HS Management Partners, LLC

640 Fifth Avenue, 18th Floor
New York, N.Y. 10019
(212) 888-0060
www.hsmanage.com

March 27, 2020

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.

We have enhanced and reorganized much of the disclosure in this Brochure to provide immaterial 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. Considering the extent of the changes, we urge all readers, including those readers familiar with our previous versions, to carefully review this entire Brochure.

This section discusses only noteworthy changes since the last annual update of this Brochure, which took place on March 28, 2019 (the following list is not comprehensive as this Brochure includes many changes not mentioned below):

- **Item 4** (Advisory Business) clarifies the disclosure regarding the conflicts of interests associated with managing accounts on a discretionary basis (including the accounts of our employees and their families) and providing investment advice in the form of model portfolios under our sole investment strategy. In addition, considering market conditions and that we typically keep very low cash balances in client accounts, it includes information about client withdrawal requests and cash management at the end of a trading day (so called “cash sweep accounts”).

- **Item 5** (Fees and Compensation) provides the fees we charge to accounts that open with at least $100 million in assets under management as an example of fee negotiation, and expands the disclosure related to fee aggregation arrangements including that aggregation benefits small accounts more than large accounts.

- **Item 8** (Method of Analysis, Investment Strategy, and Risk of Loss) notes that American Depository Receipts and Ordinary Shares are typically not more than 30% of client portfolios and revised the disclosure of the material risks applicable to our investment strategy and business, particularly as to concentration risk, equity securities risk, and low cash balances risk. In addition, it includes a risk associated with catastrophic events, civil disturbances, health crises, natural disasters, terrorist attacks, and Acts of God. As it relates to the current coronavirus (COVID-19) global pandemic, it notes that in an effort to protect the safety and well-being of our team and the continuity of our critical business operations, our employees are working remotely and we suspended business travel and replaced in-person meetings with conference calls and video chats.

- **Item 11** (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) explains that there are conflicts of interest associated with our employees’ participation in certain activities outside of HSMP (such as personal transactions, political contributions, board memberships, and accepting/giving gifts and entertainment from/to persons/entities that do business with HSMP).

- **Item 12** (Brokerage Practices) notes that Schwab no longer charges trading commissions to its client accounts for trades we execute at Schwab (it continues to charge a trade-away fee for each trade we execute at broker-dealers other than Schwab).

- **Item 17** (Voting Client Securities) clarifies that unless otherwise agreed with a client, when we receive written notice of a class action or other legal matter relating to stocks in our client portfolios, we allow custodians to file the corresponding proof of claims without any other involvement.

Table of Contents

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.

Investment Strategy

HSMP offers one sole investment strategy: HSMP Concentrated Quality Growth Equity strategy. Through our strategy, we aim to build a concentrated portfolio of 20 to 25 companies that we believe possess the characteristics that we value: (1) good, quality business with a sound fundamental basis; (2) positive, albeit reasonably attainable, long-term, future earnings/cash flow growth potential; and (3) an attractive valuation/stock price. 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. Cash is not a major component of our investment strategy and we aim to keep clients' capital nearly fully invested. Please refer to Item 8 for a description of our investment strategy and process.

Under our 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 portfolio recommendations (we do not make the final investment decisions nor trade the accounts). We typically seek to invest our discretionary clients, and recommend that model portfolio clients be invested, in the same names and in the same or similar percentage weights with the goal of minimizing dispersion and providing similar investment results across accounts over time. However, this is not always possible as the implementation of our investment strategy for our discretionary clients depends on several factors as further noted below, and in the case of model portfolio clients, we have no control over the implementation of our strategy.

We generally permit clients to impose what we deem reasonable restrictions in light of our strategy, internal investment guidelines, and operational setup. Restrictions must be submitted to us in writing and clients are responsible for notifying us of any changes to their restrictions. We reserve the right to reject or close a client account for any reason, including a client imposing restrictions that we believe we cannot satisfactorily accommodate.

We do not advise clients on their overall financial plan, but solely advise clients as to the portion of their assets for which we have been given discretionary management, or have been hired to provide model portfolio recommendations, in accordance with our investment strategy. Further, we do not take into consideration clients' assets or investments outside of those assigned to our management or our recommendation. The decision to engage our advisory services is that of the client and/or the client's investment adviser or consultant, and therefore it is up to each client and/or investment adviser or consultant to determine whether HSMP's investment strategy is appropriate for the client's specific situation upon considering our strategy and its implementation, and the associated investment risks (please refer to Item 8 for more information related to our investment strategy and some material risks associated with it and with our business).

