RIVERPARK
FUNDS

RiverPark Long/Short Opportunity Fund
(RLSIX / RLSFX)

Second Quarter 2019 Performance Summary

Performance: Net Returns as of June 30, 2019

	Current Quarter	Year to Date	One Year	Three Year	Five Year	Since Inception
Institutional Shares (RLSIX)	5.79%	16.71%	6.87%	14.31%	6.11%	7.57%
Retail Shares (RLSFX)	5.76%	16.68%	6.66%	14.13%	5.91%	7.42%
Morningstar L/S Equity Category	1.76%	7.71%	1.13%	4.96%	2.07%	3.43%
HFRI Equity Hedge Index	1.73%	9.44%	0.45%	6.83%	3.46%	4.70%
S&P 500 Total Return Index	4.30%	18.54%	10.42%	14.19%	10.71%	13.40%

Annualized performance since inception of the Mutual Fund (3/30/2012) was 5.34% for RLSIX and 5.15% for RLSFX.

The performance quoted for periods prior to March 30, 2012 is that of RiverPark Opportunity Fund, LLC (the "Predecessor Fund"). The inception date of the Predecessor Fund was September 30, 2009. The performance of the Predecessor Fund includes the deduction of actual fees and expenses, which were higher than the fees and expenses charged to the Fund. Although the Fund is managed in a materially equivalent manner to its predecessor, the Predecessor Fund was not a registered mutual fund and was not subject to the same investment and tax restrictions as the Fund. Performance shown for periods of one year and greater are annualized.

Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index. Morningstar L/S Equity Category Returns sourced from Morningstar Principia. HFRI Equity Hedge Index performance is sourced from Hedge Fund Research, Inc.

The performance quoted herein represents past performance. Past performance does not guarantee future results. 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. Expense Ratio: Institutional: 1.80% gross and 1.80% net, Retail: 2.10% gross and 2.00% net as of the most recent prospectus, dated January 28, 2019 as modified by the supplement thereto. Gross Expense Ratio does not reflect the ability of the adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investor. Please reference the prospectus for additional information.

The second quarter of 2019 was a solid one for the RiverPark Long/Short Opportunity Fund (the "Fund") as the Fund returned 5.8% for the quarter, as compared to the Morningstar L/S Equity Category, which returned 1.8% for the quarter, and the broader market (as represented by the S&P 500 Total Return Index), which returned 4.3%. This brought our YTD performance for the Fund for the first half of the year to 16.7% as compared to the Morningstar L/S Category's 7.7% advance year to date. The S&P has returned 18.5% for the first half of the year.

During the quarter, our long book performed well, contributing 6.7% (gross) to our performance. Stock performance and earnings reports remained strong throughout the portfolio with particular standout performance this quarter from alternative asset manager **Blackstone,** Cologuard cancer screening innovator **Exact Sciences**, enterprise software leader **Microsoft**, social network provider **Facebook,** and global media and theme park creator **Walt Disney.**

Our shorts appreciated less than the overall market, yet still detracted from performance by 0.4% (gross) for the quarter. Despite a strong equity market, we had several notable contributions from our short book including movie theatre operator **AMC Entertainment**, food retailer **Sprouts Farmers Market**, and consumer packaged goods vendor **JM Smucker**¸ while detractors from contribution in our short book included real estate services provider **Zillow Group,** healthcare software and service vendor **Cerner,** landscape roll up **SiteOne**, food delivery service provider **GrubHub,** and analog semiconductor vendor **Power Integrations**.

We discuss our largest contributors and detractors from performance in more detail in the portfolio review section below.

We increased our gross exposure during the last three months, ending the quarter at 144% (v. 117% at the end of 1Q19) as we added to both our long (ending at 98% v. 82% at the end of 1Q) and short (ending at 46% v. 29% at the end of 1Q19) holdings during the quarter. We believe this exposure positions us well with still substantial dry powder on both the long and short sides of our portfolio should the markets continue to operate in a period of elevated market volatility.

Strategy Review

There are two core pillars of our long/short equity investing strategy:

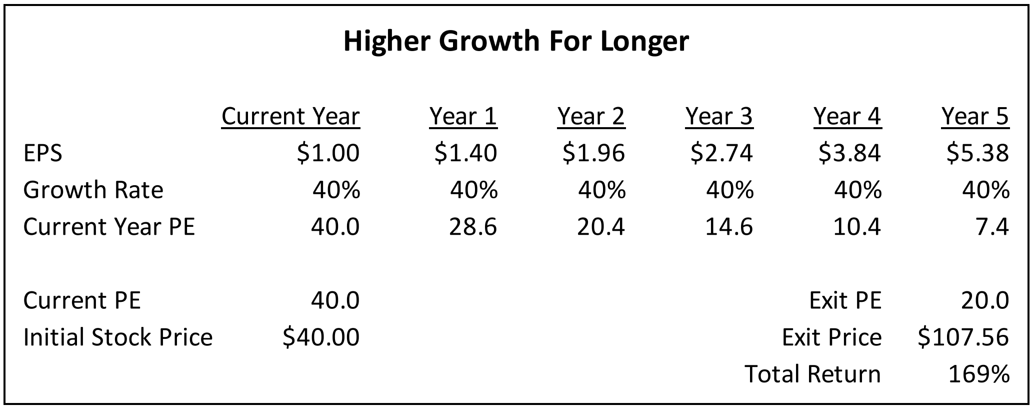
The first is that over the long term, **changes in stock prices are ultimately dictated by changes in earnings power**. That is, those companies whose earnings and/or free cash flow rise dramatically – that double and triple over the course of 5-10 years – often experience dramatic increases in market value; while those companies whose earnings decline over time, almost always have stock prices that decline as well.

The second core pillar of our investment strategy is that **valuation always matters –**that a great growth or secularly challenged company only becomes a great investment when the long and short positions are also put on at great valuations. While earnings are critical to our strategy, we do not want to dilute the impact of earnings trends by executing our trades at excessively high or low prices. This value orientation, we believe, is critical to both helping generate our long term returns and also providing a margin of safety for each investment should our prediction of the company's future earnings not materialize as quickly as we or the market expects and/or if the market falters for a period of time (in a correction or even a bear market) that drives down the prices for all equities. In each of these instances, those firms with excessive valuations are often punished more harshly than those that are more reasonably priced.

Although many believe that you generally can't have your cake (**buy great companies and short challenged ones**) and eat it too (**at great prices**) we have found that, regardless of the current state of the market or the economy, there are several fact patterns that occur in which high growth companies also trade at attractive prices and struggling companies trade at premium prices in relation to their future earnings potential which has provided us, in both weak and strong equity markets, the opportunity to invest in a diversified portfolio of attractively valued longs and shorts while also maintaining less than full market net exposure. These fact patterns include – **Higher (or Lower) for Longer**; **Compounding (or Contracting) Core Units**; **Hidden Values (or Liabilities)**; **Controversy**; and **Broader Market Corrections or Bear Markets** – and we discuss each in more detail below.

Higher (or Lower) for Longer

With respect to our long book, one example that has repeated itself regularly throughout our careers is when we find a business that is dominating a sector of the economy that is in the early innings of a large secular growth trend. These are instances where, even if a company is loved by many on the Street, we come to the conclusion that the company's long term earnings potential is still being underestimated, resulting in the company also presenting a compelling value. Take, for example, a company that is growing revenue and earnings at a high rate, let's say 40% or more year-over-year, but also trades at a high PE of, let's say, 40x earnings. While, at first, this multiple seems excessive, if the company's growth is sustained at this high level, you are today paying less than 15x year three earnings and less than 8x year five earnings–both of which are time periods beyond the range the Street generally uses in crafting their price targets. Given our 4-6 year time horizon, this power of compounding earnings can generate great returns even if the P/E is cut in half in the future (in the above example, even if the P/E ratio goes from 40x to 20x in year 5, we would still make well in excess of our expected double in total return).



Higher Growth For Longer

	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
EPS	$1.00	$1.40	$1.96	$2.74	$3.84	$5.38
Growth Rate	40%	40%	40%	40%	40%	40%
Current Year PE	40.0	28.6	20.4	14.6	10.4	7.4
Current PE	40.0				Exit PE	20.0
Initial Stock Price	$40.00				Exit Price	$107.56
					Total Return	169%

This "higher for longer" phenomenon becomes even more pronounced for companies that regularly "beat and raise" in their earnings reports. When a business is riding the wave of a long-term secular trend and growing fast, Wall Street typically underestimates (sometimes dramatically) the company's near-term earnings potential. If Street analysts are regularly 10% too low, for example, for a company's near term earnings,[1] over the next several years, the Street's estimate of future earnings would be low by orders of magnitude further in the future.[2] In these cases - where the company's earnings and free cash flow growth are substantially higher for substantially longer than the Street is willing to underwrite - stocks that appear expensive at the time of purchase on Street estimates, turn out to have been quite cheap relative to the earnings they actually produced.

