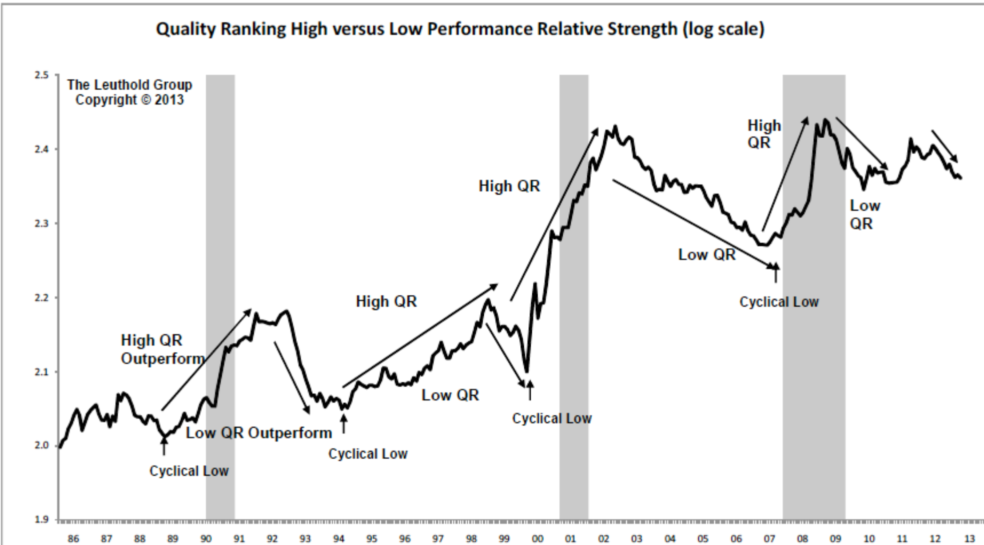
Wedgewood Partners First Quarter 2013 Client Letter

Review and Outlook

The good news for the stock market during the first quarter was the gain in the Standard & Poor's 500 Index of +10.6%. The gain in the Dow Jones Industrial Average of 11.9% was the best start of a calendar year for the DJIA since 1987. The bad news is…our net-of-fee Composite gains of just +5.8% lagged materially behind the S&P 500 Index, as well as our benchmark the Russell 1000 Growth Index - which gained +9.5%. The leading stocks thus far in 2013 are an eclectic mix of cyclical companies, consumer discretionary companies and significantly, high dividend paying consumer staple, utility and healthcare companies. (As of quarter-end, we had 0% weighting in consumer staples, 0% in utilities and 20% in healthcare.)



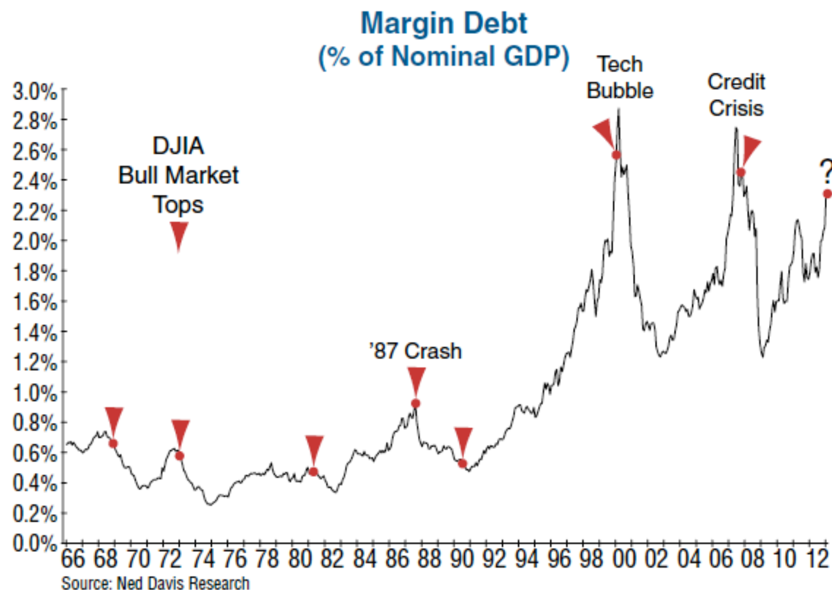
While your portfolio enjoyed a few big winners during the quarter, including Gilead Sciences (+33.2%), Charles Schwab (+23.6%) and Verisk Analytics (+20.9%.), only ten out of your twenty-two holdings beat the benchmark. Your top lagging performers were Apple (-16.3%), Expeditor's International (-9.7%), Monster Beverages (-9.6%) and Coach (-9.4%).

