

# EDGEWOOD L SELECT – US SELECT GROWTH

Luxembourg

31 August 2021



## INVESTMENT APPROACH

The Fund aims to offer shareholders a portfolio of equities considered to be stable, of high quality and demonstrating global growth prospects. The Fund may use US common stocks (securities issued by companies whose registered office is located in the United States or whose main economic activities are based in the United States or which hold, as holding companies, prominent participations in companies based in the United States) which shall at all times represent at least 2/3 of the Fund's total assets. The Fund shall invest principally in securities that are undervalued in relation to their potential, in order to generate profits. Derivatives shall be used solely for the purpose of hedging. The Fund applies the strictest selection criteria in order to ensure that only businesses of quality are chosen. These criteria are, among others, market share, unit growth, barriers to entry to the market that the business can impose on the sector in question, a track record of growth and profitability, production costs in comparison to the relevant business sector, government regulations, use of debt and quality of management. The S&P 500 Total Return Index is used for performance comparison purposes only. The Fund is actively managed and although a significant part of the investments of the Fund could be components of the benchmark, the Investment Manager is free to choose how the Fund is managed without any restriction and the Fund's portfolio may therefore deviate significantly from the abovementioned benchmark.

## MONTHLY COMMENTARY

In the last several weeks, various members of the Federal Reserve have noted that the economy was on a strong enough recovery trajectory that it should not need so much support going forward. That has triggered renewed investor discussion of a bond buying "Taper" maybe starting as soon as the fourth quarter of this year.

Currently the Fed has been buying \$120 billion per month of bonds: \$80bn of U.S. government issued Treasury bonds, and \$40bn of mortgage backed securities. This has kept interest rates low as the extra demand the Fed buying has created, has allowed the US Treasury to issue bonds and not have to pay higher interest rates to attract investor buyers.

The "Taper" fear is that as that purchasing demand diminishes, bond prices will start to drop, resulting in interest rates rising. For a simplistic example: if a \$100 bond promises to give the buyer a fixed annual payment or coupon of \$5, then the interest rate is said to be 5% (=5/100). If there is suddenly a surge of buying demand, then the price of that same bond will rise, and the interest rate will fall. Let's say a buyer is willing to pay \$125 for that same bond promising a \$5 annual payment, then the bond now yields 4% (= 5/125). The same happens in reverse. If demand for that bond falls, and it can only be sold for a price of \$80, then the interest or yield it pays would be 6.25% (=5/80).

The reason talk of a "Taper" is a relevant discussion is that the non-partisan Congressional Budget Office (CBO) estimates the 2021 U.S. Federal deficit will be \$3.0 trillion, or about \$250bn per month.<sup>1</sup> So currently, the Fed is absorbing \$80bn, or one third of this supply of debt creation, leaving \$170bn for other buyers.

News of the "Taper", and maybe eventual end of Fed bond buying, is naturally giving some investors pause. They are right to be nervous, as historically such withdrawals of liquidity result in financial market volatility, and usually to the downside as bond prices generally fall and interest rates rise. However, it is worth looking at 2022 projected deficits before jumping to conclusions.

The CBO estimates that the 2022 U.S. Federal deficit will drop precipitously to \$1.2 trillion.<sup>2</sup> If correct, it would result in about \$100bn a month of bond issuance. Therefore, without the Fed buying, there will still be a tight supply of bonds given the current demand that is absorbing \$170bn per month.

The conclusion is that the Fed has done its mathematical calculations, and sees that its COVID-19 era emergency buying is no longer needed for the healthy functioning of the bond market. Maybe this impending "Taper" might trigger far less of a "tantrum" than investors expect, and maybe even none.

In the meantime, we remain focused on our work in finding large, high quality, long-term growth stocks in the portfolio.

*Edgewood Management LLC was appointed the investment manager of the US Select Growth Fund in March 2007. No recommendation is made, positive or otherwise, regarding individual securities mentioned. Past performance does not guarantee future results. The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. Securities are subject to change over time without any prior notice to the investor.*

<sup>1</sup><https://www.cbo.gov/publication/57339>

<sup>2</sup><https://www.washingtonpost.com/us-policy/2021/07/01/cbo-deficit-biden-stimulus/>

## RISK PROFILE

The investment strategy of this sub-fund focuses on U.S. equity markets which presents a significant degree of risk because of the volatility of these markets. On a scale from 1-7, the fund's synthetic risk and reward profile is a **6**, as reflected in the Key Investor Information document. The value of the securities in the portfolio can be affected by daily stock market movement factors such as corporate events, company earnings, political events, and economic news and may impact the value of the fund's investments. The fund's exposure to growth may result in periods of high short-term volatility.

