HS MANAGEMENT PARTNERS, LLC

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This Brochure (ADV Part 2A) provides information about the qualifications and business practices of **HS Management Partners, LLC** (referred to in this document as "HSMP"). If you have any questions about the contents of this Brochure, please contact Ronald R. Staib, Chief Compliance Officer of HSMP, at (212) 888-0060. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

HSMP is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.

Additional information about HSMP also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by our full name or by a unique identifying number, known as a CRD number. The CRD number for HSMP is 145480.

Item 2 – Material Changes

When we use “HSMP” or “Firm” or “we” or “us” or “our” in this Brochure, we are referring to HS Management Partners, LLC.

Since the last annual update of this Brochure, which was dated March 30, 2017, we have enhanced the disclosure in this Brochure to provide certain clarifications and more detailed information in some cases, to make the entire Brochure easier to read and understand in general, and to update some disclosures. For example, we have enhanced the disclosures in the following Items among others (the following list is not comprehensive as this Brochure includes changes not mentioned below):

- Item 5 (Fees and Compensation) – negotiation of investment advisory fees and offering a fee schedule lower than our current standard fee schedule.
- Item 7 (Types of Clients) – advising pooled investment vehicles and right to reject accounts based on account type.
- Item 8 (Method of Analysis, Investment Strategy, and Risk of Loss) – taking into consideration an account tax status in implementing our investment strategy in certain instances when possible.
- Item 12 (Brokerage Practices) – best execution (Best Execution Committee membership and factors considered by the Committee), soft dollars brokerage products or services (some client accounts, including partner and employee accounts, do not generate soft-dollars but benefit from soft-dollar credits generated by other client accounts), and allocation of orders (trading groups).
- Item 13 (Review of Accounts) – review of prior day’s trading, monthly account performance, and reconciliation.
- Item 17 (Voting Client Securities) – proxy voting for shares subject to blocking, and conflicts of interest.

While we believe that the changes we have made in this document are not material, we urge all readers, including those readers familiar with our previous versions, to carefully review this Brochure.

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Item 4 – Advisory Business

HS Management Partners, LLC is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). SEC registration does not imply a certain level of skill or training. The Firm's SEC registration became effective as of October 25, 2007. HSMP is structured as a limited liability company governed under Delaware law. Our sole office location is in New York City, at the address indicated on the cover page. We are an independent investment adviser and do not have any parent, subsidiary or affiliated entities.

Harry Segalas (Managing Partner & Chief Investment Officer) established HSMP in June 2007. In October 2007, David Altman (Partner & Director of Research), Greg Nejmeh (Partner & President) and Bart Buxbaum (Partner & Director of Client Service) joined the Firm as partners. HSMP's four partners independently capitalized the Firm. Harry Segalas and David Altman each own over 25% of the Firm but no one partner owns a majority stake.

HSMP offers one sole investment strategy: HSMP Concentrated Quality Growth Equity strategy (see Item 8 for a description of our investment process). We seek to apply our investment strategy to all client accounts with the goal of minimizing dispersion and providing similar investment results across accounts over time. However, the implementation of our investment strategy depends on several factors, including client restrictions, type and size of the account, timing and market conditions at the account's inception and further contributions or withdrawals, timing and terms of trade execution orders, and client directed brokerage and commission recapture instructions. Therefore, an account's holdings and investment performance could deviate from other client accounts managed in accordance with our sole strategy.

We consider client restrictions on a case by case basis and reserve the right to accept or reject them in our sole discretion. We generally accept client restrictions that we deem reasonable in light of our strategy and operational setup, and generally reject client restrictions that we deem detrimental to the implementation of our investment strategy or operationally burdensome. We reserve the right to reject or close a client account for any reason, including upon a client imposing restrictions that we believe we cannot satisfactorily accommodate. Restrictions must be submitted to us in writing and clients are responsible for notifying us of any changes to their restrictions.

The decision to open an account with HSMP is that of the client, and therefore it is up to each client to determine whether HSMP's management strategy is appropriate for his/her specific situation. We solely advise clients as to the portion of their assets for which we have been given discretionary management in accordance with our investment strategy. We do not advise clients on their overall financial plan. Further, we do not take into consideration clients' assets or investments outside of our management when implementing our strategy in their accounts at HSMP.

We manage investment advisory accounts for various types of clients only on a discretionary basis (see Item 7 for a description of the types of clients to which we provide advisory services). Our investment advice is limited to domestic and foreign equity securities of publicly traded companies, typically in the form of domestic common stocks, foreign ordinary shares, and American Depository Receipts, traded on exchanges or over-the-counter markets. Although client accounts may hold cash, cash is not a major component of our investment strategy and we tend to keep very low cash balances in client accounts. Please refer to Item 8 for more information regarding the implementation of our investment strategy.

HSMP's regulatory assets under management as of December 31, 2017 were $4,027,942,912 all of which was managed on a discretionary basis. HSMP does not manage any assets on a non-discretionary basis. HSMP does not participate in, or offer, wrap fee programs.

Item 5 – Fees and Compensation

We charge our clients an investment advisory fee based on a percentage of an account's assets under management. Fees are structured with tiered rates that have the effect of applying different rates to different portions of the account's assets, so that both the effective annual blended and actual fee rates decrease (or increase) as assets in the account increase (or decrease).

