Wedgewood Fund

(RWGIX/RWGFX)

Fourth Quarter 2021 Review and Outlook

Performance: Net Returns as of December 31, 2021

	Current Quarter	One Year	Three Year	Five Year	Ten Year	Since Inception
Institutional Class (RWGIX)	10.05%	32.42%	32.03%	21.45%	16.08%	15.54%
Retail Class (RWGFX)	9.94%	32.12%	31.64%	21.13%	15.85%	15.30%
Russell 1000 Growth Total Return Index	11.64%	27.60%	34.08%	25.32%	19.79%	18.84%
S&P 500 Total Return Index	11.03%	28.71%	26.07%	18.47%	16.55%	15.83%
Morningstar Large Growth Category	6.88%	20.49%	28.86%	21.76%	17.12%	15.93%

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 26, 2022, for Institutional and Retail classes are 0.95% and 1.24%, 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 2021 the Fund gained +32.4%. The S&P 500 Index gained +28.7%. The Russell 1000 Growth Index gained +27.6%. The Russell 1000 Value Index gained +25.2%. More importantly, we are pleased to report that the Fund has gained +30% for the third consecutive year, outperforming the S&P 500 Index +130% versus +100% over the past three years. Over the past five years, the Fund has gained +164% versus the +133% gain in the S&P 500 Index.

For the fourth quarter of 2021 the Fund gained +10.0%. The S&P 500 Index gained +11.0%. The Russell 1000 Growth Index gained +11.6%. The Russell 1000 Value Index gained +7.8%.

Top performance contributors for the year include Alphabet, Motorola Solutions, Tractor Supply Company, CDW, and Microsoft. Top performance detractors for the year include PayPal, Electronic Arts, Bristol-Myers, Alcon, and Visa.

Top Contributors to Performance for the Year Ended December 31, 2021	Average Weight	Percent Impact
Alphabet Inc.	9.34%	5.70%
Motorola Solutions, Inc.	6.66%	3.71%
Tractor Supply Co.	5.74%	3.55%
CDW Corp.	5.35%	2.90%
Microsoft Corp.	5.44%	2.68%

Top Detractors to Performance for the Year Ended December 31, 2021	Average Weight	Percent Impact
PayPal Holdings, Inc.	5.46%	-0.45%
Electronic Arts Inc.	3.49%	-0.22%
Bristol-Myers Squibb Co.	0.79%	-0.10%
Alcon AG	1.03%	0.10%
Texas Pacific Land Corp.	0.49%	0.17%

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 performance detractors for the fourth quarter include PayPal, Meta Platforms (Facebook), Electronic Arts, Visa, and Bookings Holdings. Top fourth quarter performance contributors include Apple, Motorola Solutions, Microsoft, Tractor Supply Company, and Keysight.

Top Contributors to Performance for the Quarter Ended December 31, 2021	**Average Weight**	**Percent Impact**
Apple Inc.	6.28%	1.50%
Motorola Solutions, Inc.	6.61%	1.12%
Microsoft Corp.	5.91%	1.09%
Tractor Supply Co.	6.14%	1.03%
Keysight Technologies, Inc.	4.05%	0.96%

Top Detractors to Performance for the Quarter Ended December 31, 2021	**Average Weight**	**Percent Impact**
PayPal Holdings, Inc.	4.21%	-1.41%
Electronic Arts Inc.	0.96%	-0.13%
Meta Platforms Inc.	8.65%	-0.07%
Booking Holdings Inc.	2.62%	0.10%
Visa Inc.	5.05%	0.13%

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

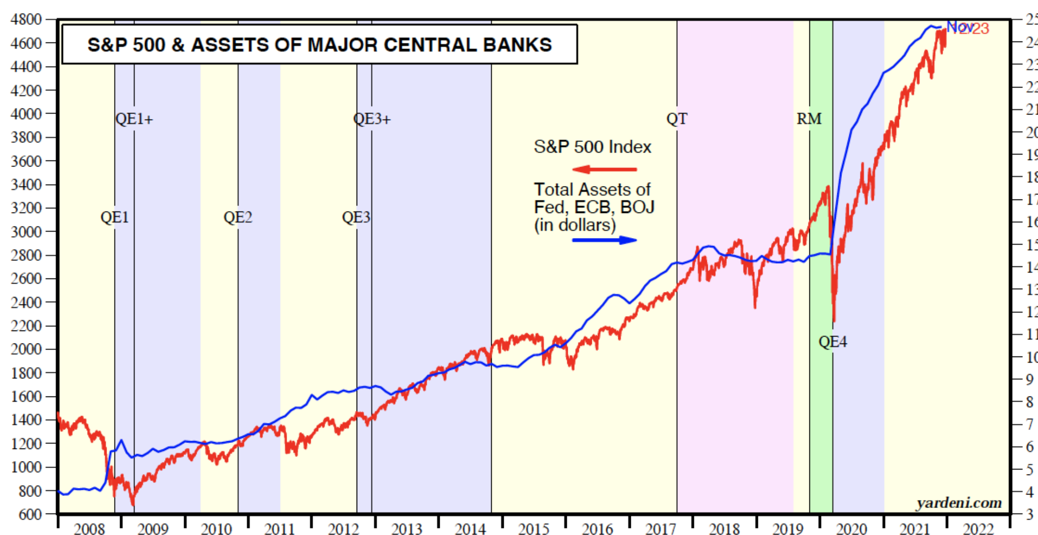
Hotel California: The Reunion Tour

"Last thing I remember, I was running for the door
I had to find the passage back to the place I was before
'Relax,' said the night man,
'We are programmed to receive.
You can check out any time you like, but you can never leave!'"

The Eagles, 1977

"I don't see how we can exit Quantitative Easing without a significant economic event."

Alan Greenspan, former Fed Chairman



Apple was a top contributor to performance during the fourth quarter. Revenues grew by almost +30%, with earnings further boosted by margin gains from the insourcing of processor design and production for the Company's Mac lineup. Despite these sourcing changes, Apple still ran into some shortages of mass market inputs and would have otherwise reported even higher growth. The Company also continues to take smartphone share in China roughly a year after Huawei was forced to abandon the industry. Apple's iPhone franchise should be a beneficiary of Huawei's colossal failure for some time. We continue to hold Apple shares as a core position.

Motorola Solutions generated +13% revenue growth and drove over +20% earnings per share growth as it sold a higher mix of high-margin, recurring software, with Company-wide margins

well above-above pre-COVID peaks. Motorola is a key partner with public safety and corporate customers who operate land mobile radio (LMR) networks for decades, which requires numerous software updates and constant cybersecurity support. Further, the Company has amassed a suite of software offerings that manage public safety emergency and 911 call center workflows. We expect Motorola's core public safety market to continue adopting these software and service solutions that drive higher productivity in the face of chronic labor shortages.

Microsoft continues to compound revenue and earnings at a solid clip. Revenue grew +20% on a currency-neutral basis, with operating earnings growing by +27%. Microsoft's operating earnings are up almost +60% over the past two years as its cloud-based productivity solutions and infrastructure as a service (Azure) benefit from higher pricing and increasing scale, respectively. The Company is also amassing impressive scale for its video game content franchise, which partially figured into our decision to exit Electronic Arts. Microsoft exhibits multiple avenues for strong multiyear growth and remains a core holding in portfolios.

Tractor Supply contributed favorably to performance during the quarter. Demand from the Company's niche, affluent rural customer base continues to surge in a post-COVID world with comparable store sales running over +40% higher compared to pre-pandemic (2019) levels. Tractor Supply is seeing growth across all channels, from its website to e-commerce that is fulfilled by its 2000-store fleet to regular in-store traffic. The Company is also managing inflation and supply chain disruptions extremely well, passing through nearly +7% of inflation on consumable goods and managing a quarterly inventory in-stock rate that was actually higher than pre-pandemic. Tractor Supply is an exceptional retailer, and we continue to hold it as a top position.
Keysight Technologies also contributed favorably to performance during the quarter. Revenues grew +6%, with adjusted operating earnings growing +11%. The Company's revenue growth is likely slower than what it would have been otherwise were it not for chronic input shortages from non-Company-controlled portions of their supply chain. This is evidenced in over +20% growth in orders that should help Keysight accelerate top-line growth over the next several quarters. In spite of this, we trimmed our holdings in Keysight and redeployed the proceeds into Taiwan Semiconductor which now trades at a discount to Keysight but should have a more sustainable pathway for growth.

PayPal Holdings detracted from performance during the fourth quarter, despite reporting metrics that show its platforms are thriving. The total volume of payments that PayPal proprieties handled grew +26% compared to 2021 and is now over +70% higher than in 2019. In addition, new accounts at PayPal properties grew +12% while PayPal users executed +10% more transactions than last year. PayPal's one-time parent and former largest customer, eBay, now represents just 3% of the Company's payment volume as PayPal has aggressively expanded its platforms to include e-commerce merchants of all sizes. This includes Amazon, which announced it will accept payment at checkout from PayPal's Venmo starting in 2022. Last, index providers S&P Dow Jones and MSCI, announced the potential re-constitution of their equity indexes, including changing the sector classification of payment processors, such as PayPal (and Visa), from

"Information Technology" over to "Financials."1 We are benchmark agnostic; however, we believe the potential change to this market structure particularly within passive index exchanged-traded funds, likely added to volatility during the quarter.

Meta Platforms, formerly known as Facebook, detracted from performance. Meta's core Facebook properties reported an impressive +35% revenue growth, an acceleration over last year's +22% revenue growth, as small businesses continued to flock to the Company's advertising platform. However, the Company's forward-looking guidance came in below what many investors were expecting because changes to Apple's mobile operating system (iOS) privacy policies made it more difficult for advertisers and Facebook to track the performance of ad spend. Facebook has anticipated Apple's changes for some time; however the rollout of alternative performance tracking will take time for advertisers to implement. Longer-term, we think Facebook's core properties represent a compelling value proposition for most small advertisers because the Company has billions of daily users that flock to it. Although Meta's spending on noncore projects related to what it defines as the "metaverse" has driven expense growth higher, we consider it not too out of line compared to the spending of most large technology companies that often just refer to it as "research and development." Meta trades at an attractive multiple and with an unmatched competitive positioning in social media advertising, so we added to our position during the quarter.

Electronic Arts detracted from portfolio performance during the fourth quarter. We also sold out of our position in the stock and used the proceeds to add to existing holdings that are better positioned competitively. The Company's core FIFA franchise continues to thrive; however, the risk to this franchise has begun to rise as licensors demand a larger share of EA's economics. Further, the Company's execution around another core franchise, "Battlefield," disappointed us, despite several previous comments from management that promised better execution. Although the Company's equity appears cheap compared to estimates for earnings over the next 12 months, the risk to its core franchises extends beyond that time frame and we decided to redeploy capital into companies with better competitive positioning.

Visa contributed to performance but less so compared to most holdings. Credit card payment volumes over Visa's networks continued to recover from COVID effects, growing over +18% on a U.S. dollar basis, supplemented by continued strength in debit. High-margin, travel-related cross-border credit card volumes continue to remain below 2019 levels, and although it is difficult to know when cross-border payment activity will recover to 2019 levels, we think it is just a matter of "when" not "if." The return of international travel should represent additional upside to Visa's growth rates over the next few years. As for Visa's stock, we note again that the index providers, S&P Dow Jones and MSCI, announced the potential re-constitution of their equity indexes, including changing the sector classification of payment processors, such as Visa (and PayPal), from "Information Technology" over to "Financials." Although we are benchmark agnostic, we

[1] https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20211018-1444368/1444368_gicsconsultationoct2021.pdf

suspect that the potential change to this market structure, particularly within passive index exchanged-traded funds, likely added to volatility during the quarter. Visa traded down to attractive relative and historical forward earnings multiples, so we added to our position. Visa maintains a dominant franchise that is providing the network – or "rails" – that have led to a boom in fintech payment volumes, so we were happy for the opportunity to increase our weightings.

