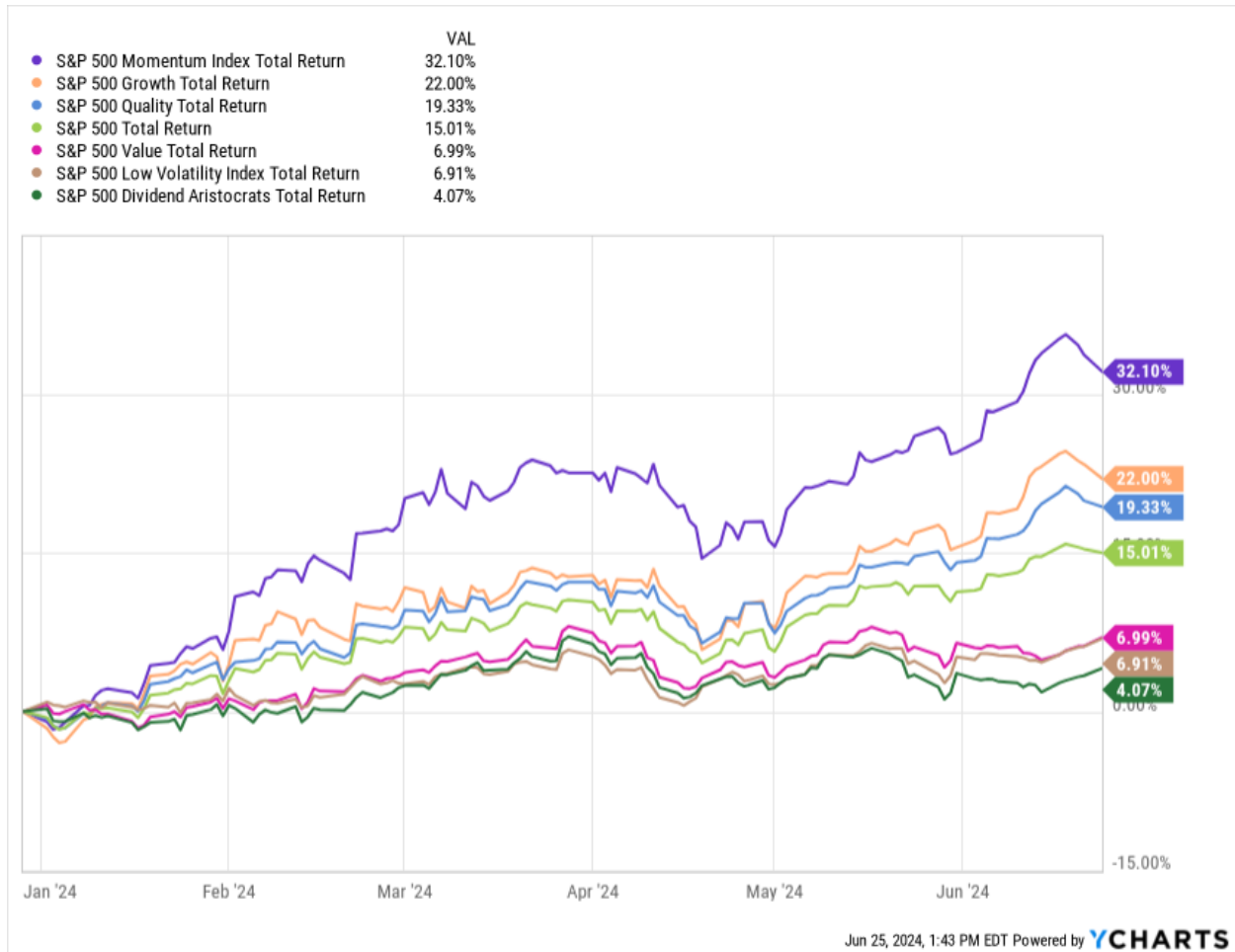


Park Edge: Core Stock Update Q3 2024

The Park Edge Core Stock portfolio is off to a strong start this year after capitalizing on the most important themes that have unfolded in large cap stocks. Our main theme, “The Quality Factor Gains Momentum”, which we introduced last quarter, continues to persist as many of the companies in the portfolio continue to score high for both quality & momentum factors. Here’s a chart showing year to date S&P factor performance where Quality and Momentum factors (blue & purple lines) are outperforming the S&P 500.



What’s our stance on Nvidia?

Almost everyone we speak with wants to know our current thoughts on Nvidia (ticker NVDA). To recap our position on the stock, we began January overweight NVDA (relative to the S&P 500) and maintained our overweight position in the second quarter. This had a strong positive impact on the portfolio. So why has the stock done so well? The stock has reported a meteoric rise in revenue

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growth, more than tripling, over the 12 months from \$7.192 Billion in Q2 23' to \$26.04 Billion in Q2 24' (see the black line in the chart below). As forward revenue estimates stair-stepped higher, the stock price followed suit. As July begins, we have decided to maintain a significant position in the stock but will now be underweight (relative to the now larger weighting in the S&P 500) for the first time this year. Our process is telling us a bullish outlook continues to be appropriate, while at the same time, telling us to take some chips off the table. The risks are that expectations are extremely high and the higher expectations climb the harder it is for the company to meet those expectations.



Monetary Policy and the Quality Factor

At Park Edge, we've held the view that the Federal Reserve's higher-for-longer monetary policy stance would have a bifurcated impact on stocks, helping companies that have low debt and large cash reserves (strong balance sheets are a component of the Quality Factor score, in addition to profitability, sustainability of growth, stability of earnings, etc.) since they benefited from higher interest rates, while at the same time burdening companies with large amounts of debt.

In the Fed's latest Summary of Economic Projections (SEP), their long run "Neutral Rate" (a non-observable theoretical rate at which policy is neither accommodative nor restrictive) increased for the first time in many years from 2.5% to 2.8%. Is this their first hint they are willing to accept an

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unofficial inflation target well above their “official” target? If so, this may add to the sustainability of the Quality Factor outperformance.

We began the year significantly overweight the technology sector, came down to neutral weight during the second quarter, and we’re now underweight tech relative to the S&P 500 to begin the third quarter.

Sector	PEA CS Q1	PEA CS Q2	PEA CS Q3	S&P 500 Q3	OW/N/UW
Technology	39%	34%	27%	34%	UW

Our current underweight is due to our bottom-up process telling us to reduce exposure to software companies (an industry within the tech sector). This is not inconsistent with our top-down macro views as published in our Market Insights publication, although the decision was arrived at independently.

Conclusion

While our process guided us to reduce our positions in software stocks it also told us to reinvest in other companies (outside of technology) that also score high for the Quality Factor. Overall, we are adding WMT, MA, QCOM & ORCL, removing CRM, NOW, INTU & ACN and increasing TJX, PGR & ETN. These changes have reduced our portfolio beta from 1.16 to 1.03 (S&P 500 has a beta of 1) to begin the third quarter. How much longer will our main theme of “The Quality Factor Gains Momentum” persist? Nobody knows for sure, but we do know that we have a process to guide us and inform our decision making along the way. We hope you have a great summer, and as always, very much appreciate your business.