Investment Advisory Fees

The following is our current standard fee schedule, which became effective on January 1, 2014:

For a $10 million account size	
Account's Assets Under Management	Annual Percentage
First $25 million	0.90%
Next $25 million	0.70%
Additional amounts over $50 million	0.50%
For accounts less than $10 million The annual advisory fee for accounts below $10 million is the greater of 1% of the account's assets under management or $10,000.	

We are willing to negotiate our advisory fees and offer in certain instances a fee schedule lower than the one above. In doing so, we consider several factors, such as the client's level of assets under management, type of client or account, servicing requirements, historical ties and overall relationship with HSMP. We evaluate these factors on a case by case basis in light of the circumstances at hand and at our sole discretion. As of the first quarter of 2014, we do not charge investment advisory fees for the accounts of our employees (including our four partners), their spouses and their children.

We aggregate client accounts in certain instances for purposes of determining the advisory fee rate applied to an aggregated account. Aggregation lowers an aggregated account fee rate when the total aggregated assets grow enough to trigger a lower tier in the fee schedule applicable to the aggregated account. Aggregation does not always result in a lower fee rate, as the actual fee rate depends on the size of the aggregated group and the fee schedule applicable to the entire group or each corresponding account in the group. We typically aggregate accounts of the same client and of the same family, and generally aggregate accounts of those clients that have close corporate or institutional ties among them. We are also willing to aggregate some accounts of unrelated clients that come to us from the same institution as long as the institution has a contractual arrangement with its clients granting the institution full discretion to appoint investment advisers for the institution's clients, and other conditions are met such as account size.

Similar client accounts can be billed different fees for several reasons. For example, accounts are billed based on our standard fee schedule, or on the fee schedule applicable at the time the account was opened. In addition, accounts can have a negotiated rate and/or be aggregated as explained above. Charging different fee rates to different accounts poses a conflict of interest for HSMP, in that it provides HSMP a financial incentive to favor those clients that pay us the most in fees. We aim to mitigate this conflict through the implementation of our sole investment strategy and brokerage practices, through which we endeavor to treat all accounts fairly over time without regard to differences in fees or other benefits that might flow to us. See Items 4 and 8 for an explanation of our investment strategy, and Item 12 for a discussion of our order aggregation and allocation processes.

Payment of Investment Advisory Fees

Advisory fees are billed quarterly in arrears. For purposes of fee calculation, unless agreed otherwise, the market value of an account's assets under management is determined on the last business day of each calendar quarter or on the date an account is terminated, as valued in our internal portfolio accounting system (this valuation may differ from a client's custodian valuation). In some cases, when operationally feasible and in our sole discretion, we accommodate clients who prefer a different method of calculating their account value for billing purposes, such as when a client requests that the billing be based on the client's custodian's market value, or on an average of each month-end value during the billing period, or on the end-day market value.

Fees are adjusted and prorated, as applicable, where changes to the account occur mid-billing cycle. For example, fees are adjusted and/or prorated for clients' deposits and withdrawals during the billing period. Fees are also adjusted and/or prorated for accounts opened or closed during the corresponding quarter to reflect the number of days in the quarter that the account was under our management.

Clients can elect to either be billed directly for advisory fees or authorize us to direct debit the fees from their accounts, provided direct debit is operationally possible by the account custodian. If direct debit is authorized by a client, we will send the client, only at the client's request, a copy of the fee invoice showing the amount deducted; this amount should also be reflected on the custodian's account statement. If direct debit is not authorized by a client, we will send the client or the party designated by the client (such as the account custodian, or the client's accountant or consultant) a fee invoice generally due within twenty calendar days upon receipt. Our fee invoice indicates the account's assets under management, the annual fee percentage applied, any adjustment or proration applicable for the corresponding billing period, and the total amount of fees due or deducted, as applicable.

Other Fees and Expenses

In connection with HSMP's advisory services, clients will incur and are responsible for the commissions and other transaction expenses charged by broker-dealers for executing trades in the client's account. In addition, clients incur and are responsible for the fees and expenses charged to them by custodians, money market mutual funds and other third parties. Our advisory fees are exclusive of, and in addition to, any fees and expenses charged by broker-dealers, custodians, money market mutual funds and other third parties. Except for soft dollars, we do not derive any financial benefit from such other fees and expenses. We use client commissions to obtain soft-dollar research and brokerage products and/or services. Please refer to Item 12 for additional information regarding our brokerage practices.

Item 6 – Performance-Based Fees and Side-By-Side Management

HSMP does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets in client accounts). Our investment advisory fees are based on a percentage of an account's assets under management as described in Item 5.

Item 7 – Types of Clients

We manage advisory accounts primarily for charitable organizations (such as endowments and foundations), high net worth individuals (including family offices), pension and profit sharing plans, and corporations. We also act as a sub-adviser for other investment management firms with respect to assets of registered investment companies, and advise pooled investment vehicles (including domestic private funds and offshore funds). Most of our clients are domestic and some are foreign, and we manage assets for both non-taxable and taxable accounts.

HSMP reserves the right to accept or reject accounts of any size or type.

