,399	73.4%	19.9%	92.3%	1,410
2015	22,718	82.1%	15.9%	98.0%	460	19,899	73.7%	19.8%	92.5%	1,495

Data In Millions

Sources: Berkshire Annual Reports; PGR Value Line Report, Progressive's 2015 annual results reported in February 2016 (10K)

1999 to 2015	GEICO	Progressive
Avg Annual Growth in Premiums Earned	10.3%	8.1%
Avg Loss Ratio	76.5%	71.9%
Avg Expense Ratio	17.7%	20.8%
Avg Combined Ratio	94.2%	92.6%

Source: Rational Walk



Rankings of top personal auto insurers stable in 2018

Based on 2018 direct premiums written

Rank	2018	2017	Insurer	Direct business				Net business				
				Premiums written (\$B)	Market share (%)	YOY premium change (%)	Incurred loss ratio (%)	Premiums written (\$B)	Loss ratio (%)	LAE ratio (%)	Expense ratio (%)	Combined ratio (%)
1	1		State Farm	41.95	17.0	0.3	62.6	41.88	60.6	12.2	24.3	97.1
2	2		Berkshire Hathaway Inc.	33.08	13.4	11.8	70.6	33.07	70.5	9.9	12.9	93.2
3	3		Progressive	27.06	11.0	18.8	61.5	26.75	60.4	10.3	19.6	90.2
4	4		Allstate Corp.	22.66	9.2	5.8	56.4	22.47	55.6	11.4	25.9	92.9
5	5		USAA	14.47	5.9	10.0	77.5	14.42	77.2	11.0	10.6	98.8
6	6		Liberty Mutual	11.78	4.8	1.6	61.8	11.58	61.5	10.9	25.9	98.3
7	7		Farmers Insurance	10.50	4.3	1.3	61.0	7.34	60.6	11.6	29.9	102.1
8	8		Nationwide	6.73	2.7	-8.4	58.2	6.81	57.4	9.0	31.1	97.5
9	9		American Family Insurance	4.98	2.0	7.4	69.0	5.13	68.7	12.2	26.4	107.2
10	10		Travelers	4.70	1.9	6.8	59.7	5.26	59.4	12.0	23.7	95.1
11	11		Auto Club Exchange	3.39	1.4	13.5	64.4	3.46	64.7	11.6	22.2	98.6
12	12		Erie Insurance	3.22	1.3	8.1	72.8	3.21	72.5	11.7	25.7	110.0
13	15		Kemper	3.08	1.3	17.1	62.1	3.13	62.5	11.4	24.6	98.6
14	14		National General Holdings Corp.	3.00	1.2	13.4	61.2	1.16	64.6	20.4	26.3	111.3
15	13		CSAA Insurance Exchange	3.00	1.2	7.0	63.3	3.00	63.0	10.9	24.2	98.1
16	17		Auto-Owners Insurance	2.85	1.2	17.1	66.2	2.69	66.2	9.5	27.3	103.1
17	16		Mercury Insurance	2.68	1.1	9.1	64.8	2.68	63.5	12.8	24.0	100.4
18	18		Metlife	2.48	1.0	3.0	57.8	2.46	57.9	10.1	25.6	93.6
19	19		The Hartford	2.11	0.9	-8.6	65.5	2.24	65.1	10.0	24.8	99.8
20	20		Auto Club Insurance Association	2.01	0.8	6.3	85.3	1.73	69.0	9.2	27.6	105.8
Top 20				205.72	83.5	6.8	64.3	200.48	63.5	11.1	21.6	96.2
Industry				246.36	100.0	6.4	64.4	240.54	63.6	10.9	22.7	97.2

Data compiled April 22, 2019.
 LAE = loss adjustment expense
 Reflects consolidation of data from filers within SNL-defined corporate structures and unaffiliated companies for U.S.-based statutory insurance filers.
 Based on NAIC statutory property and casualty statement filings. U.S. filers only. May include business written outside of the U.S. if reported on NAIC statements.
 Direct data is derived from the Exhibit of Premiums and Losses. Net data is derived from Insurance Expense Exhibit.
 Combined ratios displayed are before policyholder dividends.
 Source: S&P Global Market Intelligence

In the aforementioned Berkshire Hathaway Q&A on GEICO and Progressive, Warren Buffett noted Progressive’s “*very sophisticated way of pricing business.*” Key to understanding Progressive’s competitive advantage over the industry – and other direct insurers too – is understanding the Company’s differentiated policy pricing algorithms and related pricing skill sets.

Given Progressive’s multidecade experience of insuring higher-risk drivers, the Company has amassed an incomparable data set that sits at the core of its cutting-edge usage-based policy pricing. In 2004, the Company introduced the usage-based TripSense. In 2008 MyRate was introduced, and it allows frequent changes in pricing based on how its customers actually drive. MyRate was rebranded in 2011 as Snapshot. Snapshot collects driving information during the first policy term. The customer will see a new personalized rate when the policy renews. Driver information includes the time of day a person drives, sudden changes in speed (hard braking and rapid accelerations), the amount driven, and, for customers using the mobile app in some states, how the drivers use the mobile phone while driving. Smart Haul is similar to Snapshot, but it’s for commercial trucking. September marked the largest monthly take rate (+24%) for Smart Haul.

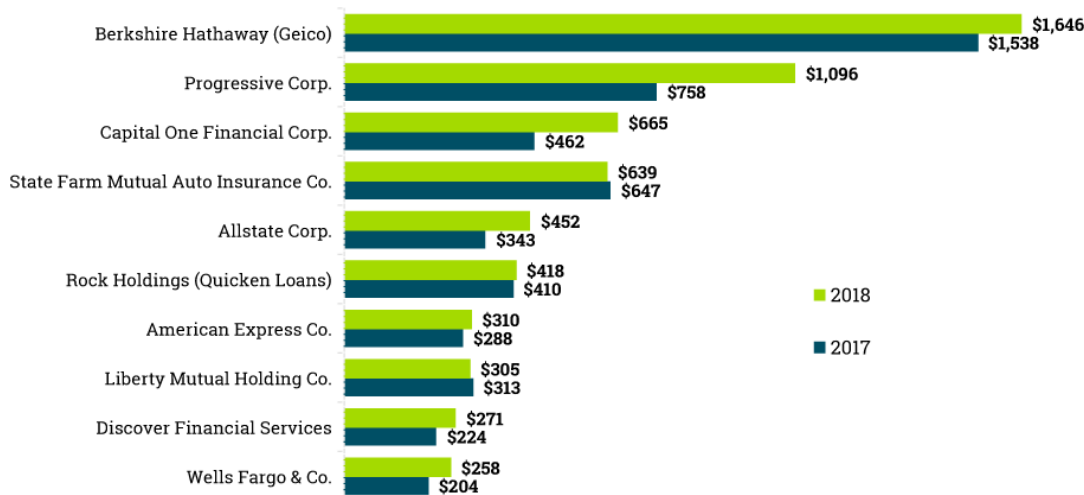


According to the Company, by 2014 it had collected over 10 billion miles of data. Just last month, the Company introduced Snapshot ProView, a usage-based, fleet management program for small business owners. Such initiatives should help to drive growth in the Company's commercial business, which grew +30% between 2017 and 2019.

More recent innovations include Snapshot Road Test, an app-based program that logs real-time driving data for 30 days to ascertain a quote while still with your current auto insurer. The net result of such ongoing, usage-based, data analytics innovations lead to unmatched speed in adjusting risks, which has been the foundation of the Company's industry-leading loss ratios.

