HS MANAGEMENT PARTNERS, LLC

Third Quarter 2019 Investment Perspective

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

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CIO Commentary

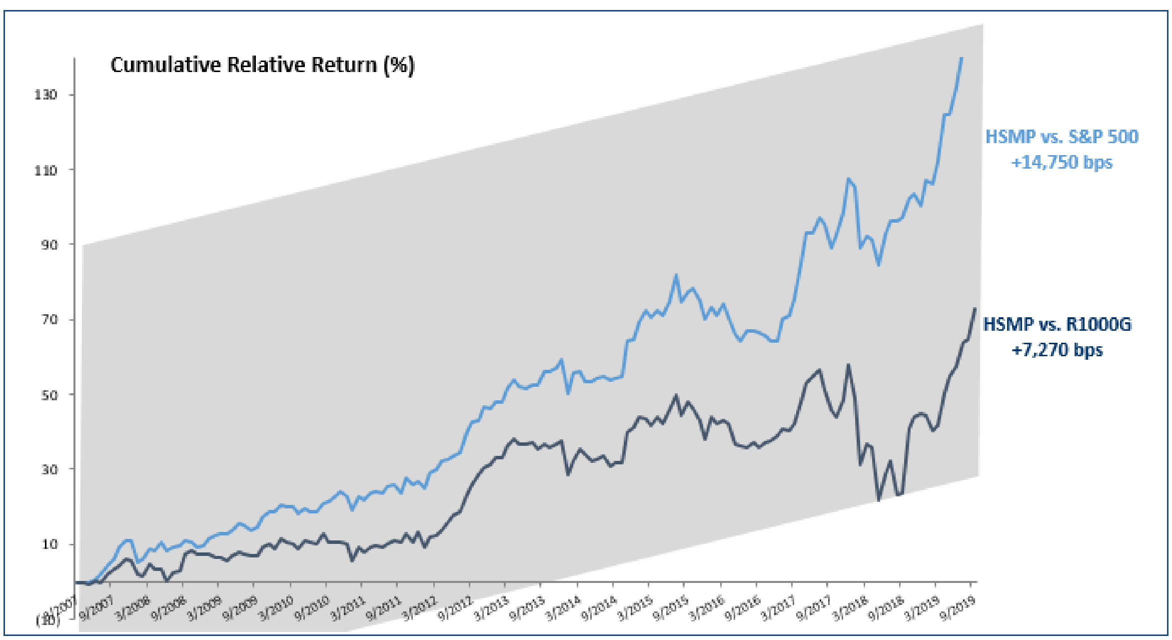
Performance Review

Third 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	3Q19	YTD
HSMP Composite (net)	5.1%	28.6%
Russell 1000® Growth Index	1.5%	23.3%
S&P 500® Index	1.7%	20.6%

Performance results are net of fees through 9/30/19 and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. See page 7 for the 1-, 3-, and 5-year annualized Composite returns.

The conclusion of the third quarter of 2019 marked the twelve-and-one-half-year mark for our Firm's Composite performance. Since inception (4/01/07) through 9/30/19, the HSMP Composite (net of fees) has increased cumulatively by 320.6% versus a 247.9% gain in the Russell 1000® Growth Index and a 173.1% increase in the S&P 500® Index, yielding a comparative relative advantage of 7,270 and 14,750 basis points respectively.