Our portfolio activity during the quarter was even more sloth-like than usual for us – our last new stock purchases were last year in October (Priceline and Monster Beverages). During the quarter we trimmed back positions in American Express,

Cummins, Gilead Sciences, Charles Schwab and Berkshire Hathaway. Our single purchase was adding to Apple.
The investment environment over the last couple of years has been quite ideal for the types of companies that we favor to invest in. That said, the current environment, which we believe underwent a marked change in the fall of 2012 is unduly favoring three types of companies in which we typically don't traffic in – "turnaround" companies with little earnings power (think Best Buy and Netflix), high dividend payers and deep cyclicals. Those longer-term clients who have invested with us may (painfully) recall a similar experience in 2006 and early 2007.

While our +20-year history of investing is predicated on the focus on superior businesses – coupled with the temperament to invest for the true long term - there are times when macro forces overwhelm the best attributes of our investment philosophy and process. Such is the case currently, in our view, whereby the Federal Reserve is once again engineering bubble-type of imprudent risk taking and increasingly, riskier behavior. The related bubble(s) circa-2013, in our view, are two-fold - a bubble in the omnipotence of "do-whatever-it-takes" central bankers and a bubble in corporate profit margins.

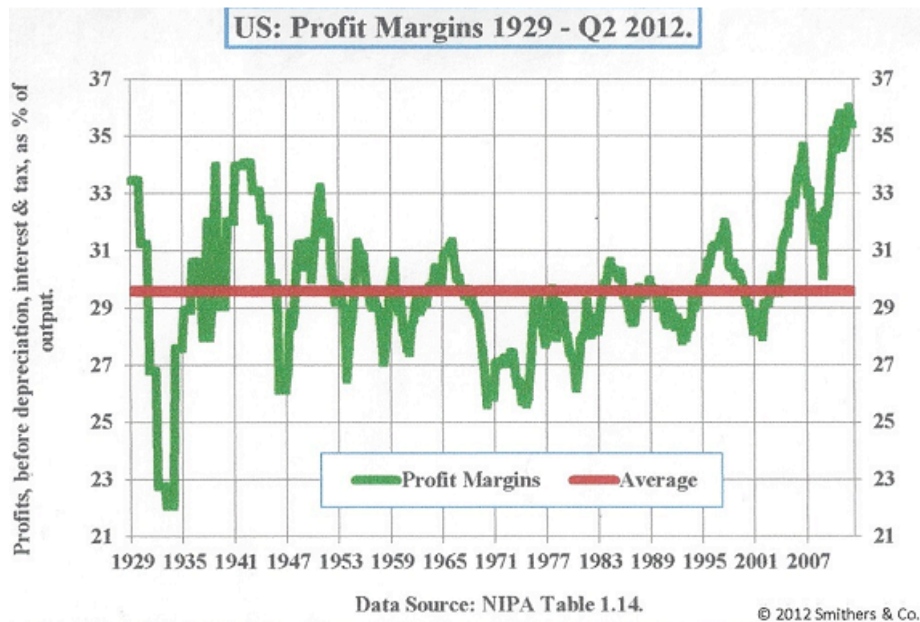
The Federal Reserve's record over the past +25 years of keeping monetary policy either too easy (or too tight) is nearly perfect – perfectly wrong. Current Fed Chairman Ben Bernanke has assured the financial markets that his prescription to restore economic harmony between growth, inflation, employment and financial markets can be achieved by inflating the Federal Reserve's balance sheet from $800 billion pre-QE to nearly $4 trillion today. He also is quite assured that once he has completed QE-*infinity* that the markets will calmly ingest any post-QE aftershocks and unintended consequences. Many investors share the same views – or believe that they can quickly change their behavior and sell "risk-on" portfolios at the QEternity stroke-of-midnight. I can assure you that we at Wedgewood ain't that clever.