Booking Holdings also contributed to performance, though less so compared to most portfolio holdings. The Company reported substantial room-night growth compared to the year ago period, which was heavily affected by COVID. Intra-quarter, Booking Holdings consolidated room-nights approached almost 90% of pre-COVID levels because both domestic and international travelers have had to endure a few years of pent-up travel aspirations and are being eased back into the market with various governments relaxing some of their most stringent, COVID-related travel restrictions. Although infection rates related to new COVID variants (particularly Omicron) have risen subsequent to last quarter, we think populations around the world are coming to grips with the risk of infection and will inevitably return to spending on travel. Booking Holdings represents a key source of demand for the small and medium sized hospitality industry and has the second largest global booking volume for alternative accommodations. The latter observation is significantly misunderstood by investors and represents substantial upside to the stock, regardless of the timing of the recovery of traditional hospitality spending; hence, we added to our position in Booking Holdings.

Company Commentaries

Apple

Apple continues to develop new products and services that capture dominant profit share in some of the largest and most competitive industries around the globe[2]. Having owned Apple continuously for the past 16 years, we find it surprisingly difficult to know what new products the Company will unveil over a multi-decade timeframe. For example, in 2006, we did not know Apple would sell MacBooks with Apple-developed CPUs starting in the year 2020. In 2006, Apple had just made a huge pivot by launching its first Intel-based computers, moving away from IBM PowerPC[3]. But we did know that Apple's vertically integrated (software and hardware) product development strategy was unique and extremely capable of creating products and experiences that customers thought worthwhile enough to spend growing amounts of time and money on. Today, that development strategy culture is still intact and as entrenched as ever thanks to Apple's methodical long-term investments in key areas such as semiconductors and integrated circuits (IC), which have been complemented by continuous software innovation.

[2] https://www.counterpointresearch.com/global-handset-market-operating-profit-q2-2021/
[3] https://www.apple.com/newsroom/2005/06/06Apple-to-Use-Intel-Microprocessors-Beginning-in-2006

In just a few years after Apple's switch to Intel for its PCs, Apple made a couple of strategic acquisitions that launched its internal semiconductor development platform. These acquisitions, including PA Semi and Intrinsity, saw the Company add several hundred silicon engineers in the process, initially with the stated goal of expanding Apple's parallel processing capabilities for its line of Mac computers.[4] However, Apple's first internally-designed system on a chip (SoC), the A-4 (launched in 2010), was not a multicore chip, nor was it designed for a PC. Yet by 2011 it was rumored that Apple had "1,000 engineers working on chips."[5]

With the introduction of the iPhone and the creation of the Open Handset Alliance in 2007, off-the-shelf solutions for the touchscreen smartphone industry exploded, setting up supplier-customer dynamics reminiscent of the "Wintel" era of the 1990's. Samsung, Qualcomm, Broadcom, and NVIDIA (to name a few) often provided off-the-shelf inputs for original equipment manufacturers (OEM) like Nokia, Samsung, ZTE, Sony, and Apple. By definition, these inputs were not custom made; therefore, those parts alone would not provide any sort of differentiation. So, the real benefit of recruiting semiconductor design talent was that Apple could create custom inputs to make products that would significantly stand out from the competition.

Apple has developed well over a dozen custom processors and other integrated circuits since it launched its first "A-series" processors. The A-series processor family seems to be an annual iteration of Apple's mobile CPUs, often enabling new iOS-specific functions that sometimes takes competitors years to mimic. For example, in 2017 Apple's A11 Bionic processor featured a "neural processing unit" that provided the iPhone X with enough processing power specifically dedicated to operating the device's FaceID 3D mathematical algorithms so users could securely unlock their phones and also make digital payment authorizations. It took years for competitors to copy this feature using similar biometric scanning, but even those have been sparingly embraced by users, meanwhile Apple's FaceID helps authorize over 600 million payments per year.[6] Payments alone are probably not a huge reason to go out and buy an iPhone or iPad, but after more than a dozen years of chip iterations we would argue that regular device feature innovations along with quality improvements have yielded a consistent and differentiated value proposition that regularly convinces consumers to stay and grow in the Company's lucrative ecosystem.

To capture the vast majority of the profit share in mobile, Apple has had to do more than generate revenue by focusing on user experience. The Company has also had to maintain a disciplined value chain to keep expenses under control. One obvious but immensely important aspect of their strategy has been a focused product set. This concentrated purchasing power

[4] https://bits.blogs.nytimes.com/2008/06/10/apple-in-parallel-turning-the-pc-world-upside-down/
[5] https://techcrunch.com/2011/10/09/apple-1000-engineers-chips/
[6] Mobile Payment Authentication: Biometrics, Regulation & Market Forecasts 2021-2025

likely affords raw chip procurement economics that are not far from off-the-shelf solutions.[7] In addition, Apple has been able to secure leading-edge fabrication technology at its fabrication partners at huge scale. This rare capacity alone provides a multiyear head start on many processing competitors. So, Apple can reap the benefits of custom chips without paying exorbitant prices, which creates value for most everyone involved.

We expect Apple's strategy of differentiation through silicon will continue for years to come. According to Apple's website, Apple currently has as many job openings for silicon-related development as they do for software applications and frameworks. More recently, Apple has started to displace Intel CPUs from its PC lineup and replaced it with Apple's M-Series silicon. Apple also plans to replace Qualcomm modem silicon by including an internally developed modem on upcoming A-Series processors.[8] Of course, Apple does not participate in the server CPU market or cater to hyperscale customers, despite iCloud, the App Store, and all of its other cloud-based services. However, we would not be surprised if one day Apple tried to bend the curve in the cloud. None of these moves are mean feats given Intel and Qualcomm have been competing in processor design and production for generations.

Apple has effectively created a semiconductor business that rivals and even surpasses some of the most established semiconductor-focused businesses in the industry. Apple continues to differentiate through vertical integration, which has been a hallmark of Apple's long-term strategy to grow and capture superior profitability. It is difficult to predict what new products will be unveiled; however, we think this strategy should continue to serve shareholders quite well.

Texas Pacific Land

> ***"The best business is a royalty on the growth of others, requiring little capital itself."***
>
> **Warren Buffett**

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[7] From 2014 to 2018, Apple reported more than 250 million total iPhones and iPads per year; In 2020, Apple spent $11 billion at TSMC to procure its custom chips, according to filings, or about $44 per processor.

[8] https://www.bloomberg.com/news/articles/2020-12-10/apple-starts-work-on-its-own-cellular-modem-chip-chief-says

Texas and Pacific Passenger Station, Fort Worth, Texas

Texas and Pacific office building, Fort Worth, Texas

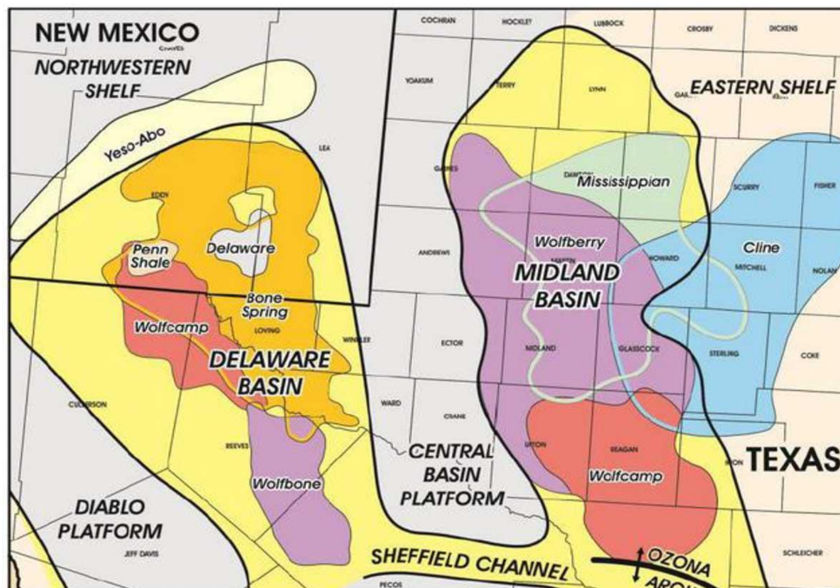
Texas Pacific Land Trust is the best business most investors have never heard of. The Company has a storied history as a railroad operator, but not so rich a history of railroad profits. Today, the Company is an exceedingly profitable, fast-growing, uniquely diversified royalty operation; in arguably the lowest-cost oil basin (Permian Basin) outside of the Middle East oilfields.

The Texas Pacific Railroad Company was created by federal charter (and Texas state charter) in 1871 to build a railroad from the eastern border of Texas in the town of Marshall (near Shreveport, Louisiana) to San Diego, California. The Company's charters were issued at the tail end of the speculative railroad boom after the Civil War. This boom was largely financed with debt issued to European banks and investors. The failure of Jay Cooke & Co. in September 1873 triggered the (first) Great Depression throughout the U.S. and Europe.

Railroad construction literally came to a grinding halt all over the U.S. By 1876, the Company had only laid 444 miles of track and just 972 miles of track by 1886. Such lack of development triggered losses of chartered land. As if such troubles weren't enough for the Company to deal with, hurricane-induced flooding in 1886 and 1887 and crop failures due to drought at the same time drove the final railroad spike in the Texas and Pacific. By 1888, the Company filed for bankruptcy. The bond holders received the 3.5 million acres of granted land in Texas. Stock certificates of trust were issued to the debtors and would later be traded on the New York Stock Exchange. The mineral estate was bought by Texaco (now Chevron). The Company owns a royalty interest in 500,000 acres of this land as well.

(An aside for railroad buffs: At the same time of the Texas and Pacific charter in 1871, the state of Texas also granted permission for the Company to purchase the Southern Trans-Continental Railroad Company and the Southern Pacific Railroad Company. These two purchases were completed the next year. An act of Congress changed the name of the Company to Texas and Pacific Railway Company. In 1976, the Company merged with the Missouri Pacific Railroad (MoPac; the former Pacific Railroad), which by then included 10 other roads). MoPac would ultimately be acquired by the Union Pacific Corporation in 1997.)

Fast forward to today, and the Company's acreage in Texas goes right through the heart of the most lucrative acres within the prolific Permian Basin – particularly the Delaware Trend within the Delaware Basin. With hydraulically fractured horizontal oil and gas well drilling becoming the mainstay within the U.S. by 2011, such technology transformed the economics of the Texas Pacific Land Trust.



Source: Company Reports

Indeed, between 2005 and 2010 earnings per share weren't going anywhere stuck between $0.78 per share and $1.17 per share. That would change in 2011. In 2011 and 2012, the Company was $2.21 and $2.20 per share, respectively.

After 2013, the Company's gushing oil and gas equivalent royalties (paid in barrels) began to gush in size to make Jed Clampett blush. From 2013 to 2019, earnings per share would grow from $3.16 per share to $41.09 per share. The collapse in the price of oil in the pandemic year of 2020 cut earnings per share in half to $22.07. The Company should earn +$36.00 per share in 2021. If oil prices stay between $70 to $80 per barrel, the Company should earn at least $50.00 per share.

	Trust's Royalty Share of 3rd Party Oil & Gas Production	
	Oil (barrels)	Nat'l Gas (000 cubic feet)
2021	438,000	5,913,000
2014	260,829	1,370,377
2013	**217,682**	**1,065,458**
2012	**135,561**	**721,560**
2011	128,170	572,506
2010	118,220	499,615
2009	123,935	419,440
2003	120,883	410,514
1995	107,203	504,177

Source: Company Reports and Horizon Kinetics

In the years before developing the Company's water business, the oil and gas royalty business generated pure profits. Operating margins were consistently in the high 80s and low 90s. The capital spent on building and maintaining the newer water business is relatively small, but not immaterial. Thus, operating margins are still a robust 75-80%. In fact, the Company's free cash flow margins (+60%) are higher than the most profitable companies within the S&P 500 Index.

Today, if you are an oil or gas exploration and production company and you desire any activity on the Company's 23,700 royalty acres in the rich Permian Basin as well as 880,000 surface acres (think grazing and hunting leases, plus the huge optionality of future solar panels, wind farms, and mineral rights), this is all at *zero cost* on the Company's books. Furthermore, the Company estimates that just 7-8% of their royalty acres have been drilled, plus they believe that there is 21 years' worth of inventory under $40 per barrel breakeven oil.