Adobe, which we have owned now for several years in our long book,[3] is a prime example of this phenomenon of underestimating future earnings leading to a material differential in valuation. From 2015 to 2018, Adobe regularly beat quarterly earnings by an average 11% each quarter.[4] In November 2015, Wall Street was quite bullish on the stock and forecast 44% annual EPS growth for the next three years - this led to a consensus estimate for Adobe's 2018 EPS of "only" $3.57.[5] Investors were seemingly paying 48x the next year's EPS estimate[6] (the S&P 500 multiple was 18x) and 25x 2018's EPS making the stock look quite expensive. However, given the secular tailwind of marketing and cloud services driving the company's growth, Adobe actually grew earnings 63% per year over that time (nearly 50% faster per year than the Street had projected), resulting in EPS in 2018 of $5.20. As a result, in November 2015, ADBE shares traded at only 17x the company's actual 2018 EPS (more than 30% lower than what the Street had estimated).

[1] We have found that dominant secular growth companies often "beat" earnings by over 10% in many quarters.

[2] In the example of a company that regularly beats earnings by 10%, within our 4-6 year horizon, the company's actual earnings would be roughly 50% higher than those projected by the Street.

[3] Purchased May 16, 2016

[4] Bloomberg GAAP EPS

[5] $1.20 2015 GAAP EPS

[6] During November 2015, ADBE shares were $90 and 2016e EPS was $1.90.

Another "prime" (pun intended) example of this higher for longer phenomenon for a well know company is one of our top holdings, Amazon. Amazon has often been viewed as "expensive" with a free cash flow ("FCF") multiple[7] mostly between 35x and 150x[8] over the past several years. When we initiated our position in February 2016 (at $488 per share), AMZN's FCF multiple on our estimates had dipped to around 23x our 2016e FCF estimate of $10 billion. We believed, from our modeling and field work, that the company's marginal profitability and free cash flow conversion were both at an inflection point with dramatic growth possible for both metrics over the next few years. At the time, FCF for the next three years was estimated by Wall Street to grow by 31% per year to $23 billion[9] for 2019. Actual FCF growth has been much more significant - at 45% per year - and now is expected to be $30 billion for 2019.[10] Based on its actual growth, when we initiated our position, AMZN shares traded at only 11x 2019 FCF. Today, Wall Street remains mostly bullish on the company and estimates that Amazon's FCF will grow by 42% per year for the next three years to $66 billion for 2022. [11] AMZN shares trade at a relatively reasonable rate of 15x this current 2022 Wall Street estimate for FCF. However, if FCF grows a bit faster at 55% per year to $85 billion - which we think it will as we expect revenue to continue to grow at a high-teens rate and believe the company can continue to significantly increase margins while maintaining capital expenditures–AMZN shares currently trade at an even more attractive 11x 2022 FCF.

Our goal for all of our considered investments is to accurately project the company's long term earnings potential (rather than be guided by Street numbers) and we especially look for those situations where we believe that the Street is dramatically underestimating the growth potential of even a well-liked firm. This "Higher for Longer" phenomenon describes a large portion of our long portfolio as many of our holdings have exceeded estimates at similar or even greater rates than Adobe and Amazon including (but hardly limited to) such well known firms as Alphabet, CME, Visa, Mastercard, Microsoft, Booking, and Facebook. Each of these was also often thought of as "expensive" when we purchased our positions - only to have turned out to be great values as their 2018 EPS was (for this group) anywhere from18% to 100% higher than what was estimated by Wall Street in 2015 and 2016.

The flipside to the Street underestimating the future earnings growth of a business that is dominating a sector that is in the early innings for a large secular trend is that the Street often *overestimates* the future earnings of a business that is facing structural deterioration of its' long-term competitive advantages.

[7] We, as does Wall Street, focus on FCF for Amazon rather than EPS.
[8] Current year FCF
[9] Bloomberg estimate
[10] Bloomberg estimate
[11] Bloomberg consensus estimate of $66 billion is based on estimates ranging from $52 billion to $93 billion.

Take, for example, our grocery store shorts–**Kroger** and **Sprouts Farmers Market**–and our big box retail shorts–**Gap** and **Nordstrom**.

Grocery stores are facing long-term competitive pressure from many angles. Big Box retailers–Walmart, Target and Costco have entered the business. Discount stores–Dollar Tree, Dollar General–have added more fresh food. Other chains have also been expanding–Trader Joe's, Aldi, The Fresh Market, and Natural Grocers. Of course, Amazon has entered the fray through its acquisition of Whole Foods, which has added internet competition and additional discounting. While more retailers are selling groceries, fewer customers are buying (a bad supply/demand combination), as fewer people are cooking as they are ordering meal services, ordering in or dining out.

None of this is particularly new. Meal kit delivery went national in 2015, in 2017 Amazon bought Whole Foods and discount grocer Aldi started its five-year $5 billion, 800 store US growth plan. Kroger revenue declined 1% last year and reported $2.27 in EPS last year, when three years earlier the Street had forecast $2.71. While KR shares already traded at a below-market multiple of 12x next-year's EPS, Kroger's next year's EPS forecasts have been reduced from $3.07 three years ago to $2.55 last year to $2.19 currently. This means that, rather than trading at 12x earnings when we initiated our short position, KR shares were trading at an above market 18-20x actual earnings given the magnitude of the earnings declines. The company has reported several consecutive quarters of disappointing results and KR shares are down 20% through the first six months of the year despite a strong equity market.

Sprouts Farmers Market is facing the same competitive pressures as Kroger, but as a new format, has been growing and the Street had viewed it as a growth company, with SFM shares trading at as much as 25x EPS at times. Nonetheless, it is our belief that it is extremely difficult to overcome the structural headwinds of a deteriorating competitive environment. Sprouts reported $1.29 EPS last year, much below the Street's $1.67 estimates three years earlier. Next year's estimates (2020) are currently $1.34, down from $1.86 three years ago and $1.65 last year. As the Street has recognized the pressures SFM faces, its multiple has declined to 14x and SFM shares are also down about 20% through the first half of 2019.

The internet's assault on retail has been going on for quite some time, but the Street has still been underestimating the long-term earnings degradation of other brick and mortar retailers, such as Nordstrom and Gap. Nordstrom reported $3.74 of EPS last year, when Street estimates (for 2018) were $6.59 in 2015, more than 75% higher. Similarly, Gap reported $2.41 of EPS last year, compared with Street original estimates (from a few years prior) of $4.39. JWN and GAP shares have both been among our best performing shorts YTD as they are down 31% and 29%, respectively, this year despite each beginning the year at what were perceived to be trough low double digit earnings multiples.

Even after the substantial cuts in earnings for Kroger, Sprouts Farmers Market, Nordstrom, and Gap, we believe that the Street continues to overestimate earnings for these (and our other big box bricks and mortar retail) shorts and we believe will be forced to revise estimates down for these challenged companies.

Over the past several years, this secularly challenged industry creating headwinds for individual companies has been the core situation for one of our largest shorts for the past several years, document records landlord **Iron Mountain**. As we detailed in our 3Q18 quarterly letter, while document storage was a strong growth industry for many years, driving Iron Mountain to becoming the world's leading physical document storage company, raising prices and acquiring smaller competitors, the industry is now in decline. For the past two years, IRM's volume of records stored in North America declined 0.4% and 1.5% for 2017 and 2018, respectively. While it has tried several avenues of diversification over the years (including forays into digital tape storage, shredding and, more recently, acquiring data centers), Iron Mountain still generates 85% of its gross profit from charging its customers a monthly fee to store paper documents in boxes in warehouses. On top of this secular headwind to its business, IRM faces the added pressure of the company's operating cash flow over the last several years not covering its capital expenditures and dividend payments. For 2018, the company once again spent more money than it generated ($936 million of operating cash flow, spending $539 million on capital expenditures, $1.8 billion on acquisitions, and paying $674 million in dividends), resulting in an additional increase in debt to $10.4 billion as of the end of 1Q19, a tripling of debt over the past several years.

Compared with other REITs, IRM shares are not expensive (at 12x AFFO[12] they trade at a discount to the REIT industry), however, unlike the typical REIT, we estimate an annual decline in AFFO for IRM of 5-10% per year. Additionally, regardless of where the broader REIT sector may trade on AFFO, businesses in secular decline generally do not trade at IRM's current multiple of 10-12x EV/EBITDA. While there is no real direct publicly traded competitor, other low-to-no-growth services businesses such as Western Union and Pitney Bowes currently trade at 7x-8x EBITDA, a valuation at which Iron Mountain's stock would be nearly cut in half.

Compounding (or Contracting) of Core Units.

A derivative of the higher or lower for longer fact pattern are those situations where a unit based business – such as a retailer opening new stores or a med-tech company offering a new device or protocol on the one hand; or a manufacturing company selling less units or a land lord leasing less space on the other – has a market value that is currently either small (for the growth company) or large (for the contracting firm) in relation to its foreseeable unit level business plan a few years in the future. Again, in these situations, a company that looks expensive (for a long) and/or cheap (for a short) in the near term may have a medium to long term enterprise value

[12] AFFO is adjusted Funds from Operations.

potential that is multiples or fractions of the current equity value of the business once the growth or contraction curve normalizes.