## FUND PROFILE

Fund Name	Edgewood L Select
Sub-Fund Name	US Select Growth
Total Fund Assets	\$10.4 Billion
Fund Type	UCITS
Investment Strategy	Large Cap Growth Equity
Investment Manager	Edgewood Management LLC
Fund Launch Date	February 1997
Weighted Average Market Cap	\$397 Billion
Median Market Cap	\$133 Billion
Number of Holdings	23

## SHARE CLASS FACTS

Share Class Name	A EUR
Per share as of 31 August 2021	€703.79
ISIN	LU0304955437
Ticker	LSLUEAC
Ongoing Charges*	1.89%
Management Fee	1.80% Class A (Retail)
Share Class Launch Date	June 2007
Sales Commission	Up to 3.00%
Redemption Fee	0.00%

Authorized for Sale:

**Austria, Belgium, Switzerland, Germany, Spain, Finland, France, The United Kingdom, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Sweden**

*\*The Ongoing Charges figure is based on the last year's expenses, for the year ending 31 December 2020 and this figure may vary from year to year. It includes management fees, but excludes transaction costs including third party brokerage fees and bank charges on securities transactions.*

## SECTOR DIVERSIFICATION

Medical Technology	18.3%
Information Technology	16.1%
Financials	12.6%
Media & Advertising	11.6%
Consumer Discretionary	11.6%
Business Services	9.3%
Internet	6.8%
Wireless	4.3%
Consumer Staples	3.7%
Technology	3.4%
Cash	1.6%
Industrials	0.7%

Sectors defined by Edgewood's Investment Committee.

## CONTACT

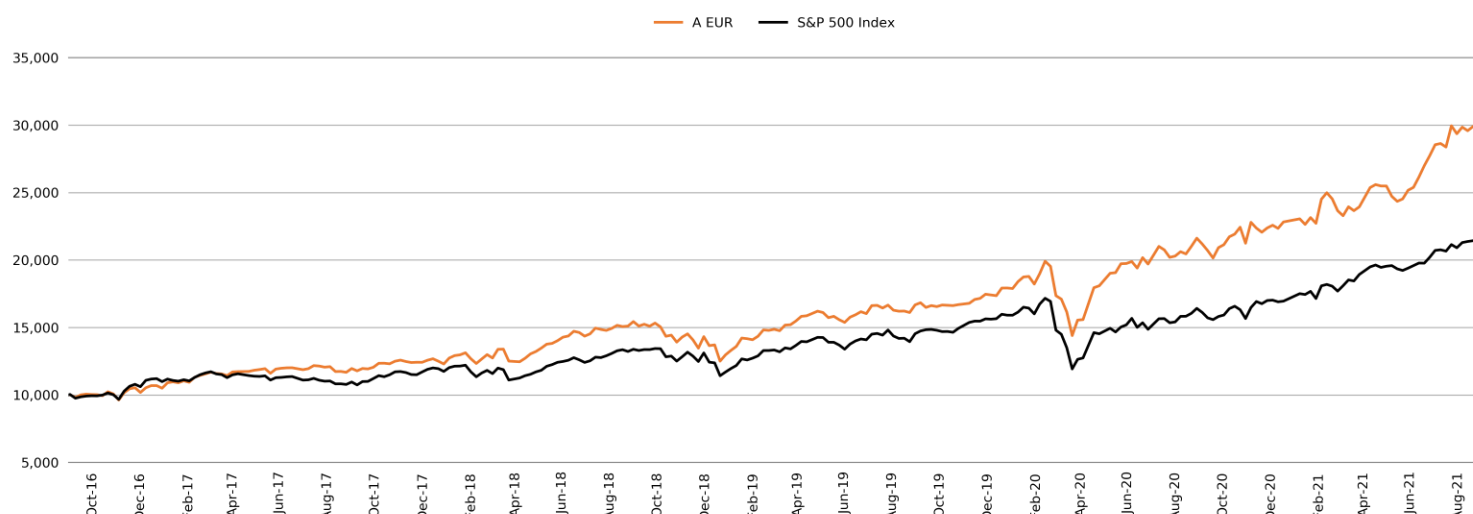
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**GROWTH OF 10,000 EUR FOR THE PAST FIVE YEARS****FUND PERFORMANCE**