Discretionary Investment Advisory Services

HSMP manages investment advisory accounts for various types of clients on a discretionary basis. In these cases, we make all the investment decisions and trade the accounts without consulting with clients. We do not manage investment advisory accounts that would require us to obtain approval of our investment recommendations from clients prior to arranging or effecting the corresponding trade.

As previously noted, the implementation of our investment strategy for our discretionary clients depends on several factors, in addition to client restrictions. These factors include the type and size of the account, the timing and market conditions at the account's inception and subsequent contributions or withdrawals, the timing and terms of trade execution orders, and a client's directed brokerage and commission recapture instructions. Therefore, the holdings and performance of a discretionary client's account can deviate from that of other discretionary client accounts (even different accounts of the same client) that we also manage in accordance with our sole investment strategy.

Please see below for a description of conflicts of interests associated with offering advisory services in a discretionary and non-discretionary basis under our sole investment strategy. Please refer to Item 7 for a description of the types of clients to which we provide discretionary advisory services.

Non-Discretionary Investment Advisory Services — Model Portfolios

HSMP also provides non-discretionary investment recommendations in the form of model portfolios for use in multimanager products. In these cases, we do not exercise final investment discretion or trade the accounts. The decision to implement (fully, partially or not at all) our model portfolio recommendations remains with the adviser to whom we submit the model portfolio and/or the model portfolio client. We have no control over the implementation of model portfolios, nor do we monitor nor are informed of the investment decisions or trading made in this regard. We submit model portfolios typically once a week at the end of a trading date, unless agreed otherwise.

Managing discretionary accounts and providing model portfolios under the same investment strategy gives rise to potential conflicts of interest, particularly because we seek to invest our discretionary clients (including our employees and their family members) in, and recommend that model portfolio clients be invested in, the same securities in the same or similar percentage weights. This creates an incentive for us to favor our discretionary clients over model portfolio clients because our discretionary clients pay us more in advisory fees as they are subject to higher fee schedules than our model portfolio arrangements, or include our partners and employees and their family members, and we report on the performance of our discretionary clients while the performance of model portfolio clients is not attributable to us. In addition, it is likely or at least possible that model portfolio clients will compete in the market against our discretionary clients to buy or sell the same securities, in the same or different sides of a transaction, which can impact the pricing and liquidity of the securities adversely or favorably to model portfolio clients or our discretionary clients, depending on market conditions and the circumstances surrounding a trade order. Furthermore, in terms of confidentiality, model portfolio recipients have access to the securities and percentage weights that we are generally recommending for all clients at the time we submit each model portfolio. We aim to mitigate these conflicts of interest by complying with our investment guidelines and trading procedures in the case of our discretionary clients, and the investment guidelines and operational procedures for submission of model portfolios in the case of model portfolio clients (although it should be noted once again that we have no control over the implementation or trading of model portfolios).

Assets

As of December 31, 2019, HSMP managed or provided investment recommendations for the following assets:

U.S. Dollar Amount	
Assets under Management – Discretionary[1]	$3,565,728,766
Assets under Advisement – Model Portfolios[2]	$ 333,464,945
Total Assets	$3,899,193,711

[1] These are our regulatory assets under management as reported in Item 5.F. of our Form ADV Part 1A. We managed these assets on a discretionary basis (we do not manage any assets on a non-discretionary basis, which would require us to obtain approval of our investment recommendations from clients prior to arranging or effecting the corresponding trade).

[2] These refer to the assets for which we provided investment recommendations in the form of model portfolios as reported to us by the corresponding advisers to which we delivered the model portfolios.

In certain circumstances, client accounts have unsupervised assets. Unsupervised assets are those for which we do not provide advisory services either of a discretionary or non-discretionary nature. We do not charge an advisory fee on unsupervised assets, nor include them in the account assets under management or account performance. Unsupervised assets can include the cash we set aside in a client account to process a client's withdrawal request, as well as a client contribution in either cash (awaiting client confirmation that it is for our investment) or securities (until we agree with the client to convert them to cash for our investment with the understanding that we are not responsible for the price obtained on the sale). They can also include dividends paid by portfolio holdings where the client has instructed us not to reinvest said dividends, setting them aside for future distribution (we do not treat dividend accruals as unsupervised assets as we believe that dividend accruals are the result of our investment management). We consider all earnings on unsupervised assets, such as interest income and dividends, as available to us for our discretionary investment, unless specifically agreed otherwise with a client.

