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MANAGEMENT PARTNERS, LLC

First Quarter 2019
Investment Perspective

investment styles ebb and flow . . . fundamentals never go out of favor

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CIO Commentary

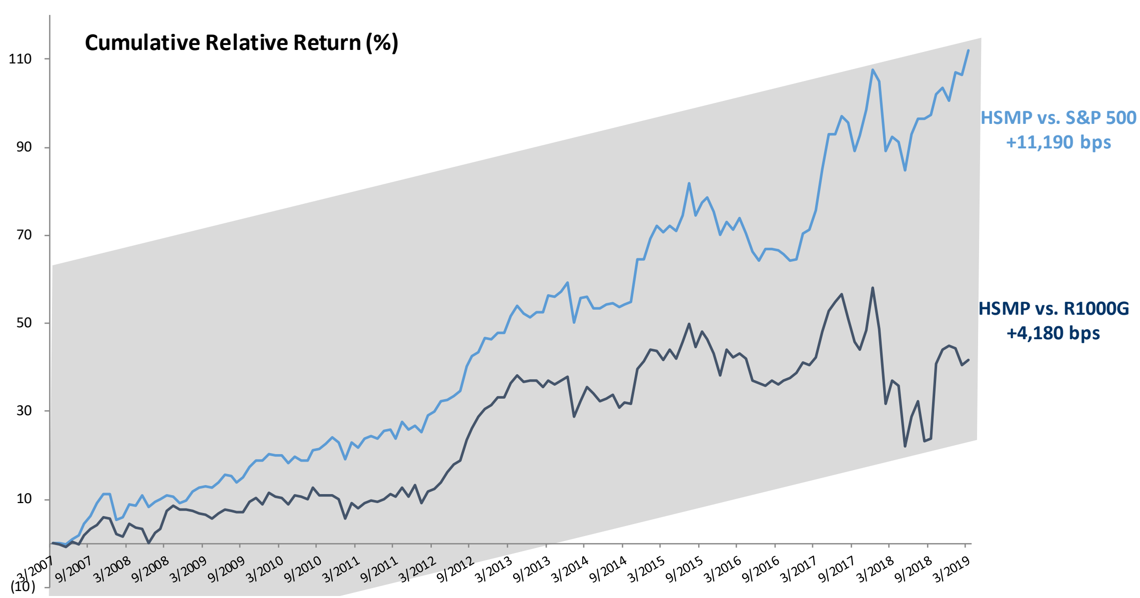
Performance Review

First quarter 2019 results for the HS Management Partners (HSMP) Concentrated Quality Growth Composite along with relevant comparative data are highlighted below:

HSMP Concentrated Quality Growth Composite	1Q19
HSMP Composite (net)	13.0%
Russell 1000® Growth Index	16.1%
S&P 500® Index	13.7%

Performance results are net of fees through 3/31/19 and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. See page 5 for the 1-, 3-, and 5-year annualized Composite returns.

The conclusion of the first quarter of 2019 marked the twelve-year point for our Firm's Composite performance. Since inception (4/01/07) through 3/31/19, the HSMP Composite (net of fees) has increased cumulatively by 269.4% versus a 227.6% gain in the Russell 1000® Growth Index and a 157.5% increase in the S&P 500® Index, yielding a comparative relative advantage of 4,180 and 11,190 basis points respectively.



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Investment Perspective

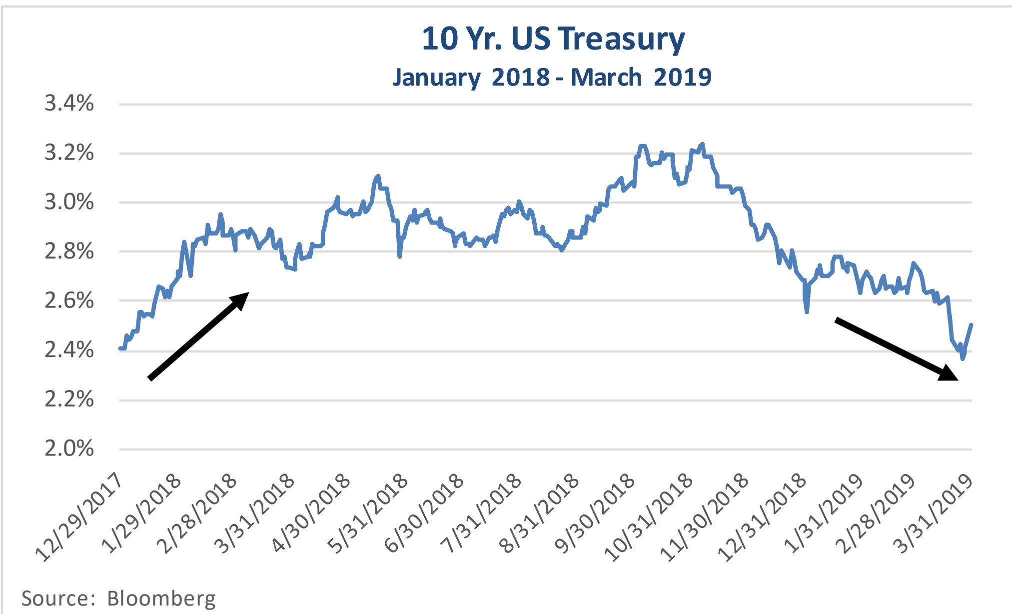
The start of 2019 is a whole lot different than how last year began.