Any discussion of Progressive (and GEICO) would not be complete without a few words on both Companies' spirited and aggressive marketing. Creative marketing works. Creative marketing really works in auto insurance. One can hardly watch any network or cable-based television programming (particularly live sporting events) without being flooded by comedic car insurance ads. GEICO's Gecko made his acting debut in 1998 – and its Caveman in 2004. Progressive's Flo made her debut in 2008.

Top 10 Financial Services Advertisers in the US (\$m)



Published on MarketingCharts.com in October 2019 | Data Source: Kantar / Ad Age

Advertisers ranked by 2018 US measured-media ad spending



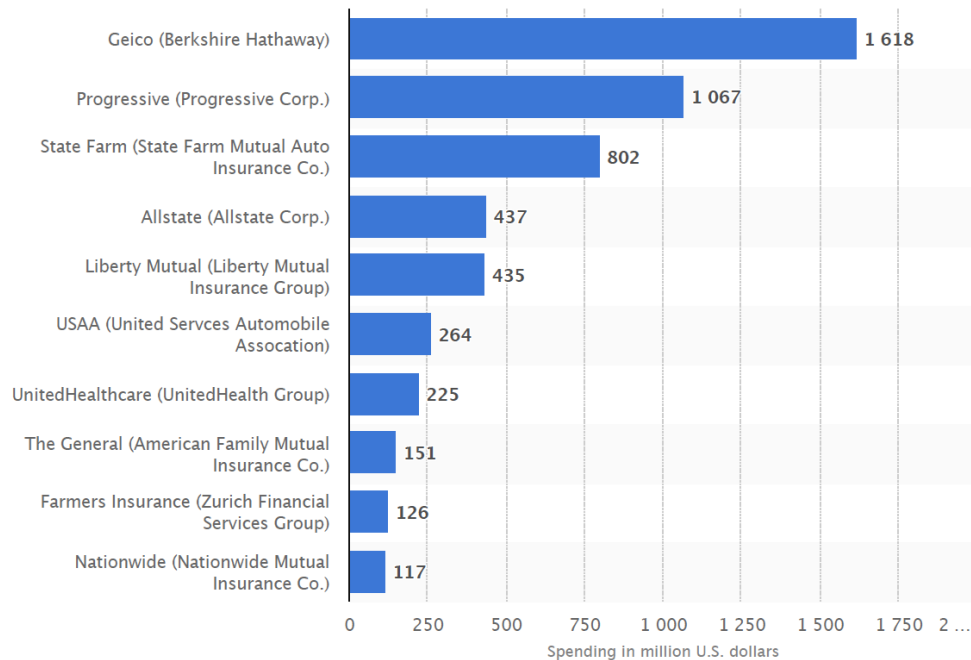
The impetus behind all the major auto insurance companies getting on board with massive advertising campaigns was the early move by GEICO (later Progressive) to directly market to consumers rather than through commission-based insurance agents. In 1995, GEICO's marketing budget was a scant, but effective \$35 million. The next year GEICO booked its best policy growth (+10%) in over 20 years. Policy growth in 1997 soared to +16%. Seeing a good thing, Buffett swung big in 1998 taking GEICO's marketing to \$100 million (Gecko). GEICO's policy growth in 1999 was +23%. GEICO's marketing budget soared over the next decade: 2001: \$219 million, 2003: \$238 million, 2004: \$502 million, (Caveman), 2006: \$631 million, 2007: \$751 million, 2010: \$900 million, 2011: \$994 million (industry record), 2012: \$1.1 billion. GEICO's ad budget increased a minimum double-digit rate every year until 2019.

Buffett learned that after the upfront costs to acquire a new customer, *if* you can retain such customers, as both GEICO and Progressive can, returns on marketing spend can approach 30%. Buffett channeled his inner-Ted Williams .400 batting average and changed the marketing game forever through an intense amount of fat-pitch television advertising, which forced other car insurance companies to pick up their own games in order to keep pace with GEICO and then soon after, Progressive.

Progressive stepped on the marketing gas pedal in 2018 (largely in nontraditional media), increasing its advertising spending by +41% in the midst of the most rapid growth in the Company's history as net premiums surged 39% from 2017 through 2019. Sensing opportunity again, the Company recently increased its ad budget (mostly in direct) by +29% and +20% year-over-year. In 2019 alone, the Company recorded premium growth of +14.7%, versus the industry's growth of just +2.8%. It was only auto insurer that gained more than +10%.



Advertising spending of selected insurance brands in the United States in 2019 *(in million U.S. dollars)*



Source: Statista

Progressive has also been quite successful in bundling its policies across their product set, particularly after the Company acquired part of American Strategic Insurance in 2015, thereby allowing independent agents the ability to offer a competitive auto-home bundled offering. The Company purchased the remaining share of American Strategic last May. Specifically, within the Platinum program – an invitation-only program for leading independent agents – these leading independents (top-10 in Company volume) earn higher commissions for home/auto bundles, as well as exclusive performance bonus opportunities and complimentary marketing tools and services to boost leads and make more sales. The success of these Platinum agents of late has been notable with agent-bundled sales up +75% during 2108 through 2019. Bundling for direct has been notable too as applications for bundled policies sold was up +250% in 2019.



Progressive's personal auto premiums surge in 2019

Rank 2019	Rank 2018	Rank 2017	Insurer	2019 direct premiums written (\$M)	2019 combined ratio ¹ (%)	YOY premium change (%)
1	1	1	State Farm	40.88	101.41	-2.6
2	2	2	GEICO ²	34.89	95.93	5.5
3	3	3	Progressive	31.03	90.96	14.7
4	4	4	Allstate	23.63	93.51	4.3
5	5	5	USAA	15.23	98.88	5.3
6	6	6	Liberty Mutual	11.70	98.89	-0.6
7	7	7	Farmers Insurance	10.53	102.36	0.4
8	8	8	Nationwide	6.25	99.19	-7.2
9	9	9	American Family Insurance	5.78	101.01	-0.4
10	10	10	Travelers	4.90	94.89	4.4
11	11	11	Auto Club Exchange	3.62	97.43	6.7
12	12	12	Erie Insurance	3.38	110.17	5.1
13	14	15	Kemper	3.38	88.47	9.6
14	16	16	Auto-Owners Insurance	3.22	102.01	9.6
15	13	14	National General Holdings Corp.	3.15	107.34	1.3
16	15	13	CSAA Insurance Exchange	2.99	99.62	-0.4
17	17	17	Mercury Insurance	2.79	99.18	4.2
18	18	18	MetLife	2.47	100.34	-0.4
19	20	20	Auto Club Insurance Association	2.11	103.91	1.8
20	19	19	The Hartford	2.03	96.55	-3.9

Data compiled May 1, 2020.

¹ Combined ratios displayed are before policyholder dividends.

² GEICO is used in place of Berkshire Hathaway Inc. because it writes the vast majority of the group's private auto premiums.

Insurers reflect consolidation of data from filers within SNL-defined corporate structures and unaffiliated companies for U.S.-based statutory insurance filers.

Based on annual NAIC statutory property and casualty statement filings. U.S. filers only. May include business written outside of the U.S. if reported on NAIC statements.

Direct data is derived from the Exhibit of Premiums and Losses, while combined ratio is derived from Insurance Expense Exhibit.

Rank based on direct premiums written for the private passenger auto liability and auto physical damage lines of business.