Clients can withdraw assets from their accounts at their discretion. They can direct a withdrawal request to us or directly to their custodians. Considering that we tend to be almost fully invested and generally keep very low cash balances in client accounts, withdrawals can bring unintended operational consequences such as an overdraft. Accordingly, and unless we agree otherwise with a client, when a client directs the account custodian to remove assets from the account, the client shall provide us with prompt written notice of such removal and will be bound by all transactions we do on behalf of the account on or prior to when we acknowledge receipt of said notice in writing. In addition, and unless we agree otherwise with a client, when a client asks that we raise cash in his/her/its account for withdrawal, the client shall submit such request to us in writing and the request is not effective until we acknowledge receipt of it in writing. Raised cash remains in client accounts as unsupervised assets until clients arrange with their custodians the transfer of said cash out of their accounts. Clients should be mindful that when we process sales in their accounts to raise cash to satisfy a withdrawal request, we will sell securities with an eye to making the cash available for clients and the price obtained will depend on the then-current market conditions (prices can be lower to what we would deem advisable under the circumstances).

Clients that have "cash sweep accounts" or similar accounts at their custodians (advisory accounts where uninvested funds are automatically swept into a money market fund or a bank deposit or another vehicle at the end of a trading day) should be mindful that cash is not a major component of our investment strategy and we tend to keep very low cash balances in client accounts. In addition, we are not involved in deciding what to do with cash in client accounts at the end of a trading day, including selecting a money market fund or any other instrument or vehicle into which to sweep client cash. Furthermore, custodians and other parties charge fees for cash management strategies, including the money market funds or vehicles into which the cash is swept, and said fees are in addition to our advisory fees (we do not benefit from any fee charge for said cash management strategies).

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 in the case of our discretionary clients or under advisement in the case of model portfolios. 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 for our discretionary clients (other investment advisers charge the same, similar, higher or lower fees):

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 we offer in certain instances a fee schedule lower than the one above (for example, for accounts that open with at least $100 million in assets under management, we charge 0.55% on the first $100 million and 0.50% for additional amounts over $100 million). In negotiating our fees, 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. We do not charge investment advisory fees for the accounts of our employees (including our four partners), their spouses and their children.

We have agreed to aggregate client accounts in certain instances for purposes of determining their advisory fees. 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 also aggregate some accounts of unrelated clients that come to us from the same consultant as long as certain conditions are met, such as the consultant having a contractual arrangement with its clients granting the consultant full discretion to appoint investment advisers (sometimes called "OCIO arrangements") and the client accounts meet an agreed minimum account size. Aggregation can lower advisory fees when the combined assets are large enough to either trigger a lower blended fee rate or a lower tier in the applicable fee schedule. Therefore, aggregation benefits small accounts more than large accounts, particularly when the large accounts' fee rate or tier is applied to small accounts, but the small accounts' assets are not high enough to lower the fee rate or tier applied to large accounts.

Similar client accounts, including similar discretionary 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, which aim to minimize client dispersion to the extent possible and endeavor to treat all accounts fairly over time without regard to differences in fees or other benefits that might flow to us. Please refer to 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 unless otherwise agreed with a client. 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. Our advisory fee for model portfolio arrangements is based on the assets reported to us by the corresponding adviser to whom we deliver the model portfolios.

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

Clients can elect to either receive our fee invoice for payment upon receipt or authorize us to directly instruct their custodian to pay our fees (direct debit). Direct debit is only available to discretionary clients that custody the assets that we manage at qualified custodians that permit this arrangement. If a client authorizes direct debit, we send the client's custodian our invoice for payment or a simple instruction to pay our fees without the invoice details (either way, the client custodian may or may not verify the accuracy of our fees), and we send the client (or a third party designated by the client, such as the client's accountant or consultant) a fee invoice showing the amount deducted. If direct debit is not authorized by a client, we send the client (or a third party designated by the client, such as the client's accountant or consultant) a fee invoice generally due within twenty calendar days upon receipt.