Take, for example, one of our newest long holdings, **Five Below**. For a relatively young retailer like Five Below – which has less than 800 stores today[13] and plans to grow units by 20% or more per year for the foreseeable future[14] - we look at what EPS will look like when they have a more fully built out national footprint - which, for FIVE, is a near-term target of 2,500 stores.[15] On this more than 300% store growth, we believe that the company will dramatically grow revenue (through the combination of new units and positive same store sales) and will also leverage its SG&A while keeping gross margins steady (to continue to offer great values to their consumers). This implies an operating income and EPS growth even faster than revenue growth as margins expand and excess free cash flow is generated and deployed. On our estimates, we project that FIVE can generate earnings in excess of $15 per share in EPS once it has a more mature store base in the next several years (compared with earnings of $2.66 in 2018 - a compound annual earnings growth rate of around 25%). Even if we contract the company's forward multiple to 20x from in excess of 30x today, we would still be able to exit the stock at $300 per share compared to its current price of $123 (for a return of 140%).

A similar example of this unit growth approach to valuation in the med-tech space would be colon screening test company Exact Sciences. The current colon cancer screening market is estimated at $13 billion per year - although that estimate only accounts for the 47 million people in the average risk population over 50 years old currently getting screened through colonoscopies. Many researchers believe an additional 21 million people should be included in the risk population for screening (those in 45-50 cohort) and that screening should possibly occur with greater frequency than the current protocol of once every 10 years. As a result, over time, the market for colon cancer screening that Cologuard addresses could be substantially bigger. With Cologuard now fully FDA approved, added to screening guidelines and approved for reimbursement by nearly all forms of insurance, Cologuard tests completed have grown exponentially from 4,000 per quarter in 1Q15 to 334,000 in 1Q19. For the full year 2019, 1.5 million tests are expected to be completed, an increase of over 60% year-over-year with test growth expected to remain well north of 50% for several more quarters and +30% for the next several years. The company also anticipates high profitability as it scales with 80% gross margins expected longer term (up from 73% last quarter) and a greater-than 25% operating margin (from slightly negative today) over time. As Cologuard becomes a more mainstream diagnostic tool, we believe the company will eventually scale to complete many multiples of the current volume of tests per year. Over the next 4-6 years, at a 30% share of the current market (or 9 million tests per year – a number we still view as conservative), we believe EXAS can

[13] At 2Q19 end
[14] At 2Q19 end
[15] Management guidance 2,500. Five Below Fiscal 2019 10k.

generate in excess of $11 EPS (v. the company's earnings of about break even and its current stock price of around $115 per share), allowing us to exceed our goal of a double in total return.

Similar to Exact, other med-tech unit volume growers within our portfolio include such holdings as robotic surgery founder **Intuitive Surgical** and plastic orthodontic company **Align Technology**.

The drivers of Intuitive's business are the number of installed robotic surgical machines (brand name da Vinci) and the annual procedure volumes executed on those machines. In the five years ending 2018, Intuitive grew its systems installed base by 79% which delivered procedure growth of 100% in a market of robotically addressable surgeries that also roughly doubled to approximately 2.6 million surgeries. We think over the next five years the company's installed base can grow 1.5 times (from 6,400 installed robots to 15,400) and that procedures will grow to more than 3 million per year from its current volume of 1 million per year. We expect this continued growth in system sales and procedures to cause earnings to more than triple over the next 4-6 years and, longer term, as robotic surgery becomes the standard of care for general surgeries, we believe Intuitive's addressable market could reach 50 million procedures compared to the 1 million procedures performed on the company's robots last year.

For Align Technology, the story is a similar one. As we discussed in our letter from the second quarter of 2018, Align is the inventor of and the dominant player in the orthodontic clear aligner market with its Invisalign product. The roughly 1.2 million cases Align did last year - which represented the vast majority of clear aligner cases done in the world - represented only 10% of the global orthodontia market (yet was up nearly 200% from 5 years earlier). We believe that over the coming decade, the majority of global orthodontia will be done with clear aligners (and the market of orthodontia will also grow given the less invasive product and patient experience) and that Align will be the major beneficiary of this shift away from metal braces. We expect Align to grow cases another roughly 200% over the next five years resulting in a near doubling of revenue and a 250% rise in EPS.

In our short book, the above cited pressure on bricks and mortar retailers from a host of increased competition, including the internet, and the changes in consumer shopping habits have dramatically altered the demand to lease retail space from shopping center and mall landlords. After 2017's record closures of more than 8,000 retail store locations, 5,864 stores closed in 2018, and through the first half of this year, more than 7,000 have closed. [16] Current industry

[16] CNBC, Shopping malls see tsunami of store closures and falling traffic, https://www.msn.com/en-us/money/companies/shopping-malls-see-tsunami-of-store-closures-and-falling-traffic/ar-BBVXk2n, Retail graveyard: More than 7,000 U.S. stores have closed this year, https://www.cbsnews.com/news/more-than-7000-us-stores-have-closed-2019-final-tally-could-exceed-12000/

reports are for one in four malls (approximately 1,100 remain) to close by 2022.[17] Even successful retailers know they can do more with less and are closing stores–such as Starbucks which has announced 150 US closings, Lowe's 51, and Walmart 17.[18] Even for the stores that remain, both struggling and successful retailers are coming to the table at the point of lease expirations with increased negotiating leverage to ask for cheaper future rents from their landlords.[19] This does not, we believe, bode well for the earnings and dividend paying power of our retail REIT landlord shorts **Kimco** and **Regency**. We believe these headwinds will make it difficult for these retail shopping center owners to produce the cash flow needed to grow their dividends in line with street expectations. Although both stocks have been underperformers for the past several years,[20] both have rebounded during 2019 and, to us, now trade at relatively high valuations given their future prospects.

Another example from our short book of this shrinking unit phenomenon is **Harley Davidson.** This iconic heavy duty motorcycle manufacturer has several compounding headwinds that have combined to shrink materially the number of new units sold per year. These include contracting demand for new motorcycles from new buyers, increasing competition from used Harleys in the secondary market, and increasing competition from other manufacturers. Younger buyers are simply not buying heavyweight motorcycles as the free spirited culture of our parents' and grandparents' generations that used heavy duty motorcycling as a hobby or key mode of transportation has not translated to the younger generations. In addition, many older buyers are aging out of this hobby (it is harder and harder for the Woodstock generation to ride a heavy duty bike as they approach their 70s and 80s) and many, to the extent they are still interested in the hobby, tend to prefer the classic, used Harley Davidsons which generally have low mileage and have been well maintained. Harley is also facing increasing competition within its heavyweight niche from reinvigorated brands (such as Indian) as well as increasing competition from more performance brands (such as Ducati and Triumph, which are more appealing to younger riders). There are also multiple new entrants offering electric motorcycles, a category that Harley has been late to enter. All of this this has led to HOG selling fewer motorcycles each year, having sold 228,051 motorcycles in 2018, down 15% in total for the four years since 2014. As is typical, the company cannot shrink its cost structure as much as revenue shrinks, and Harley's EBITDA margin has declined from 25.0% in 2014 to 20.8% for 2018. Net Income over this time has declined 25%. Although HOG's shares have appreciated a bit during the first half of 2019 (total return of 7.3% v. the S&P total return of over 18% this year), since 2016, the shares are down by 33% in a market that has appreciated 38%.

[17] The American Shopping Mall, At 62, Not Quite Ready for Retirement, https://insight.factset.com/the-american-shopping-mall-at-60-not-quite-ready-for-retirement)

[18] These Chains Have Announced a Ton of Store Closings in 2019, https://moneywise.com/a/retailers-closing-stores-in-2019

[19] The BREW: The Stall at the Mall; Amazon HQ2 NYC, BMO Capital Markets, Feb 11, 2019.

[20] Since the end of 2016, KIM has returned -13.3 % and REG has returned 7.9%, compared to the S&P's 40.6%.

Hidden Value (or Liability)

A third fact pattern that yields the ability to own great growth stocks at great values are instances where we perceive a company's asset base, product offering or corporate structure may be negatively (or negligibly) contributing to its current reported valuation but that we believe will be enormously valuable in the future. In these cases, the current Price to Earnings or cash flow multiple of the company may appear overstated and could yield a much more attractive valuation if/when the non-contributing asset, product or corporate structure emerges.

A prime example of such underappreciated assets would be one of our largest holdings, **Alphabet** (4.4% of the Fund). Alphabet, to us, remains attractively valued on its face at less than 20x our estimate for next year's earnings. The company remains one of the most remarkably consistent and impressively innovative companies we have researched having enjoyed 36 straight quarters of greater than 19% revenue growth and greater than 25% operating margins in its core advertising segment as core click rates in its search marketing business continuing to grow at a nearly 40% annual rate. Although the core Google search business recently passed its 20th birthday, growth remains strong in all of the company's core regions as the US, Europe and the Middle East, Asia Pacific and most other regions all still generating +20% constant currency revenue growth. In addition to this high growth and highly profitable core advertising and services businesses, Alphabet also has an "Other Bets" segment that - while it currently prints an operating loss of approximately $3 billion per year (or nearly 10% of the overall company's $32 billion in 2018 operating income) - houses some of Google's most valuable but venture-like franchises. These include, among others, the company's impressive Artificial Intelligence division, its nascent healthcare initiatives (grouped under the brand name Verily), as well as its Waymo autonomous vehicle business, which many believe to be the leader in what could be an enormous future market. In fact, a recent analyst report that did a deep dive on the autonomous vehicle industry concluded that Waymo alone could be worth in excess of $250 billion over time.[21] Although this entire division remains in capital use mode (generating income statement losses and producing capital expenditures), we believe the long term values in the Other Bets segment could be significant additional contributors to the company's enterprise value in the future.