Unique Exposure to Full Permian Development Chain

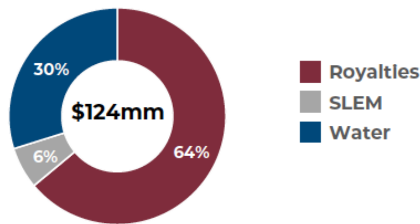
TPL Business Overview

SLEM
- TPL surface generates multiple income streams from Oil & Gas activities, Renewables, Grazing and Hunting leases

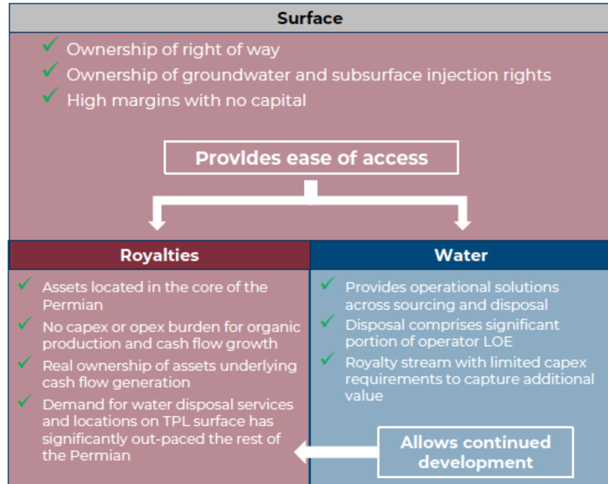
Royalties
- TPL owns an average 4.4% revenue interest across ~533,260 gross royalty acres in the Permian Basin

TPWR
- TPWR provides brackish and treated water for well completions and facilitates produced water disposal

3Q21 TPL Revenue



Business Flow Overview



Maximize Surface Ownership to Operate Profitable Water Business that Facilitates Development of Royalty Acreage

Source: Company data.

Reporting Segments: = Land and Resource Management; = Water Services and Operations

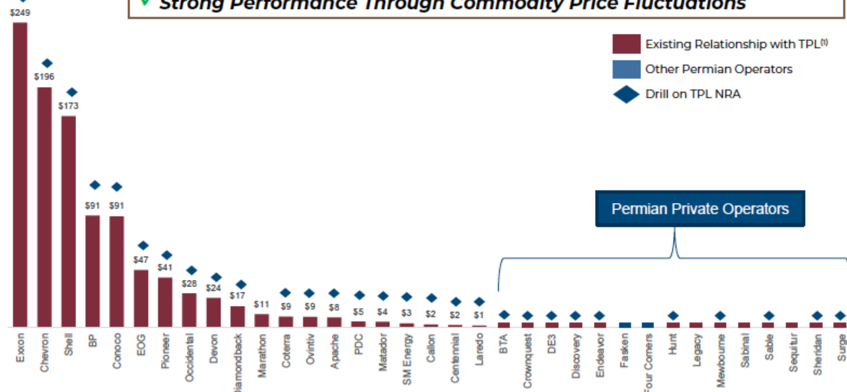
Exposed to Diverse Client Base Required to Utilize TPL Surface / Water

E&P Companies on TPL

Market Cap (in $ billions) as of 9/30/2021

✓ ***High Margin, Fixed-fee Revenue Streams***

✓ ***Strong Performance Through Commodity Price Fluctuations***



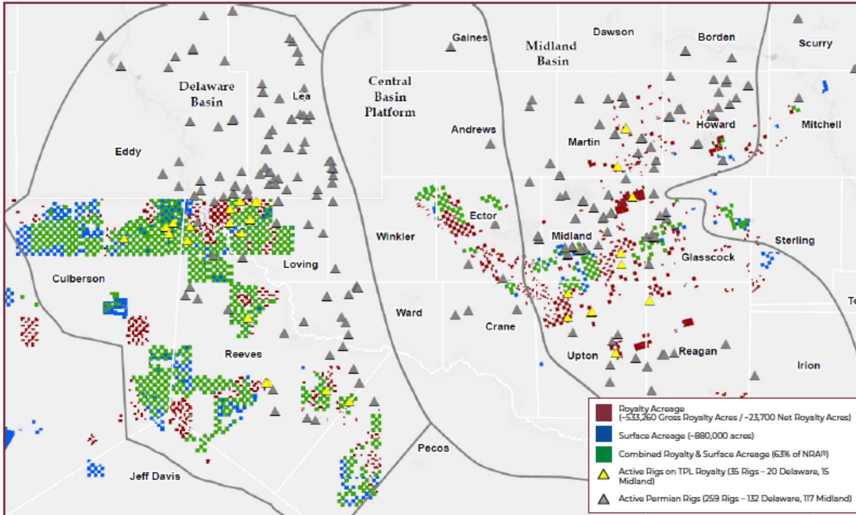
Midstream Companies on TPL

TPL has Existing Relationships with Over 85% of the Top E&P and also Blue-Chip Midstream Companies

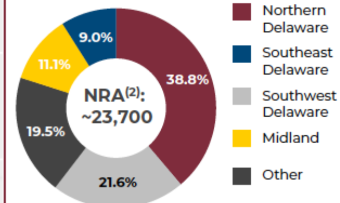
Source: Company data and Bloomberg as of 9/30/21.
(1) Relationships established through surface operations and/or water sourcing / produced water.

Royalty Interest Overview
Land and Resource Management

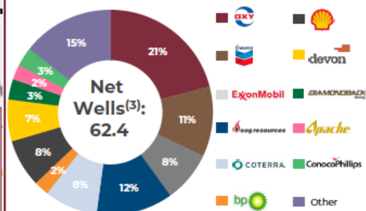
Net Royalty Position and Rigs Running on Core TPL Acreage



Net Royalty Acres Distribution



Key Operators with a Permian Focus



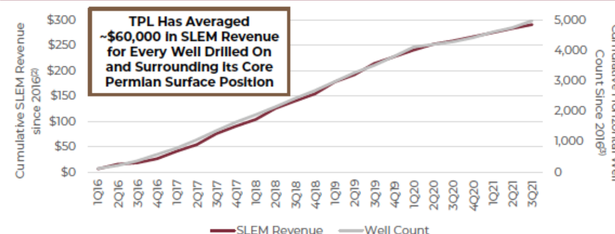
Source: Company data, and Enverus data as of 9/30/21.
Note: Rigs on TPL based on intersect of well-lateral centroid on TPL Royalty Acreage DSUs. Rig counts include active Horizontal, Directional and Unclassified rigs per Enverus Rig Analytics.
(1) Based on 754,080 combined surface and gross royalty acres and 441,013 gross royalty only acres.
(2) Net royalty acres defined as gross royalty acres (~533,260) multiplied by the average royalty per acre (4.4%) as of 3Q'21.
(3) Includes net 45.5 PDP, 7.8 DUCs, 1.9 Completed and 7.3 Permitted wells (represents only horizontal locations).

Surface Leases, Easements and Material Sales ("SLEM")

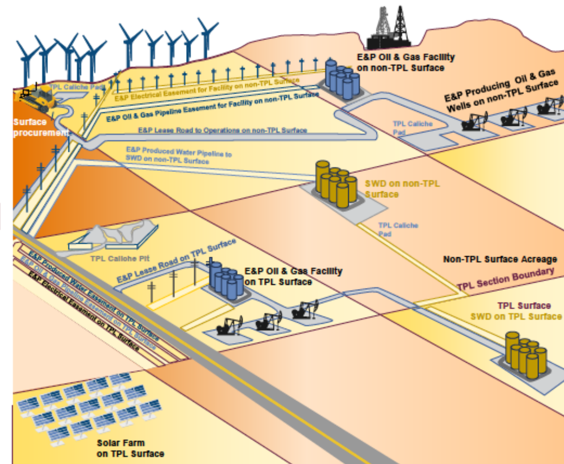
~880,000 Surface Acres With a Concentration in Core Permian Areas

- ✓ Extensive position allows our surface to benefit from development occurring on and adjacent to TPL land
  - Since 2018, SLEM revenue has represented ~17% of total TPL revenues[1]
  - Generates majority of its surface revenue from easements related to pipeline infrastructure
  - Generates lease and material (caliche) sale revenues in addition
- ✓ Majority of easements have 30+ year term but subsequently renew every ten years with an additional payment (initial fee plus ~15%)

TPL SLEM Revenue Tracks the Region's Well Count



Generates Multiple Long-Term Income Streams with No Opex



The TPL Surface Position Can't be Replicated Amongst Royalty and Water Companies

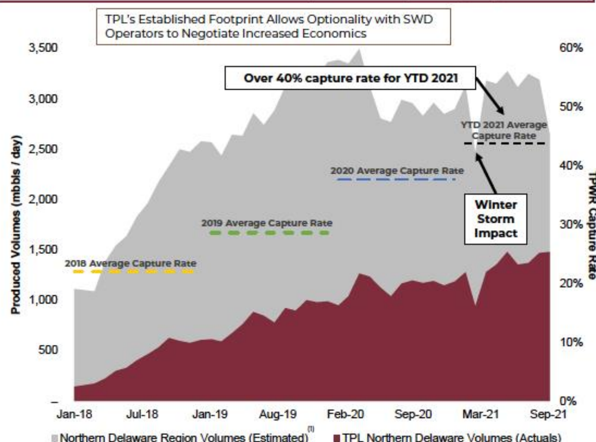
Source: Company data and Enverus.
(1) Total revenue adjusted to exclude one-time land swap of $22mm in 2019 and one-time land / royalty sales of $100mm and $19mm in 2019 and 2018, respectively.
(2) SLEM revenue represents TPL's cumulative easements and other surface related income from 1/1/16 through 9/30/21 for Land and Resource management segment.
(3) Cumulative horizontal well count per Enverus in TPL's Northern Delaware Region (~950,000 acres) and TPL's Midland Region (~250,000 acre region around TPL's surface in East Ector, Midland, Upton and Glasscock Counties).

The Company's burgeoning water business has become a key source of income in arid West Texas. Started in 2017, from the sale of brackish, non-potable water to the E&P operators, other water-related services continue to emerge and develop, including water disposal, recycling, sourcing, and treatment. The Company's water operations and services have rapidly grown from $31 million in revenue to likely reach a revenue run-rate of $115 by year-end 2021. According to Company reports, just over $100 million has been in the water business and annual maintenance capital looks to be around $10 million. The water-related royalties alone are now generating over $15 million in revenue per quarter. As water becomes more valuable to E&P operators, the Company's water related operations and services will be an excellent use for continuing capex.

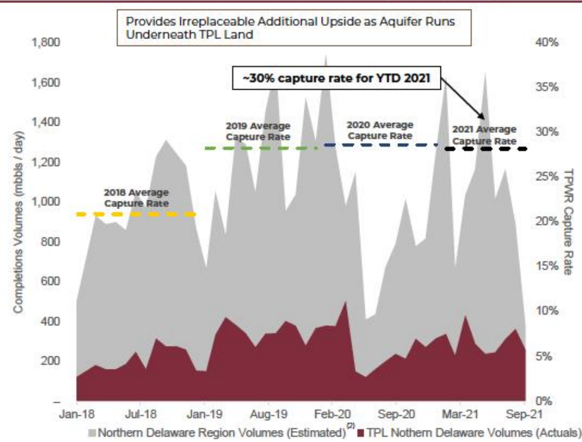
TPL is a Market Leader for Water in the Northern Delaware

Water Services and Operations

Delaware Produced Water Volumes of ~1,430 mbbls/d at ~$0.11/bbl[1]
Total Produced Water Volumes of ~1,520 mbbls/d at ~$0.11/bbl[1]



Delaware Sourced Water Volumes of ~310 mbbls/d at ~$0.54/bbl[2]
Total Sourced Water Volumes of ~455 mbbls/d at ~$0.52 / bbl[2]



Royalty Based Business Model Captures Increased Sourcing and Disposal Volumes in Northern Delaware Focus Area

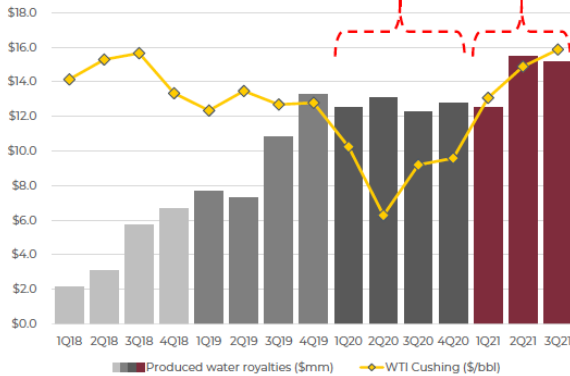
Source: Company data and Enverus as of 9/30/21.
Note: Northern Delaware Region is defined as approximately 1,400,000 acres surrounding TPL's Northern Delaware Surface position including ~900,000 acres in Texas and ~500,000 acres in Southern New Mexico.
Capture rate defined as TPL volumes as a percentage of total volumes in the Northern Delaware Region. Regional water volumes based on Enverus estimated WOR, historic oil production and Enverus oil type curves. Historic volumes represent horizontal wells drilled since TPWR formation in Jun. 2017.
In our Northern Delaware Region since our last presentation released in February 2020, approximately 200 completion records occurring in 2018 and 2019 were backfilled via state and Enverus data sources. This update has resulted in a lower reported capture rate for TPL sourced water during historic periods.
(1) TPL data is the average for 3Q'21; Regional produced water volumes based on Enverus estimated water production from wells drilled since TPWR formation (Jun. 2017) shown through 3Q'21 based on available data.
(2) TPL data is the average sourced + treated volumes for 3Q21. Regional sourced /treated water demand based on Enverus reported well fluid intensity volumes for wells completed in the Northern Delaware Region shown through 3Q'21 based on available data.