Our fee invoice typically 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. Clients should review our fee invoices, and clients with direct debit should also compare our invoices with the custodian account statements reflecting the amounts deducted.

Clients can pay our investment advisory fees from their accounts under our discretionary management or from other assets not under our management. When clients pay our fees from the accounts we manage, considering the low cash balances that we tend to keep in client accounts, we typically need to trim the account holdings to raise sufficient cash in the account to process our fees. The trading cost associated with these sales are paid from the client account and are not covered by HSMP.

Other Fees and Expenses

In connection with HSMP's discretionary advisory services, clients will incur and are responsible for trade commissions and other transaction expenses charged by broker-dealers for executing trades in the client's account, such as a fee to convert American Depository Receipts to Ordinary Shares, or vice versa. 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, such as custodial fees and trade-away fees (fees that some custodians charge for trading with an unaffiliated broker-dealer), or fees that some custodians or money market funds charge for cash management strategies (cash is typically swept into money market mutual funds or other cash management vehicles at the end of each trading day, and clients are responsible for arranging cash management directly with their custodians). In any event, 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 the soft-dollar benefits that we receive from trading in some discretionary client accounts, we do not derive any financial benefit from such other fees and expenses. Please refer to Item 12 for additional information regarding our brokerage practices, including soft-dollar benefits, and fees related to the conversion between American Depository Receipts and Ordinary Shares.

In the case of our model portfolio arrangements, we have no control or information related to trading costs or other fees and expenses that model portfolio clients may incur in addition to our advisory fees.

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

Most of our clients engage us to manage accounts on a discretionary basis. We manage advisory accounts on a discretionary basis primarily for charitable organizations (such as endowments and foundations), high net worth individuals (including family offices), and some pension and profit-sharing plans. We also manage advisory accounts for pooled investment vehicles (including those formed by families to manage their wealth, private funds, and offshore funds) and act as a sub-adviser to a registered investment company. Most clients are domestic and some are foreign, and we manage assets for non-taxable and taxable accounts.

Our model portfolio arrangements are with a small group of clients/relationships in which we are typically appointed as a non-discretionary sub-adviser, although can also be appointed as an adviser to another investment adviser. Model portfolio recipients include mutual funds, pooled investment vehicles (such as domestic private funds and offshore funds), and other investment advisers.

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 has one sole investment strategy: HSMP Concentrated Quality Growth Equity. HSMP applies a focused, bottom-up, fundamentals-first approach to quality growth equity portfolio management. Core to our approach is an emphasis on the quality of the business and its fundamental basis, its underlying earnings/cash flow growth potential, and the valuation/price of its stock. We seek to identify companies that we believe have a solid business model and aim to detect the key factors that we think are unique and important to a company's attainment of projected earnings and cash flow potential. Although we have found that the companies that satisfy our investment criteria tend to operate in select industries, we are benchmark agnostic in that we do not try to mimic or follow any market-benchmark sector weights. Provided our quality criteria are satisfied, we take a multi-dimensional approach to portfolio construction: across the growth continuum, up and down the market capitalization scale, and around the globe. We believe that active management adds value.

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. 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. 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.

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 considered by HSMP, and it is from this List that we select those companies that can be included in client portfolios. If a company's fundamentals appear strong and supported 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. 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 anticipated growth and earnings/cash flows; (2) if a stock looks richly priced based on our valuation tools and growth assumptions; or (3) if a better alternative investment opportunity is identified. A change in company fundamentals that we deem detrimental 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. 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.

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 clients' 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 (typically less than 5% but it is not unusual for client accounts to have less than 1% in cash). 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 (typically not more than 30% of a portfolio's assets under management). 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, and 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 the investment merits of a given security drive our investment decision, when implementing it, we take into consideration the tax status of an account in certain instances when possible (for example, if a holding is nearing long-term tax status).

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 and advisory business, listed alphabetically:

- Active Management Risk. Active management is key to our investment strategy and we take an incremental trading approach. This will increase trading commissions and/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 is typically subject to greater risk than a more diversified account.