Alphabet currently trades at about 19x our estimate for 2020 GAAP EPS–a valuation that we find quite compelling in its own right. However, if we were to back out the company's cash and the operating losses from the Other Bets division (still giving no enterprise value to any of those initiatives) the 2020 PE would drop to about 14x, a significant discount to the market. If we were to give a reasonable enterprise value to the company's Other Bets (such as Waymo), the valuation becomes even more attractive.

[21] "Can Waymo drive Alphabet's Stock? A deep dive into Autonomous driving. Brent Thrill, et al, Jeffries research note – December 18, 2018.

Other examples of hidden value that have contributed to this year's strong performance within our portfolio include **Blackstone** (where a long anticipated change in corporate structure has driven the stock price to new highs this year) and the **Walt Disney Company** (where the long-anticipated launch of it's over the top/direct-to-consumer initiatives - that were detailed at a recent analyst day - propelled that stock materially higher).[22]

In contrast to the hidden assets we look for in our long book, in our short book we look for hidden liabilities. These "liabilities" can be in the form of debt or some other off balance sheet liability, or, as is the case in the shaving business in Consumer Packaged Goods, can be in the form of a current profit margin that is unsustainable in the face of a new entrant. In our 4Q17 quarterly we wrote about the declining brand equity of traditional Consumer Packaged Goods (CPG) brands, and we specifically wrote about the melting ice cube that was/is P&G's Gillette razor blade business. At the time, we noted that the company had just lost 14 percentage points of market share over the prior five years to start ups like Dollar Shave Club and Harry's. Gillette has lost another 6% of market share since then and is about to drop below 50% share (from 70% in 2010). But, the company has not gone down without a fight, slashing prices and suffering declining margins in these product lines since 2017. We believed then that Edgewell Personal Care's ("EPC") Schick line of razor blades, the perennial also-ran in the space, would be the hardest hit by these price cuts as their market share was always thought to exist because of price conscious buyers. Moreover, despite being substantially smaller than Gillette's business, Edgewell's Schick business represented a much larger percentage of that company's total revenue, at more than 50%. When the company reported its second quarter earnings in May of this year, revenue from razor blades had declined 15% from the prior year and the company had gone from 14% market share to 10% in the prior three years. The liability that is the company's razor blade business could no longer be hidden. During the same earnings call, the company announced what many considered a massively overpriced and materially dilutive deal to buy Harry's and fully embrace a lower priced, lower margin future in the shaving business. EPC's stock declined materially in response and is now down 25% on the year.

Controversy

Still another recurring fact pattern that we look for on both sides of our portfolio is when a near term controversy either pressures a stock or seems to be ignored by the investment community and results in what we perceive to be a risk/reward anomaly. To the extent that we have a high degree of conviction that the ultimate outcome will be substantially less or more dire than the current consensus, these are often excellent opportunities to "buy low" into great growth companies or "sell high" potential shorts.

[22] Blackstone advanced 53% this year as it announced its conversion to a C-corporation, while DIS shares have advanced 27%, with much of its advance occurring post the company's analyst day at which its formal direct-to consumer offerings were detailed for investors.

In these instances, we keep top of mind one of the most repeated scenarios that we find in the equity markets – that investors tend to overshoot in both directions when reacting to positive and negative incremental news on a company. To quote long-time value investor Howard Marks:

> Although in the real world, things generally fluctuate between “pretty good” and “not so hot,” in the world of investing, perception often swings from **“flawless” to “hopeless.”** The pendulum careens from one extreme to the other spending almost no time at “the happy medium” and rather little in the range of reasonableness. [23]

In the case of a controversy that arises with a growth company, we find it to occasionally be the case that the market severely overcorrects to the downside– over-punishing a company in the near-term for an issue whose ultimate impact on earnings turns out to have been materially less than feared.

A classic example of controversy suppressing the value for world class growth companies occurred with our core payment holdings Mastercard and Visa, in 2010 when they sold for all-time low PE multiples. Despite the strong secular trend toward digital payments, a political debate erupted globally surrounding whether the interchange fees charged by the credit card platforms were restraining trade and/or monopolistic. The European Union, the U.S. Congress and other governing bodies were all simultaneously contemplating legislation around interchange which created a substantial overhang for Mastercard and Visa, depressing their shares. Each returned -12% and -19%, respectively, for that year with both hitting all-time low valuations of 12x their next year’s expected EPS. However, as the negotiations and new regulations were concluded - the U.S. Fed, for example, issued its rule to cap interchange fees on debit card transactions the following year (June 29, 2011) – it turned out that the fines and legislations were not particularly onerous to either company and had little if any impact on long term business volumes or margins. As a result, since June 29, 2011 when the legislation in the U.S. was enacted, V and MA shares have returned 750% and 793%, respectively, significantly outpacing the S&P 500’s 166% total return.

Two prime examples of stocks that hurt our 2018 results as controversy arose, but have aided in our 2019 results as the controversy began to dissipate are long-time holdings Facebook (regulation concerns) and Apple (iPhone franchise concerns).

Facebook’s 2018 troubles with data privacy and content oversight has evolved into two ongoing controversies: 1) Facebook’s (and other online businesses that generate revenue from targeted advertising) responsibilities as it relates to user’s personal data, and 2) Facebook’s responsibilities as it relates to managing nefarious news flow on the social network. These

[23] “On the Couch”, February 2016, Howard Marks Oaktree Investor Letter.

controversies resulted in a loss in FB's shares of nearly 26% for the year in 2018 and 43% from its July 2018 high to its December 2018 low.

For its part, Facebook has accepted the responsibility to address both questions and has stated that they are willing to spend billions of dollars to work on solutions for both problems. The sell-off in the stock, we think, reflected skepticism amongst investors as to the company's earnestness with regard to finding real solutions and/or the company's ability to actually fix the problem, as well as the shock as to how much money the company planned to spend both in actual expense growth as the company bulks up its internal controls but also with planned lower revenue growth as the network revamps its monetization engine. While we had trimmed our holdings in FB prior to these revelations (as the stock had been a strong relative outperformer in the years prior to 2018), we took advantage of the sell off to add back to our position during the year given our belief that the market had materially overreacted to the controversy. We believed (and still believe) that Facebook users find great value in being able to connect with friends and family, build businesses, display artistic works, raise awareness for meaningful causes, etc. on the company's Facebook, Instagram, and WhatsApp sites and that users generally understand the tradeoff between free products and the advertising required to sustain them. It was/is our expectation that Facebook will win back users' trust through the extraordinary efforts the company is undergoing and therefore will be able to maintain high user engagement and user growth. It was/is also our expectation that advertisers will continue to pay to place ads across the Facebook platforms as Facebook remains one of (if not the) most targeted and highest ROI advertising properties in the world. We continue to believe that even following fines and increased regulation, revenue can still grow substantially from its current base as, despite Facebook's tremendous growth, the company still generated less than $25 of advertising revenue per user in 2018. We believe this number can double and double again over the next several years.

During the balance of 2018 and into 2019, the company did continue to spend aggressively to implement meaningful data and privacy safeguards across its platforms yet it still maintained its position as both the most relevant social network for its users as well as the highest return on investment platform for its advertisers. During this investment period, the company maintained its impressive growth in advertising revenue (+25% year over year for each of the 2018 quarters and the first quarter of 2019). For the full year 2018, the company generated $55 billion in revenue (37% greater than 2017), over $33 billion in EBITDA and over $7.50 in EPS. Looking at FB with a longer term lens, even following all of the negative press for the past 12 months, the company's revenues have increased over 5x, EBITDA over 7x and EPS about 12x over the past 5 years as the company has grown to 2.25 billion active monthly users (active monthly users grew 10% from the prior year in the most recent quarter despite all the negativity around the company).

Clearly, to us at least, despite the scandal plagued year, FB remained a uniquely impressive high growth company. We continue to project +20% revenue growth in 2019 and beyond, and, while earnings in 2019 may be flat with 2018 (as the company invests heavily in its platform and services to create a more trusted environment that is compliant with all current and prospective regulation),[24] we believe that earnings growth will reaccelerate to a 15-20% per year rate of growth in 2020 and beyond. At its trough during 2018, FB traded down to about 14x 2019 earnings and, based on renewed growth in 2020, traded at about 13x our 2020 earnings. The company is also in the midst of a $9 billion share repurchase program that should be further accretive to these numbers. Facebook is growing faster than 95% of the S&P with margins higher than about 90% of the S&P, yet, for the first time, Facebook traded at a discount to the S&P and is at its lowest multiple ever.