	A EUR	S&P 500
1 Month	3.0%	3.5%
Year-to-Date	32.2%	25.9%
1 Year	40.8%	32.7%
3 Years*	25.1%	17.3%
5 Years*	24.8%	16.7%
Since Inception*	14.3%	11.3%

S&P 500 (Total Return) performance produced by Standard & Poor's. Fund performance produced by Bloomberg. Past performance does not guarantee future results. Performance figures reflect the percentage change in the share class's daily NAV which is net of the fund's expenses including investment management fees; it excludes transaction costs including third party brokerage fees and bank charges on transactions and other charges which may have a negative impact on performance. The return may increase or decrease as a result of currency fluctuations as the share class is in EUR. The S&P 500 Total Return Index is used for performance comparison purposes only. The Fund is however actively managed and the investment manager is free to choose how the Fund is managed without any restriction and the Fund's portfolio may therefore deviate significantly from the abovementioned benchmark. \*Annualized returns

**MARKET CAP**

\$125+	60.2%
\$75-\$125	17.6%
\$40-\$75	17.3%
\$20-\$40	3.2%
Less than \$20	0.0%

For the equity portion of the portfolio.

**FIVE LARGEST HOLDINGS**

Facebook Incorporated  
 Nvidia Corporation  
 PayPal Holdings Incorporated  
 Snap Incorporated  
 Visa Incorporated

Holdings shown in alphabetical order.

**DISCLOSURE**

Edgewood L Select Disclosure: Edgewood L Select is a UCITS organised as an investment company with variable capital, with multiple sub-funds (Société d'investissement à capital variable, "SICAV") under the laws of Luxembourg, and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). The issuer of this document is Edgewood L Select. Investors should carefully read the prospectus, more specifically its section on risk factors, the Key Investor Information Document ("KIID"), and all other relevant documentation before investing in the fund. The latest prospectus, the key investor information document ("KIID"), the Articles of Incorporation of the Fund as well as the annual and semi-annual reports are available free of charge on the fund's website (<http://edgewoodselectfund.com/literature>). Holdings are available upon request. Past performance is no guarantee of future results. The performance data presented here should not be taken as any guarantee or other assurance as to future results. There is no guarantee that investors will get back the full amount invested. The value of any investment may increase or decrease over time. Performance results are expressed and calculated in U.S. dollars. The return may increase or decrease as a result of currency fluctuations. The performance figures given are a measure of the change in net asset value of the Fund which are net of all Fund fees and expenses but do not take into account taxes or charges. Commissions, fees and other charges may have a negative impact on performance. Holdings shown were current as of the date indicated on this piece, and represent the ten largest holdings in the Fund by assets. These holdings are for informational purposes only and do not constitute a recommendation to buy, hold or sell securities. No recommendation is made, positive or otherwise, regarding individual securities mentioned. Performance results reflect the reinvestment of dividends and other earnings. The Fund's returns are benchmarked to the total returns of the Standard & Poor's 500 index ("S&P500"). Benchmarks are used for comparative purposes only and generally reflect the risk or investment style of the investments reported on the schedules of investment performance. Investments made for the Fund according to its Large Cap Growth strategy may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmarks. Accordingly, investment results and volatility will differ from those of the benchmarks. The S&P 500 is an unmanaged index with no expenses, which covers 500 industrial, utility, transportation and financial companies of US markets. It is a capitalization weighted index calculated on a total return basis with dividends reinvested. This document is for information purposes only. Furthermore, this document does not constitute an offer to purchase or subscribe for any investment, financial instrument or service in any jurisdiction where such an offer is unlawful. The Fund is only available for investment by non-US citizens who are not residents of the US. The Fund is not offered for sale or sold in the US, its territories or possessions. The Fund is not registered for sale to the public in all jurisdictions. The information contained within this document has not been reviewed in light of your personal circumstances.