



Our recent performance has been disappointing, and we are not pleased with the results. We believe the underperformance has been driven primarily by a valuation reset, particularly in software, and not a deterioration of fundamentals. While all portfolio companies delivered positive earnings results during the quarter, the broader market has been impacted by a repricing related to the perceived disruptive potential of AI across many business models. AI is a transformational technology, and incumbents and startups will both have winners and losers. Our fundamental research process continues to focus on identifying companies with high-stakes, complex, and regulated systems that we believe may be advantaged by the thoughtful integration of AI.

The last two quarters have been characterized by two major factors. First, interest rates moved higher and led to a compression of price to earnings (P/E) ratios, which we experienced in our higher valuation stocks. Second, the threat that AI disrupts software and a wide range of other businesses led to reduced terminal values. Because of the latter, we believe we are in a period of significant technological change driven by AI which has the potential to impact many industries. It is already making its impact felt in the financial markets, as we have seen with the dramatic sell-off of anything that looks “at risk,” most specifically established software and software-as-a-service (SaaS) companies.

It appears investors have fled ETFs thought to be at risk from AI, such as the Expanded Technology Software Index (IGV) which was down -24% during the first quarter. Some businesses will suffer because of AI and others will benefit from integrating AI functionality into their own offerings. This indiscriminate selling has resulted in pain for shareholders of any of the stocks included in such baskets, and we are in that category.

We believe the recent market sell-off may potentially present compelling opportunities for long-term investors who have done in-depth research. In our view, current valuations may offer an attractive entry point for investments in what we have identified as well-run, profitable companies that are navigating the evolution of AI with shrewd integration of that technology to accelerate their core business. It is why we look for thoughtful, long-term, forward-thinking management teams when investing.

For comparison purposes, we can look at the change in the expected earnings per share (EPS) growth rates and forward P/E multiples of the Edgewood buckets from Q1 2023 to Q1 2026.<sup>1</sup> It is not a perfect illustration as bucket composition has changed during the three-year period, but it is informative of the general trend. Bucket one has seen its median 2- year EPS growth rate increase 5%, from 9% to 14%, while its median P/E multiple has compressed from 24x to 20x. The median estimated EPS growth rate of bucket two has increased 17% while its median P/E multiple has

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<sup>1</sup> Edgewood divides its portfolio into three buckets by estimated EPS growth rate. Forward-looking P/E and EPS growth metrics are consensus rolling 2-year estimates provided by Bloomberg. For bucket composition information, please contact Kitty McBride at [kmcbride@edgewood.com](mailto:kmcbride@edgewood.com).

compressed from 27x to 24x. Lastly, bucket three has seen its median estimated EPS growth rate almost double while the median P/E multiple has fallen from 41x to 19x.

As investors we can never forecast when valuations will compress or expand. However, we do know that historically, earnings per share growth tends to drive stock price appreciation. Our investment thesis is that current valuations, combined with the potential for future profit growth, may be beneficial for long-term investors.

In summary, Edgewood's investment philosophy is to identify companies we believe have the potential for long-term growth and to hold those investments for many years. We have intentionally shifted away from consensus, index-driven exposures and maintain our focus on high-quality businesses despite periods favoring speculative, negative earnings companies.

Edgewood Management LLC  
April 17, 2026

*Sources: company filings, Edgewood research. This commentary is for informational purposes only and does not constitute investment advice or a recommendation to buy or sell any securities. While historical trends have shown a correlation between earnings per share growth and stock price appreciation, it is important to remember that past performance is not indicative of future results. While the information provided is believed to be accurate, there is no guarantee of its accuracy or completeness. Any forward-looking statements are based on current expectations and involve risks and uncertainties that could cause actual results to differ materially. Edgewood is not liable for any errors or omissions in the information provided or for any losses resulting from reliance on the information. Edgewood's commentary on the IGV is intended to show the market's reaction to the impact AI has had on the software sector. No recommendation is made, positive or otherwise, regarding individual securities mentioned. 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 were or will be profitable. For information about the whole portfolio, please contact [kmcbride@edgewood.com](mailto:kmcbride@edgewood.com).*

	Ending March 31, 2026			
	Net 1 Year Performance Returns	Net 3 Year Performance Returns (Annualized)	Net 5 Year Performance Returns (Annualized)	Net 10 Year Performance Returns (Annualized)
<b>Edgewood Large Cap Growth Composite</b>	0.67%	10.29%	2.40%	12.53%
<b>S&amp;P 500 (TR) Index</b>	17.80%	18.32%	12.06%	14.16%
<b>Russell 1000 Growth Index</b>	18.81%	21.18%	12.76%	16.83%
<i>Note: Returns are shown in U.S. dollar. Composite returns are net of fees.</i>				

Edgewood Management LLC is a registered investment adviser specializing in growth-oriented investment management. The Edgewood Large Cap Growth Composite is comprised of individual and institutional accounts that invest in Edgewood's Large Cap Model of generally 22 large capitalization growth companies chosen by using fundamental analysis and an internal valuation discipline. The composite returns are benchmarked to the Standard & Poor's 500 Index ("S&P 500") and the Russell 1000 Growth Index ("R1000 Growth"). 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. The R1000 Growth measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates and dividends are reinvested.

Edgewood Management LLC claims compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results. Performance results reflect the reinvestment of dividends and other earnings. Performance results are expressed and calculated in U.S. dollars. To receive a list of composite descriptions of Edgewood Management LLC and/or a GIPS Report that complies with the GIPS standards, contact Kitty McBride at 212-652-9100, or write to Edgewood Management LLC, 600 Steamboat Road, Suite 103, Greenwich, CT 06830 or [kmcbride@edgewood.com](mailto:kmcbride@edgewood.com).

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