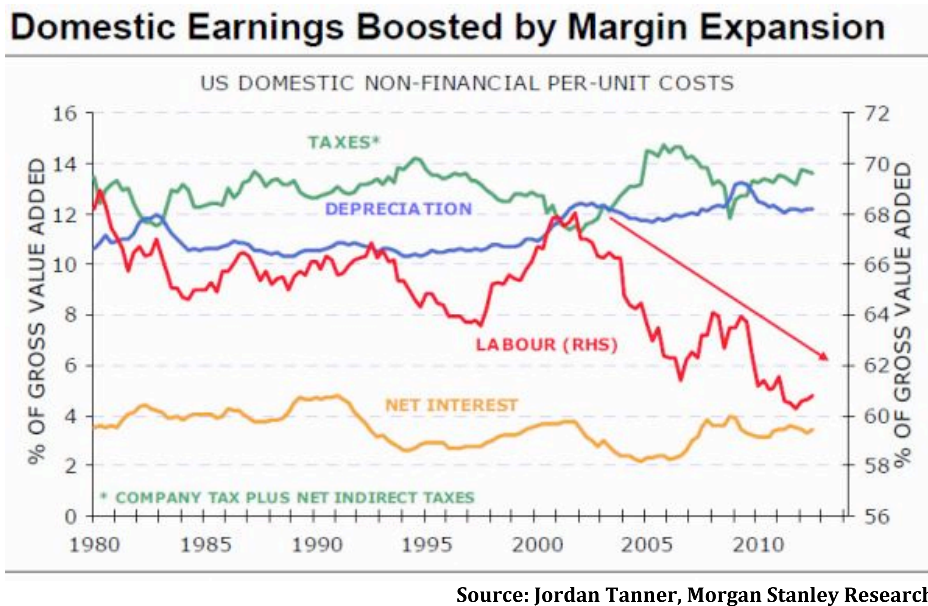


We are reminded that the same esteemed Fed Chairman has confidently predicted that house prices would continue to rise (2006), that subprime losses would not inflict damage to the banking system or economy (2007), that both Fannie Mae and Freddie Mac were both adequately capitalized and the economy would not fall into a recession (2008) and that the Fed would not monetize debt (2009). Well. While we are not economists, nor economic forecasters, that does not excuse us from observing patently obvious extremes. If the ultimate goal of the Bernanke's QE monetary policy of zero short-term interest rates is to lure savers into spending non-interest bearing cash and to lure investors into riskier, yield chasing behavior, he has been so successful as to render nearly every asset class to low single digit future returns. *Savers* have been forced to become *investors* (*speculators?*). On the other side of these transactions record amount of debt sellers have feted themselves on the appetite for yield. According to Merrill Lynch, $780 billion of high-yield debt has been issued in the last three years - more than any other period in history. The average over the last three years is nearly equal to the combined totals for 2006 and 2007 - the years preceding the 2008 meltdown. Not to be left behind, the leverage-loan market has enjoyed a party of epic proportions. In our humble view, junk bond yields at 5%, circa-2013, is not too different than NASDAQ 5000 circa-2000.

Source: Bloomberg

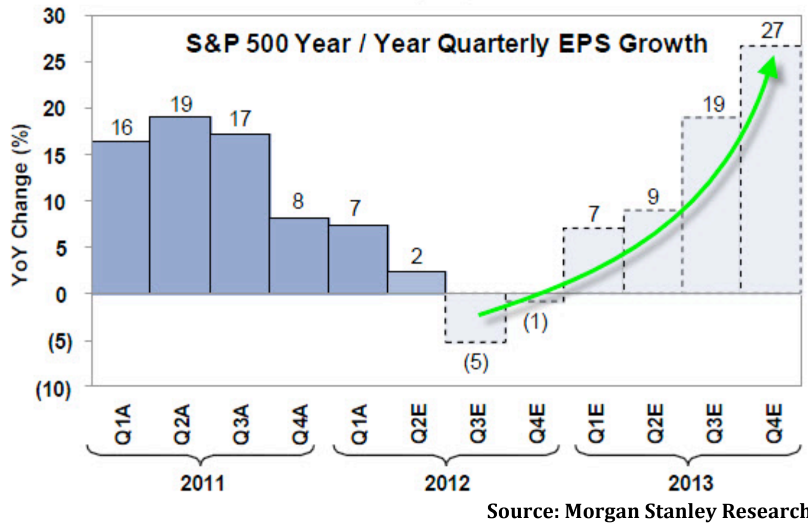
On the profit margin-bubble front, the graphic below depicts where we are - and if the laws of capitalism have not been suspended - where we will (must) retreat. We can hardly think of an economic series that is more mean-reverting than corporate profit margins. Furthermore, the current +75-year record levels of profit margins have benefitted enormously from the productivity gains over the past ten years due to substituting technology for labor.