Although the controversy remains dominant in the media and amongst the various regulators - as 2019 has progressed - many have come to believe that the long term impact to FB's various businesses will be less draconian than first feared and the stock has rebounded strongly during 2019 – appreciating over 50% in this year's first half. And yet, as the controversy lingers, so does the overhang on the shares, which are still trading, on our numbers, at a discount to the market.

A similar bout of selling pressure befell **Apple** shares late in 2018, despite reporting its best fourth quarter results ever. The stock declined sharply (falling 39% in a few short weeks from its all-time high of nearly $230 in early October of 2018) as the company gave revenue guidance for the December quarter that disappointed investors (a range of $89-$93 billion in sales v. the street estimating $93 billion), while also announcing that it would no longer provide unit level hardware details in it financial reports. This was followed by a round of Apple suppliers that began reporting a material slow-down in orders throughout the iPhone supply chain. The perception that iPhone sales for the December quarter were light was then confirmed in the first days of 2019 as the company pre-released results that were below even its initial disappointing guidance. The company guided to a preliminary revenue number of $84 billion (which would be about 5% below the December quarter last year) with the majority of the short-fall coming in the company's China iPhone business ("most of the revenue shortfall to our guidance, and over 100% of our year-over –year worldwide revenue decline, occurred in Greater China across

[24] We expect this added expense to also position FB to thrive in a stricter regulatory environment. We fully expect the US to implement personal data protection rules similar to those the EU implemented this year under the name General Data Protection Regulation (GDPR). Simply, the EU requires online properties to 1) disclose data collection, 2) declare the lawful purpose of the data collection, 3) define a time period for data to be retained, and 4) disclose if the data will be shared with third parties. Facebook is in compliance with these rules in the EU and is well prepared to respond to whatever regulations are implemented in the US. As we wrote in our letter from 1Q 2018, we believe these regulations, while necessary and relatively straight forward, are expensive and complicated to comply with and therefore favor larger businesses like Facebook that have the resources to be in full compliance.

iPhone, Mac and iPad.")[25] The company also pointed to other pockets of weakness both in other emerging markets as well as related to capacity constraints in some of the company's newest product launches but lower iPhone revenue, primarily in greater China, was the lion's share of the decline. Although the company highlighted some bright spots – such as categories outside of iPhone (Services, Mac, iPad, Wearables/Home/Accessories) growing almost 19% year of year, and generated strong results for the fiscal year as a whole[26] - the sharp deceleration in iPhone sales in China and the magnitude of the miss to guidance (Apple's first guide-down in years), reignited the debate as to whether the iPhone's dominance (currently over 60% of the company's revenue) and Apple's history of innovation and growth are each coming to an end.

This most recent sell-off marked the seventh decline of over 20% for Apple's share price since the introduction of the iPod - which began the company's transition to an "ecosystem" of interconnect products and services - in 2001. That's roughly once every two and a half years. In each case, Apple's future relevance was similarly called into question as its hardware dominance was thought to have surely peaked. And, in each case, as the company continued to update its current products, launch new platforms and take share in new geographies, a new cycle of revenue and profit growth ensued. This disappointment is also, to us, directly reminiscent of the company's 2016 results in which, following the enormous success of the iPhone 6 and 6 plus which drove a $50 billion year over year increase in revenue in 2015 (28% growth) but resulted in a nearly $18 billion (-7.7% year over year) decline in revenue in 2016 as the iPhone 6s was less well received. Although for the year, Apple's stock declined 5% in 2015 and rose 10% in 2016, the stock suffered a peak to trough decline of over 34% (which compares to the more recent decline) as the Street digested the lack of linearity in iPhone sales. Notably, over 2017 and 2018, revenues again expanded by an additional $50 billion as the company continued to innovate its flagship iPhone franchise while also reinvigorating growth in iPads, iWatch and a host of services and accessories. Although its stock has rarely traded in line with, much less at a premium to, the market during any of these past 17 years, it has risen more than 12,000% over this period (a 32% per year compound annual rate) as each period of doubt was replaced by renewed cycles of innovation and growth.

We believe the current predictions of Apple's demise are similarly premature and that the company remains the dominant and most innovative consumer IT vendor in the world with an unmatched product line-up, global retail footprint and commitment to customer service that creates an ecosystem of loyal users and repeat purchasers of its products. While the dominance of the iPhone (60% of the company's revenue) as a growth engine may be waning (we expect moderate iPhone growth revenue growth over time, though likely ebbing and flowing around the company's release schedule, in coming years) we believe that a transition to strong services,

[25] Apple 1Q 2019 earnings transcript.

[26] For fiscal 2018, the company generated over $265 billion of revenue and nearly $12 in EPS, year-over-year growth rates of 16% and 29%, respectively.

accessory and ancillary revenue growth, combined with substantial share repurchases from the company's prodigious free cash flow, can sustain double digit earnings growth for the company for years to come.

Apple now has an active base of 1.4 billion iOS devices in use globally. That's more than 1.4 billion devices in regular use (some estimates indicate that the average iPhone users checks their phone up to 100 times per day) on Apple's ecosystem buying products, buying apps, and buying services. These services are comprised of revenue generated from the App Store, Apple Music, iTunes, iCloud, Apple Pay, Apple Care, Licensing, and other service related offerings. The company's services business has been growing at strong double digit rates and is currently nearly $11 billion in revenue per quarter. We believe that on average, these services' revenues generate gross margins that are nearly double the gross margins of the hardware business (which are nearly double the gross margins of other hardware vendors because of the premium people pay for Apple's software). These services, and the services Apple will introduce in the future, are what drive a greater than 92% loyalty rate among Apple iOS users.

We believe that Apple's services business can grow from 14% of revenue and 24% of gross profits currently, to 27% of revenue and 44% of gross profits over the next five years. Even with limited to no growth in total hardware sales and profits over this time (which may prove conservative as we believe that Apple is still amongst the most innovative technology vendors in the world), we believe that the growth of services revenue and profits will be able to drive double digit annual growth in Apple's earnings. In addition, the company currently has $130 billion of excess cash on its balance sheet that management has stated will be spent in the coming years on dividends, share buybacks, and potentially acquisitions. When combined with the nearly $60 billion of free cash flow we expect the company to generate over the next 12 months (and growing with earnings in the future), Apple has the liquidity to buyback nearly a third of its outstanding shares this year alone. We believe a continued aggressive buyback program will further support double digit annual earnings growth for the foreseeable future.

We added to our position on weakness during the fourth quarter of 2018 keeping Apple among the top 5 holdings in the Fund at the time. We assumed that if Apple continued to trade at its then current valuation of about 11-12x forward earnings (a discount to the market and in-line with low to no growth IT hardware companies) we believed that Apple's share price would still compound at the double digit annualized pace we expect for the growth of its earnings and free cash flow in the years to come. Should the market begin to shift away from a focus on the ups and downs of the iPhone cycles and towards a services view of the company (which is what we believe management is trying to emphasize in its change in reporting), Apple could trade at potentially materially higher valuations - more in-line with other secular growth technology services and software firms. As 2019 has unfolded, Apple shares have surged over 25% in the first six months of the year, recouping much of its late 2018 losses as the company has reported strong service growth and a more stable iPhone demand environment than most have feared.

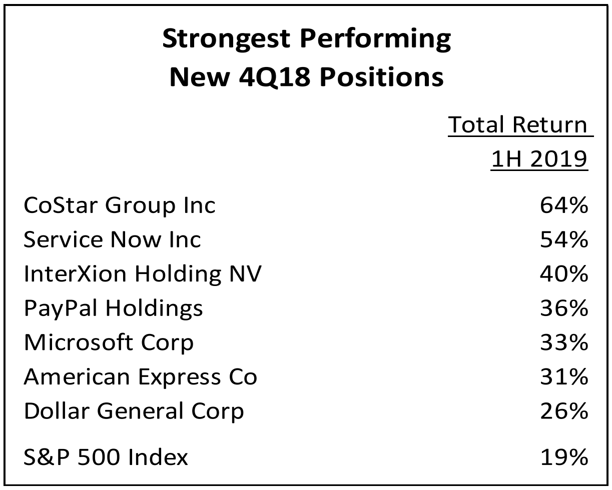
Other strong contributors to our 2019 results that were controversial stocks in 2018 include **Northrop Grumman** in the defense industry (2018 controversy surrounding the scale of the defense budget, 2019 1H return of 33% as defense spending remains a priority for both parties), data center owner and operator **Equinix** (2018 controversy around its acquisition integration, 2019 1H return 45% as the company reported that integration was ahead of schedule and demand trends remained strong) and Canadian value retailer **Dollarama** (2018 controversy around a slowdown in same store sales, 1H 2019 return 42% as same store sales stabilized and profit growth reaccelerated).