- Consumer Discretionary, Consumer Staples and Technology Sectors Risk. Our discretionary client portfolios, and the model portfolios we recommend, 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 and Other Technology Risk. Like most investment advisers, we rely heavily on technology to perform our functions and also share sensitive, confidential information (such as clients' personal data and/or holdings, and firm proprietary data) with client consultants, investment advisers and custodians, as well as with other third-party service providers such as broker-dealers, software providers, network administrators, and other parties that we engage in the client service, operations, legal/compliance, and Firm accounting areas. Thus, client and Firm sensitive, confidential data on our network or on the networks of third parties with whom we have shared data are vulnerable to inadvertent disclosure and nefarious cyberattacks aiming to expose or exploit the data. Furthermore, our trade processing, portfolio accounting, client servicing and other essential operational tasks are susceptible not only to cyberattacks, but also other events such as power failures, internet unavailability and cellphone outages.

All of this can result in an inability to access our systems and/or financial losses and reputational damage, as well as legal and regulatory ramifications, to HSMP. It can also bring financial losses and other unwanted consequences to our clients when their sensitive, personal, confidential data is compromised. We have taken what we believe to be reasonable precautions to maintain our ability to conduct our business, and to protect the functionality of our networks and the confidentiality of our client and Firm data, in the presence of such disruptive events. However, no measures can eliminate cybersecurity or technology risks completely. HSMP will endeavor to notify affected clients, as required under applicable law, in the event of a cybersecurity related incident that negatively impacts the personal information of our clients.

It should be noted that the companies in which we invest our discretionary accounts, or that we recommend in the model portfolios, are also susceptible to cybersecurity risks, which can negatively impact their stock value in the event of a cybersecurity related incident.

- Equity Securities Risk. We invest in equity securities, which involves several risks. For example, their value can decrease, potentially dramatically, in response to many factors (including general economic conditions, changes in interest rates, fluctuations in foreign currencies, and national or international political, social, governmental, tax, legal, regulatory and economic events, as well as natural disasters, terrorist attacks, and health crises such as epidemics or pandemics) that 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, the present, and can do so again in the future. Furthermore, even under favorable market and industry conditions, a company's performance can be negatively impacted by internal factors, such as poor execution by company management, a cybersecurity attack or data breach, and a change in the demand for its products or services.

In addition, we typically invest in common stock, which in the event of liquidation, have rights over company's assets only after the rights of debt holders and preferred stockholders have been satisfied. Also, considering that we do not try to mimic or follow any market-benchmark sector weights, the portfolio we construct can underperform any specific market benchmark or index. Moreover, there are times when the market favors investment styles different from ours, such as momentum or pure core growth or value strategies, or industry sectors different from those in which we typically invest. And, it is also possible that we misinterpret general market or company specific conditions when we make an investment decision.

- Foreign Security Risk. Our discretionary client portfolios, and the model portfolios we recommend, generally include foreign companies. Investing in foreign companies exposes clients to political, social, economic, legal and currency factors or other issues relevant to the corresponding foreign countries or regions; and this risk can be heightened depending on the circumstances, such as in the case of Brexit and terrorist attacks that can negatively affect European companies. In addition, investing in foreign securities either through American Depository Receipts or Ordinary Shares exposes clients to foreign currency exchange rate fluctuations, and clients can incur additional costs in conversion rates to facilitate trades or settlements in U.S. dollars. HSMP does not employ a hedging strategy to mitigate foreign security or exchange rate fluctuations risks.

- Legal, Tax, 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. In addition, legal, tax and regulatory developments may adversely affect the companies in which we invest or the regulatory or tax treatment of client gains.

- 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 will most likely require the sale of securities which can be at a time when prices are not favorable.

- Market Capitalization Risk. Although we typically invest in large capitalization companies, we have demonstrated a willingness to go down the capitalization scale. When moving down the capitalization scale, security liquidity risk significantly increases. In addition, smaller and mid-capitalization companies tend to be more volatile or vulnerable to adverse company specific or general economic conditions than large capitalization companies.

- Material Non-public Information Risk. There may be instances where HSMP receives non-public information, voluntarily or involuntarily, such as through our investment activities like meetings with company management or other parties, or through our employees outside activities like board participation, or through the unsolicited receipt of emails or other written communications sent to us mistakenly. In such cases, we will act in accordance with our policies and procedures relating to insider trading and determine whether the information constitutes material non-public information or is likely or possible to be considered so with the benefit of hindsight. If we believe it appropriate under the facts and circumstances at hand and in an effort to not breach insider trading prohibitions, we can decide to restrict further trading on the corresponding stock (at the Firm and personal level) and/or stop recommending it for investment in model portfolios, even when doing so could be considered detrimental to our Firm, employees and all or some of our clients.