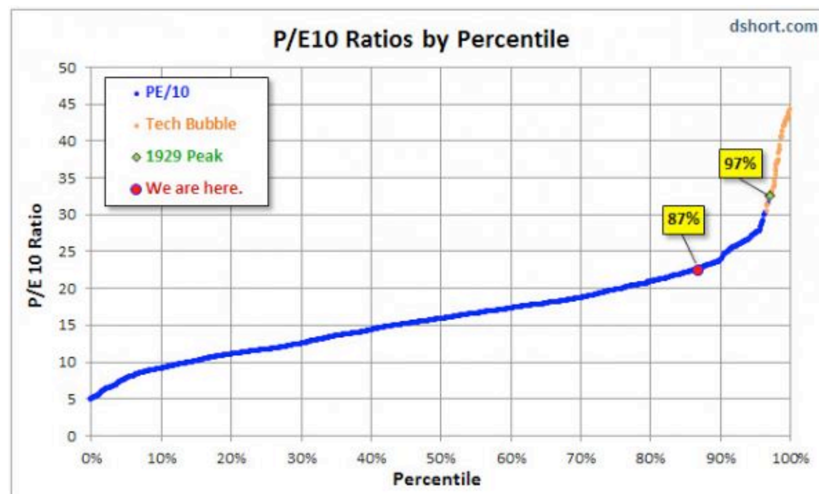
Source: Jordan Tanner, Morgan Stanley Research

Related to profit margins, *future* earnings expectations, which most importantly, are imbedded in *current* stock prices, are quite heady – no room for disappointment on this score either. Indeed, while S&P 500 quarterly operating earnings have been lumpy at around $24 since March of 2011, analyst consensus for operating earnings through the last quarter of 2014 call for a smooth linearity rising each and every quarter from approximately $25 for the first quarter of 2013, to over $32 by the last quarter in 2014. If the mixed – at best – history of Wall Street analyst earnings forecasts is any guide, we are once again looking at hope over reality.



Source: Morgan Stanley Research

Even a slight reversion to the mean in profit margins will severely undercut analysts' expectations of growth in 2013 and 2014. We have difficulty squaring 10-year bond yields - recently as low as 1.85% - against the requisite vibrant economic environment that can produce such stellar earnings growth. Either the bond market is right, or the stock market is right – but in our view, not both. This is a high-wire act that even the best of the Flying Wallendas could not navigate. There are no safety nets either when the Shiller P/E is over 23X. The good news is that Corporate America is "lean-and-mean." The bad news is that Corporate America is "lean-and-mean." Indeed, historically stretched profit margins foretell weak profit growth over the following 4-year period. The historical norm for corporate profits is approximately 6% of GDP. The current level is nearly *70%* above that. If margins revert back to historical norms, corporate profits over the coming 4-year period would decline at a 10% to 12% annual rate. In our view, there exists little margin of safety on both the operational leverage front and balance sheet leverage front in much of Corporate America. Profit margins of 36% and the Shiller P/E at +23X are the best-of-all-possible Voltairian worlds.



(An aside: As this Letter is being written the drama in Cyprus continues to unfold badly. The latest news is that all uninsured depositors in Cyprus' largest bank have essentially been all but wiped out. Is Cyprus really an economic island unto itself? It's too soon to tell if the tiny butterfly wings of Cyprus is the sensitive dependent condition to a distance financial hurricane. But we do note that according to the Economist, *"…of the 147 banking crises since 1970 tracked by the IMF, none inflicted losses on all depositors, irrespective of the amounts they held and the banks they were with."* Remember, contagions start small. Cue Creedence Clearwater Revival's *Bad Moon Rising*.)

In terms of current portfolio positioning, due to the net trimming of a few holdings during the quarter, your portfolio is sitting on approximately 6-7% cash. At the present time, our bench of prospective new companies to invest in is quite bare. It's not that we haven't identified terrific companies that we would like to own - there are plenty in fact. The gating factor is of course valuation, particularly in the context of a booming bull market. That said, our current short list of our most attractive purchase candidates largely reside within your current portfolio.

Successful investing always requires discipline - more so when an investor's strategy is out of favor. As we mentioned earlier, we at Wedgewood have been here before. Again, the current ebullient environment reminds us of our underperformance in 2006 and early 2007. We trust that you have confidence in us to remain disciplined in our investment philosophy and process to see us through to better performance days in the future.