Source: S&P Global Market Intelligence

Circa 2020, Progressive has about 23 million policies in force. About 20 million of those are auto policies (personal lines), split about 50/50 between direct and agency. These policies have grown around +8-10% in recent years. Commercial (trucking) policies in force are almost 800,000. Property policies in force are about 2.3 million. Before the upheaval of driving during the pandemic, the personal lines had been operating at a very profitable combined ratio of 90-91 due



to price hikes. Commercial lines operated at 88 and property lines at 103. Most critically, customer retention over the past twelve months remained quite healthy +9%.

As would be expected, the auto insurance industry saw dramatic swings in all key industry metrics during the pandemic shutdown, including plunging miles driven (-40% at the trough), plunging premiums, and concomitant plunging loss ratios. The industry responded with a series of rebates, credits, and lowered premiums. For its part, Progressive credited 20% of April premiums in May and 20% of their May premiums in June. The sum of those two credits amounted to approximately \$1 billion.

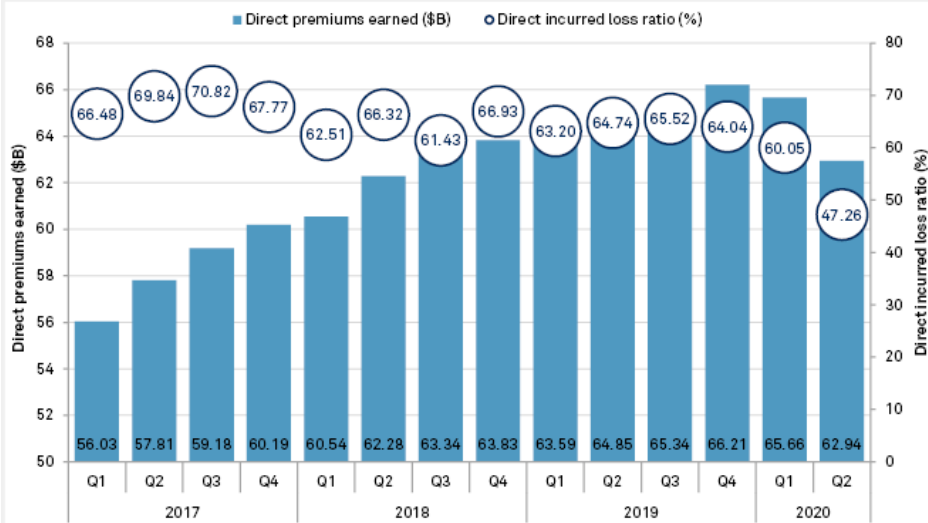
Amid coronavirus crisis, private auto premiums decline YOY in Q2

Rank	Q2'20	Q2'19	Q2'18	Insurer	Q2'20 direct premiums written (\$M)	Q2'20 direct incurred loss ratio (%)	Q2'19 to Q2'20 YOY premium change (%)
1	1	1	1	State Farm	10,370.7	41.32	2.3
2	3	3	3	Progressive	8,343.4	43.45	12.2
3	2	2	2	GEICO Corp.	7,762.6	50.72	-7.5
4	4	4	4	Allstate Corp.	4,944.5	48.49	-13.8
5	5	5	5	USAA	3,770.5	41.44	4.4
6	6	6	6	Liberty Mutual	2,914.7	54.00	-4.9
7	7	7	7	Farmers Insurance	2,271.3	58.48	-13.5
8	8	8	8	Nationwide	1,426.8	49.26	-13.4
9	10	10	10	Travelers	1,224.8	43.02	-11.7
10	9	9	9	American Family Insurance	1,191.0	49.36	-17.4
11	11	11	11	Erie Insurance	941.5	42.18	0.6
12	12	13	13	Auto-Owners Insurance	885.7	53.32	-3.7
13	13	12	12	Auto Club Exchange	876.1	38.23	-2.7
14	14	14	14	Kemper	808.2	56.66	-6.1
15	15	15	15	National General Holdings Corp.	731.4	50.08	-3.5
16	16	16	16	CSAA Insurance Exchange	585.4	42.69	-20.3
17	17	17	17	Mercury Insurance	559.1	39.01	-20.4
18	18	18	18	MetLife	550.4	40.12	-13.5
19	19	19	19	The Hartford	487.0	42.62	-13.8
20	20	20	20	Auto Club Insurance Association	442.3	68.87	-15.0

Data compiled Sept. 30, 2020.
 Based on NAIC statutory P&C second-quarter 2020 statement filings U.S. filers only. May include business written outside the U.S. if reported in NAIC statements.
 All figures displayed are based on as-reported net of policyholder credits or discounts issued by the insurer as a response to the coronavirus crisis. Accounting for the credits/discounts is not uniform among all insurers. Therefore ranks and figures for some insurers may be impacted disproportionately compared to others.
 Data obtained from Part 1 - Loss Experience and Part 2 - Direct Premiums Written.
 Insurer includes groups that represent the consolidation or data of the statutory filers within SNL-defined group structures and unaffiliated single companies.
 Rank based on direct premiums written for the private auto line of business, which comprises auto physical damage and private passenger auto liability. Auto physical damage can include commercial auto, though the vast majority is part of personal auto.
 Rankings exclude certain New Jersey-domiciled P&C subsidiaries that do not file quarterly statements with the NAIC because of state regulations.
 Source: S&P Global Market Intelligence

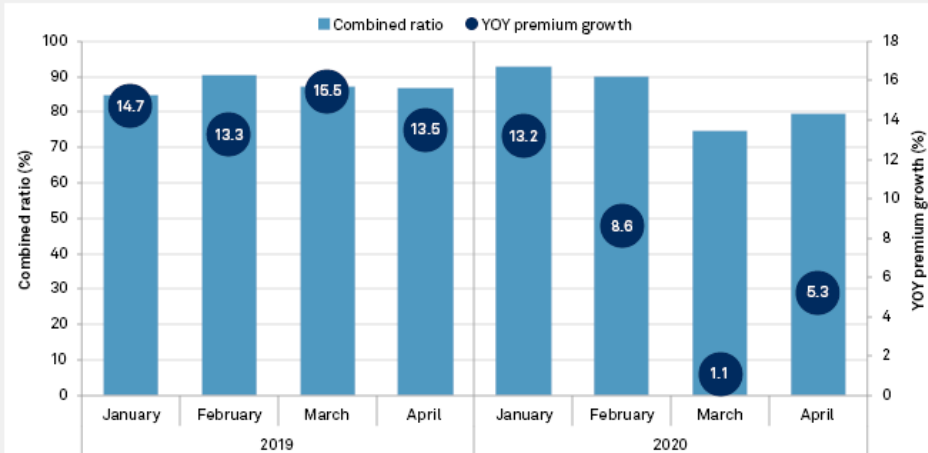


Auto loss ratio dropped in Q2 by 13 pps during COVID-19 outbreak



Data compiled Sept. 30, 2020.
 Based on data contained within Part 1 - Loss Experience of NAIC statutory property and casualty filings since 2017. U.S. filers only. May include business written outside of the U.S. if reported in the NAIC statements.
 Private auto line of business, which comprises auto physical damage and private passenger auto liability. Auto physical damage can include commercial auto, though the vast majority is part of personal auto.
 Industry data displayed are based on as-reported net of policyholder credits or discounts issued by individual insurer as a response to the coronavirus crisis.
 Industry data represent the consolidation of data of individual statutory filers covered by S&P Global Market Intelligence.
 Source: S&P Global Market Intelligence

Progressive sees personal auto combined ratio drop amid pandemic



Data compiled May 24, 2020.
 Data is sourced from Progressive Corp.'s monthly earnings reports.
 Premium growth is based on direct premiums written.
 Data displayed is for first four months of 2019 and 2020 and is not continuous.
 Source: S&P Global Market Intelligence



As of the Company's most recent monthly (November) earnings release, it looks like business is starting to return to normal. Companywide policies in force increased +11%, year-over-year. Total personal auto policies in force increased to 16.5 million, +11% - with direct policies up +13% and agency policies up +9%. November net premiums written of \$2.96 billion increased a healthy +14% year-over-year, while net premiums earned of \$3.2 billion increased +11%. Lastly, the Company's combined ratio snapped back to a smart 86.6 from 94.1 in October. The Company will likely exit 2020 with +\$38 billion in net premiums written and +25 million policies in force.