- 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.

- Risk Associated with Catastrophic Events, Civil Disturbances, Health Crises, Natural Disasters, Terrorist Attacks, and Acts of God. All these events can impact not only market conditions but also exchanges, trading, our vendors' services, the performance of the companies in which we invest and their competitors, and our ability to carry out our investment advisory business, as well as making our employees, vendors and market participants more susceptible to cyberattacks. As it relates to the current coronavirus (COVID-19) global pandemic, in an effort to protect the safety and well-being of our team and the continuity of our critical business operations, our employees are working remotely and we suspended business travel and replaced in-person meetings with conference calls and video chats. As of this moment, we believe we can perform critical services (making investment decisions, trading and settlement, and communicating with clients about the status of their accounts), assuming that current conditions do not worsen, that our team and close family members do not fall ill, that there are no significant disruptions to our key service providers, and that our team continues to have internet connectivity and phone access from home. In any event, given the rapidly evolving situation and the unknown impact of COVID-19, we cannot predict with certainty its effect to our business and client portfolios.

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's employees can participate in certain activities outside of HSMP, such as having personal securities accounts and engaging in personal transactions, giving political contributions, serving on boards of public and private companies or institutions, and accepting/giving gifts and entertainment from/to persons/entities that do business with HSMP. All this can create conflicts of interest in that it can present the opportunity for an employee to improperly place his/her personal interests ahead of client interests or improperly benefit a client or vendor with whom the employee has a personal or business relationship. We aim to mitigate these conflicts through our Code of Ethics ("Code" or "Code of Ethics").

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, and aim to address certain conflicts of interests that we deem material based on our investment strategy and business practices. Our Code includes topics such as insider trading, employee personal trading, employee participation in outside business activities including on boards of public companies, giving or receiving gifts and entertainment from clients or other parties with whom we do business, and political contributions. Our Chief Compliance Officer ("CCO") reviews our Code at least annually and updates it as appropriate. All 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 non-public information for both client and employee personal trading. When an employee believes that he/she has had access to material non-public 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.

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 our 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 investment strategy we use for all our other clients. As a result, employee accounts will generally buy, sell, and hold the same securities that we buy, sell, and hold for our other discretionary clients and that we recommend for our model portfolio clients, and where we aggregate trades, our employees and related accounts will generally participate in the same transactions on an aggregated basis with some or all of our other discretionary clients.

Managing accounts for our employees and their family members alongside accounts for our other discretionary clients under the same investment strategy gives rise to a conflict of interest in that it creates an incentive for us to favor our employee and family accounts over our other client accounts. We aim to mitigate this conflict 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 or family status. Absent certain circumstances like client restrictions and directed brokerage, employee and family accounts will generally participate in the same aggregated brokerage orders as our other discretionary clients at the same average price and brokerage cost (for more information regarding aggregation and allocation please refer to Item 12).

In addition, managing accounts on a discretionary basis, including the accounts of our employees and their family members, while recommending that model portfolio clients invest in the same securities in the same or similar percentage weights creates a potential conflict of interest in that we are incentivized to favor our discretionary clients over model portfolio clients, particularly in the case of the accounts of our employees and their family members (see paragraph above). Also, it is possible that model portfolio clients will compete in the market against our discretionary clients. We aim to mitigate potential conflicts of interest between our discretionary and model portfolio clients by complying with our investment guidelines and trading procedures, as well as the operational procedures for submission of model portfolios (though it should be noted that we have no control over the implementation or trading of model portfolios). Please refer to Item 4 for more information regarding our discretionary and model portfolio services, and associated conflicts of interest.

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 our purchases and sales for our discretionary 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 at least our President, Director of Research, CCO, Senior Vice President of Investments & Manager of Operations, Senior Vice President of Trading, and Senior Vice President of Investments. The Committee may also consult from time to time with our sole Portfolio Manager as it deems appropriate.

When evaluating broker-dealers for inclusion in or removal 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, or more frequently as the Committee deems appropriate based on market conditions and/or the available public information relating to a specific broker-dealer on our List).