Philosophy and Process

Within the Large Cap Growth investment manager universe, there are numerous designations, classifications, and style types. We are aware of a handful of the labels, commonly applied to Wedgewood, and while each designation slices and dices differently, we think there is a common theme: investing descriptors are byproducts of our unchanging investment philosophy and process. For example, a "contrarian" investment approach, loosely defined, requires buying and selling, opposite to the "crowd." Of course, the "crowd" is fickle and not always clear, so this approach seems like a moving target. But an element of our process that we think ensures our perpetual *"contrarianess"* is our valuation discipline. This element of our buying discipline requires that we wait until our potential investment opportunities are trading at valuations we consider to be cheap on an absolute, relative and historical basis. This act of buying cheap could be considered "contrarian" because, in general, we are increasing the weighting of a stock when the market is either negative about (or at least ignoring) a company's long-term prospects.

But valuation alone is not sufficient for us to make a decision. The balance of our process focuses on cherry-picking companies with excellent growth prospects and competitive advantages, which paradoxically are not "contrarian"

characteristics. Companies that can sustainably generate superior levels of profitability have the engine for long-term value creation. Further, the opportunities for our companies to post revenue expansion are also robust enough to allow for double-digit cash flow and book value growth, over a cycle (since consistent, linear growth is rare). This key growth opportunity is the feedstock to a company's profitability engine. In addition, our invested Companies routinely post free cash flow and carry excellent balance sheets. This financial strength promotes further opportunities to reinvest in growth and promote competitive superiority. So, we ardently believe that if we can invest in companies with these favorable characteristics at out-of-favor valuations, then we think we have a sustainable long-term strategy of outperformance.

So while market backdrop is always changing, it is our investment approach that attempts to reduce companies down to the same "common denominator" of investment opportunity. Our valuation discipline, in particular, drives us to own out-of-favor stocks in companies that have superior long-term, fundamental opportunities. While near-term negativity often seems to be most pertinent, we think it is the long-term opportunity that ultimately drives performance.

<u>Company Commentaries</u>

<u>Apple</u>

Apple continues to be a topic of much debate on Wall Street, as well as within the Internet walls of technology punditry, as the stock has dramatically underperformed on an absolute and relative basis - down almost -40% from its all-time highs and almost -25% behind the S&P 500 year to date. The decline in the stock has been so unrelenting that the hardened consensus is that Apple is a broken, permanently impaired growth company. We don't share these obituaries. Our steadfast view is that Apple is *not* a broken growth company. Furthermore, we believe that the risk/reward of the stock is so favorable that Apple remains your largest portfolio holding. As we mentioned earlier, during the quarter we added to positions around $450. We also discussed our views on Apple in some detail in our last Client Letter and is available for review and reference on our website.

Apple has aggressively expanded its capex budget over the past few years, yet their portfolio of products is more focused than ever. At the end of 2012, Apple offered fifteen non-software products. Three of those products - iPhone 5, iPhone 4S and iPhone 4 - represented over half of the roughly 90 million iOS devices that Apple shipped during the Christmas quarter. Two tablet models represented about a quarter of total unit sales, while computers (five models), iPods (four models) and Apple TV represented the balance. Therefore, Apple's manufacturing effort is much more focused, which quickly moves them down the cost curve and justifies their up-front capital investments that are necessary to drive "mass customization" of its products - after all, equipping chamfered cutters with crystalline diamonds has

never been cheap! On the other hand, Samsung has *51* distinct smartphone models on sale via its website, as of this writing. While this "flood the market" approach has worked well for Samsung, it is decidedly different from Apple's approach. We think Apple's mass customization, that is focus and resultant scale are sustainable drivers of long-term, exceptional profitability.

Relatedly to the Company's *long-term* focus, the key to our bullishness is that the Company will continue to expend their war chest of billions to expand their best-in-class ecosystem. We think the quarter-to-quarter obsession with the Company's earnings and product announcements obscures one from the key long-term growth driver at Apple. In our view, ecosystems are the key to most technology companies' success – or lack thereof. Ecosystems take many years and many billions to build. Technology ecosystems possess the rare and lucrative annuity of repeat customer purchases. In our view, Apple will remain a true growth company as long as they can expand their ecosystem of the Company's Mac and iOS products (iPhone, iPad and iPod Touch), services, iCloud and the App Store – intertwined with their +390 industry leading stores – backboned with +775,000 Apps, +400 million iOS users, +500 million active iTunes subscriber credit cards and +200 million iCloud accounts.