Due to the relative consistency of the Company's business model, our expectations of future annual profitability and growth largely mirror that of the recent past. Specifically, we expect both policies in force and revenues to grow at a high single-digit rate and a combined ratio of 93-95. We expect more variability in returns on capital and earnings growth. The last few years have been exceptional with returns on equity ranging from 26% to 32%, above the more typical range in the high teens. We would be thrilled with sustainable ROE's from 20% to 25%. We also would be happy with earnings growth, lumpy as it typically is, between a high single-digit and low double-digit range.

At current valuations, the stock is far from a screaming bargain (what is these days?), hence our initial position size of just a 2.5% weighting. Future risks to consider that the Company must navigate are margin compression and/or if growth in policies in force decline due to heightened competitive pressures, including fluctuating fears of autonomous vehicles (AV). We look forward to building our position in Progressive as opportunity knocks.

S&P Global

S&P Global announced the acquisition of IHS Markit, a provider of financial indexes, fixed income data, and industrial market data. The Company offered about \$40 billion in SPGI equity to IHS Markit at a modest premium to IHS' price at the time. We think the acquisition has compelling industrial logic, despite both companies exhibiting little revenue overlap.

Like S&P Global's equity indices, Markit has amassed some very unique index assets that define its product category. For example, Markit's iTraxx and CDX indexes are the most popular baskets of credit default swaps (CDS) on loans and regularly traded debt, with market activity north of \$5 trillion a year that make up more than 90% of CDS market activity, according to the International Swaps and Derivatives Association. Markit also provides intraday pricing data on millions of corporate and sovereign bonds as well as consensus data to help independently verify valuation data on a wide array of derivatives.

Tangentially, S&P Global is one of the largest providers of credit ratings services and therefore data for both loans and traded bonds, so there should be ample revenue and/or expense synergies



when the combined company approaches mutual customers of their data. The Company's Market Intelligence data platform will be particularly important as a distribution hub for the new data sets being acquired from IHS Markit. For example, mutual customers that already use S&P Credit Research will be able to easily access fixed income issuance data from Markit.

The other 60% of IHS Markit's revenues come from proprietary and public datasets as well as analytics for various industrial markets, including vehicle ownership records and production forecasts, oil and gas data for upstream, midstream and downstream applications, and maritime vessel data. The Company's Platt's segment should benefit from the analytic capabilities that IHS brings to the combined company.

On the face of it, having the same customer does not necessarily generate new revenue, but there should be ample overlapping expenses that can be harvested or reinvested for future growth at the combined company. The Company's management has done an excellent job over the years leveraging its "asset-light" model (fixed plant investment is low as percentage of total assets). With a methodical focus on low-risk cost savings and reinvestment, we expect this discipline can be effectively overlaid onto IHS Markit, which has a similarly asset-light model (gross plant running about 10% of total assets). S&P Global and IHS Markit should be able to reduce 5%-10% of their expense base, though we would expect them to reinvest some of this.

The combined Company should be able to generate mid-to-high single-digit revenue growth over the next several years, as both businesses expand their offerings commensurate with the massive expansion of capital markets thanks, in part, to perpetually profligate monetary policy. We also expect the new Company to be able to generate steady expense leverage and drive very attractive marginal returns on invested capital while leading to healthy double-digit earnings growth, once the dust from the acquisition has settled.

Clearly IHS Markit management were motivated sellers, as S&P Global offered just a single-digit percentage premium to IHS' previous close. That's not to say this deal came cheap, but both Companies exhibit nearly the same multiples that are at the upper end of their historical ranges. We would have preferred the Company issue more debt to finance the deal, however it will have plenty of capacity to repurchase shares in the future. We continue to carry S&P Global at a half-weighting and will wait for the market to serve up its nearly annual offering of the stock at cheaper multiples.



Tractor Supply Company

While the entire market rallied in 2020, despite overwhelmingly negative real-life fundamental performance, our long-term holding Tractor Supply Company had an excellent year both in terms of company fundamentals and stock price performance, with events clearly elucidating why we have been avid supporters of this company for many years. The unique events of 2020 demonstrated two very important attributes of the company: first, and perhaps most importantly, the essential nature of this business to its customer base; and second, the skill of this Company's management team.

First of all, 2020 showed, quite literally, what we have said all along: Tractor Supply provides an essential service to its rural and semi-rural customer base. The nature of the business, and the physical locations of its stores – which have been placed in physical proximity to its customers, and in areas that are not served by other large retail competitors – allow the Company to meet crucial customer needs not being provided by anyone else, which includes physical retail and online retail competitors.

If, as Tractor Supply retail-bears have been arguing for the best part of 20 years now, Tractor is going to be supplanted by Amazon or by any other online retailer, 2020 would have been the year for this to happen. For a start, if the Company truly was not an “Essential Retailer” – actually certified as such by governments this year – stores would have closed for significant periods. This did not happen, although Tractor Supply did adapt its hours in response to the pandemic. Second, with much of the country hit with stay-at-home orders early in 2020, combined with the public's very sensible aversion to mingling with strangers in the middle of a pandemic, one would expect everyone to be forced into the arms of Amazon and other online retailers...unless, it turns out, Amazon and other online retailers are unable to meet those customers' needs. We have always believed this, and 2020 proved it.

We have argued for years that there actually isn't much magic in selling something online. 2020 demonstrated, however, that there definitely is some skill involved in being able to handle sales growth – online or otherwise – profitably and in a capital-efficient manner. While Tractor saw a more than doubling of online sales penetration (still very low as a percentage of total sales) in response to the pandemic in 2020, and while it invested heavily in multiple areas in order to meet this shift in customer demand, it managed to handle the flood of sales that unexpectedly arrived. It also significantly improved profit margins, prudently managed working capital, and thus delivered a massive improvement in cash flows. We present the following table to compare how Tractor Supply managed this year's unexpected windfall in relation to Amazon, for example.



AMZN vs TSCO, selected financial statistics
[first nine months of 2020, as reported]

	<u>Revenue</u> <u>growth</u>	<u>Op Profit</u> <u>growth</u>	<u>CFFO</u> <u>growth</u>	<u>FCF</u> <u>growth</u>
Tractor Supply (TSCO)	26%	47%	143%	272%
Amazon (AMZN) - North American retail	37%	11%	*	*
Amazon (AMZN) - Total company			88%	35%

sources: company financial releases and reports

Op Profit = operating profit, also known as earnings before interest and taxes

CFFO = cash flow from operations

FCF = free cash flow

* these metrics not available for Amazon's North American retail segment

Where metrics were available, we compared Tractor to Amazon's most comparable segment, its North America business, which includes its retail business as well as Prime and other subscription revenue. Unfortunately, cash flow data is not available for this segment, so we used Amazon's total company cash flows in the table. We would note that Tractor Supply managed to convert their windfall in sales into more than 4X better profit growth than Amazon's comparable North America business, while also more than doubling operating cash flows and nearly quadrupling free cash flow. Over at Amazon, in a model that is supposed to be geared for scalability, and where it theoretically is supposed to be more capital efficient, considering that it does not have to throw up all of these dinosaur-era physical retail stores in order to generate sales growth, we find the lack of profit and cash flow generation to be fairly astounding, particularly in a period during which customers were driven to them in droves.