Item 8 – Methods of Analysis, Investment Strategy, and Risk of Loss

Methods of Analysis and Investment Strategy

HSMP applies a focused, bottom-up, fundamental approach to growth equity portfolio management. We analyze company business models and evaluate their long-term potential by accessing Street research and publicly available information, such as company conference calls, press releases, SEC filings and other research. We seek to identify the key factors that are unique and important to a company's attainment of projected earnings and cash flow potential. Our analysis varies by company and industry, and the process may encompass accessing industry contacts, conference calls and meetings with company management, on-site visits, and/or attending industry conferences. We do not use expert networks.

Suitable investment candidates for us typically include companies that we believe possess: strong management teams, attractive business models, enduring competitive advantages, high free cash flow characteristics, broad geographic platforms, and/or strong, albeit reasonably attainable, earnings and cash flow prospects. In addition to established, leading companies that we have known for many years, we seek to identify "up and coming" candidates that we think meet our quality criteria. Examples include businesses that in our opinion have substantial assets and promising new leadership, companies that we believe have been freed of legacy issues, franchises moving from niche markets to mainstream, and/or companies with exciting new products and/or services.

An idea with attractive investment potential is placed on our Focus List, which consists of 50 companies, including companies in which we invest and companies that we are considering for investment. Our Focus List helps us track and compare existing and potential investment candidates based on certain metrics estimated by HSMP, and it is from this List that we select those companies that will ultimately be included in client portfolios. If a company's fundamentals appear strong and validated by HSMP's qualitative and quantitative analysis, and if we find the valuation of its shares attractive, we may initiate a position in the stock. The investment team works in a cohesive and collaborative manner, and Harry Segalas, as our Chief Investment Officer ("CIO") and our sole Portfolio Manager, makes all final portfolio decisions.

Three primary considerations influence our decision to fully or partially sell a stock position: (1) if there is a loss of confidence in a company's business model or its ability to realize the earnings stream as we previously anticipated, (2) if a stock looks richly priced based on our valuation tools and growth assumptions, or (3) if a better investment opportunity is identified. A change in company fundamentals typically results in a liquidation of the shares, whereas sales prompted by valuation considerations and/or a better investment opportunity might be incremental in nature.

In implementing our investment strategy, we typically build a concentrated portfolio with a hard cap on company names and with an aim to keeping our client's capital nearly fully invested. Client accounts generally hold 20 to 25 companies, although in certain circumstances they may hold more or less names. Cash is not a major component of our strategy and we tend to keep very low cash balances in client accounts. Although we primarily invest in domestic securities in the form of common stock, client portfolios can include foreign issuer equity securities in the form of American Depository Receipts (both sponsored and non-sponsored) or Ordinary shares. As bottom-up, fundamentals-first investors, we do not maintain limits on industry or sector weightings, and while we do limit portfolio positions by company, clients' portfolios are likely to be significantly concentrated by sector, industry and/or geography, among other factors (for example, clients' portfolios can have over 50% exposure to the consumer discretionary, consumer staples and/or technology sectors). We take an incremental approach to actively managing client portfolios. Our annual portfolio turnover rate has ranged generally between 65% to 95% (measured in dollars), and is comprised of new names and incremental changes to existing positions. While our investment strategy drives our investment decisions, when implementing it, we try to take into consideration the tax status of an account in certain instances when possible.

Risk of Loss

Investing in equity securities involves significant risks that clients should be prepared to bear, including the risk of loss of the original amount invested. This Brochure does not list every potential risk associated with the investment strategy implemented by HSMP for its client accounts. The following are some material risks applicable to our investment strategy:

- Active Management Risk. Our portfolio strategy has resulted in an annual turnover rate of generally between 65% to 95% (measured in dollars). Active management is consistent with our investment strategy and incremental trading approach, and will increase commissions or other transactions costs that can impact performance over time. Portfolio turnover can also result in short-term capital gains, which can reduce the after-tax return for taxable clients.

- Concentration Risk. Our investment strategy involves a high concentration in certain market sectors, industries, geographic regions or issuers and limits the number of portfolio holdings to generally 20 to 25. A concentrated account has the potential to be subject to greater risk than a more diversified account.

- Consumer Discretionary, Consumer Staples and Technology Sectors Risk. Our client portfolios are concentrated in these sectors, which are particularly sensitive to changes in consumer spending and preferences. In addition, participants in these sectors tend to be well established companies with many resources, making these industries highly competitive. Moreover, the technology industry is very sensitive to rapid and often unforeseeable innovation, and product obsolescence. As such, investments in these sectors can be more exposed than others to volatility in price and investor confidence.

- Cybersecurity Risk. Like most investment advisers, we rely on technology to perform our functions. This means that trade processing, portfolio accounting, client servicing and other operational tasks are susceptible to disruption during events such as power failures, Internet unavailability and telephone outages. In addition, our network and our client data are vulnerable to nefarious acts including hacking directly into our network or through third-party providers such as custodians, broker-dealers, software providers or network administrators. A breach in cybersecurity can impact our hardware, software and confidential information we hold, and can result in financial losses and reputational damage, as well as legal and regulatory consequences. We have taken what we believe to be reasonable precautions to maintain our ability to conduct business in the presence of such events or acts, and to protect the functionality of our networks and the confidentiality of our client data. However, no measures can eliminate cybersecurity risks completely and HSMP will endeavor to notify affected clients, as appropriate, if we experience a cybersecurity related incident.