The booming growth days at Apple are over. Apple's huge revenue and earnings base has forged that anchor of any more out-sized growth. But that does not, in our view, imply that Apple's growth years are completely over – far from it. As we continuously analyze and monitor Apple's multiyear prospects and total addressable market, we are not convinced much has changed (aside from its shareholder base). What will change – significantly – in the years ahead will be Apple's capital allocation between retained earnings and returning cash back to shareholders. Last March, the Company initiated an annual dividend of $10.60 per share, as well as a share repurchase program. The three-year plan amounted to a return of $45 billion to shareholders. We expect much more in the years ahead. Our expectations of such include the Company to announce shortly a cash return strategy that would prospectively outline a multi-year plan to keep an minimum cash/liquidity on their balance sheet in the neighborhood of $75 to $100 billion, plus the return of the combination of current retained earnings *and* annual earnings over and above a strategic minimum to maintain a Fort Knox-like balance sheet. Technology companies such as IBM and Texas Instruments that have enacted a meaningful and balanced return of cash to shareholders have seen their respectful valuation multiples relatively stable in the low to mid-double digits – a level that we believe is certainly deserved with Apple.

Lastly, Mr. Market's evil twin, Dr. GeekyTechBlogger has priced in some very bearish future gross margin assumptions into Apple's current valuation, in our view. Specifically at under $450 per share, we believe that the market is pricing in a gross margin collapse of 1,000 to 1,500 basis points to sub-30%. As an illustrative point of comparison let's consider the recent fate of both Nokia and BlackBerry, each a perfect case study of technological obsolescence - which is what bears and Dr. GTB seem to argue is Apple's near-term and permanent fate. Nokia's annual free cash

flow peaked in 2007 at $7 billion. Then, a new technology emerges (smartphones) and renders most of its products obsolete. How about BlackBerry? BlackBerry's peak annual free cash flow reached $2.4 billion in 2011. Then, similar to Nokia, a new technology (mobile app ecosystem) rendered its single value-added (mail app) obsolete. Apple? The Company has yet to peak, and their trailing twelve month FCF is their highest ever at *$46 billion*.

So Nokia and Blackberry, combined at their peaks, never eclipsed $10 billion in FCF – yet Apple just generated 4.5 times that amount. Even without knowing much about any of these companies, one can still assume that, in order for Apple to capture that much value, clearly their value proposition had to be far superior to what Nokia and BlackBerry ever offered.

Even then, five years after each has been routed, Nokia and BlackBerry's gross margins *are still about 29% and 31%, respectively*. Mr. Market and Dr. GTB are close to pricing those margins into Apple's shares.

Monster Beverage

Monster Beverage drove 15% revenue growth during the fourth quarter as the Company continued to leverage its high-profile brand by aggressively tapping into international markets while expanding into adjacent categories within the domestic alternative beverage market. The Company is the leading U.S. energy drink marketer (in terms of units sold), but they are quickly expanding into the protein drinks and tea-based sub-categories of the alternative beverage segment, rapidly multiplying Monster's total addressable market. The domestic alternative beverage segment opportunity is over $34 billion and we estimate it is roughly the same for international. So while Monster maintains leadership in the domestic energy drink category, the Company still has a low, single-digit share of its total potential markets, and although headline risk for the energy drink category continues, demand for energy drink products continues to take market share from the traditional carbonated soft drink category. As a result, we continue to be very optimistic about Monster's long-term growth potential. During the quarter, the stock did not trade far from where we initiated positions, so we will look to aggressively add on any pullbacks.

Coach

Despite Coach's weak revenue results reported for the holiday quarter, the Company managed to maintain its core profitability profile, which we think is a particularly rare attribute in retailing, and is a testament to the strength of the Coach brand. As more apparel-focused retailers enter the handbag market, Coach is countering by expanding into more "lifestyle" based products, including ready-to-wear, footwear, fragrance and watches (to name a few). While much of consensus is

concerned that the Company's profitability will be hampered by these new categories, we think the bulk of any incremental costs, particularly distribution, are already "sunk" in the Coach-owned and operated, world-wide distribution footprint - which includes over 900 branded full-price stores and outlets. In fact, almost 90% of Coach's sales are derived from its stores and website, so we believe that allocating incremental store space to lifestyle will require minimal incremental investment. For instance, the Company can give employees portable point-of-sales units and convert checkout counter space into product floor space. This is in stark contrast to branded competitors that typically rely on wholesale distribution channels. These brands have a very limited amount of space to utilize so it is very difficult to roll out incremental products without displacing an established competitor, which would probably require larger up-front pricing concessions to the wholesaler. Of course, a company can certainly do well by expanding via this route, but wholesale distribution is extremely competitive (Coach management drily refers to the floor of a wholesaler as "the wilderness"). Without having to rely on wholesale, Coach is less susceptible to the same competitive pressures that many of its peers would face attempting this sort of product expansion.