NYSE: TPL | 14

Growth Strategy and Competitive Advantage

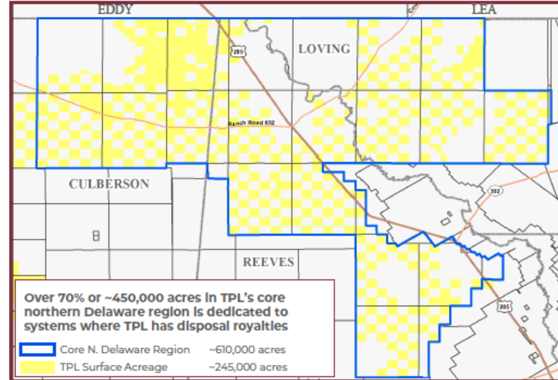
Water Services and Operations

Produced Water Royalties Stability Through the Cycle



Significant Acreage Dedicated to TPL Disposal Royalties

- Current and future wells drilled within TPL's ~450,000-acre dedication provide a significant base for disposal royalty growth in the future
- In addition, TPL collects royalties on significant disposal volumes that are produced outside the contracted acreage but brought into TPL's associated systems for disposal providing additional growth opportunities in the future



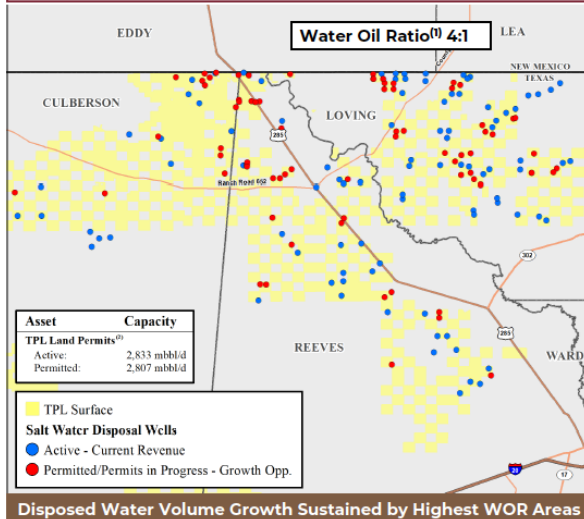
Royalty Based Business Model Captures Increased Disposal Volumes in Northern Delaware Focus Area

Source: Company data and FactSet.

Water Resources Asset Overview

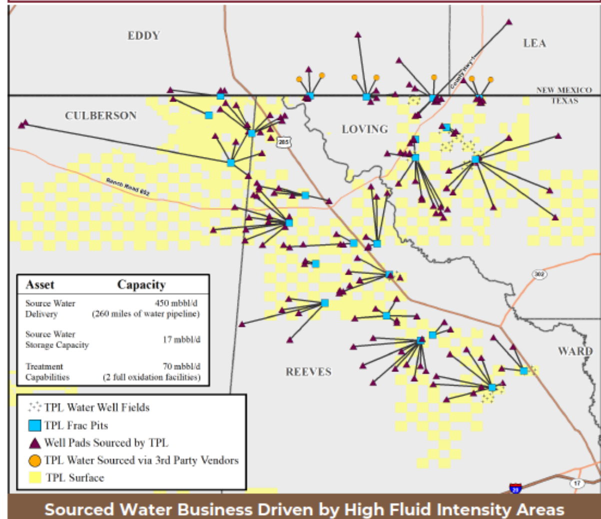
Water Services and Operations

Salt Water Disposal Wells



Disposed Water Volume Growth Sustained by Highest WOR Areas

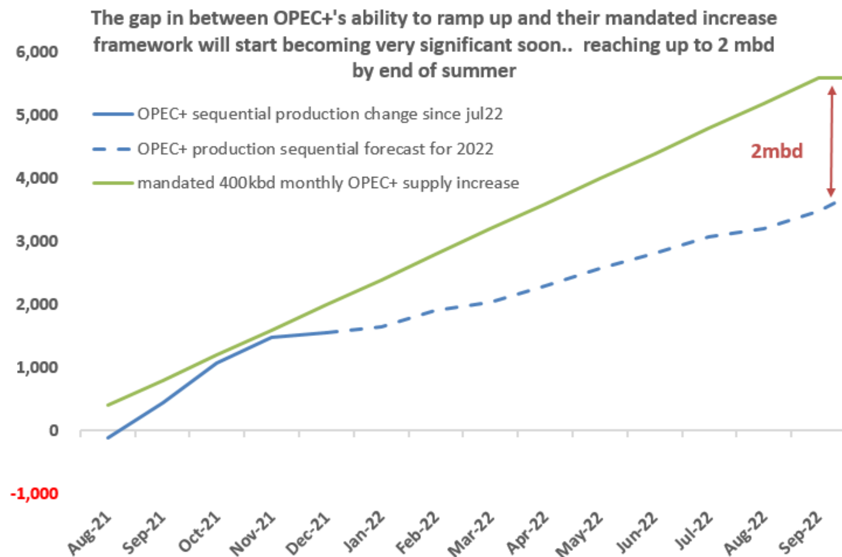
TPL Water Sourcing Infrastructure



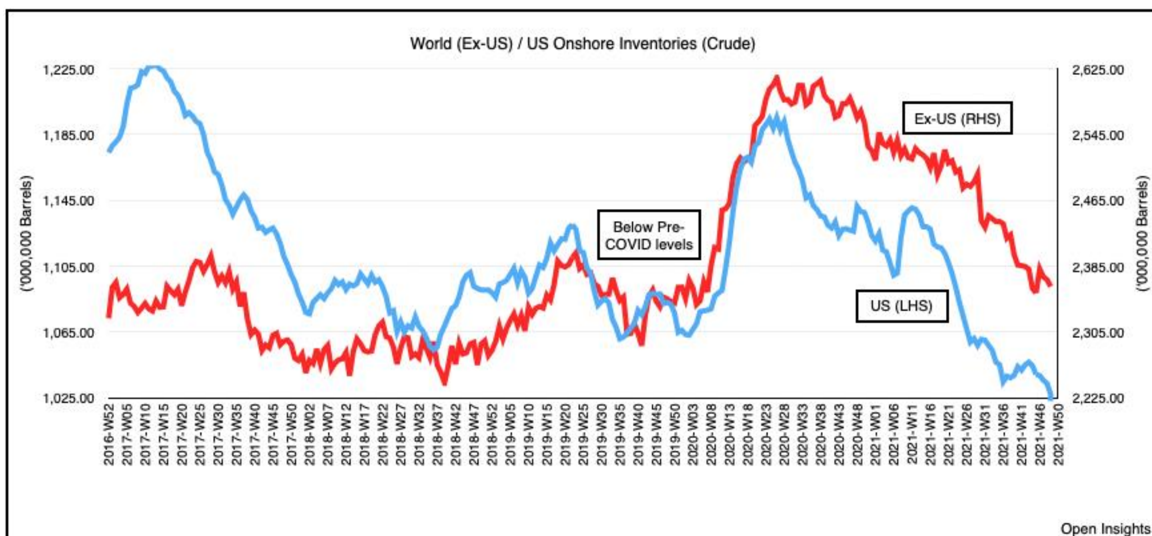
Sourced Water Business Driven by High Fluid Intensity Areas

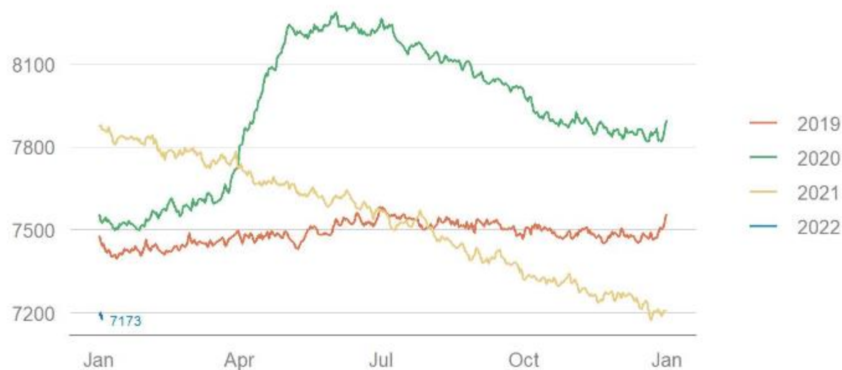
Source: Company data and RSEG.
Note: TPL does not operate any water disposal wells.
(1) Water oil ratio ("WOR") defined as the ratio of 12-month cumulative water production to 12-month cumulative oil production.
(2) Revenue received both on and off TPL surface based on existing contracts.

Our past letters have never been a platform for our company or individual political views. The supply of political opinions and discourse seems to be at all-time highs these days. The demand from our clients for our personal political views remains cheerfully near zero. That said, we will still call the economic realities as we see them in investment matters that might have differing views as to our personal political differences.



Source: Lefert Clement





We would not be surprised should the price of oil and gas remain structurally high (higher) over the years to come. The global oil and gas industry has suffered from underinvestment in exploration and development for years. Today, the worthy societal goals, priorities, and initiatives of Net-Zero 2050 and ESG goals continue to exacerbate the lack of investments in production and exploration of fossil fuels. Nationwide government, public and corporate desires to become carbon neutral as fast as possible continue to collide with the current reality that the world's demand for fossil fuel shows little sign of abating, while shortages worsen – particularly within the all-important OPEC+. More aggressive net-zero policies in Europe have left the continent woefully short of stored heating oil before the winter season, only to see prices skyrocket. Fossil fuel shortages in China have led that country to refire coal plants. From the vantage point of 2022, the necessary bridge of fossil fuels looks to be measured in decades. Over the intervening years, the rich, low-cost Permian Basin will become even more critical to our nation's energy needs.

Texas Pacific Land Trust is a pure play on the compelling economics of the Permian Basin. The Company likes to refer to itself as the "ETF of the Permian," given the diversity of their revenue streams and the diversity of the Company's royalty operators. Royalty companies are few in number, and rarer still are the handful of those that gush cash and grow like Texas Pacific Land

Trust. Our oldest clients may remember our successful investment in Franco-Nevada Mining – another "golden" royalty company.

Tractor Supply Company

We have now owned Tractor Supply for more than five years, and we continue to be very pleased with the performance of the business and the superior quality of the management team as well as the performance of the stock. We originally were attracted by the Company's ability to grow at a healthy pace while generating impressive and steadily improving returns on invested capital – basically what draws us to any company. See the table below for a sampling of key metrics demonstrating the performance of the business in the period leading up to the COVID pandemic, both before and after our purchase in 2016.

Tractor Supply (TSCO)
Pre-COVID (key statistics)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
EBITDA margin	10.2%	11.3%	11.9%	12.3%	12.4%	12.4%	11.7%	11.1%	11.2%
Sales/lease $	3.0	3.0	3.1	3.1	3.1	3.1	3.0	3.0	2.7
NWC turns	6.8	7.8	8.3	8.5	8.4	8.7	9.2	9.2	9.6
Total stores	1085	1176	1276	1382	1488	1738	1853	1940	2024
ROIC	**16.6%**	**17.7%**	**18.5%**	**18.8%**	**18.4%**	**17.8%**	**16.8%**	**17.9%**	**18.3%**

Source: Company Reports, internal Wedgewood calculations.

EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization
NWC = Net Working Capital
ROIC = Return on Invested Capital, proprietary WWP calculation

For a traditional retailer, however, as we pointed out when we first bought this stock, the ability to grow while generating and maintaining healthy returns is rare. Almost universally across brick-and-mortar retail, a retailer's new stores open at lower levels of sales productivity and margins than established stores, causing constant pressure on these two metrics for the overall Company. Furthermore, in a normalized environment, the costs involved in opening the stores, including lease costs and construction costs, tend to rise, further pressuring profitability. Therefore, in order even to maintain *steady* margins and returns, a growing traditional retailer needs its established stores to pick up the slack in terms of sales productivity and margins. Since the advent of an overhauled management team beginning 15-20 years ago, Tractor Supply has been very effective in building this Company while doing exactly what we have described.

Our cash-flow-based calculation of return on invested capital in the table above is the key output from our statistical analysis. We'd note the steady results in the sales/lease $ line and the steady improvement in EBITDA margins, despite the Company opening nearly 1000 net new stores

(increasing its store base by 87% over the time period) have been essential components driving the quality of the business model.

While COVID has been an unanticipated interloper during our ownership of Tractor Supply, the pandemic has created both short and long-term opportunities for the Company. We refer you to our Client Letter from this quarter last year, when we described management's impressive initial response to the pandemic. As 2021 saw the world starting to head back toward something resembling normalcy, evidence is emerging of beneficial secular trends for the Company that we believe will prove sustainable. The most important of which are increasing pet ownership, increasing rural migration, and increasing Millennial interest in the Company's key product categories, and the rural lifestyle.

We are certain our readers have heard multiple anecdotes of all these trends; unfortunately, with the pandemic less than two years old, it is still difficult to find anything one might consider solid, reliable data this early in what we believe will be a long-term trend. That said, we offer the following data points:

Pet ownership:

- A biennial American Pet Products Association survey of pet owners recorded significant growth in the number of households owning key pet categories for Tractor Supply. Between their 2019-2020 and 2021-2022 surveys: households owning dogs grew +9%, cats +6%, and households owning horses – in Tractor's sweet spot – up a whopping *+119%* over the course of two years. Pet owners, and especially livestock owners, are key customers for Tractor Supply because they generate recurring demand (in feed, for example) that is persistent in nature; someone who just bought a horse can't decide to save money next month by failing to feed it or failing to maintain their fencing.

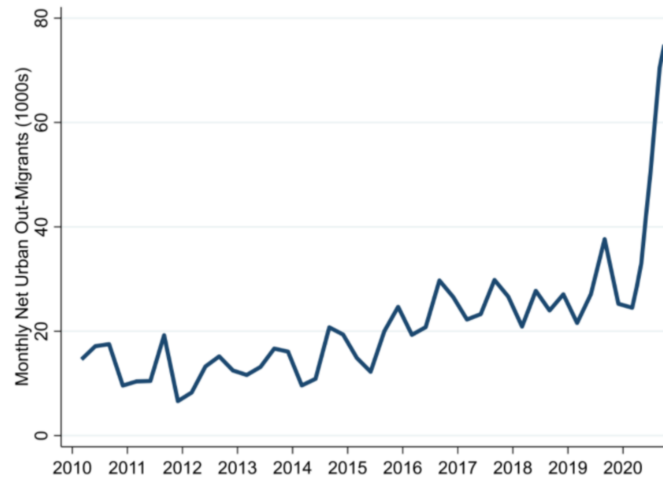
- The Insurance Research Council's October 2020 report, "*Consumer Responses to the Pandemic and Implications for Insurance*," found that 30% of Americans had adopted a pet during pandemic – and this was only around six months after COVID lockdowns began.

Rural migration:

- A February 2021 study released by the Cleveland Federal Reserve (https://www.clevelandfed.org/newsroom-and-events/publications/cfed-district-data-briefs/cfddb-20210205-did-the-covid-19-pandemic-cause-an-urban-exodus), using data from the Federal Reserve Bank of New York/Equifax Consumer Credit Panel (CCP), found early evidence of an acceleration of what had been a pre-COVID trend of

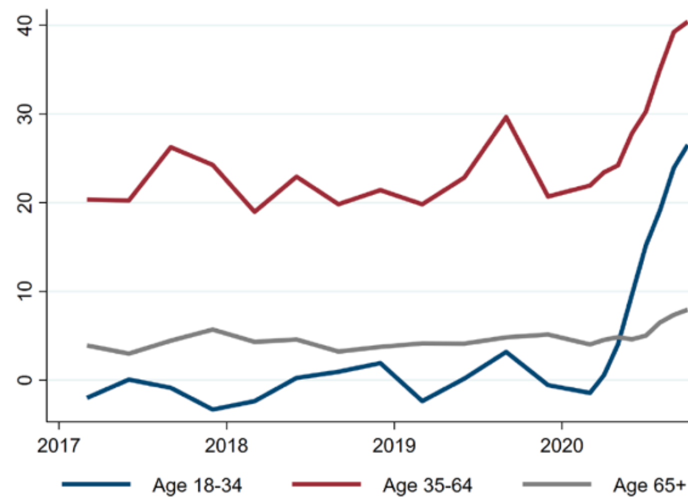
population migration away from urban centers, including both more people moving away from cities and less people moving in.

Figure 1. Estimated Net Out-Migration from Urban Neighborhoods



Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, American Community Survey, and author's calculations.

- Furthermore, the same study demonstrated that the youngest age group had seen the greatest change in behavior, with the 18-34 age group going from migrating *into* urban areas pre-pandemic to leaving in significant numbers during 2020.



Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, American Community Survey, and author's calculations

Millennial engagement

- In addition to the chart above showing increasing rural migration among younger age groups, the Company has provided some anecdotal support for the trend, reporting that the average age of its customer base has been declining for several quarters in a row

Although it should be clear that the impact of moving your home, or owning a horse, will be more pervasive than only a couple of quarters, we would note that Tractor Supply's reported results already are showing persistence in these underlying secular benefits, with the company's reported same-store-sales results still looking very healthy despite extremely difficult comparisons to last year.

Tractor Supply Company (TSCO)
Same-Store Sales Growth 2020-2021

	Q4	Q3	Q2	Q1
2021	**9% (est.)**	13%	11%	39%
2020	27%	27%	31%	4%

Source: Company reports and projections

Est = midpoint of Company guidance for Q421

So, we believe these emerging trends have expanded the Company's long-term addressable market. We have been pleased by the way management first competently managed the unexpected flood of pandemic-driven growth, then very deliberately established new growth initiatives, and accelerated planned future investments to further enhance its competitive position, to retain new customers, and to plot to claim more of the future opportunity arriving in its rural markets (see table below). We note that this acceleration of growth investments comes at a time when it has been able to fund these investments from its unexpected surge in profits. Therefore, current and future shareholders get the long-term value of the enhanced opportunity set, without current shareholders having to take a hit in shorter-term results. Or, putting it another way, management doesn't use the pursuit of long-term opportunities as an excuse to constantly fumble current opportunities.

Tractor Supply Company (TSCO)
Capital expenditures, 2019-2021

	Capex	growth
2021	**575 (est.)**	96%
2020	294	35%
2019	218	n/a

We have seen in few periods of consolidation in the stock during the COVID era, as investors try to determine what the new normal may look like. Many no doubt have assumed there will be some form of "give-back" in the Company's results as conditions normalize, in terms of sales, profit margins, or both. We too have expected some moderation in results. We have been very pleasantly surprised, for example, that the company was still generating double-digit percentage same-store sales growth in the last quarter (Q3), seven quarters into the pandemic, and against the very difficult comparison of +27% growth in the prior year.

We are most confident that the longer-term systemic drivers we noted above, as well as management's accelerated investments for the future, have done nothing but enhance what already was an excellent business model before the pandemic, and we anticipate no meaningful "give-back" as the world heads toward whatever will be normal in the post-COVID world. Furthermore, given management's performance both during COVID and historically, we expect the company to pursue this enhanced opportunity in a way that will not sacrifice profitability and capital returns. Whenever the world reaches the new normal, we believe Tractor Supply will have emerged with a greater long-term revenue growth outlook, and at higher levels of margins and returns on investment, all of which will deserve a healthier valuation than in the pre-COVID world. In short, the Company is not at the end of an exciting opportunity, but at the beginning.

Hotel California: The Reunion Tour

"I think we are actually at a point of encouraging risk-taking, and that should give us pause. Investors really do understand now that we will be there to prevent serious losses . . . we look like we are blowing a fixed-income duration bubble right across the credit spectrum that will result in big losses when rates come up down the road. You can almost say that that is our strategy. I think there is a pretty good chance that you could have quite a dynamic response in the market...The U.S. is on an unsustainable fiscal path; there's no hiding from it...When it is time for us to sell [Fed assets], or even to stop buying, the response could be quite strong."

Jerome Powell, Fed Chairman, back in October 2012

"We tend to use [transitory] to mean that it won't leave a permanent mark in the form of higher inflation. I think it's probably a good time to retire that word and try to explain more clearly what we mean…What we missed about inflation was we didn't predict the supply-side problems, and those are highly unusual and very difficult, very nonlinear. And it's really hard to predict those things,"

Jerome Powell, Fed Chairman, December 2021

"I don't think there has been a greater engine of inequality than the Fed in the last 11 years... Everyone wealthy I know is making a fortune and why are we making it? Because this guy is printing money like there's no tomorrow…Crypto, meme stocks, art, wine, equities...this bubble is in everything. Every asset on the planet...Made a lot of geniuses out of all of us the last couple of years."

''

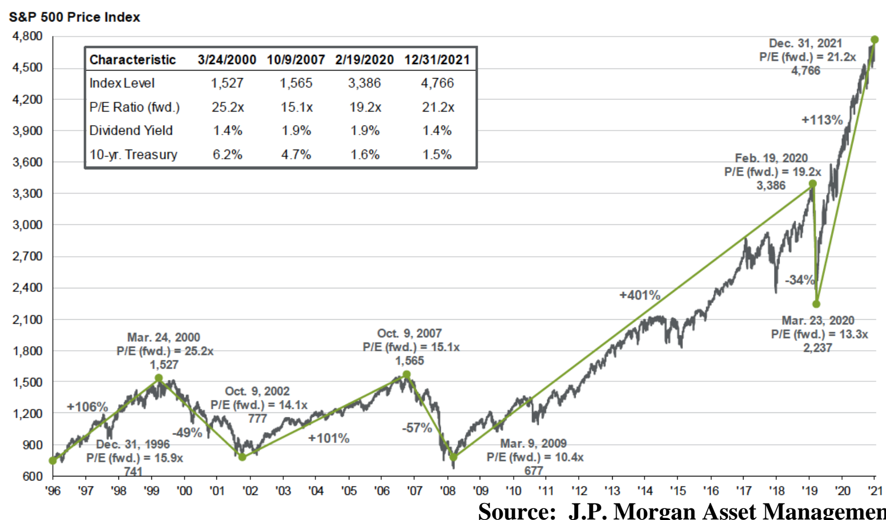
Stan Druckenmiller

Back in August 2010, the Federal Reserve Chairman Ben Bernanke initiated a radical experiment in monetary policy. Bernanke and his fierce loyalists at the FOMO came to the unwavering opinion that the Federal Reserve had a moral duty to inject hundreds of billions into the banking system *outside of any banking crisis or emergency* to reduce unemployment and stimulate consumer and business demand. Against the concerns of more than a few Fed governors, Bernanke unleashed what has become a staple of monetary policy over the past decade, permanent “quantitative easing” (QE).

What seemed like an enormous amount of quantitative easing then in 2014, $600 billion – at a time when the U.S. banking system didn’t need the liquidity – seems today rather irrelevantly quaint, so to speak, against the *$25 trillion* in the collective size of global central banks (see chart on first page again).