- Equity Securities Risk. We invest in equity securities and the value of the assets in an account can decrease, potentially dramatically, in response to many factors, such as general economic conditions, changes in interest rates, fluctuations in foreign currencies, and national or international political, social, governmental, tax, legal, regulatory and economic events. These factors, among others, can negatively impact a particular company's financial situation, result in unanticipated poor performance of some companies in certain geographical regions or economic sectors or industries, and/or adversely affect the stock market in general or overall market sentiment. Moreover, U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and can do so again in the future. In addition to general market conditions, a company's performance can be negatively impacted by such factors as poor execution by company management. Furthermore, it is possible that we misinterpret general market or company specific conditions when we make an investment decision.

- Foreign Security Risk. Our client portfolios generally include foreign companies. Investing in foreign companies through American Depository Receipts or Ordinary shares exposes client accounts to events that can exclusively impact either type of security with respect to foreign countries, regions and/or their currencies. In addition, client account performance can be negatively affected by foreign currency exchange rate fluctuations; HSMP does not employ a hedging strategy to mitigate such risk.

- Legal and Regulatory Risk. HSMP is a registered investment adviser regulated by the SEC. As a regulated entity, changes in laws or regulations can impact our ability to operate our business.

- Low Cash Balances Risk. Our investment strategy generally involves maintaining low levels of cash (including cash equivalents selected by the client or the client's custodian) in client accounts, meaning client accounts are typically nearly fully invested. Therefore, client portfolios will likely be more impacted by market fluctuations than portfolios that are less invested and keep more cash available. In addition, client withdrawals of cash from an account may require the sale of securities at a time when prices may not be favorable.

- Market Capitalization Risk. Although we typically invest in large capitalization companies, we have demonstrated a willingness and ability to go down the capitalization scale. When moving down the capitalization scale, security liquidity risk generally increases.

- Reliance on Key Personnel Risk. Our CIO and sole Portfolio Manager is considered a key person with respect to our investment strategy. Although other experienced Firm-partner members of the investment team are capable of making investment decisions, the unforeseen absence of our CIO can impair, at least temporarily and to some degree, our ability to successfully implement our investment strategy.

Item 9 – Disciplinary Information

HSMP and our management persons have not been involved in any legal or disciplinary action that would require disclosure under this Item 9.

Item 10 – Other Financial Industry Activities and Affiliations

Neither HSMP nor any of its management persons is registered or has an application pending to register as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of these entities. HSMP has no affiliated entities and our management persons are not affiliated with any financial institution including banks and broker-dealers. We do not recommend or select other investment advisers for our clients.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Code of Ethics and Personal Trading

HSMP has adopted a Code of Ethics as required under Rule 204A-1 of the Advisers Act and Rule 17j-1 of the Investment Company Act of 1940 ("Investment Company Act"). In our Code, we set forth the ethical standards of business conduct that our employees must follow based on our fiduciary duties and applicable federal laws and regulations. Our Chief Compliance Officer ("CCO") reviews our Code at least annually and updates it as appropriate. All of our employees must attest to reading and understanding the Code when they join the Firm and annually or whenever it is materially amended thereafter. Clients and prospective clients can request a copy of our Code of Ethics. Requests should be sent in writing to our CCO at our address listed on the cover page of this Brochure.

Our Code prohibits our employees from trading on material nonpublic information for both client and employee personal trading. When an employee believes that he/she has had access to material nonpublic information, the employee must refrain from using or communicating that information and must promptly inform the CCO. We will then take appropriate action, which may include placing the related company on our Restricted List. This list contains stocks in which transactions are prohibited in client accounts and employees' personal accounts not managed by us, without prior written approval from our CCO and our President.

Our Code also includes certain requirements with respect to personal trading. Employees must submit personal holding reports annually and personal transaction reports quarterly to our CCO. Employees must also obtain written pre-clearance on certain personal security transactions, such as when they buy a stock in their personal accounts not managed by HSMP. In addition, employees are not permitted to purchase, in their personal accounts not managed by HSMP, securities that appear on our Focus List. Personal trading is also subject to certain blackout and holding periods.

Participation or Interest in Client Transactions

HSMP manages accounts for employees and their family members. Our employees, their spouses and their children do not pay an advisory fee, but their accounts are managed according to the same equity strategy we use for all our other clients. As a result, employee accounts will generally hold the same securities as our other clients, and where trades are aggregated, our employee and related accounts will generally participate in the same transactions on an aggregated basis.

Managing accounts for our employees and their family members alongside accounts for our other clients gives rise to a conflict of interest in that it creates an incentive for us to favor our employee and related accounts over our other client accounts. We aim to mitigate this conflict of interest through the implementation of our trading and allocation guidelines. Our trade orders specify in writing the identity of the client or trading group, and our trading and allocation guidelines primarily focus on account size and type, account restrictions, target percentage holdings, and available account cash, among other factors, regardless of employment status. Absent certain circumstances like client restrictions and directed brokerage, employee accounts will generally participate in the same aggregated brokerage orders as our other clients at the same average price and brokerage cost (for more information regarding aggregation and allocation please refer to Item 12). Moreover, we typically invest in highly liquid stocks; therefore, participation of employee accounts in an order is unlikely to materially affect the price or availability of shares for our other clients.