Although Coach's near-term growth trajectory has disappointed markets, we are confident that the Company has robust enough prospects for double-digit growth - particularly in markets where there is an expanding middle class, such as tier-2 and tier-3 cities in China. For Coach, these markets offer higher margins and growth prospects compared to developed markets, since traditional competitors, including boutique designers as well as high-end brands, are sparse. As the stock continues to trade towards a historically low earnings multiple, we continue to believe that Coach's substantial competitive edge and growth prospects are not being recognized by the market and we, in turn, will look to add to positions on pullbacks.

Express Scripts

Although we have been investors in Express Scripts Holding Company (Express Scripts) since 2007, it was not always a "holding company." Express Scripts is the largest pharmacy benefits manager (PBM) in the country, managing nearly one third of all prescriptions written in the U.S. The Company recently (second quarter of 2012) rose to this market position after successfully closing the acquisition of Medco Health Solutions (Medco), effectively doubling the volume of prescriptions previously handled.

Express Scripts' primary value proposition is to drive lower absolute and relative drug spend by injecting itself into almost every step of a clients' drug prescription process - from patient evaluation and distribution channels, to adherence. The Company's unparalleled scale and unique focus on the behavioral and clinical aspects of the drug prescription process enables them to effectively deliver an "open architecture" drug benefit which maximizes the opportunity for clients to eliminate spending waste. The Company's clients include managed care organizations, health

insurers; mid-to-large employers and unions, all of whom are constantly bombarded by double-digit medical care cost inflation.

In our view, Express Scripts' unmatched scale and unique approach are what will continue to reinforce its competitive profile for years to come. For example, throughout 2011 and part of 2012, one of Express Scripts' pharmacy network members, Walgreens, purportedly tried to raise prices on prescriptions, without adding any incremental value - which would have mitigated savings from cheaper, generic drugs coming to market over the next few years. Express Scripts saw these terms as unacceptable, and boldly removed Walgreens from its pharmacy network, yet clients still had access to another 50,000, lower-priced pharmacy alternatives - from CVS and Rite Aide, to thousands of independent pharmacies. So Express Scripts' clients were able to make a wholesale move to these new pharmacies, with minimal disruption. Needless to say, the effect on Walgreens was not as subtle, almost 10% of its fiscal 2012 earnings per share were quickly lost as millions of prescriptions were shifted to cheaper competing pharmacies. Ultimately, Express Scripts re-admitted the retailer back into its network in mid-2012, presumably with economics that were more beneficial to clients. While this "narrow network" approach is not a new concept, it had never been done to this scale, but Express Scripts was able to be effective while excluding the largest pharmacy chain in the U.S., a testament to the Company's scale and competitive leadership.

As Express Scripts reaches critical mass in terms of prescriptions, we believe there is still room for attractive growth in profitability through further waste reduction and optimization of client behavior. Express Scripts' research estimates show that there is over $400 billion in pharmacy-related waste every year. If the Company can continue to execute on its competitive advantage, we expect the Company to increasingly drive out more of this waste, and in turn, increase its profitability spread on each prescription (EBITDA/Rx).

In the interim, we expect Express Scripts will continue to be a prolific generator of free cash flow. Aside from information technology and a handful of automated drug distribution centers, there are few, large capital expenditure calls on the Company's operating cash flows. That said, in order to finance the Medco deal, Express Scripts issued debt - with about $13 billion (net of cash) currently on the balance sheet. We expect that they will be able to generate between $4 billion to $5 billion in free cash flow over the next twelve months – and increasing each year for the next several years. With about $6 billion in debt due by the end of 2015, and $2.8 billion cash currently on the balance sheet, Express Scripts should have ample financial firepower to reinvest in the business, pay down debt and provide share buy-back support over the next few years. The Company ended the quarter at a market cap below $50 billion, when squared against our free cash flow estimates, results in a yield of about 10% which, relative to competing investment opportunities and given Express Scripts' opportunity set, we earnestly believe represents an excellent investment opportunity.

Perrigo

Our clients have owned Perrigo since August of 2010. You, dear reader, have likely been a customer of Perrigo's products for years – maybe decades - and may not even realize it. Perrigo is a 125 year-old company that pioneered the concept of store branded OTC pharmaceuticals. If you have ever gone to you local grocery store, maybe into your local Wal-Mart store or even one of the national pharmacy chains such as Walgreens or CVS to purchase, say, a bottle of Motrin or a bottle of NyQuil and opted instead to purchase the store brand equivalent – that is Perrigo.