Fueled by tax reform, the economy experienced a late cycle surge with GDP accelerating and corporate profits legging higher at the beginning of last year.

This year, US economic growth has moderated with GDP decelerating, overseas economies sluggish, and the pop from tax reform moving to the rear-view mirror.

Last year's first quarter was punctuated by rising interest rates with the Fed on a clear trajectory of higher rates and the ten-year bond hitting 3%.

This year, the Fed has reversed course with a now dovish stance and is on hold while the ten-year bond yield has also dropped.



From a Portfolio basis, last year's start was roiled by corporate developments that created uncertainty. This year, many of these outstanding issues have been settled and newer corporate sagas seemed aimed at unlocking potential value.

It is also worth adding that 2018's market start was on the heels of a robust 2017. This year's beginning comes right after the 4Q of 2018, which was the first real substantive market pullback since the steep declines suffered in 3Q of 2011. That's a long time.

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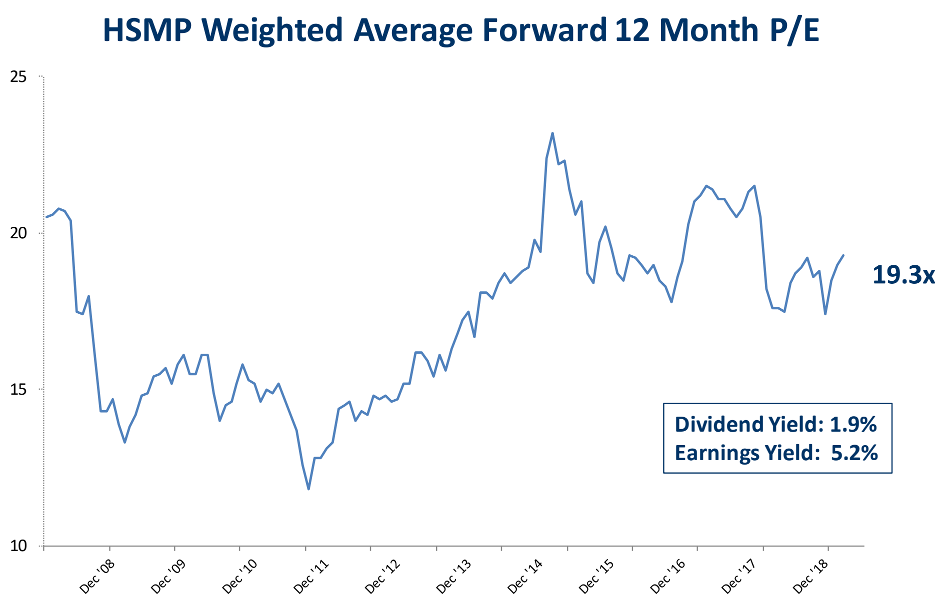
So where does this leave us today? After a tough start for your portfolios during the 1Q of 2018, your portfolios were selling for 17.6X forward 12 month estimates with a 2.3% dividend and a forecast of better than 14% EPS growth in 2018. The ten-year bond yield stood at 2.74% so the earnings yield/bond yield ratio (EY/BY) (5.68%/2.74%) was at more than 2X.

Now, after a healthy 1Q19 and a solid last 12 months (notwithstanding the 4Q2018's drop), your portfolios sell for 19.3X with a 1.9% dividend yield. Forecasted earnings growth in 2019 for your portfolios—another year into the cycle with slowing global growth—stands at just 7%. Results this year also face the headwinds of a stronger dollar and a slight step up in expected tax rates (about 200 basis points hit/due mostly to the strong dollar) as well as about 100 basis points headwind from near-term dilution from two meaningful corporate acquisitions. Absent these items, we would expect our underlying EPS stream this year to grow closer to 10%, which we think is pretty good in this environment.



Based on HSMP estimates since inception (4/1/07) through 3/31/19.