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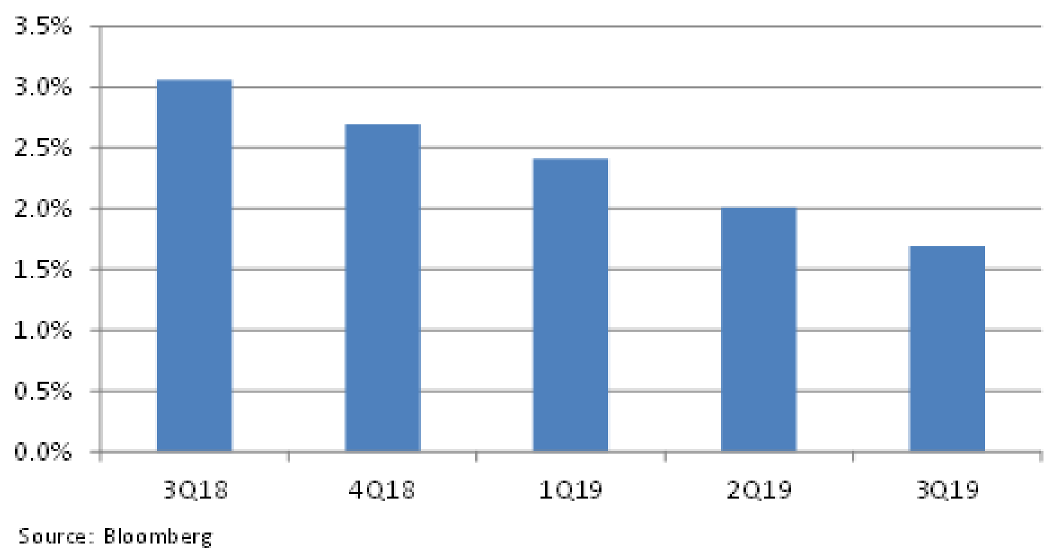
Investment Perspective

This year has been characterized by the dichotomy of a global manufacturing slowdown — exacerbated by the U.S.-China trade war — offset by a still healthy U.S. consumer, low U.S. unemployment levels, and employment growth in key markets worldwide. Most notably, 2019 has seen the persistence of negative rates in the Eurozone and a dramatic drop in the U.S. ten-year bond yield.

U.S. 10 Year Bond Yield



Values reflect quarter-end yields.

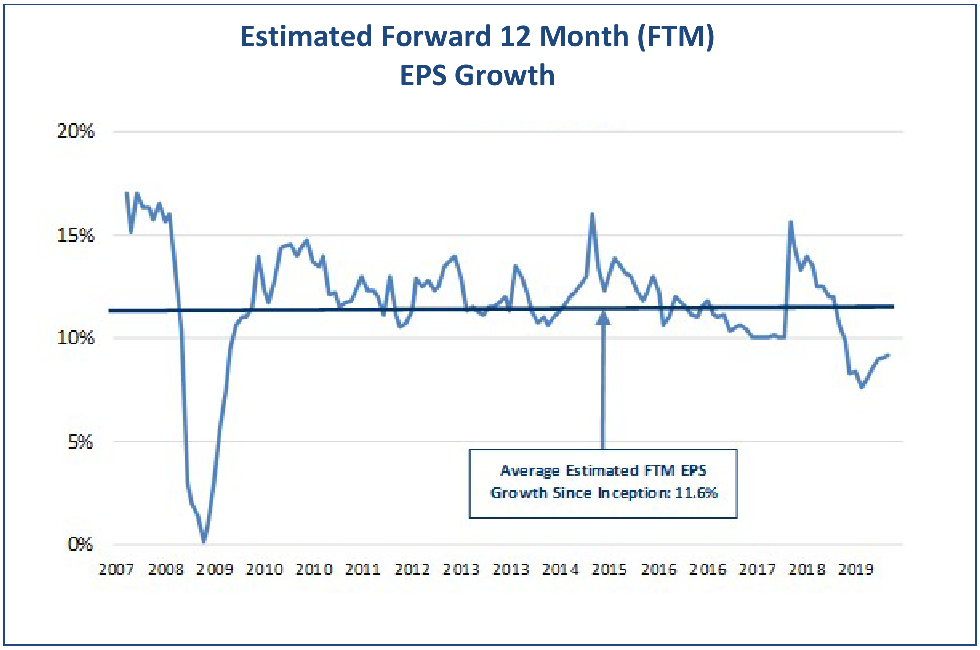
Adding to this mix, there is now a good chance that impeachment proceedings will occur in the House of Representatives by Thanksgiving. If impeachment by the House occurs, it goes to the Senate for a trial presided over by Chief Justice Roberts and requires a two-thirds vote for impeachment. The noise of an investigation and trial may not be good for consumer confidence as we head into the holidays.