The Company's rich history began in 1887 when Luther and Charlie Perrigo packaged and sold generic home remedies to local general stores. During the 1920's and 1930's, two significant trends developed. First, the Company began offering private label products (including aspirin, Epsom salts and zinc oxide) and consumers began their secular shift away from local general stores to large regional and national drug store chains. The 1950's saw the Company change from a repackager of generic drugs to a manufacturer of higher quality drugs. By the early 1980's the Company became the nation's largest private label manufacturer of health and beauty products and the Perrigo family sold the Company to management. Five of the Company's seven prior president's were descendants of Luther Perrigo. The ownership then flipped a few times and in 1991 the Company was taken public. Since then, the Company has embarked on an acquisition path including dozens of large and small companies in order to scale every aspect of their business model. Indeed, over the past seven years, the Company's inorganic-acquisition related revenue growth has been a mighty 44%, while their 7-year organic growth has been just 9%.

Today, Perrigo is the industry "category killer" as the world's largest manufacturer of OTC pharmaceuticals for the store brand market, with a dominant market share of 70%. The Company manufactures over 1,000 products, including over *45 billion* tablets per year – that comes out to about 1,400 people somewhere around the globe taking a Perrigo product every second of every day. They also manufacture over 4 billion liquid doses and consume over 50,000 tons of various ingredient powders annually.

The Company's other product lines include generic Rx pharmaceuticals, store brand nutritional products and dietary supplements, plus active pharmaceutical ingredients (API). So, the next time you are in the market to purchase Motrin or NyQuil, as well as Advil, Bayer, Excedrin, Tylenol, Alka-Seltzer, Benadryl, Claritin, Robitussin, Sudafed, Rogaine, Monistat, Preparation H, E.p.t., Pepcid, Zantac, Maalox, Mylanta, Prilosec OTC, Pepto-Bismol, Metamucil, Ex-Lax, FiberCon, Unisom, Nicorette, Enfamil and/or Similac, please consider a Perrigo manufactured store brand alternative.

The Company's Rx business is small at just 12% of revenues, but is growing in

excess of 45%. We continue to expect vibrant growth in this sector for the Company as nearly $20 billion in branded RX is slated to switch to OTC. The Company's unmatched manufacturing, packaging and marketing depth, breath, size and scale provides the Company with first-mover advantage. Rx such as Lipitor, Singulair, Flomax, Celebrex, plus a bevy of erectile dysfunction, nasal allergy, overactive bladder and migraine pharmaceuticals are ripe for Perrigo switched OTC launches over the next five years.

Perrigo's value proposition for both the retailer and the consumer is quite compelling. In short, the retailer earns more, and the consumer pays less. Sounds too good to be true. It's not. Here's a common example of the compelling economics of store brands oft cited by Company management: Nicorette is a branded nicotine gum. The cost to the retailer sold by GlaxoSmithKline for a single package of Nicorette is about $57. Retailers in turn sell it for $71-$72, so there is about a $14 profit or about 20% gross profit margin for a retailer like say, CVS or Wal-Mart. Conversely, Perrigo sells their nicotine replacement therapy to the retailer for about $23; the retailer in turn sells it for $53. Now the retailer makes a significant higher absolute dollar profit (about twice the profit as the national brand) and importantly, a much higher percentage of profitability – nearly three-fold. But it doesn't end there. Critical to Perrigo's value proposition-equation though is also the savings for the consumer. Usually there is about a 25% to 30% savings for the consumer. This consumer savings is key in that offering both the consumer about a 25% to 30% savings and obviously, a much higher margin for the retailer is why retailers continue to give us more shelf space for the Company's products.

The Company relies on three key drivers of growth: the continued expansions of store brands, new OTC launch and still more acquisitions. The Company has indicated that diabetes, adult nutrition and opthalmics are on their short list for further acquisitions. As scale builds, the concomitant increase in operating margins grows as well. Over the past five years, pre-tax operating margins have increased from 11% to 19%. Perrigo's success has not gone unnoticed by Wall Street. While we desire to increase our weightings in this terrific company, we need to patiently wait for those rare fatter pitches in the stock.

On behalf of Wedgewood Partners we thank you for your confidence and continued interest. We hope these Letters give you some added insight into our portfolio strategy and process. As always, please do not hesitate to contact us if you have any questions or comments about anything we have written in our Letters.

Sincerely,

David A. Rolfe, CFA	Dana L. Webb, CFA	Michael X. Quigley, CFA
Chief Investment Officer	Senior Portfolio Manager	Portfolio Manager

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