For those who somehow believe there is something disruptive in Amazon's much-trumpeted move to next-day shipping – only for Prime members, on some stuff, sometimes, but not actually during the time of year you really need it, and not very often at other times, either, in our experience – we would point to Tractor Supply's exceptional execution in meeting customer's needs; over a period of only three weeks during the early chaos during the pandemic, from just 20% of stores offering same-day shipping to ALL stores offering same-day shipping. This, along with similar services offered by large retailers such as Wal-Mart and Target, demonstrates another of our long-held beliefs; Amazon isn't getting ahead of these retailers, who all have inventory and people on the ground *today* in physical proximity to their customer base. By trying (with mixed success) to provide next-day shipping, Amazon is still scrambling to catch up with these retailers' capabilities, all the while sacrificing profits and capital in order to do so.

All in all, throughout 2020, we were truly impressed with the execution of Tractor Supply's management team, which smoothly handled all of the pandemic-related challenges, including, conditions in physical stores, managing through a variety of government decrees, adapting store hours, ramping up hiring, significant cleaning/sanitation expense, managing a supply chain that



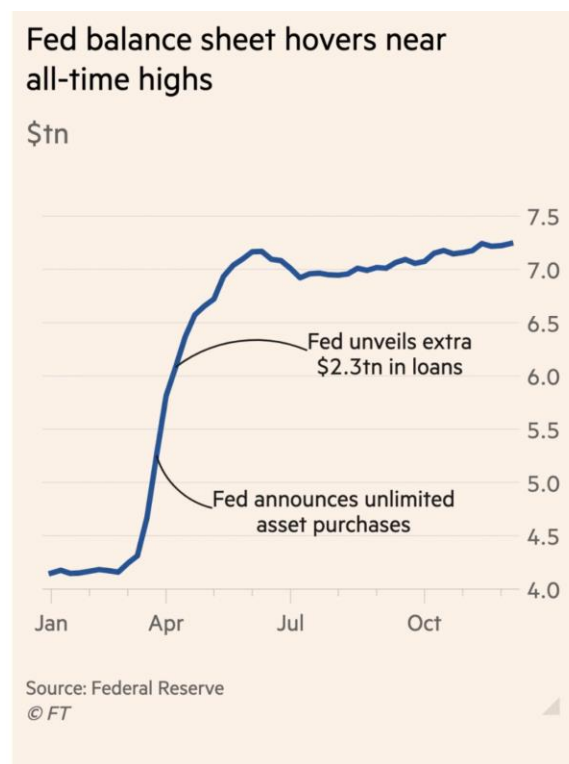
suddenly had to deal with considerably higher demand, and with a different sales mix than usual, plus handling a sudden change in demand for omni-channel services. On top of dealing with these unexpected changes in the short term, management continued (in fact, accelerated) investment for the future, including store expansion, increasing staff hiring and wages, distribution footprint expansion, and technological/online/omnichannel investment, and never missing a beat as they stayed on top of the typical day-to-day quest for operational improvement that has been a hallmark of this company for the past fifteen years.

Tractor Supply's stock rallied +50% in 2020, but, considering the entire market rallied in 2020 on a pandemic and a massive recession, we believe a rally in the stock of this company, which actually benefited from the pandemic in 2020 and will continue to benefit into the future, is fully justified. It's also worth pointing out that a significant portion of the market was beating up the stock in late '19/early '20 for somehow being an "oil stock," which was overblown on a variety of fronts. This had left the stock trading at an attractive valuation going into the pandemic, so, even with its eventual rally, the stock still trades at a very favorable valuation, both on an absolute basis and, particularly, in relation to the rest of the market. While the stock took a bit of a break toward the end of last year, as investors began to take profits (as we did, to a small degree, ourselves) and to look for more beaten-up businesses which might have stronger rebounds as the economy hopefully recovers, we expect Tractor Supply to remain a long-term winner.

Trampoline or Tightrope

“I worry that bond buying has some distorting impact on price discovery, that they encourage excessive risk taking, & excessive risk taking can create excesses and imbalances that can be difficult to deal with in the future.”

Robert Kaplan, President Dallas Federal Reserve Bank

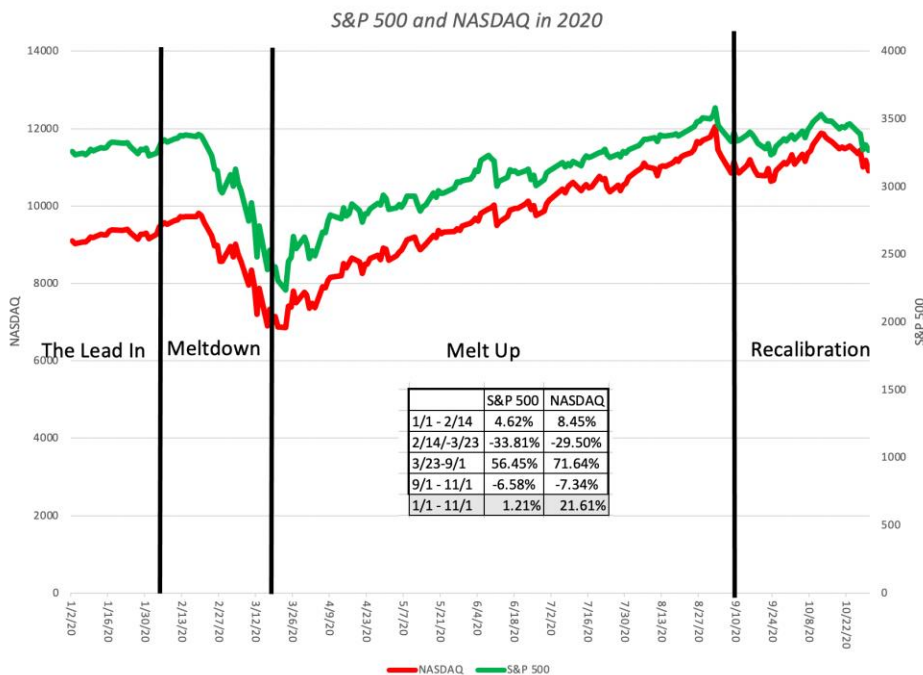


2020 was, what? Too many adjectives come to mind. Surreal, sobering, maddening, astonishing? One wants to comment on matters beyond the economy and the markets, as seemingly everything from the pandemic to the political magnified thoughts and expectations on the economy and markets. We left our last Letter worried about the spiking force of the pandemic and the inevitable political playbook of a second round of shutdowns. That happened. Then the vaccine happened. The markets, in their usual draconian manner, cut through the fear, latched on to a post-vaccinated world, looked long into 2021, and began to price in a strong, rebounding economy post-COVID.

The stock market ended 2020 at all-time highs. Most major stock market indices ended the year at all-time highs, including the S&P 500 Index, the S&P 500 Equal-Weighted Index, the Dow



Jones Industrial Average, the S&P 400 MidCap Index, the S&P 600 SmallCap Index, the NASDAQ Composite, the NASDAQ 100 Index, and the Russell 2000 Index.



Source: aswathdamodaran.blogspot.com

In terms of the markets, specifically the stock market, 2020 was beyond astonishing. Astonishingly binary. Lock-down stocks vs. vaccine stocks. For the first three-quarters in the year, lock-down insensitive stocks (nearly exclusively technology stocks) flourished as they once flourished during the late 1990's. Most of these growthier companies saw their respective corporate fortunes notably improve during the lockdowns.