It is possible that a China trade deal or truce of some sorts may become more likely as the Administration is undoubtably mindful of the economy heading into an election year. In the end, it is unlikely that we are staring at major structural changes though we could see some welcome tariff relief.

Our approach through this all is to stick to good businesses, grow the EPS and cash flow stream, and pay close attention to valuation. As always, we will try to capitalize on any volatility with active management and our mindset that our clients' capital is scarce capital. That is, each day we work to determine what is the best use of that capital based on our view of fundamentals, valuation and alternatives, all within the context of our concentrated methodology and a hard cap of owning no more than 25 stocks.

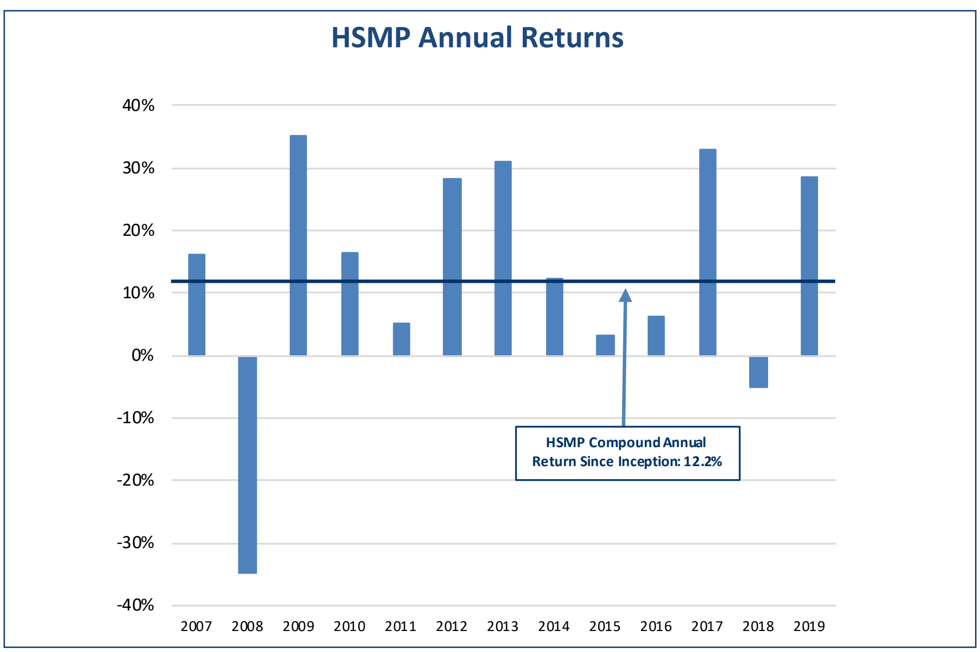
For perspective, it is worth stepping back and looking at the portfolio's progress over time. We have seen that the underlying earnings growth of your portfolio holdings has been the engine behind absolute returns.

The chart below shows the estimated forward 12-month earnings growth for our portfolio holdings historically. As you can see, forecasted results have been as high as the upper teens on a few occasions and as low as barely positive during the depths of financial crisis. Since inception, these forecasted EPS results have approached 12%.



HSMP estimated earnings-per-share (EPS) from inception (4/1/07) through 9/30/19.

Post-fee returns are shown on an annual basis in the following bar chart. Some years, portfolio returns advance more than earnings growth and some years less. Changes in the price/earnings ratio also dictate returns as do dividends, portfolio changes and fees. Over the long run, the principal driver has been earnings growth, and it is not a coincidence that compounded net returns of 12.2% annualized since inception is roughly in line with the 11.6% average forecasted EPS results noted earlier.