The Financial Times ran an article on 3/26/19 entitled "Wall Street braced for 'earnings recession' as margins fall." It highlighted that US companies are struggling to pass on rising labor, transportation, and raw material costs and notes that "US profit margins are on track to suffer their first fall since 2015." It went on to note that "the retreat from the post-crisis peak margins reached in 2018 signals a turn in the profit cycle that has powered the US market's bull run."

Our approach is to own what we deem are good businesses with strong cash flows and attractive financial characteristics. In the end, future performance will be a function of earnings and valuation. We like what we own and forecast a resilient earnings stream growing at 10%+ long-term.

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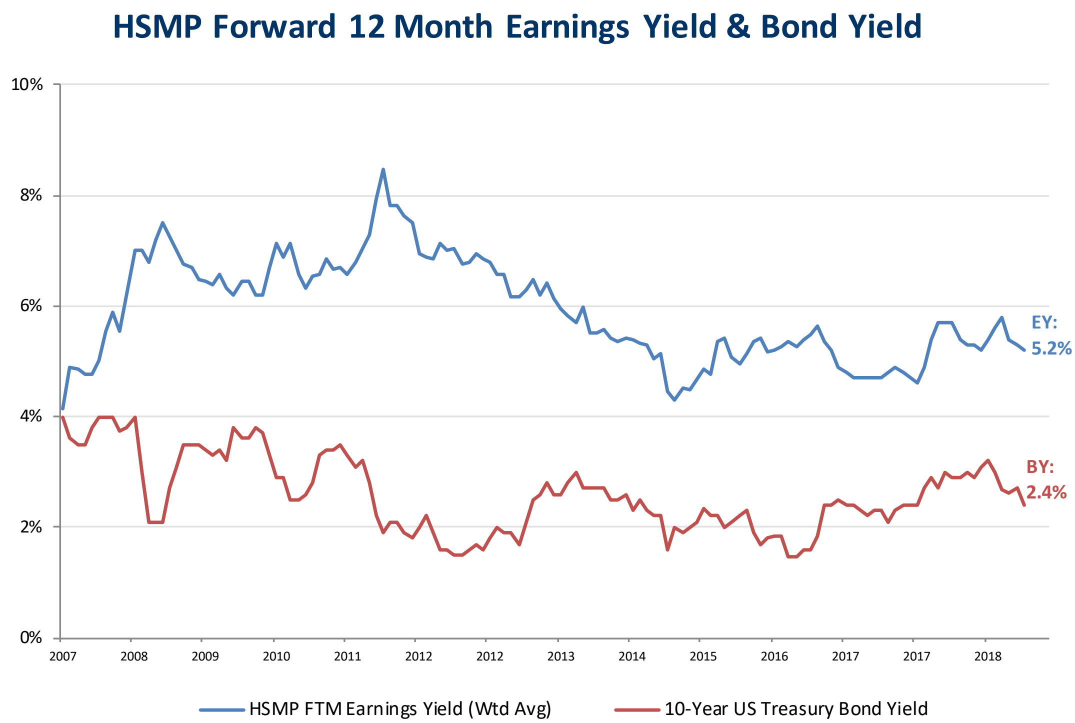
P/E's for our Portfolio are up year over year but still down from prior highs and below levels when we started some 12 years ago. Today's EY/BY is at 2.2X and is more attractive than where it stood 12 months back and is historically at compelling levels.



Based on HSMP estimates since inception (4/1/07) through 3/31/19.

I write this as Opening Day of the 2019 MLB baseball season is upon us. A sure sign of Spring after enduring the short days and cold months of Winter. At the risk of confusing anyone (I'm a Yankees fan, got it), I read a great article in the Boston Globe by Dan Shaughnessy. He talks about baseball season returning and for many that means that life is better. He writes that "it is our heartbeat. It is our routine…the box scores are one of our four major food groups." He goes on to quote the late great manager Earl Weaver as saying "settle down, we do this every day" to calm an overreactive baseball writer. I agree with Shaughnessy on this (though not on his favoring the Sox over the Yanks) and see similarities with our approach to understanding businesses, markets, and overseeing your assets. It is our heartbeat. It is our routine. We do it every day. We try to settle down and not overreact. The growing value of your portfolios over time is our box score. As always, we thank you for your confidence in us and appreciate your support. Here's to a good Spring and we look forward to updating you in the seasons and years ahead.