We do not participate in principal or cross transactions. We do not, acting for our own account, buy or sell securities from or to our client accounts. In addition, we do not arrange for securities to be bought or sold directly from one client account to another client account. All purchases and sales for client accounts are sent for execution to our selected broker-dealers, none of which is affiliated with us.

Item 12 – Brokerage Practices

Best Execution

HSMP's discretionary investment authority includes selecting executing broker-dealers and negotiating commission rates for transactions in client accounts; however, clients are responsible for selecting a custodian with which to custody their assets. Our Best Execution Committee ("Committee") approves, reviews and removes broker-dealers from our Approved Broker-Dealer List ("List") (the list of broker-dealers that the Committee has approved for trading), ranks the broker-dealers on the List and establishes and adjusts our annual commission brokerage budget, and generally assesses the overall quality of execution our clients receive. The Committee meets each quarter or more frequently, as needed. It is comprised of our President, Director of Research, CCO, Senior Vice President of Investments & Manager of Operations, and Senior Vice President of Trading. The Committee may also include a senior member of the Investment Team and may consult from time to time with our sole Portfolio Manager as it deems appropriate.

When evaluating broker-dealers for inclusion in or exclusion from the List, and when ranking them and establishing or adjusting our annual commission brokerage budget for each approved broker-dealer, the Committee considers various factors. These factors include the overall quality of the soft-dollar research or brokerage products or services provided, execution efficiency, commission rate, promptness and accuracy of their back-office operations in terms of clearance, settlement and support, and financial stability of the broker-dealers based on their reported public information (only when a broker-dealer is added to the List and annually on a calendar basis).

Not all factors are contemplated to the same degree or have the same influence. In fact, the Committee will give soft-dollar research or brokerage products or services the highest weight if it believes that all other factors are competitive and that the amount of client commission paid is reasonable in light of the value of the soft-dollar products or services provided. Furthermore, when placing trade orders, our trader is guided by our commission brokerage budget and also considers other relevant factors in the particular circumstances at hand, such as our trading procedures, the size of the order, the type of security, and market conditions. In addition, and as a measure of the overall quality of the execution provided by our approved broker-dealers, the Committee reviews our comparison of the execution prices obtained for our clients versus the VWAP (volume weighted average price for all trades executed in the market for a given security on a given day) during our sampled period.

Soft Dollars

In return for the trade commissions that our clients pay, broker-dealers typically provide to us certain research products and services, and can also provide to us certain brokerage products and services, both proprietary (created or developed by the broker-dealer) and third-party (created or developed by a third-party other than the broker-dealer), that we consider valuable in our investment decision-making or trade execution responsibilities. This type of arrangement is referred to as soft dollars because we pay using client commissions instead of the Firm's own money. HSMP therefore benefits from client commissions because it does not have to produce or pay for the research and brokerage products or services that it obtains with soft dollars.

In fact, we typically use a broker-dealer who provides what we consider valuable soft-dollar proprietary or third-party research or brokerage products or services, and securities transaction services, even though a lower commission is charged by other broker-dealers, including those who offer no soft-dollar research or brokerage products or services, and minimal securities transaction assistance. In other words, clients very likely pay commissions higher than those charged by other broker-dealers in exchange for the soft-dollar benefits that we receive (client commissions will be higher than those charged by execution-only broker-dealers). We use soft dollars if we believe that the investment research and brokerage products and services we obtain provide lawful and appropriate assistance to us in performing our investment decision-making or trade execution responsibilities on behalf of our clients.

All the products and services that we receive with soft dollars are eligible under the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934. Examples of the soft dollar research we receive include eligible reports and publications, analysis and forecasts, research oriented computer software, attendance at seminars and conferences, and discussions and meetings with research analysts and company management (we do not use expert networks). Examples of the soft dollar brokerage we can receive include trade execution services such as software that assists us in effecting securities transactions and performing functions incidental to trade execution. We do not use client commissions to pay for any services or products related to the administration of the Firm.

If a product or service is used for mixed purposes (meaning some components are used for soft-dollar eligible products and services, but some components are used for other non-eligible purposes), we face a conflict of interest to the extent we have an economic incentive to use the product or service for non-eligible purposes even though it is paid for with soft dollars. However, in the case of mixed uses, we will make a good faith determination as to which portion of the product or service is eligible to be paid for with soft dollars and which portion must be paid for from the Firm's own resources. We will keep records regarding our allocation, which are reviewed periodically as part of our effort to monitor compliance and mitigate any conflicts posed.

We apply the benefits of the soft-dollar products and services we receive to the formulation and implementation of our sole investment strategy. Thus, we believe that our use of soft dollars generally and over time benefits all clients overall without regard for the amount of commissions attributable to a single client account. For example, we do not obtain soft-dollar research or brokerage products or services from trade orders that we place according to a client commission recapture instruction, or from all the trades that take place in accounts subject to directed brokerage, which includes not only certain client accounts but also the accounts of our partners, employees and their family members that custody at Charles Schwab & Co. ("Schwab") and trade exclusively with Schwab under a Directed Brokerage Arrangement (please refer to the *Directed Brokerage/Commission Recapture* section below and to Item 15 regarding opening a custodial account with Schwab). We do not seek to allocate soft-dollar benefits to client accounts proportionately to the soft-dollar credits that each account generates.