Performance (net of fees) since inception (4/1/07) through 9/30/19. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.

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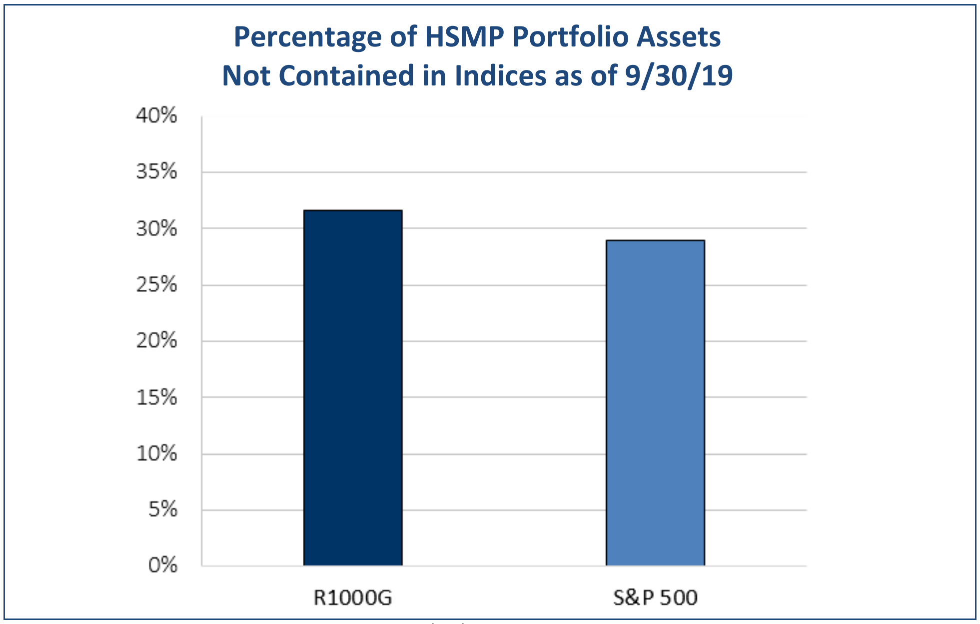
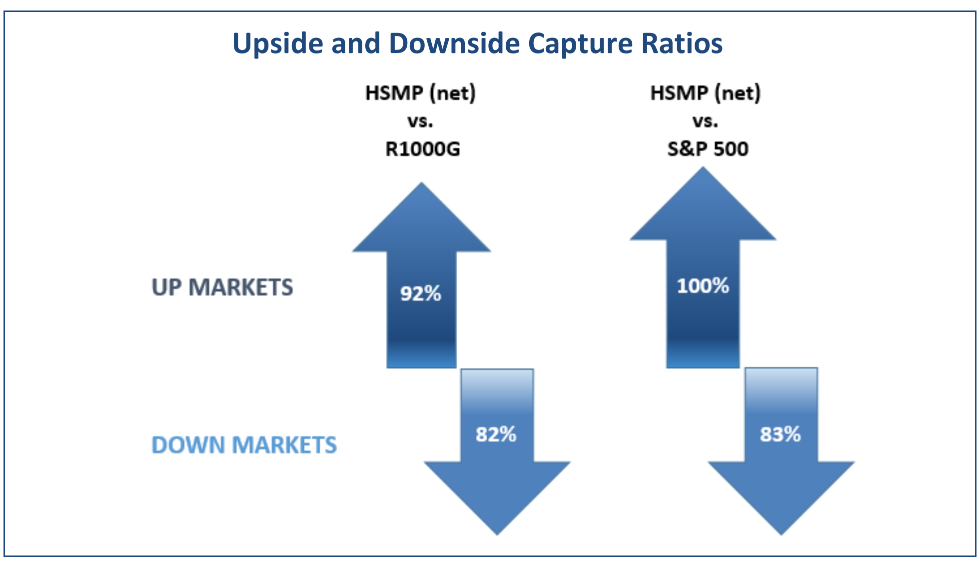
There are several additional points worth highlighting.