Three years ago, we wrote that by the end of 2018, the accumulated global QE of $15 trillion had effectively boxed in central banks. Central bankers were trapped in their own “Hotel California” creation. Our view then remains steadfast today: global economies, global governments, global markets, and both global investors and speculators are hooked on cheap and easy credit – ever more so as we enter 2022. The Federal Reserve will soon be exiting quantitative easing and initiating quantitative tightening (QT). The current bond market crack-up is close to pricing in not only a hastened reduction to the pace of Fed asset purchases, but *four* rate hikes this year. The Fed is once again behind the curve. So much so, in our view, that a monetary policy mistake is already in the cards. This next chapter in monetary policy will begin with the stock market at heady valuations – on the heels of *70* new highs in 2021.

Buckle up.



Characteristic	3/24/2000	10/9/2007	2/19/2020	12/31/2021
Index Level	1,527	1,565	3,386	4,766
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.2x
Dividend Yield	1.4%	1.9%	1.9%	1.4%
10-yr. Treasury	6.2%	4.7%	1.6%	1.5%

Source: J.P. Morgan Asset Management

Recall that previously hawkish Fed Governor Jerome Powell became Fed chairman in early 2018. In review of his appointment, we wrote of his difficulties in remaining a monetary hawk while reigning in QE. In late summer that year, we noted the following:

Monetary policy finally began to accelerate modestly in 2017 and more still over the course of 2018 with four increases in the Federal Funds Rate., plus two more recently announced in 2019. Fed Chair Powell's modus operandi – and this cannot be overstated – seems to be the retirement of the "Fed Put" played masterfully by all three of his predecessors (Greenspan, Bernanke and Yellen).

Over the course of 2018, higher interest rates, plus Quantitative Tightening (QT) have started to bite throughout both the economy and financial markets. Higher cost of debt capital and higher market discount rates have served to significantly shrink the market's mother's-milk of liquidity. We may soon find out if Powell will channel his inner William McChesney Martin hawkishness or tack 180 degrees and launch his own "Powell Put."

As we exit 2018, Fed Chair Powell & Co. find themselves embattled on a multi-front fight. His fight includes a witches-brew against a considerably-softening economy since last fall (particularly housing and manufacturing), roiling financial markets (December's stock market plunge was the worst December since 1931 and 2-year TIPs yields positive for the first time in a decade) and a jaw-boning president who desperately needs a strong economy and a strong stock market as the requisite tailwind- poker chips to deal and rewrite decades-old tariff agreements with China and Europe. Fed Chair Powell has our sympathies. The stock market, prisoners of the Fed's QE-device, won't be so compliant in what we suspect could be a multiyear stint in QT rehab. Considering the profound withdrawal headache across a number of economic and stock market sectors already after seemingly modest changes QT tightening, the economy and the stock market's QE addiction to the "free" capital of zero-interest rate policy is hard to exaggerate.

Fed Chair Powell, once the most hawkish of Fed governor hawks, became a super dove by that November. You may remember the setup during the winter in 2018; starting that October, Fed Chair Powell had remained an adamant hawk to rein in the Federal Reserve's monetary punch bowl professing then the need still for three to four more interest rate hikes over the course of 2019. In addition, the reduction of $50 billion per month from the Fed's balance sheet QT was set in stone as policy. The prior eight interest rate increases, with the usual lag effect, had begun to bite. The U.S. economy was slowing – GDP growth over the past four quarters has slowed from a "4" handle, to a 3, to a 2, to the current "1" handle. Earnings expectations had been falling since that October, and stock prices began to fall in earnest that same month as well. Powell would "blink" in a speech at the end of that November, noting that the U.S. economy was susceptible to the rapid slowdown in global growth. The stock market remained nonplussed and dropped sharply in December – the sharpest December drop since 1931. On that fateful December 24, the Fed raised short-term rates by another 25 bps, the Fed's ninth interest rate hike of this cycle of tightening. The stock market fell. Yet, the verbiage in the Fed's comments noted the Committee's future policy *"...assessment will take into account a wide range of information, including readings on* ***financial*** *and international developments."*

Mr. Market read that statement and the specific word "financial" as the initiation of the "Powell Put." The stock market bottomed on that day, December 24. January 2019 would be the best start of a calendar year since 1987. The Standard & Poor's 500 Index's gain of +13.7% was the best first quarter since 1998. 2019 would be a banner year for the stock market, gaining +31.5%. And then…

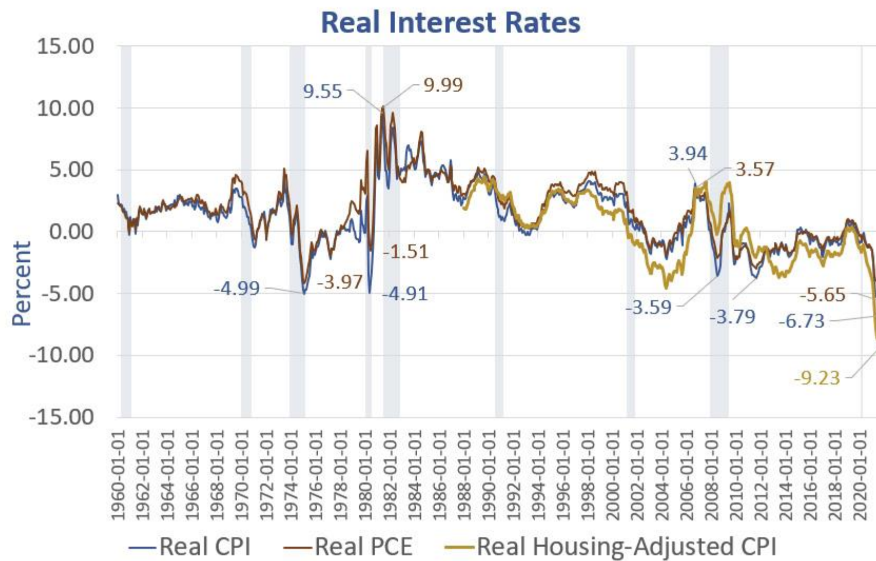
Source: Influenza 1918. PBS

The COVID pandemic slammed the world in early 2020. The stock market began a slow-motion crash on that February 19 – plunging -36% in little more than a month. By that March 15, Fed Chair Powell cut rates to zero. In addition, the Fed launched a slew of alphabet-soup QE programs. All told, Powell & Co. took just weeks to accomplish what Bernanke & Co. took months to accomplish in 2008-2009, and much more – *$1 trillion per day* in repurchase agreements and over *$600 billion* in quantitative easing-infinity (QEI) bond buying *per week*. The Federal Reserve Balance sheet grew from $4.25 trillion on March 5, to almost $6 trillion just three weeks later. The 2020 "Pandemic Bear Market" was over by March 23. Since that date, March 23, 2020, the S&P 500 Index is up +121%. Every other asset has boomed as well. And so has the once-labeled "transitory" inflation boomed too. As we enter 2022, Powell & Co. will begin another chapter of their QE/QT experiment in uncharted waters. This time the Fed finds it's dealt a monetary hand with real interest rates at extraordinarily easy levels thanks to a 40-year high spike in inflation to 7.0% in December, plus an economy at full employment. The Fed's "punch bowl" has long been spiked too with Jagermeister.

US Fed Funds Rate with Unemployment Rate at 3.9%

Month	Unemployment Rate	Effective Fed Funds Rate	CPI YoY	Real Fed Funds Rate
Feb-56	3.9%	2.50%	0.4%	2.13%
Sep-56	3.9%	2.95%	1.9%	1.09%
Oct-56	3.9%	2.96%	2.2%	0.73%
Feb-57	3.9%	3.00%	3.4%	-0.36%
Apr-57	3.9%	3.00%	3.7%	-0.72%
May-66	3.9%	4.90%	2.9%	2.03%
Jan-67	3.9%	4.94%	3.5%	1.48%
Jun-67	3.9%	3.98%	2.8%	1.20%
Nov-67	3.9%	4.13%	2.7%	1.39%
Jan-70	3.9%	8.98%	6.2%	2.80%
Sep-00	3.9%	6.52%	3.5%	3.07%
Oct-00	3.9%	6.51%	3.4%	3.06%
Nov-00	3.9%	6.51%	3.4%	3.06%
Dec-00	3.9%	6.40%	3.4%	3.01%
Apr-18	3.9%	1.69%	2.5%	-0.77%
Jul-18	3.9%	1.91%	2.9%	-1.04%
Dec-18	3.9%	2.27%	1.9%	0.36%
Dec-21	3.9%	0.08%	6.8%	-6.72%

COMPOUND @CharlieBilello



Source: Mike Shedlock

Interest rates and inflation

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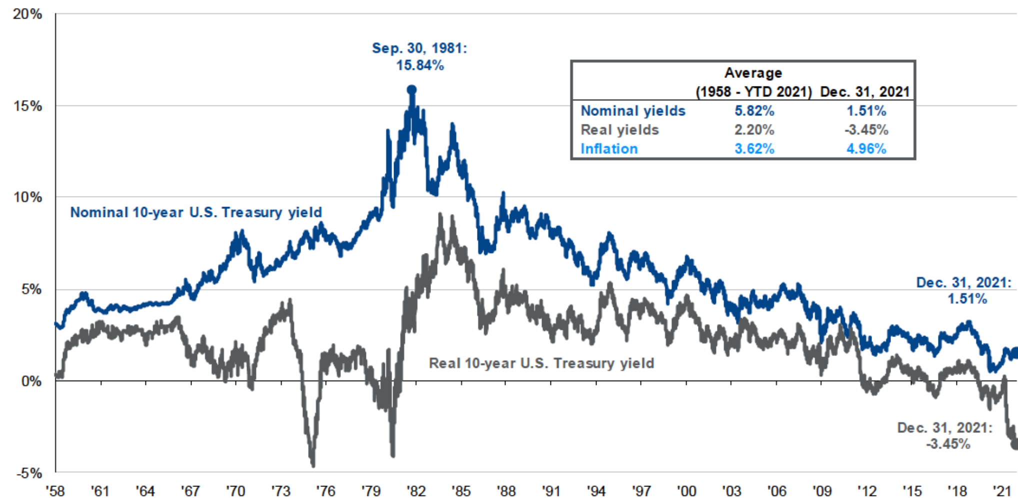
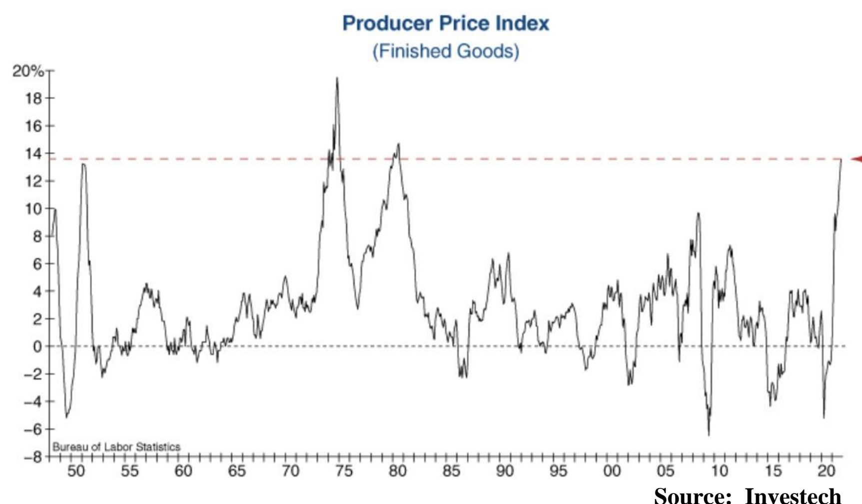


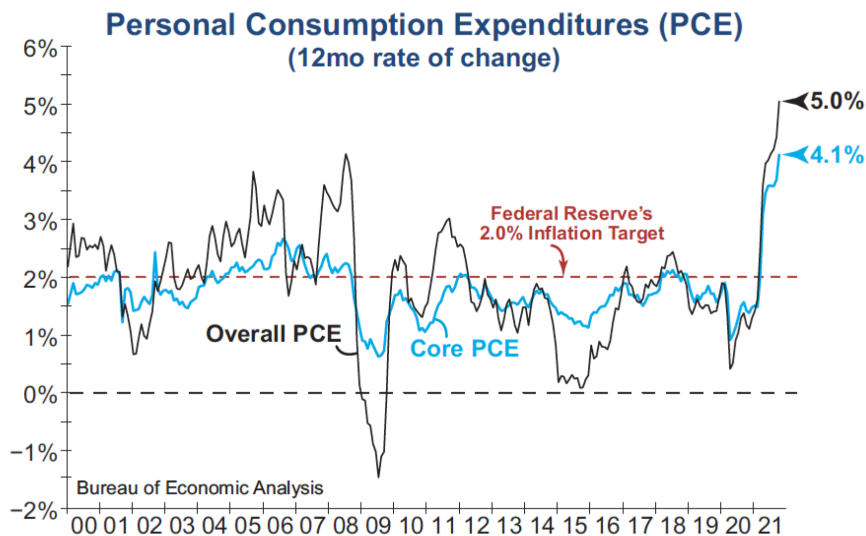
Source: J.P. Morgan Asset Management

2018 might be a good analogue to 2022 on the stock market's reaction to the Fed's newest policy initiative to *slowly* take away their QE punch bowl. Back then, if you recall, the Fed created a "taper tantrum" when they deemed to reduce the size of their monthly QE bond purchase by $50 billion per month.