The vaccine stocks, those of economically sensitive businesses that were forced to close were clobbered and stayed clobbered until the vaccine arrived. Indeed, until Pfizer announced the success of its COVID vaccine (November 9th) the Russell 1000 Growth Index gained +30.8% versus the Russell 1000 Value Index drop of -8.4%, a differential of +39%. Since November 9th, The Russell 1000 Value Index gained +12.3%, while the unstoppable Russell 1000 Growth Index gained +6.1%. (Note: As this Letter is being written the Democrats have swept the Senate run-off in Georgia. With the Democrats now controlling all three branches of the federal government, value stocks may now have a trillion-dollar “stimulus” kicker to boot.)




The Outperformance of Growth Stocks Has Become More Pronounced of Late...
All Periods Ended September 30, 2020



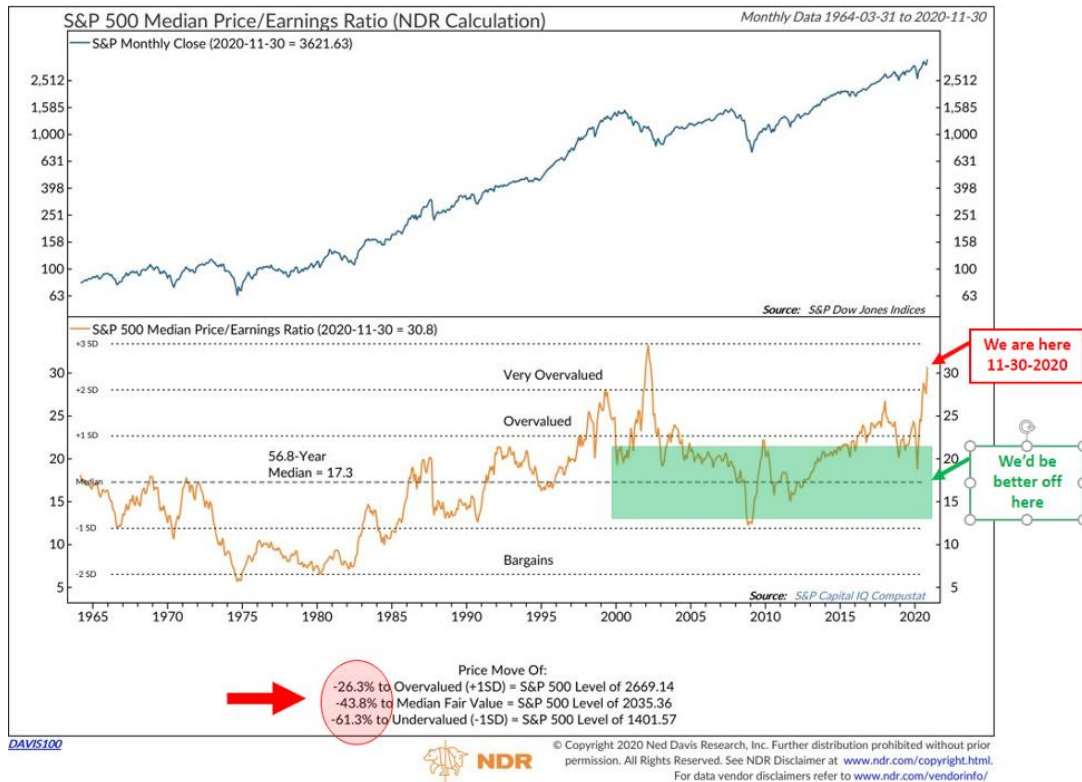
In other related “all-time” highs, stock market valuations joined the party too in 2020. Stock market valuation “Cassandras” have become nearly a laughingstock over the past few years (we admit to being a “fully-invested” social member of this club). “Don’t Fight the Fed” has been a massively winning, fully-invested, long-only strategy for all but the most dancing on the-head-of-a-pin angels.

US Federal Reserve - Total Assets			
Year End	Assets (in Billions)	\$ Increase (in Billions)	% Increase
2002	732		
2003	772	39	5.4%
2004	811	39	5.1%
2005	848	37	4.5%
2006	870	22	2.6%
2007	891	21	2.4%
2008	2,239	1,349	151.4%
2009	2,234	-5	-0.2%
2010	2,421	187	8.3%
2011	2,926	506	20.9%
2012	2,907	-19	-0.6%
2013	4,033	1,125	38.7%
2014	4,498	465	11.5%
2015	4,487	-11	-0.2%
2016	4,451	-35	-0.8%
2017	4,449	-3	-0.1%
2018	4,076	-373	-8.4%
2019	4,166	90	2.2%
2020	7,363	3,197	76.7%
	Period	\$ Increase (in Billions)	% Increase
	2002-20	6,631	906%


@CharlieBilello



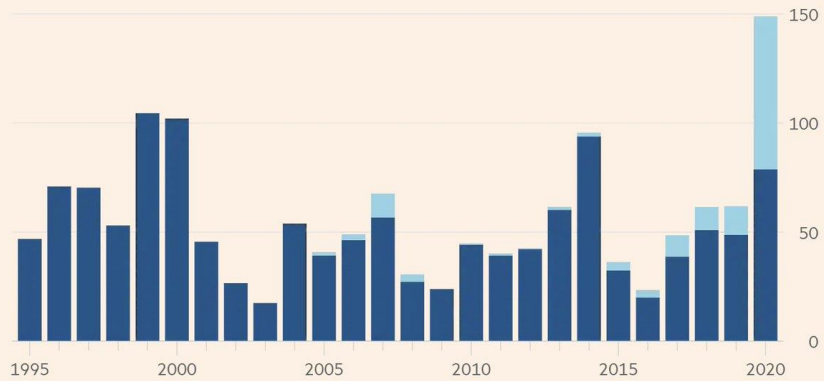
The Federal Reserve's extraordinary response to the pandemic recession was a +77% increase in the Fed's balance sheet – a cumulative *10X-fold* increase over the past 20 years. The *\$3.2 trillion* expansion in just three months beginning in late June wasn't, in our view, just a safety net, but a trampoline for nearly every asset class – stocks, bonds, real estate, IPOs, SPACs, speculative margin debt, Tesla stock, Bitcoin, Rolex watches – you name it!



US IPO boom reaches new heights

Proceeds raised (\$bn)

IPOs-ex Spacs Spacs



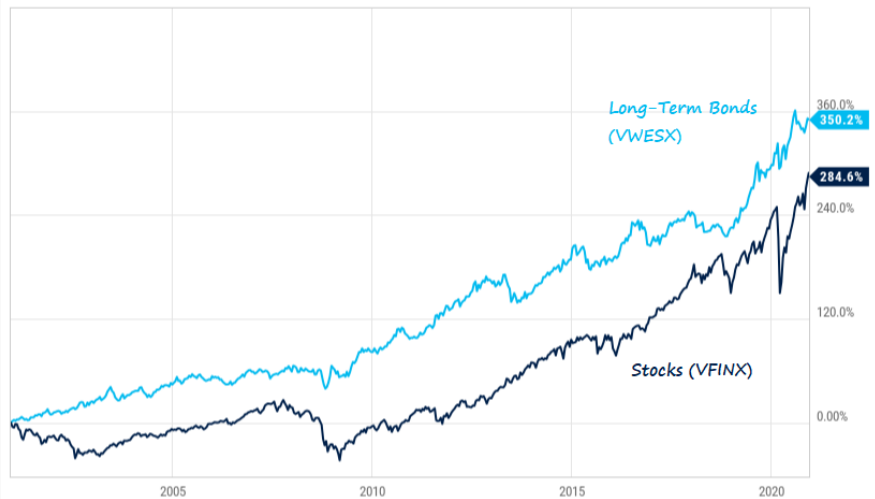
2020 figure is year-to-date.