For our short book, we look for those situations where a controversy has not, in our opinion, been fully valued by the market in a stock. An example of such a situation in our current short book would be **Zillow Group** that recently announced a major business model shift from providing tools to buyers and sellers of homes and monetizing them through agent advertising and subscriptions to becoming a large scale buyer and seller of individual homes. We had always perceived that the market for advertising services among real estate agents was never big enough to justify the company's massive valuation to begin with and yet, as the growth in the advertising business decelerated materially over the past year, investors appear to have cheered a business model shift that we believe has enormous barriers to success including, but not limited to, the need for huge amounts of capital to purchase and inventory homes, the labor intensity (agents, contractors, workers, inspectors, etc.) of buying and refurbishing homes at scale, and the unpredictability of home speculation. Despite this wholesale change in business model, the inherent risks associated with the company's new path, and Zillow's expanding losses and negative free cash flow, the company is currently valued at $10 billion and its stock has appreciated over 50% this year. We have added to our short position through this year.

Corrections/Bear Markets

Finally, there are occasional steep market sell-offs that materially pressure all equities and/or all equities in a given sector for a period of time. In these situations, a host of business that we have fully researched and have concluded have great earnings growth potential but where that potential is already represented in a fully or even overvalued stock, often rerate in dramatic fashion. A large part of our research effort is directed towards having a full "pantry" or "wish list" of businesses in which we have great confidence in their earnings growth potential even if they do not meet our valuation criteria. We then look for the opportunity to "buy the dip" in these firms during those broader market corrections. Last year's fourth quarter was an example of such a period as it was one of the more dramatic and swift sell-offs across the equity markets in some time and was also one of our more active periods in the last several years.

During last year's fourth quarter sell-off, we added ten new long positions that each had traded down materially from their recent 52-week highs including – Microsoft and ServiceNow in the enterprise software space; PayPal and American Express within electronic payments; real estate data services leader Costar Group; Interxion, a leading European datacenter operator; and growth retailer Dollar General. Not surprisingly, seven of those additions have been amongst our portfolios best contributors to our strong year to date results.[27]



Strongest Performing
New 4Q18 Positions

	Total Return 1H 2019
CoStar Group Inc	64%
Service Now Inc	54%
InterXion Holding NV	40%
PayPal Holdings	36%
Microsoft Corp	33%
American Express Co	31%
Dollar General Corp	26%
S&P 500 Index	19%

For our short book, we generally use these periods of steep and swift market declines to harvest gains to the extent we do not perceive that a long lasting bear market has begun. While our short book helps to shelter losses during periods of market decline (as it has on several occasions in our strategy), we also believe that, unless we perceive a substantial structural issue that we conclude may lead to an extended bear market, the following - and often inevitable - bounce back in the markets often whipsaws those traders that are reactive (shorting an already down market) rather than proactive. Rather than dilute our expected gains in a resulting rally, if we do not perceive a structural flaw in the market, we have, on several occasions proactively shrunk our short book following steep sell offs to help “protect” the pent up gains that we perceive in our long book when the market re-rates higher. This was the strategy we employed in this year’s fourth quarter in which we shrunk our short book following the steep sell off (taking profits in many of the shorts that traded down significantly) which has helped in generating the gain we have enjoyed in 2019 as the market has rebounded. As noted above, despite the strong market rally during the first half of the year, through good stock selection and exposure management, we have been able to almost keep pace with a very strong market rally by having both good long contribution of over 20% year to date (nicely ahead of the broader market) and limited short dilution from performance (our shorts have detracted from performance by only 3.2% this year in a market that has rallied over 18%). Proactively managing our gross and net exposure is thus also a key tactic we use in being prepared for and managing through market corrections.

[27] We also added Constellation Brands (up 23% in 1H19), Twitter (up 21%) and Activision (up 2%).

We believe that by adhering to both of the pillars of our investment strategy – **that changes in earnings power drive long term stock prices** and that **valuation always matters -** we can actively manage our long/short equity portfolio to continue to generate attractive absolute and relative returns for the Fund in both strong and weak markets.

As we exit Q2, we remain extremely excited about the return potential on both sides of our portfolio as we believe each of our core scenarios described above (**higher or lower for longer, compounding/contraction of core units, hidden value or liability** and **controversy**) has yielded a full inventory of opportunities across both sides of our portfolio.

Portfolio Review

Top Contributors to Performance for the Quarter Ended June 30, 2019	**Percent Impact**
The Blackstone Group L.P. (long)	1.10%
Microsoft Corp. (long)	0.59%
Exact Sciences Corp. (long)	0.51%
Facebook, Inc. (long)	0.48%
The Walt Disney Co. (long)	0.48%

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

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

Blackstone: BX shares were our top contributor for the quarter fueled by a strong market as well as the continued positive shift in sentiment created by the company's April announcement that it would become a C-corporation on July 1. Blackstone's conversion from a partnership to a corporation is expected to increase the shareholder demand for BX shares as investors will no longer receive partnership earnings and loss forms (K-1s), and index funds and other institutional investors will now be able to own the shares.

Despite its year-to-date strength (BX shares have generated a 53% return through the first half of 2019), we continue to view BX as one of the best risk-reward holdings in our portfolio given its impressive AUM growth (from $400,000 of AUM in 1985 to $88 billion at its 2007 IPO to $512 billion today), world class fund returns and still below market valuation of approximately 14x our 2020 estimate for distributable earnings, plus a trailing dividend yield of 4.9%. We expect the company's fundamentals to remain quite strong over the next several years and further expect the company's new corporate structure to improve its stock liquidity and increase its institutional ownership. We maintained our BX position during the quarter, and it remains a top five position in the Fund.

Exact Sciences: After gaining 37% for the first quarter as the company reported strong fourth quarter results and provided 2019 guidance for Cologuard test unit growth of 60%, EXAS shares gained another 36% for the second quarter fueled by strong first quarter results and increased guidance to 64% test unit growth for the year.

For the first quarter, the company delivered 334,000 Cologuard tests, representing 79% year-over-year growth (up from only 4,000 tests in first quarter 2015), a significant acceleration from the fourth quarter's 66% growth and third quarter's 50% growth and evidence of the power of the company's recent marketing support deal with Pfizer. The company also recently announced higher compliance and completion rates, as well as extremely positive data on its new pancreatic cancer detection test.

The company's quarterly results reinforce our thesis that the Pfizer deal, which, among other benefits, adds 1,000 Pfizer field sales representatives to EXAS's 500 sales reps, will materially accelerate the adoption of Cologuard as a standard of care in the $15 billion colon cancer screening test market (colorectal cancer is the second leading cause of cancer deaths in the US). As Cologuard increasingly becomes the standard of care (it was FDA-approved and covered by Medicare and Medicaid in 2014 and has been added to several colon screening guidelines), health insurers increase coverage (the top five payers now have in-network contracts covering 80 million potential patients, and as a result 94% of Cologuard patients have no out of pocket cost), and the new Pfizer partnership bears fruit, we believe that EXAS's revenue growth should grow at a greater than 40% revenue CAGR over the next few years. Management also recently disclosed that, excluding R&D for pipeline products, the company is approximately cash flow break-even, implying that as Cologuard volumes accelerate (as they did for the quarter), the company should generate a steep ramp in cash flow.

In addition, we anticipate several other revenue catalysts including improving compliance rates (patients that receive a test and properly complete it), the roll out of Cologuard 2.0 (a more effective test), the 2021 $250 million re-screen opportunity (patients tested in 2018 that need to be retested in three years), and the potential label expansion in 2020 to test the 45-49 year-old population (which alone would add approximately $4 billion to Cologuard's current $15 billion available market). As the business scales, we project at least 80% gross margins (up from 74% in 2018), and a greater-than 40% operating margin (from negative today). We maintained our position in EXAS and it remains a core holding in the Fund.

Microsoft: Microsoft shares were our next top contributor driven by the company's solid fiscal third quarter results, as well as the strong rebound in technology shares during the month (especially for those firms, like MSFT, that are not currently targets of antitrust investigations). For its fiscal third quarter (ending March), MSFT's Commercial Cloud revenue grew 41% year-over-year to $10 billion, generating more than 30% of Microsoft's total revenue. The company's two other segments, Productivity and Business Processes and More Personal Computing, grew a combined 14% as overall company revenue grew 16% and Non-GAAP EPS grew 20%.

Microsoft has, we believe, entered a second chapter of market-leading growth that will drive the company's revenue and profits for years to come. Microsoft's Cloud Infrastructure offering is in the fastest growing segment of the cloud services market (including software-as-a-service (SaaS)), a market that is characterized by recurring revenues, strong pricing, high levels of customer engagement and high margins. The overall Infrastructure-as-a-Service (IaaS) industry is growing more than 30% per year and is forecast to reach $100 billion of revenues by 2021. We believe that cloud-based services can become the company's largest revenue and earnings producer and expect Microsoft to generate significant and growing free cash flow ($11 billion last quarter, up 19% year-over-year). The company should deliver at least mid-to-high teens EPS growth, with upside from deploying its $134 billion cash balance ($7 billion was returned to shareholders in the quarter through dividends and share buybacks). We trimmed our position on strength, and Microsoft remains a top five position in in the Fund.