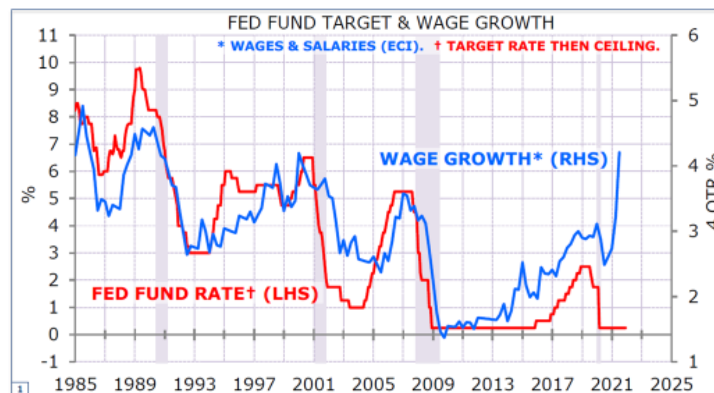
A few weeks ago, in mid-December, the Fed, finally recognized the inflationary risks of their uber-easy monetary policy announcing that they will modestly speed up the reduction in their mammoth bond buying, laying the groundwork for possible interest rate increases in the year ahead – much less the Federal Open Market Committee phasing off their $100 billion per month runoff – double their 2017-2019 runoff. Any way you slice it, Powell & Co.'s multiyear baroque QE party is over. The bar is closed. 2022 will usher in QT. Does the Fed even know what is the appropriate size it needs to shrink its balance sheet?
Mr. Market clearly recognizes that the Fed policy "dog" has long become so hinged to both the credit market and stock market "tail" that it may take sustained double-digit inflation for the Fed to regain a modicum of independence. The terrific gain of +30.0% in the S&P 500 (and it's *70* new highs) in 2021 speak to that reality. But 2018 might look like a cakewalk compared to 2022. Back in 2018, before the launch of the Powell Pivot, the Fed enjoyed an economic environment where inflation was quiescent (just 1.9%) as both the global supply chain was miraculously humming along to just-in-time need, and demand-push inflation wasn't even a topic of discussion.



Source: Investech



Fed Funds Rate & Wage Growth



Source: Minack Advisors, MSCI, BLS, NBER
ECI = Employment Cost Index is a quarterly economic series that measures the growth of total employee's compensation. RHS = Right hand side. LHS = Left hand side.

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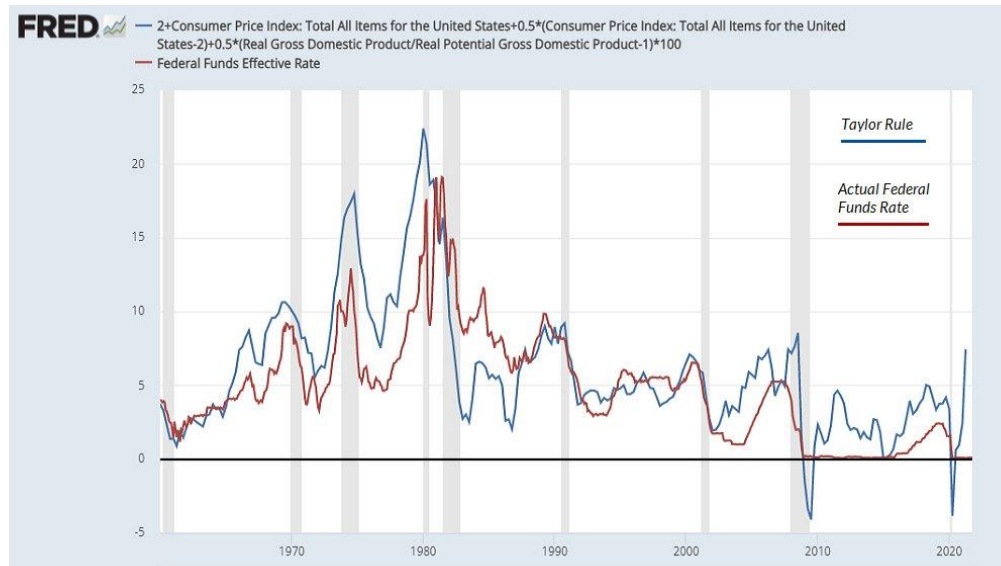
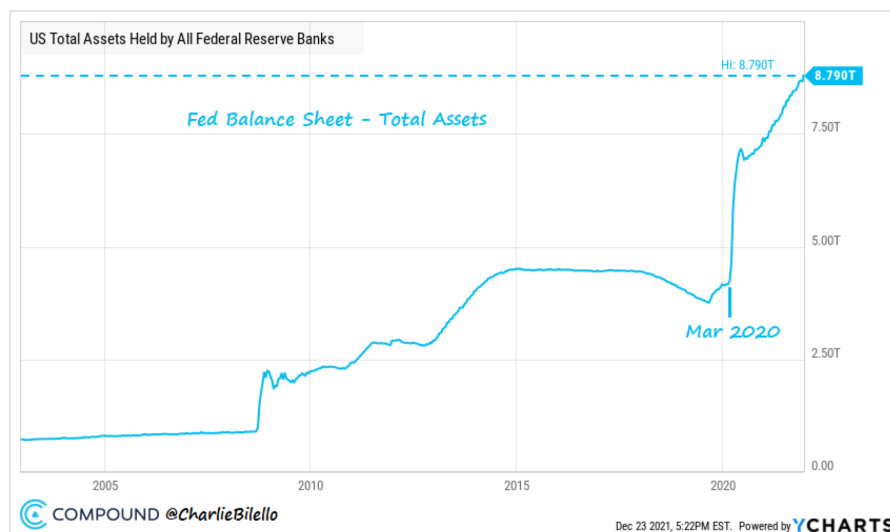
The graphic below depicts, again, just how trapped the Fed's currently monetary policy may be. The Taylor rule is a central bank algorithm (based on changes in inflation, current price levels and the Federal Funds Rate) that essentially guides proactive changes to stabilize monetary policy so said policy does not fall behind the curve. So, in periods of inflation rising faster than expectations (like today), the monetary prescription from the Taylor rule would prescribe higher policy interest rates more than the increase in inflation.

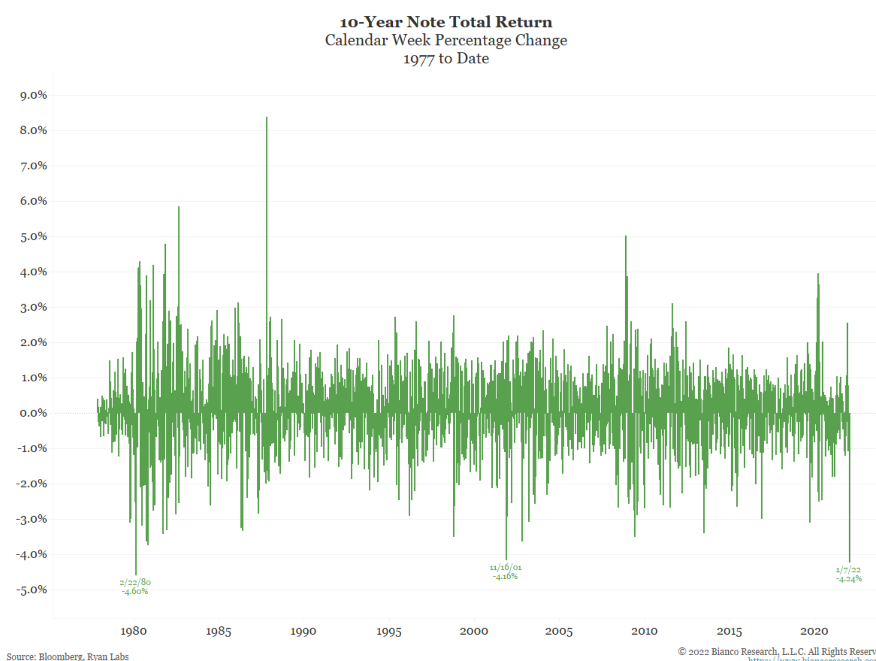


If you squint at the lower right corner of the graphic, you can see that the Taylor rule prescribes a Federal Funds rate of 7.5%, instead of the current rate of zero. Sharp readers will observe that this mismatch has largely been the case over the past decade. We agree. The question is begged again, how can the Fed ever shrink its balance sheet without wreaking havoc on a financial system floating on an ocean of low-interest-rate debt?

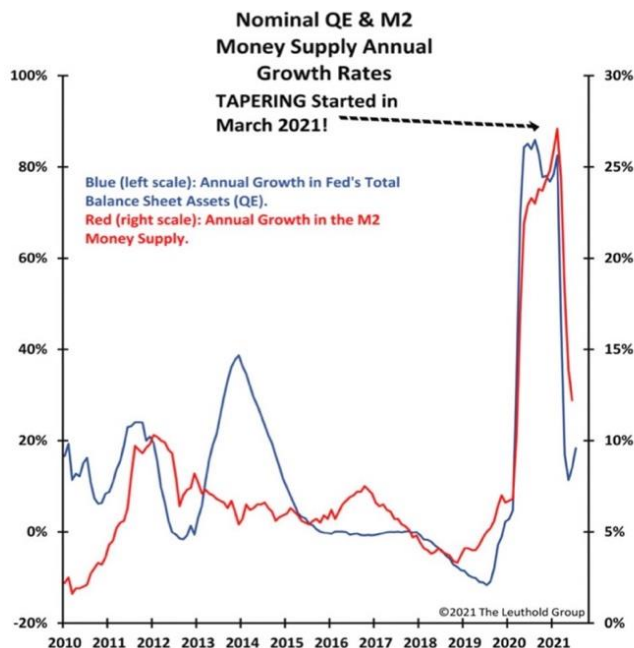
The flaw in the Taylor rule, is not the rule itself, but its interpretation by Powell & Co. Does the Fed know how much the current inflation rate was induced from pandemic supply/demand shocks or from the QE explosion in the Fed's balance sheet to *$8.8 trillion?*



As per the market's brilliantly brutal discounting mechanism, the financial markets are already discounting the evolving inflationary environment – as well as Powell & Co.'s precarious situational risk of yet another policy mistake roiling financial markets. Yields across the curve are rising sharply. The benchmark 10-year U.S. Treasury Note yield is way up to just 1.80% as of this writing. According to Bianco Research, the 10-year Treasury Note just finished it worst week in 42 years, with a total return loss of -4.24%. Only February 1980 saw a bigger loss for a calendar week loss during Fed Chair Paul Volcker's inflation panic. Notably, the -4.24% would also be the fifth worst *year* ever. In addition, Bianco notes the U.S. Treasury 30-year bond dropped -9.35% during the second week in January. The long-term bond data goes back to 1973 and that week was the worst calendar week total return in at least 49-year history! If this was a calendar year, a -9.35% total return loss would be the 5-year worst year ever.