Source: Refinitiv

© FT

Stocks vs. Long-Term Bonds, Last 20 Years

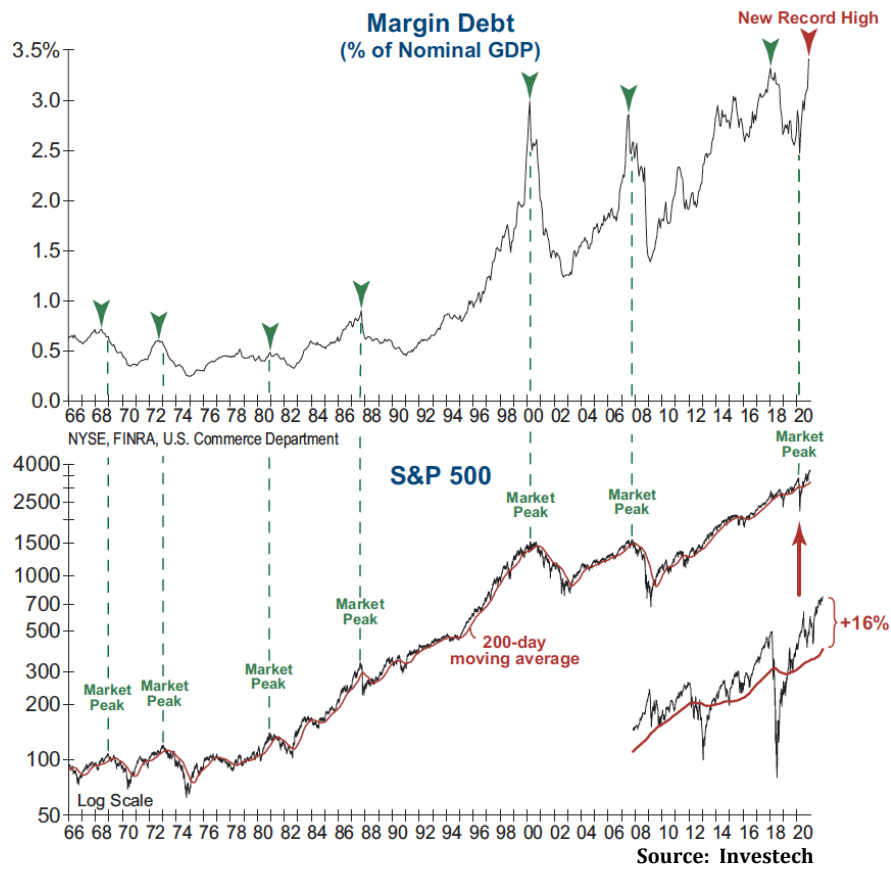
- Vanguard Long-Term Investment-Grade Inv Total Return
- Vanguard 500 Index Investor Total Return



20-Year Total Return (Dec 2000 - Dec 2020)

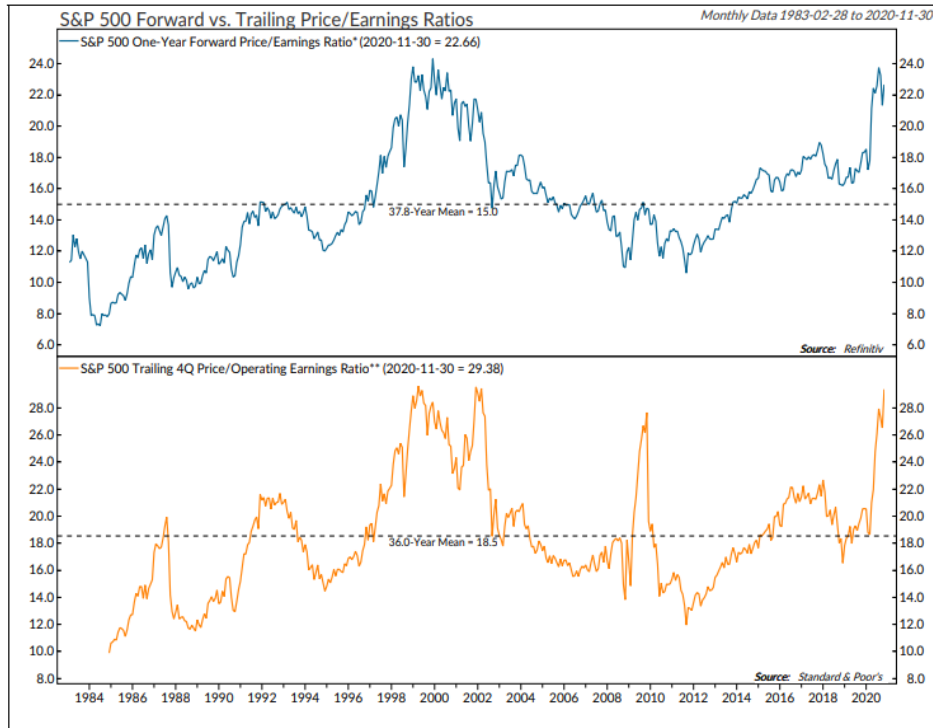
COMPOUND @CharlieBilello

Dec 15 2020, 9:06AM EST. Powered by YCHARTS





Forward and trailing P/E's are near record highs



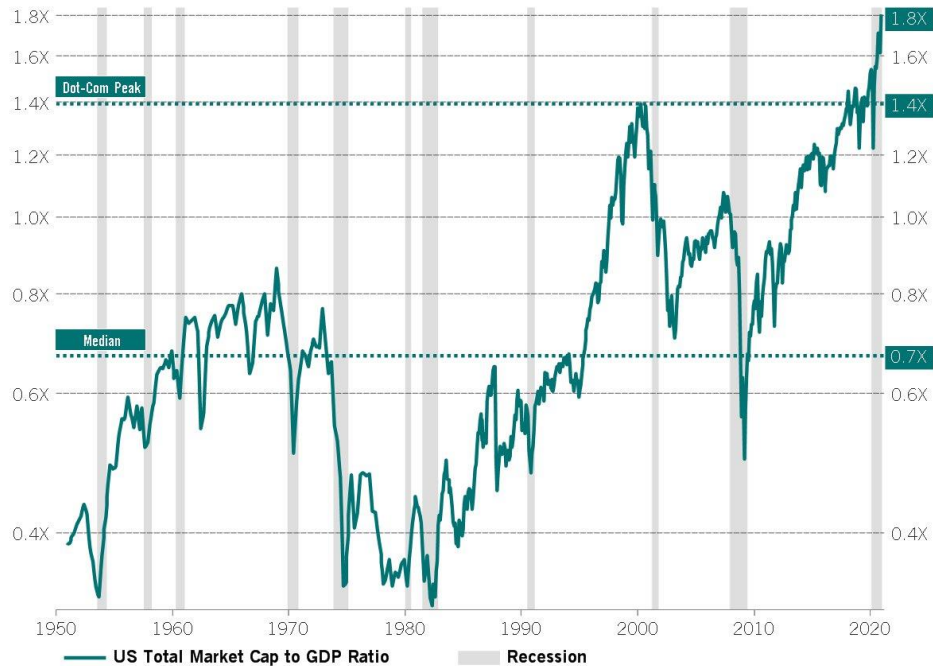
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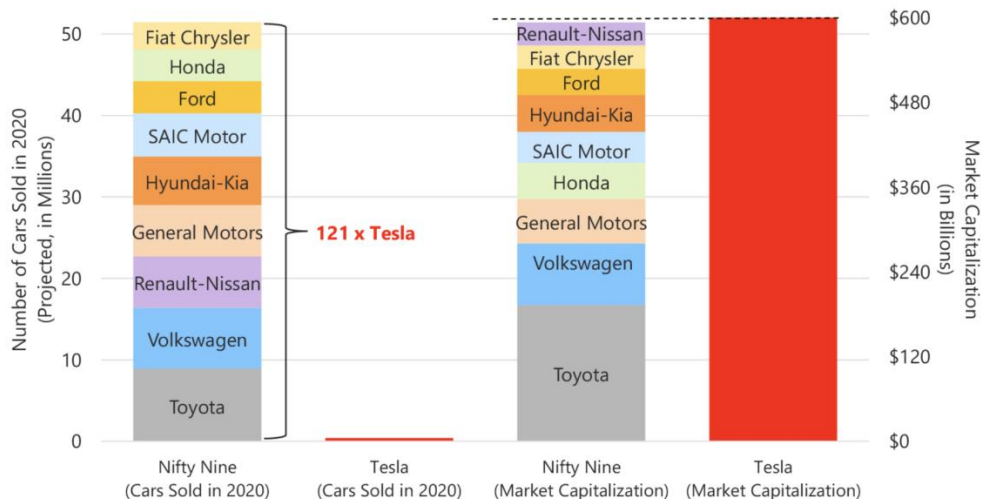