Facebook: After returning 27% as our top contributor for the first quarter, FB returned another 16% and was also among our top contributors for the second quarter. Despite months of negative press about the company in 2018, Facebook posted two consecutive strong earnings reports with results well-ahead of cautious Street expectations. First quarter revenues grew 30% on a constant currency basis (amongst the highest organic growth rates in the S&P 500) to $15 billion, monthly and daily average users each grew 8%, and average revenue per user grew 17%. Despite a dramatic increase in operating expenses to invest in greater privacy and compliance initiatives, the company generated a much-better-than-expected 42% operating margin (excluding a $3 billion accrual for potential FTC fines) for the quarter. Notably, the company generated a record $9.3 billion of operating cash flow despite its step up in capital investments.

Based on these impressive results and FB's strong outlook, we perceive the company's market multiple of 16x our 2020 EPS estimate to be particularly compelling. 2.1 billion people use at least one of Facebook, Instagram, WhatsApp or Messenger every day, and we see enormous growth potential from its core FB franchise - and even greater potential from its lightly monetized Instagram, Messenger and WhatsApp platforms. We also believe that returns from the company's continued massive investments (FB spent $24 billion last year on R&D and capital expenditures) are not priced into FB shares. We maintained our position, and Facebook is a top five holding in the Fund.

Disney: DIS shares returned an impressive 26% for the quarter as the company unveiled its plans to launch Disney+, its Netflix-style streaming service, and to grow Hulu and ESPN+. DIS is blessed with distinctive content that includes both live sports (providing large, non-time shifted audiences) and incomparable brands including Disney, Marvel, Pixar and Lucasfilm (the Star Wars franchises), as well as the ABC network (providing deep inventories of stories and characters). We believe that, as the owner of such an expansive library of proprietary content, Disney is among the best positioned media companies in the new landscape combining multi-channel and direct-to-consumer distribution. Based on an expected price of $7 a month for Disney+ and the company's projection for a subscriber base of 60-90 million people by 2024 (about half of each of Netflix's 150 million subscribers and the 150 million people that visit Disney parks annually), Disney should add $5–$7.5 billion in incremental annual revenue (an 8%-13% boost to 2018 revenue). On top of that, management expects ESPN+ and Hulu to add an additional 50-70 million subscribers.

In addition to its deep library of media assets, Disney has a consistent and highly profitable parks business, its best-in-class studio segment, and its consumer products division, each of which are thriving. We also note that DIS has an extremely strong balance sheet (just over 1x debt to EBITDA ratio) and a growing pool of excess free cash flow ($10 billion for 2018) to be used both to return to shareholders and to invest in future opportunities. Disney is a well-positioned company that, prior to its investor day, traded at a significant discount to the broader market. We maintained our position during the quarter and DIS is a core holding in the Fund.

Top Detractors From Performance for the Quarter Ended June 30, 2019	Percent Impact
Palo Alto Networks, Inc. (long)	-0.37%
Teradata Corp. (long)	-0.35%
Alphabet Inc. (long)	-0.30%
Five Below, Inc. (long)	-0.19%
Zillow Group, Inc. (short)	-0.17%

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

Palo Alto Networks: PANW shares declined 16% for the quarter on what we believe to be a misunderstanding of the company's 13% total billing growth for its fiscal third quarter (which some investors found disappointing). As PANW shifts its billings to one-year cloud deals (from longer-term non-cloud deals), we believe the appropriate measure for assessing the company's progress is short-term billings, which grew a healthy 25% year-over-year. Additionally, the company reported better-than-expected revenue (up 28%) and non-GAAP EPS (up 26%), as well as strong fourth quarter guidance for 21-22% revenue growth.

Palo Alto is a leader in the large and growing $19 billion IT infrastructure security market. The company benefits from two secular trends – the migration to the cloud and the transition to SaaS models. Formerly a hardware-based solutions company, PANW now also offers software solutions independent of its hardware, allowing customers to use them on internal cloud deployments as well as on the large public cloud providers like Amazon, Google and Microsoft. This SaaS offering is now the company's fastest growing segment (subscription revenue grew 35% for the latest quarter). PANW's significant technical differentiation, including having opened its dataset to customers and allowing them to write security applications to take advantage of Palo Alto Network's deep database of trillions of security artifacts, has led to market leadership and continued outsized market share gains.

The secular trend for cybersecurity plus PANW's leading position and SaaS model has led to impressive customer growth (62,000 customers in F3Q19, up 22% year-over-year) and accelerating revenue growth (28% in 2017, 29% in 2018, and 30% for the trailing twelve months) at high gross margins (77% in 3Q19) and high operating margins (21% in 3Q19). Due to its SaaS model, which results in deferred revenue, but current expenses, we focus on the company's Adjusted Free Cash Flow margin, which is both high at 38% (3Q19), and rising, up from 22% in 2014. We took advantage of the market sell-off in the fourth quarter (in which PANW shares were off more than 30% from their recent high) to initiate a small position and additionally increased our position during the quarter. PANW is a core holding in the Fund.

Alphabet: GOOG shares were our next largest detractor for the quarter. The shares were weak despite a strong market for technology shares, as decelerating growth in the first quarter was exacerbated by the threat of potential Justice Department anti-trust charges against the company. While we will monitor any investigation closely, we believe that the anti-trust concerns are overblown and actually create a trading opportunity. The company's products have been used by billions of people and millions of companies worldwide to exchange information and services and have contributed significantly to global innovation and trade. Any regulator-imposed adjustment to the company's business model is likely to be minor, and the company's cash balances and free cash flow generation are both large enough to pay any potential fine. We also believe that a break-up of the company would result in a substantially *greater* sum-of the-parts outcome for shareholders, as the company's less mature and money-losing divisions, would likely garner substantial valuation support as stand-alone companies in the public or private markets (see Tesla, for example).

Despite a bit of deceleration in its most recent quarter (to 17% revenue growth down from 20%+ for many quarters in a row), we continue to believe that Alphabet's future growth prospects remain robust, as evidenced by the 39% growth of paid click volumes on Google's core search properties in the first quarter. To us, paid clicks have been a key and often underappreciated indicator of the importance of the Google franchise to its users, demonstrating the continued opportunity for the company to monetize its traffic with interested advertisers.

With its core business still experiencing healthy engagement growth (now nearly 15 years since its IPO) and many newer businesses (e.g., YouTube, hardware, cloud, other bets) also experiencing impressive growth while still early in their monetization (Other Bets lost $868 million for the quarter), we continue to view Alphabet as among the best-positioned secular growth franchises. We also find the company's valuation at 16x our 2020 EPS estimate compelling. We maintained our position during the quarter, and Alphabet remains a top five holding in the Fund.

Teradata: TDC was a top detractor for the quarter, as its shares sold off on mixed first quarter results. Teradata reported solid results on the metrics that we consider most important: annual recurring revenue (ARR) growth of 12% (common currency), higher gross margins, lower operating expenses, and better-than-expected EPS. License and consulting revenues disappointed, however, with larger-than-expected declines of 55% and 22%, respectively. While we expect license and consulting revenue declines, as Teradata is transitioning its business model to recurring revenue sales, we are more focused on the company's subscription revenue. Importantly, management modestly raised its guidance for ARR growth.

Teradata, a data warehousing and analytics vendor, historically sold software on a perpetual license basis that ran on proprietary hardware. The company has spent the last few years reconfiguring as a SaaS solution that runs on any hardware customers choose, including private and public cloud. This transition predictably depressed near-term revenue, but TDC is growing its customer base as it is bringing back many former customers that prefer the SaaS model. In the first quarter, despite reporting an overall 7% revenue decline, ARR grew 12%, reaching $1.3 billion, similar to the results experienced during similar transitions that Microsoft and Adobe went through.

In addition, as SaaS revenue scales, company operating margins should expand significantly from last year's 2%, to (in a few years) over 20%, approaching its SaaS peers. Also like its SaaS peers, TDC has upfront expenses, but deferred revenue, so the company's free cash flow and margin are better yardsticks for its business success. With expenses front-loaded, TDC's free cash flow margin was only 10% last year, but moving towards 20%, as we believe the company's free cash flow should double in three years. We added to our position on weakness during the quarter and Teradata is a core holding in the Fund.

Five Below: FIVE shares were also a top detractor for the quarter on mixed first quarter results and what was a difficult quarter for retail companies in general. The company's 3.1% reported same store sales were within its guidance range and likely impacted by weather, but Street expectations were closer to 4%. Overall, the company reported impressive 23% sales growth and 18% EPS growth, and reiterated its 2019 financial guidance (as well as second quarter guidance in-line with Street expectations).

We initiated our position during the quarter, increased its size on its share price weakness, and FIVE has become a core holding in the Fund. We discuss the investment further below.

Zillow Group: ZG shares were our final top detractor for quarter, as shares appreciated on its business model shift, as we discussed above in the Strategy section.

New Long Positions

During the quarter, we initiated new positions in **Autodesk** and **Five Below**.