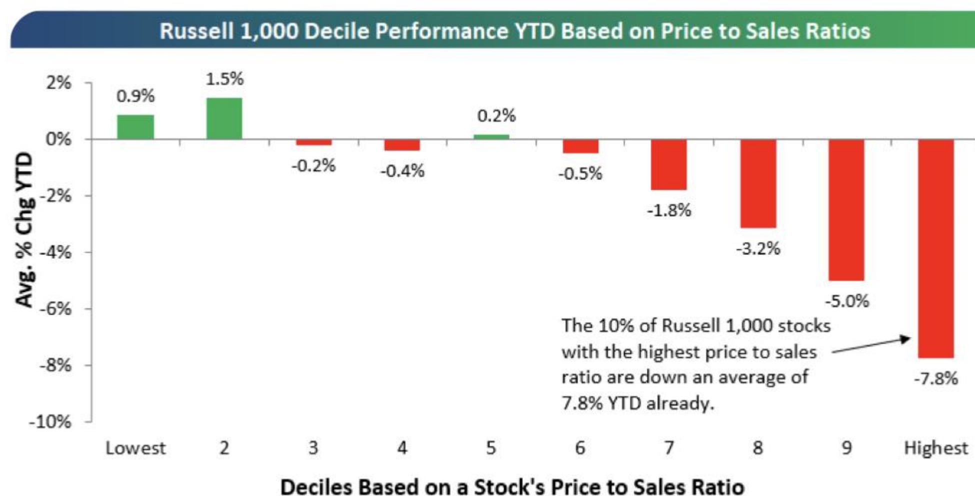
The stock market will not avoid pain either if such rate increases do not abate. As of this writing, the stock market is off to one of its worst starts in January in years. Indeed, the super-hot stocks of 2020 – many of those who garnered the infatuation of investors and speculators, not for their profitability and earnings (since little or none existed), but rather for their bountiful sales growth. For such stocks, as was seen in 2020, the sky wasn't the limit. But a funny thing happened last March.



The money supply rocket fuel that seemed so abundant in 2020 disappeared as fast it arrived. Two things happen when the monetary environment becomes hawkish. Speculators are less inclined to speculate, and valuation suddenly matters again. Those stocks with stratospheric P/E's (or an infinite P/E since earnings don't exist) need to decline (collapse) a long way to find a new shareholder base. Said another way, such stocks are hard to sell well to buyers who don't exist (yet). As this is being written, such sales today-earnings tomorrow stocks continue to find themselves in the Fargo woodchipper.

Graph: Financial Times

The High Growth Boom (2020) & Bust (2021)							
Company	**Ticker**	**2020 Return**	**2021 Return**	**Company**	**Ticker**	**2020 Return**	**2021 Return**
NIO Inc.	NIO	1112%	-35%	Redfin Corp	RDFN	225%	-44%
QuantumScape	QS	753%	-74%	FuboTV Inc	FUBO	214%	-45%
Workhorse Group Inc	WKHS	551%	-78%	Chewy Inc	CHWY	210%	-34%
Farfetch Ltd.	FTCH	517%	-48%	DocuSign Inc	DOCU	200%	-31%
Peloton Interactive Inc	PTON	434%	-76%	Zillow Group Inc	Z	183%	-51%
Pacific Biosciences Inc	PACB	405%	-21%	Five9 Inc	FIVN	166%	-21%
Sunrun Inc.	RUN	402%	-51%	CRISPR Therapeutics AG	CRSP	151%	-51%
Zoom Video Communications Inc	ZM	396%	-45%	Wayfair Inc	W	150%	-16%
Pinduoduo Inc	PDD	370%	-67%	Roku Inc	ROKU	148%	-31%
Fate Therapeutics	FATE	366%	-36%	Teladoc Health Inc	TDOC	139%	-54%
FuelCell Energy	FCEL	345%	-53%	Chegg Inc	CHGG	138%	-66%
Fastly	FSLY	335%	-59%	GSX Techedu Inc.	GOTU	137%	-96%
DraftKings Inc	DKNG	335%	-41%	Palantir Technologies Inc	PLTR	136%	-23%
Appian Corp	APPN	324%	-60%	Coupa Software Inc	COUP	132%	-53%
Lemonade	LMND	322%	-66%	Stitch Fix Inc	SFIX	129%	-68%
ChargePoint Holdings	CHPT	309%	-52%	Elastic NV	ESTC	127%	-16%
Ontrak Inc.	OTRK	279%	-90%	RingCentral	RNG	125%	-51%
Tupperware Brands	TUP	278%	-53%	PayPal Holdings Inc	PYPL	117%	-19%
Pinterest Inc	PINS	254%	-45%	Spotify Technology SA	SPOT	110%	-26%
iRhythm Technologies	IRTC	248%	-50%	StoneCo Ltd	STNE	110%	-80%
Block Inc	SQ	248%	-26%	Opendoor Technologies Inc	OPEN	110%	-36%
Twilio Inc	TWLO	244%	-22%	Virgin Galactic Holdings Inc	SPCE	105%	-44%
Penn National Gaming Inc	PENN	238%	-40%	Wix.com Ltd	WIX	104%	-37%
C3.ai Inc	AI	230%	-77%	Lordstown Motors Corp	RIDE	102%	-83%
	Data via YCharts			@CharlieBilello			



Source: Bespoke

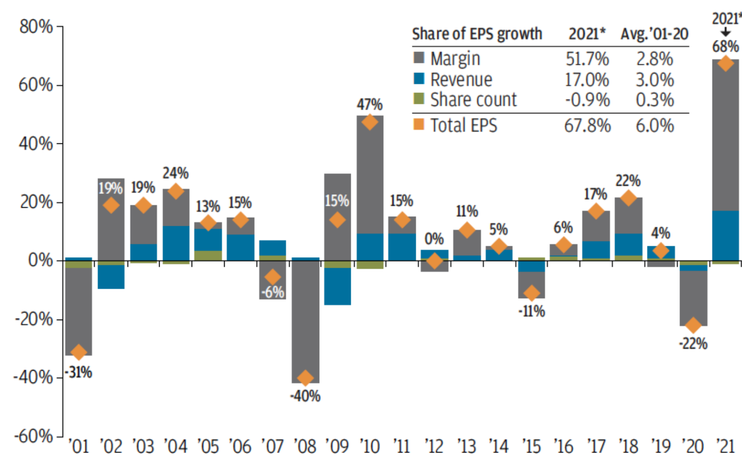
In April last year, we wrote in these Letter's (The Roaring '20s):

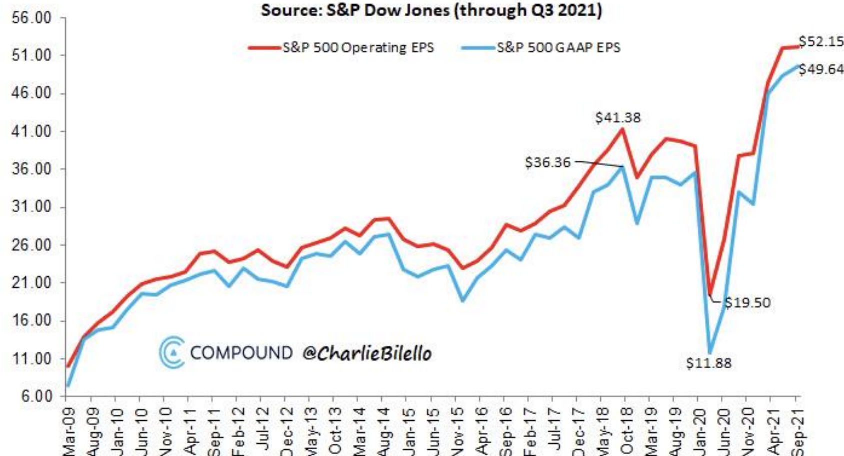
The global economy continues to sharply rebound as the world enters the final innings of the pandemic. The severity of the pandemic-related economic collapse last year has led, none too surprisingly, to significant shortages across most industries. Coupled with once-in-a- generation pent-up demand, the current breakneck pace of the current economic recovery (both manufacturing and services) is, well, once-in-a-generation as well.

We noted then a near endless list of booming economic data, including:

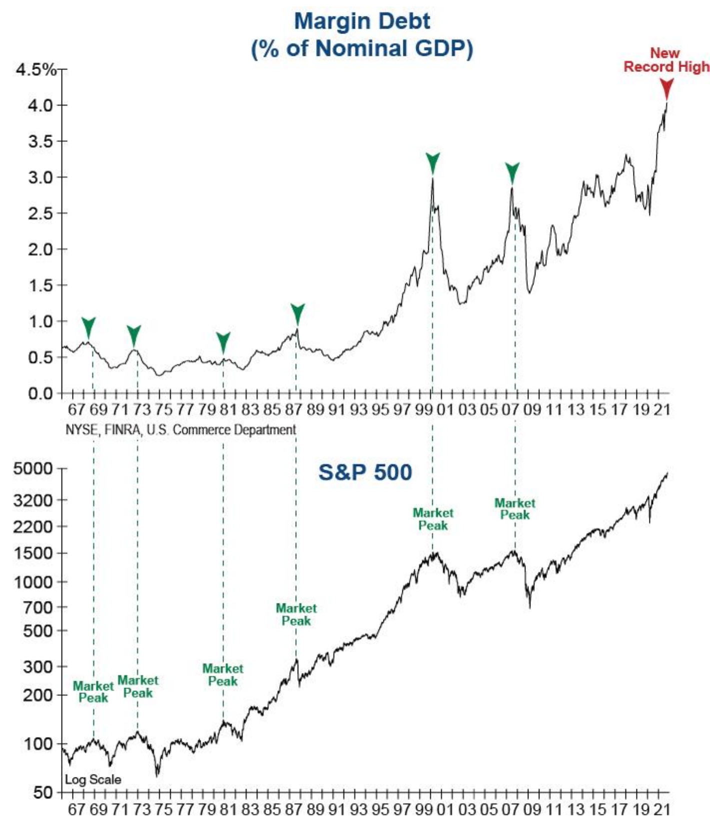
- The best data from The Institute for Supply Management (ISM) Purchasers Managers Index since 1983 and the best ISM Business Suppliers Index data since 1974.
- The ISM reported its nonmanufacturing index rose to an all-time high of 63.7.
- The U.S. Federal Reserve Bank of New York Weekly Economic Index went parabolic.
- The Philadelphia Federal Reserve's business activity index posted its highest reading since 1973.
- Commodity prices boomed along too at historic gains given the interrelated elements of unsatiated demand and supply shortages.
- Consumer spending exploded. The Federal Reserve reported that the February consumer credit card spending reached nearly $28 billion, which was *10X* higher than expectations of "just" $2.8 billion.
- DoubleLine reported the savings rate, relative to disposable income, remained above the highest levels over the past 60-years. Net, net, U.S. consumers were flush with cash. The Conference Board also noted plans to buy a house were the highest ever since the survey began in 1967.

Little surprise corporate earnings boomed in 2020. Corporate earnings reports in 2021 surprised to the upside quarter after quarter, so much so that the question remains for 2022 just how resilient a generational high in corporate margins may be. 2022 will be hard pressed to be as boomin' as 2021 as the Fed attempts to engineer a "soft landing." This is particularly so as late 2021-early 2022 looks to be the reverse of early 2021 as a growing list of economic indicators have already begun to soften.





At Wedgewood we expect a very volatile 2022, particularly on the downside – QT will see to that. QE has been the oxygen for financial markets for so long that we suspect that far too many market participants can't remember a time without such market steroids. The graphic below reminds us that when speculation reigns, markets can go far higher than what seems sober. Relatedly, when speculators lose their collective psychology to speculator, then markets will repeat their long history of falling faster and further than what seems sober.



Long term investors should root for such downside. Such times are opportunities to improve portfolios.

Our pencils are sharpened for opportunities as Mr. Market serves them up.

February 2022

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.	9.1%
Meta Platforms, Inc.	8.5%
Apple Inc.	6.8%
Tractor Supply Co.	6.3%
Visa Inc.	6.0%
Microsoft Corp.	5.9%
Motorola Solutions, Inc	5.9%
CDW Corp.	5.6%
Edwards Lifesciences Corp.	5.1%
TSMC	4.4%
Total	**63.6%**

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

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

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and other information may be found in the Fund's summary and full prospectuses, which may be obtained by calling 888.564.4517, or by visiting the website at www.riverparkfunds.com. Please read the prospectus carefully before investing.

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

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