Given that we obtain soft-dollar products and services using clients' commissions, we have an incentive to select broker-dealers based on the soft-dollar benefits they provide to us, rather than selecting those broker-dealers who provide lower cost execution to our clients. This also creates an incentive for us to cause clients to engage in more securities transactions than would otherwise be optimal for them in order to generate a larger amount of commissions, particularly considering that not all accounts generate the same amount of soft dollars and that certain accounts as noted in the paragraph above do not contribute to soft-dollar payments although they benefit from the soft-dollar products and services we obtain. To alleviate these conflicts of interest, we only accept soft-dollar benefits in accordance with the Section 28(e) safe harbor, and make a good faith determination that the commissions paid by clients are reasonable in relation to the value of the soft-dollar products and services we receive. That is, before placing a broker-dealer on our Approved Broker-Dealer List and establishing or adjusting our annual commission brokerage budget, we determine through our best execution analysis that the compensation paid, or to be paid, to that broker-dealer is reasonable in relation to the value of all the soft-dollar products and services they provide to us directly or through a third-party provider (see the *Best Execution* section above for additional information).

Block Trading/Aggregation of Client Orders

We generally combine orders from multiple client accounts and trade in aggregated blocks of securities. These accounts receive the same average price and share transaction costs on a pro-rata basis. We believe that block trading allows us to execute trades more efficiently while reducing overall commission charges to clients. Trades executed outside the block could incur higher commissions and receive higher or lower execution prices. Please refer to the discussion on directed brokerage below for more information.

Allocation of Orders

Our trade order instructions specify the client or trading group to which an order refers, and typically indicate the target percentage weight for the particular security (rather than the number of shares). We place accounts in trading groups; our main trading groups are non-taxable and taxable, and those labeled based on certain common or significant client restrictions (while our investment strategy drives our investment decisions, when implementing it, we try to take into consideration the tax status of an account in certain instances when possible). Actual participation in an order depends on several factors (even within the same trading group), such as client restrictions, existing percentage weighting for the traded security and cash available in each account, as well as our imposed per-order share minimums (ranging anywhere from 5 to 100 shares, depending on the price). After all orders in a security are completed, we endeavor to allocate shares among participating accounts on a pro-rata basis.

Although most of our orders are allocated on a pro-rata basis, there are instances when pro-rata allocation is not feasible. In cases when an order is partially filled, we try to allocate pro-rata by adjusting the target percentage weight of the order. If residual shares remain, we generally increase the allocation for those participating accounts whose percentage weight (using the new adjusted target percentage) will not be significantly impacted. In cases when so few shares are executed that we believe pro-rata allocation is impracticable, we generally allocate first and fully to those accounts that are furthest away from the target percentage weight of the trade order (including the entire trading group specified in the order and not just those accounts initially participating). We generally then continue allocating in this manner until all shares are exhausted.

We believe that our allocation procedures aim to treat clients fairly over time. It is the case, however, that smaller client accounts do not participate in certain allocations because they do not have the capacity to meet our imposed per-order share minimums. In these instances, our CIO tries to bring these accounts to the desired target percentage weights over time. These accounts will likely receive a different price and commission than those accounts that participated in the original aggregated orders and pro-rata allocations.

Directed Brokerage/Commission Recapture

At our sole discretion and under limited circumstances, clients can restrict our ability to select broker-dealers by directing us to the broker-dealers with whom they want us to trade some or all orders for their accounts. We allow commission recapture on a case-by-case basis and on a set percentage of the trade orders for a client’s account considering several factors, such as the account size, whether the broker-dealer is part of our Approved Broker-Dealer List, whether we believe that it is operationally feasible, and whether we determine that it will not hamper the implementation of our investment strategy. We allow directed brokerage to apply to all orders for accounts that custody at Schwab (see below). Directed brokerage and commission recapture instructions must be in writing and we reserve the right to accept them or reject them at any time and for any reason.

When clients direct us to use a specific broker-dealer, our ability to seek best execution for these client orders is likely to be hindered and can cost these clients more money. For example, we may not be able to aggregate these client orders with those of our other clients, and as a result, these clients may pay higher commissions or receive less favorable net prices than we may have been able to obtain had we been given discretion to select the broker-dealer (see *Block Trading/Aggregation of Client Orders* above). Furthermore, we initiate orders for clients with directed brokerage or commission recapture after the aggregated orders for our other clients are placed. In an attempt to prevent favoring one directed brokerage or commission recapture client over another, we use a randomly generated weekly rotation to determine the order of execution among clients who have opted to direct brokerage.

Clients who elect to custody their account assets at Schwab will pay Schwab a trade-away fee for each trade we execute at broker-dealers other than Schwab. To avoid this fee, we offer these clients (who include our partners, employees and their family members) the option of directing us to trade exclusively through Schwab. We disclose to these clients that by signing a Directed Brokerage Arrangement we may not be able to obtain best execution for their accounts. We also disclose that they may pay higher commissions and receive less favorable prices than clients for whom we exercise discretion in the selection of broker-dealers. In addition, we disclose to them that their orders will be initiated after aggregated block-trade orders. These clients must determine independently if such a directed brokerage arrangement is appropriate for them. It should be noted that we have access to proprietary and/or third-party research reports from Schwab by virtue of having clients (including our partners, employees and their family members) that custody there and not based on soft-dollar commissions. Please refer to the *Soft Dollar* section above and to Item 15 regarding opening a custodial account with Schwab.