Sincerely,

Harry W. Segalas

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Portfolio Profile (3/31/19)

HSMP Composite Performance as of 3/31/19

	1Q19	1 Year	3 Years *Annualized*	5 Years *Annualized*	10 Years *Annualized*	*Since Inception 4/1/07 Annualized*	*Since Inception 4/1/07 Cumulative*
HSMP Composite (Net)	13.0%	12.8%	13.9%	12.0%	17.8%	11.5%	269.4%
Russell 1000® Growth Index	16.1%	12.8%	16.5%	13.5%	17.5%	10.4%	227.6%
S&P 500® Index	13.7%	9.5%	13.5%	10.9%	15.9%	8.2%	157.5%

Performance results are net of fees and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.

IMPORTANT DISCLOSURES

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. When we use *Composite* or *Portfolio* we mean our HS Management Partners Concentrated Quality Growth Composite. This piece represents our opinion as of 4/9/19 based on our understanding of market conditions and publicly available information about the mentioned companies. It has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or Portfolio/client portfolio outlook); there is no assurance that forward-looking statements are accurate as actual results and future events can differ materially from our assumptions. The performance shown should not be taken as an indication of how the Composite or a client account will perform in the future; past performance is not indicative of and does not guarantee future results. Investing in securities involves significant risks, including the risk of loss of the original amount invested. The information here is solely for illustration/discussion, is subject to change without notice, should not be construed as a recommendation to buy or sell any particular security, and should not be used as the only basis for making investment decisions.

HSMP claims compliance with the Global Investment Performance Standards (GIPS®). HS Management Partners, LLC is an independent SEC registered investment adviser (SEC registration does not imply any certain level of skill or training). The Composite includes all fully discretionary, actively managed, fee paying accounts which employ our style of investing in 20-25 quality growth businesses, including those accounts no longer with the Firm. Accounts must have a market value of greater than $500,000 at the time of initial inclusion in the Composite and meet certain other criteria to maintain inclusion. The U.S. Dollar is the currency used to express performance. For more information or for a copy of our fully compliant GIPS® presentation and/or list of composite descriptions, please contact us at 212-888-0060.

Composite performance is presented net of fees (net of actual investment advisory fees and trading costs, and also net of foreign withholding taxes for foreign ordinary shares and ADRs). The Composite is compared to the Russell 1000® Growth Index and the S&P 500® Index as benchmarks for market context only. The Russell 1000 Growth Index is an unmanaged index which measures the performance of those Russell 1000® Index companies (largest 1,000 U.S. companies based on market capitalization) with higher price-to-book ratios and higher forecasted growth values. The S&P 500 Index is an unmanaged market capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Neither index bears fees and expenses and investors cannot invest directly in either of them. There are meaningful differences between the Composite and each index that should be considered when comparing performance, such as in terms of composition, concentration and volatility. For example: (1) the Composite can contain securities not represented in either or both indices and is much more concentrated than either index in terms of companies and sectors; (2) the average market capitalization of companies in the Composite will likely differ from that of either index; and (3) market or economic conditions may affect positively/negatively the Composite's performance but not the indices, which do not bear market risk.

This piece is written from the perspective of our Composite holdings, performance and estimated metrics, and it does not refer to any specific group/client account (when we use *your portfolios* we mean client portfolios in general from our Composite perspective). Although most discretionary client accounts are included in the Composite and dispersion is typically low over time, not all client accounts are in the Composite, and even for those in the Composite, there can be dispersion, particularly when viewed over narrow time periods. Client account holdings and performance can vary from the Composite or from other client accounts (even different accounts of the same client) for several reasons, such as: client restrictions, account type and size, timing and market conditions at an account's inception and contributions/withdrawals, timing and terms of trades, actual client investment advisory fees (or the lack thereof), and client directed brokerage/commission recapture instructions. Furthermore, under our sole investment strategy (HSMP Concentrated Quality Growth Equity strategy) we provide investment advice on a discretionary basis (we make all the investment decisions and trade the accounts) and also on a non-discretionary basis in the form of model portfolios for use in multimanager products (we act as a non-discretionary sub-adviser and do not make the final investment decisions nor trade the accounts); therefore, certain information here (including performance, Composite, and investment strategy implementation) is not applicable to model portfolio clients as we have no control and do not monitor the implementation (complete, partial or not at all) of model portfolios, and the performance of model portfolio clients is not attributable to us.

We typically build a concentrated portfolio with a hard cap on company names and with an aim to keeping clients' capital nearly fully invested. Our investment advice is limited to domestic and foreign equity securities of publicly traded companies. Client accounts generally hold 20-25 companies, although in certain circumstances they may hold more or less names. 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. While we believe that our investment strategy will produce desired returns, there can be no assurance that we will achieve our investment objectives. We encourage you to refer to our Firm Brochure (which is available on our

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website—www.hsmanage.com—or upon request at 212-888-0060) for some material risks applicable to our investment strategy and additional information regarding our Firm.

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