ADSK, which has a near monopoly on software for designing, building and managing buildings, as well as software for infrastructure and manufacturing plants, prototyping software for manufacturers of products including autos, machinery, and consumer products, and document sharing. Many of Autodesk's products require specific training, which has led to very high customer retention rates (in excess of 90%) and upsell (same customer recurring revenue should grow 10%-20% this year). Similar to a few of our other new software holdings, ADSK is transitioning its business from a license and maintenance structure to a SaaS business model with more than 2 million customers having subscribed to annual contracts, more than 1 million additional customers to convert (that are still on maintenance contracts from enterprise purchases) and plans to target and convert its estimated 12 million non-compliant users (pirated copies).

The company expects to grow revenue 15%-19% annually over the next several years and, as we have seen happen in similar SaaS conversions, as revenue scales, operating margins should expand significantly from 2018's 12% to more than 40% over time, to more in-line with peers. Additionally like our other SaaS holdings, ADSK's expenses are front-loaded, currently dampening its free cash flow margin at 12%, but this can move to greater than 50% as revenue scales. From current levels, we believe that ADSK shares can compound along with its free cash flow growth (expected to be 20%+ per year) over the next several years.

Five Below is a rapidly growing discount retailer in the US with similar economics to our dollar store holdings, Dollarama and Dollar General. The company targets a diverse mix of low-, middle- and higher-income shoppers, primarily tweens and teens, selling a unique blend of $5 and below items, including sporting goods, toys, leisure, fashion, accessories, jewelry, bath and body, candy, room décor and electronics. FIVE's products are often significantly less expensive than the comparable products at big box or typical retailers, as the company contracts directly with manufacturers, allowing for different product and packaging specifications, as well as pricing. Five Below stores require minimal capital investment of about $300,000 each and generate an average $450,000 of year-one EBITDA, giving them fantastic economics with a 150% return on investment and less than one-year payback.

While the company has grown stores at a 20% growth rate for the past 20 years, with less than 800 stores today, they still have a long runway of growth, as FIVE's store base is only 5% the size of Dollar General. Five Below has a long-term plan for greater than 20% revenue growth from high-teens store growth and low-single-digit same store sales growth. With an already high 36% gross margin (Dollar General and Dollarama have 30% gross margins), margin expansion will come more from SG&A leverage (FIVE's SG&A is 24% of sales, compared with DG's 22% and DOL's 14%). We believe FIVE shares can compound from current levels at least in-line with the company's long-term expected 20%+ annual earnings growth.

Top Ten Long Holdings

Below is a list of our top ten long holdings as of the end of the quarter:

Holdings	Percent of Net Assets
The Blackstone Group L.P.	5.1%
Microsoft Corp.	5.0%
Amazon.com, Inc.	4.9%
Facebook, Inc.	3.9%
Alphabet Inc.	3.8%
Apple Inc.	3.5%
UnitedHealth Group Inc.	3.2%
Mastercard Inc.	3.0%
Adobe Systems Inc.	2.9%
IQVIA Holdings Inc.	2.8%
	38.1%

Holdings subject to change.

Below is a list of the key secular themes represented on both sides of our portfolio as of the end of the quarter.

Long Portfolio Themes		
Internet Advertising	▪	9.9%
Electronic Payments	▪	9.6%
Enterprise Software	▪	9.1%
Application Software	▪	8.2%
Tech Real Estate	▪	6.5%
Med Tech	▪	6.2%
E-Commerce	▪	5.9%
Alternative Asset Management	▪	5.1%
Dollar Stores	▪	4.8%
Athleisure	▪	4.7%
Mobile Compute	▪	3.5%
Healthcare Insurance and Services	▪	3.2%
Discount Brokers	▪	2.9%
Free Cash Flow Energy E&P	▪	2.8%
Healthcare Data Services	▪	2.8%

Short Portfolio Themes		
Consumer Packaged Goods	▪	6.5%
Industrial Product and Services	▪	6.3%
Analog Semiconductors	▪	4.5%
Legacy IT Vendors	▪	4.0%
Energy Services	▪	2.5%
Apparel Retail	▪	2.4%
Beverage Vendors	▪	2.2%
Global Package Delivery	▪	1.9%
Consumer Staples Retailers	▪	1.9%
Overvalued Internet	▪	1.9%
Ad Agencies	▪	1.4%
Hard Lines Retail	▪	1.3%
Retail Landlords	▪	1.2%
Food Delivery	▪	1.0%
Telecom Service Providers	▪	0.9%

This is a representative (non-exhaustive) list of our largest current long and short themes. Holdings subject to change.

Summary

We continue to believe that our secular-themed long/short portfolio is well positioned to generate strong absolute and relative performance in the years to come. We will continue to keep you apprised of our process and portfolio holdings in these letters each quarter. As always, please do not hesitate to contact us if you have any questions or comments about anything we have written or about any of our funds.

We thank you for your interest in the RiverPark Long/Short Opportunity Fund.

Sincerely,

Mitch Rubin
Portfolio Manager and Chief Investment Officer

Performance through and Exposure as of June 30, 2019

Period	RLSIX	Morningstar L/S Equity	HFRI Equity Hedge Index	S&P 500 Total Return	Contribution		Exposure*			
					Long	Short	Long	Short	Gross	Net
QTD	5.8%	1.8%	1.7%	4.3%	6.7%	(0.4%)	91.0%	39.0%	130.0%	51.9%
YTD 2019	16.7%	7.7%	9.4%	18.5%	20.8%	(3.2%)	85.3%	32.1%	117.5%	53.2%
1 Year	6.9%	1.1%	0.5%	10.4%	8.6%	0.1%	92.4%	36.1%	128.5%	56.3%
3 Year	14.3%	5.0%	6.8%	14.2%	20.2%	(4.5%)	108.9%	50.1%	159.0%	58.8%
5 Year	6.1%	2.1%	3.5%	10.7%	11.9%	(3.6%)	108.9%	50.2%	159.0%	58.7%
ITD	7.6%	3.4%	4.7%	13.4%	15.4%	(5.6%)	107.9%	50.8%	158.7%	57.0%

Historical Performance and Exposure

Period	RLSIX	Morningstar L/S Equity	HFRI Equity Hedge Index	S&P 500 Total Return	Contribution		Exposure*			
					Long	Short	Long	Short	Gross	Net
2009†	1.7%	1.3%	2.9%	6.0%	5.7%	(3.6%)	84.9%	40.7%	125.6%	44.2%
2010	4.7%	4.7%	10.5%	15.1%	13.9%	(7.0%)	99.3%	45.2%	144.5%	54.0%
2011	8.5%	(3.3%)	(8.4%)	2.1%	3.8%	6.9%	115.8%	56.3%	172.0%	59.5%
2012	18.9%	3.6%	7.4%	16.0%	26.6%	(5.5%)	106.9%	54.2%	161.1%	52.7%
2013	12.0%	14.6%	14.3%	32.4%	37.2%	(22.9%)	109.0%	52.2%	161.2%	56.9%
2014	(3.9%)	2.8%	1.8%	13.7%	6.0%	(7.8%)	111.8%	52.3%	164.1%	59.4%
2015	0.6%	(2.2%)	(1.0%)	1.4%	(1.9%)	4.5%	107.2%	49.0%	156.2%	58.1%
2016	(1.7%)	2.1%	5.5%	12.0%	7.6%	(7.8%)	111.9%	54.5%	166.4%	57.3%
2017	22.1%	10.7%	13.3%	21.8%	35.7%	(11.2%)	121.3%	59.8%	181.1%	61.5%
2018	(2.1%)	(6.7%)	(6.9%)	(4.4%)	(3.2%)	2.9%	103.6%	44.6%	148.2%	59.0%

† Inception date of the Fund was September 30, 2009.
Annualized performance since inception of the Mutual Fund (3/30/12) was 5.3% for RLSIX.
The performance quoted herein represents past performance. Past performance does not guarantee future results. The performance quoted for periods prior to March 30, 2012 is that of RiverPark Opportunity Fund, LLC (the "Predecessor Fund"). The inception date of the Predecessor Fund was September 30, 2009. The performance of the Predecessor Fund includes the deduction of actual fees and expenses, which were higher than the fees and expenses charged to the Fund. Although the Fund is managed in a materially equivalent manner to its predecessor, the Predecessor Fund was not a registered mutual fund and was not subject to the same investment and tax restrictions as the Fund.

** Where applicable, the exposures are delta-adjusted and are computed by averaging the exposures of each month-end within each period.*

To determine if the 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 or full prospectus, 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.

The use of leverage may accelerate the velocity of potential losses. Furthermore, the risk of loss from a short sale is unlimited because the Fund must purchase the shorted security at a higher price to complete the transaction and there is no upper limit for the security price. The use of options, swaps and derivatives by the Fund has the potential to increase significantly the Fund's volatility. There can be no assurance that the Fund will achieve its stated objectives.

This material represents the portfolio manager's opinion and is an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any security in particular.

Standard and Poor's 500 Total Return Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Morningstar Long/Short Equity Category portfolios hold sizeable stakes in both long and short positions in equities and related derivatives. Some funds that fall into this category will shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover through bottom-up research. Some funds may simply hedge long stock positions through exchange-traded funds or derivatives.

The HFRI Equity Hedge Index consists of funds where portfolio managers maintain long and short positions in primarily equity and derivative securities.

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