IPOs

If we were to participate in an initial public offering (IPO), we will generally follow our allocation procedures (see above). Only those accounts that have indicated in writing their eligibility will participate in an IPO.

Trade Errors

We seek to correct our trade errors as promptly as possible without disadvantaging clients or benefitting ourselves. We generally reimburse clients who suffer a material loss when we cause the error. In determining the impact of an error and in appropriate circumstances, we would normally net the gains/losses of multiple transactions (related to the same error) in a client’s account and/or compare the affected client’s performance against the composite or the largest account in the trading group (non-taxable /taxable). If the error was caused by a third party, we try to assist clients in addressing the issue with the responsible party although we cannot guarantee the third party’s response.

Other Fees

To the extent permitted by our investment guidelines and client restrictions and/or instructions, among other factors such as operational capabilities, we may choose to transact certain foreign securities as either Ordinary (ORD) shares or as American Depository Receipts (both sponsored and non-sponsored) (ADRs). In certain circumstances, such as when we need greater liquidity or to accommodate the settlement requirements of client custodians, we may choose to convert between ORD shares and ADRs in some client accounts. In these cases, broker-dealers can charge our clients a fee for the conversion (generally not exceeding 5 cents per share). We will make a good faith determination in each particular circumstance as to whether conversion is in the best interest of our clients.

Item 13 – Review of Accounts

Portfolio holdings in general, in terms of following the companies in which we invest, are monitored by some members of our investment team under the direction of our CIO and in collaboration with our Director of Research, and members of our team review client accounts periodically to verify certain aspects of the implementation of our investment strategy. For example, members of our operations team, under the supervision of our Senior Vice President of Investments & Manager of Operations, generally reconcile security and cash positions for most client accounts daily, against custodian records received electronically, when operationally feasible (accounts that are not reconciled daily are typically reconciled monthly against their custodian statements). Also, our Senior Vice President of Investments & Manager of Operations generally reviews our trade inclusion report daily (for the prior trading day) with the aim of identifying accounts that have not participated in recent trades. In addition, our CCO performs a general daily, monthly, quarterly or annual review of our adherence to Firm guidelines and client restrictions as we believe appropriate. Furthermore, our CCO and our Senior Vice President of Investments & Manager of Operations generally review each account’s performance versus the Firm’s composite on a monthly basis, and bring significant variations to the attention of our CIO to be addressed as applicable.

We typically provide clients with quarterly written reports summarizing account performance and portfolio holdings (partners and employees do not receive reports from HSMP). More frequent reports are sent to clients at their request. Our report of portfolio holdings urges clients to carefully review and compare their HSMP positions to their custodian statements.

Item 14 – Client Referrals and Other Compensation

We do not have any oral or written arrangement to directly or indirectly compensate any person for client referrals. Except for the research and brokerage products and services mentioned in Item 12 (soft dollars) and for the research available from Schwab (see Item 15), we do not receive any direct or indirect compensation from any person, other than clients, for providing advisory services to clients.

Item 15 – Custody

HSMP does not maintain physical custody of client funds or securities; however, in certain circumstances we may be deemed to have custody. For example, some of our clients have granted us authorization to directly deduct our advisory fees from their custodian accounts. Although we do not have physical custody of client assets, we are deemed to have custody under the Advisers Act to the extent that we direct debit our fees from our clients' custodial accounts (please refer to Item 5 for information related to direct debiting of fees).

We require our clients for whom we are deemed to have custody to maintain their accounts at a qualified custodian (generally U.S.-based banks and registered broker-dealers). Clients determine their own custodial arrangements and enter into a separate agreement with their custodians for custodial services over their account. HSMP does not receive compensation from any custodian (but see below the disclosure related to cases where Schwab acts as custodian). Qualified custodians should send their clients an account statement at least quarterly; clients should carefully review these statements. The account statements we provide to our clients urge them to compare the statements they receive from their custodians against the statements they receive from HSMP.

Custodians may also offer clients the ability to write checks against their accounts. Check writing by clients can present operational difficulties and unintended consequences (such as an overdraft), particularly considering that we tend to be almost fully invested and generally keep low cash balances in client accounts. Accordingly, we do not accept check writing on behalf of any client account. Unless otherwise indicated in our investment advisory agreements, clients can direct their custodians to remove assets from their accounts at any time without our consent, but clients shall provide us with prompt written notice of such removal and will be bound by all transactions we do on behalf of their accounts on or prior to when we actually receive the written removal notice from the client.

While we do not recommend custodians to our clients or prospective clients, in the few cases when they request our help in establishing a custodial account for our management, we typically help them set up a custodial account with Schwab. Clients must make their own determination as to the appropriateness of Schwab in their particular situation. If they decide to custody at Schwab, they will enter into a separate custodial agreement with Schwab, and Schwab will act as custodian and will likely also act as broker-dealer for the account. HSMP is not affiliated with Schwab. It should be noted that we have access to proprietary and/or third-party research reports from Schwab by virtue of having clients (including our employees and their families) that custody there and not based on soft-dollar commissions. This creates a conflict of interest for us in that we have an incentive to help clients set up an account with Schwab rather than another custodian, when clients request our help in establishing a custodial account for our management; however, as noted above, we do not recommend custodians (including Schwab) to clients. For information regarding directed brokerage agreements for clients who use Schwab as custodian, please refer to Item 12.