US Total Market Cap to GDP Ratio: Today vs. Median & Dot-Com Peak Levels



Source: Datastream, Pictet Asset Management

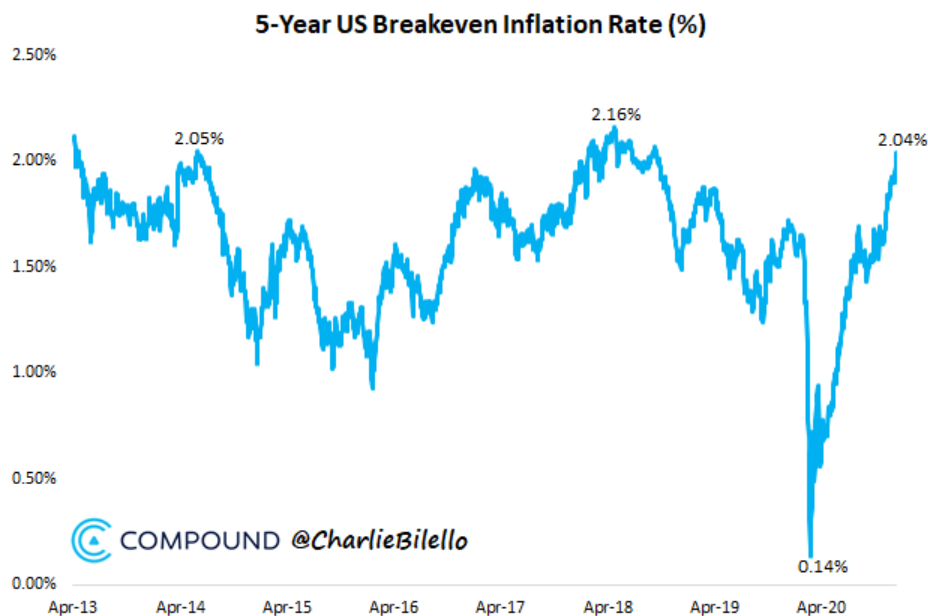
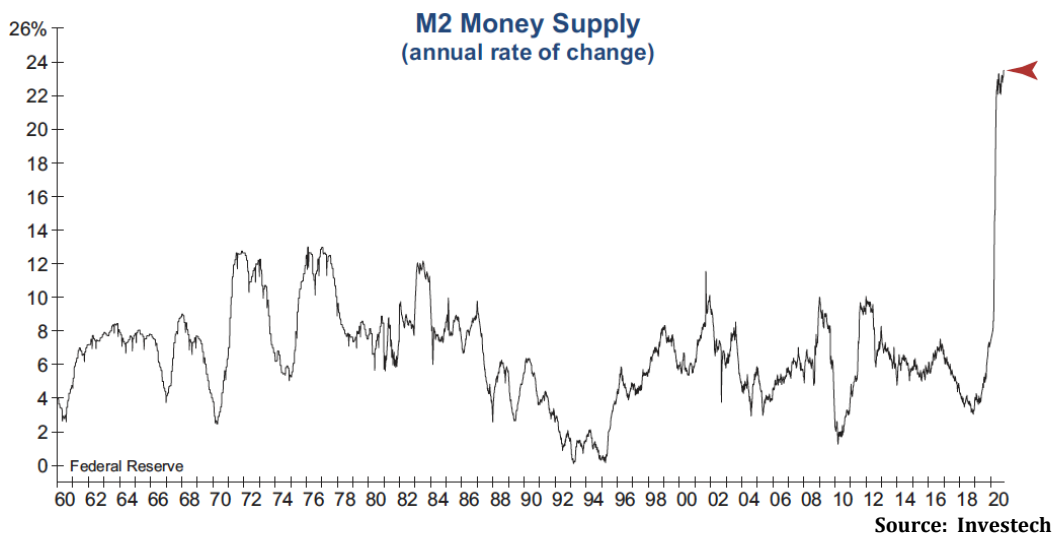
“Nifty Nine” Carmakers, Sales, and Market-Cap Compared to Tesla, as of December 7, 2020



Source: Research Affiliates, LLC, based on data from Yahoo Finance, Ychart, and financial reports published by Tesla, Toyota, Volkswagen, Hyundai Motor Company, General Motors, Ford, Honda, Renault, Nissan, and Fiat Chrysler Automobiles. Market-capitalization numbers from Yahoo Finance and Ychart exclude treasury stock.



Assuming the risk of COVID fades materially early this year, global economies, riding a tidal wave of central bank liquidity, are set to continue recovering throughout 2021. The stock market has aggressively priced in such an event – even to the extent that current expectations of a robust 2021 are still too conservative. Critically, the Treasury market has repriced inflation expectations back to more recent highs (while most corporate and mortgage yields remain at or near all-time lows).





More critically still, 10-year Treasury yields have risen sharply too from just 0.50% in early August to 1.19% as of this writing. That might seem like a big move, but make no mistake, if such yields continue to climb, then the question of when, not if, the Fed needs to change course and begin “tapering” back the size of their massive balance sheet. This emerging tightrope act for the Fed would turn The Flying Wallendas acrophobic. Add into this melodrama extremes in valuation in most parts of the stock market, and it’s an easy call to expect heightened risks for asset prices as the economy roars back in 2021. We hope Powell & Co. are already fitted for parachutes.

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

January 2021

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
Alphabet Inc.	8.1%
Edwards Lifesciences Corp.	8.0%
Facebook, Inc.	7.7%
Apple Inc.	7.6%
PayPal Holdings, Inc.	7.4%
Visa Inc.	6.3%
Motorola Solutions, Inc.	6.2%
Tractor Supply Co.	5.1%
Keysight Technologies, Inc.	5.0%
Microsoft Corp.	5.0%
Total	66.3%

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.

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

The RiverPark Funds are distributed by SEI Investments Distribution Co., which is not affiliated with Wedgewood Partners, RiverPark Advisors, LLC, or their affiliates.

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