Our investment goal is to deliver positive absolute returns over time by owning good businesses, growing the earnings and cash flow stream yearly, and attaching ourselves to this stream at an attractive valuation. We are bottom-up in our approach, and benchmark agnostic. We don't look at tracking error or find it useful. Attribution is also not a good tool to analyze our concentrated approach. Contribution is what matters to us. We look for positive absolute gains to translate into above average relative performance over investment cycles.



Based on Composite assets and holdings as of 9/30/19.

We also try to think about both sides of the equation. That is, to not just focus on reward, but risk as well. This goes hand in hand with the focus on good business models with strong cash flow characteristics, making sure the earnings stream is resilient and having a valuation discipline, especially during more ebullient times. As the chart below demonstrates, we have been able to capture much if not all the upside during good times but have also been able to better preserve capital during more challenging periods.



Analysis of monthly Composite performance returns since inception (4/1/07) through 9/30/19. Performance results are net of fees and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.

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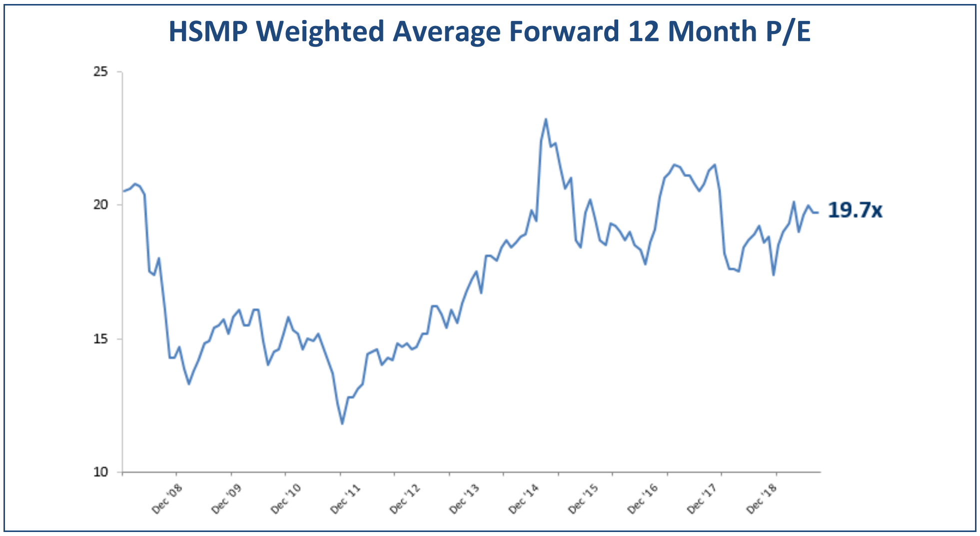
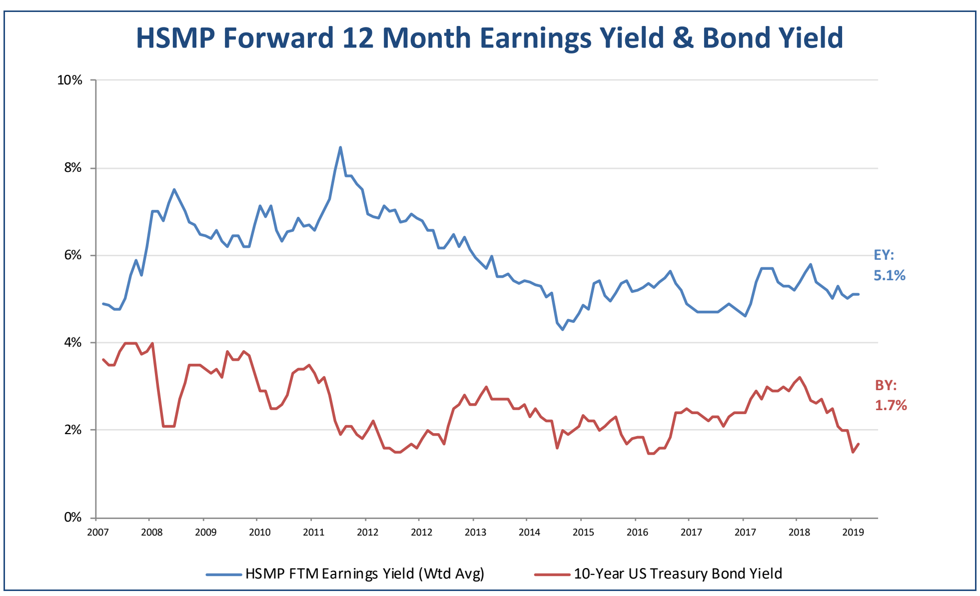
Looking ahead, we believe future appreciation will predominately come down to the trend in earnings growth and the price/earnings ratio. We expect portfolio earnings to advance roughly 6% in 2019, which is below our historical pace, in large part due to significant investment spending for some of our largest holdings dampening current results. In addition, the strong dollar remains a headwind, as does the trade war in terms of higher tariffs and reduced global tourism. We think over time the secular earnings growth of your portfolio barring a recession will exceed 10% annually.