Item 16 – Investment Discretion

Clients sign an investment advisory agreement giving us discretionary authority to invest on their behalf. We manage accounts generally in accordance with the Firm's investment guidelines included in the agreement (please refer to Item 8 for a description of our investment strategy). However, at our sole discretion and in certain circumstances, clients can place reasonable investment restrictions on the management of their accounts (see Item 4 for a discussion of client restrictions). In addition, at our sole discretion and under limited circumstances, clients can restrict our ability to select broker-dealers by directing us to the broker-dealers with whom they want us to trade some or all orders for their accounts (see Item 12 for a discussion of directed brokerage and commission recapture).

Item 17 – Voting Client Securities

Clients can delegate their proxy voting authority to HSMP in their investment advisory agreement with us. Clients can also choose to retain their voting authority, in which case we do not vote their proxies. When the investment advisory agreement is silent as to who has authority to vote proxies, we will vote proxies as part of the client's overall delegation of discretionary authority to us, unless the client instructs us in writing otherwise. Clients may place restrictions on our voting authority or instruct us to vote a proxy in a certain way. Such restrictions or instructions must be clear and reasonable, be received in writing and in a timely fashion, and not be unduly burdensome to our operational processes. We reserve the right to accept or reject any client restriction or instruction at our sole discretion for any reason. Some members of the investment team are assigned to review proxy materials for specific issuers.

When the investment advisory agreement instructs us to vote proxies, or in those cases in which the agreement is silent and we vote proxy as part of the client's overall delegation of discretionary authority to us, and absent specific client restrictions or instructions, or other operational issues (see below), we will generally vote proxies from the same company the same way for each client. In addition, absent client restrictions or instructions, we will vote proxies for portfolio securities consistent with what we believe is the best economic interest of our clients or plan participants in the case of ERISA accounts. Considering that we invest in companies which we deem to have strong management teams that aim to maximize shareholder value, we generally vote proxies in favor of company management's recommendations (when we refer to company management, we mean the Board of Directors of the corresponding company). However, if upon analyzing the proxy materials and given the circumstances at hand, we determine that it is in our client's best interest to vote against management, we will do so.

Although we aim to generally vote all proxies from the same company the same way for each client, there may be instances when we do not vote all shares or vote only certain shares, due to some operational issues. For example, if we believe that voting a proxy will limit our ability to sell a stock, as may be the case for foreign shares that are blocked from selling for a designated period after casting a vote, we typically do not vote these shares, as we think that not limiting our ability to sell a position generally outweighs the benefit of voting. In addition, we do not vote those shares for which we do not receive all proxy information and, upon inquiring with the custodian or any other responsible party as applicable, we do not receive the information in a timely manner. Moreover, when clients participate in stock loan programs, we may not be able to vote proxies for loaned shares, as we are not a party to the stock loan program and do not recall shares for voting. Furthermore, we typically will not vote foreign shares if we determine that doing so is not operationally feasible because, for example, proxy information is not available in English, or authentication by the consul office is needed, or a local power of attorney should be granted.

Clients who did not delegate their proxy voting authority to HSMP should receive their proxy materials directly from their custodians or the company's proxy agent. In the event we inadvertently receive proxy materials for these clients, we will forward the materials to the client. In such circumstances, we are not responsible for any adverse impact to a client if proxy materials are not received timely in advance of a scheduled vote. Although we may discuss proxies with clients as a general matter, we do not advise clients about particular solicitations when they have chosen to vote their own proxies.

Conflicts of interest in proxy voting can arise in various and sometimes unforeseen ways (for example, if a company soliciting the proxy is an existing client or is in the process of signing an investment advisory agreement with us). If we determine that there is a conflict of interest between us and our clients, we will continue to follow our existing proxy voting guidelines (we believe that following our guidelines helps us maintain our voting impartiality), and our Proxy Voting Committee may need to evaluate our voting decision under certain circumstances. If we determine that there is a material conflict, our Proxy Voting Committee and CCO will discuss the appropriate action, and we will generally continue to follow our existing proxy voting guidelines (as previously mentioned, we believe that following our guidelines helps us maintain our voting impartiality); however, if in the opinion of our Proxy Voting Committee the conflict is such that we believe our voting impartiality is compromised even when following our guidelines, the Committee may decide, as applicable and if time allows, to seek an independent third-party voting recommendation or disclose the conflict and ask clients for voting direction. In any event, an employee involved in a conflict will not be part of the proxy voting decision.

Clients can request information on how we voted their shares, and can also ask for a complete copy of our proxy voting policy. These requests should be directed in writing to our CCO at our address listed on the cover page of this Brochure. We use a third party's platform to assist us administratively in the proxy voting process. We keep voting records for five or six years as applicable under the Advisers Act and the Investment Company Act.

Item 18 – Financial Information

HSMP does not require prepayment of fees in advance. The Firm has never been the subject of a bankruptcy petition, or any other circumstance that would require disclosure under this item.