Your portfolio's price/earnings ratio has advanced over the past twelve months from 19.2X on 9/30/18 to about 19.7X currently. The graph below highlights the estimated forward 12-month P/E for our portfolio over time.



Based on HSMP estimates since inception (4/1/07) through 9/30/19.

As noted earlier, we have seen a meaningful drop in bond yields this year. As a result, the earnings yield (the inverse of the price/earnings ratio) on our portfolio relative to the bond yield is now more attractive than where it was twelve months ago and stands at 3X the bond yield. In fact, the dividend yield on your portfolio at 1.6% almost reaches the U.S. ten-year bond yield. In the end, we think that the valuation of our portfolio remains attractive and that these shares are a compelling alternative to other quality long duration assets.



Based on HSMP estimates since inception (4/1/07) through 9/30/19.

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Disney's Chairman & CEO Bob Iger has just released a book: "*The Ride of a Lifetime.*" Iger writes about ten principles that strike him as necessary to true leadership: Optimism, Courage, Focus, Decisiveness, Curiosity, Fairness, Thoughtfulness, Authenticity, The Relentless Pursuit of Perfection, and Integrity. We think these attributes are applicable to managing our client's assets. He writes that "fear of failure destroys creativity," that "all decisions, no matter how difficult, can and should be made in a timely way," and that "a deep and abiding curiosity enables the discovery of new…ideas, as well as an awareness of the marketplace and its changing dynamics." Looking ahead, we will stay focused on our high-quality concentrated growth methodology, relentlessly pursuing attractive investment returns, and applying the same principles that Iger highlights. Thanks for your continued confidence in us.

Sincerely,

Harry W. Segalas

Portfolio Profile (9/30/19)

HSMP Composite Performance as of 9/30/19	3Q19	YTD	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)	5.1%	28.6%	17.1%	18.3%	14.1%	16.2%	12.2%	320.6%
Russell 1000® Growth Index	1.5%	23.3%	3.7%	16.9%	13.4%	14.9%	10.5%	247.9%
S&P 500® Index	1.7%	20.6%	4.3%	13.4%	10.8%	13.2%	8.4%	173.1%

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,* we mean our HS Management Partners Concentrated Quality Growth Composite. This piece represents our opinion as of 10/10/19 based on our understanding of market conditions and publicly available information. 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, , it does not refer to any specific group/client account (when we use *your portfolios/your portfolio* 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.

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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 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.

The upside (downside) capture ratios shown on this piece were computed by dividing the cumulative annualized return of the Composite (net of fees) in months of positive (negative) index returns by the cumulative annualized return of the corresponding index used in the comparison for those same months.

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