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.

As previously noted in connection with our model portfolio arrangements, we do not make the final investment decisions as to, nor have authority to trade, the assets of model portfolio clients. We have no input or information as to the pricing or quality of any trading executed for them. Please refer to Item 4 for more information regarding our model portfolio services.

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 corresponding 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 per-share commission rates 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.

Broker-dealers from whom we obtain proprietary research or brokerage products or services typically set a target commission dollar amount, to be reached by our general trading volume, that will grant us access to a certain level of soft-dollar benefits, without specifically unbundling the portion of the trade commissions assigned to execution from the portion of the trade commissions assigned to soft-dollar payments. Indeed, it is the target dollar amount set by a given broker-dealer along with our anticipated trading activity that our Best Execution Committee uses as the primary basis to determine if, in our judgment, the corresponding commission rate is reasonable in light of the value of the soft-dollar products or services provided. We also enter into commission sharing arrangements with certain broker-dealers with whom we execute transactions to obtain third-party research or brokerage products or services. Through these arrangements, the executing broker-dealer sets aside and pools a portion of its trade commissions to pay (at our direction and approval) the corresponding third party, which can include other broker-dealers. Our Best Execution Committee reviews accumulated amounts in a pool on a quarterly basis, and aims to keep them at what we deem to be a reasonable level in accordance with our soft-dollar budget and anticipated needs.

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. We will only enter into commission sharing arrangements that comply with the Section 28(e) safe harbor and applicable guidance thereunder.

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. In fact, some clients do not contribute to soft-dollar payments in part or at all although they benefit from the soft-dollar benefits we obtain with other clients' trading. For example, we do not trade for our model portfolio arrangements and so they do not contribute to soft dollar payments. In addition, we do not obtain soft-dollar research or brokerage products or services from the portion of the trade orders in discretionary client accounts that we place according to a client commission recapture instruction, or from all the trades that take place in accounts fully 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.

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, we have an incentive to cause clients who contribute to soft-dollar payments to engage in more securities transactions than would otherwise be optimal for them in order to generate a larger amount of commissions. Moreover, 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. 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 (please refer to the *Best Execution* section above for additional information).

Trading, Aggregation, and Allocation of Client Orders

Our CIO is our only portfolio manager and makes all final investment decisions for all our discretionary clients to implement our sole investment strategy (in the absence of our portfolio manager, other experienced Firm-partner members of the investment team can make investment decisions on behalf of clients). As previously noted, we typically seek to invest our discretionary clients in the same names and in similar percentage weights with the goal of minimizing dispersion and providing similar investment results across accounts over time. However, this is not always possible, as the implementation of our investment strategy depends on several factors such as client restrictions, type and size of the account, the timing and market conditions at the account's inception and further contributions or withdrawals, the timing and terms of trade execution orders, and a client's directed brokerage and commission recapture instructions. All things considered, we believe that our trading, aggregation and allocation procedures are consistent with our goals.

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. 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, which typically range anywhere from 5 to 100 shares, depending on the stock price. 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. Typically and to the extent possible at the discretion of our trader, once our trader selects a broker-dealer to buy or sell a particular stock, our trader will the seek to execute all additional trading that day in that stock on the chosen side with the originally selected broker-dealer (our trader can choose to direct both buys and sells, on one or more, or all of the company names being traded, to the same broker-dealer on any given trading day). We believe that this practice generally helps facilitate client allocation and average pricing at the end of the trading day and lessens the possibility of errors in settlements with custodians.

We generally combine orders from multiple client accounts and/or trading groups, and trade in aggregated blocks of securities, at our trader's discretion. We use trading groups to facilitate trading; our main trading groups are non-taxable and taxable, and those labeled based on certain common or significant client restrictions. We believe that block trading generally allows us to execute trades more efficiently while reducing overall commission charges to clients, and that orders executed outside the block can incur higher commissions and receive higher or lower execution prices. Please refer to the *Directed Brokerage/Commission Recapture* section below for more information.

As stated earlier, we do not, acting for our own account, buy or sell securities from or to our client accounts, and do not arrange for securities to be bought or sold directly from one client account to another client account. All our purchases and sales for our discretionary client accounts are sent for execution to our selected broker-dealers, none of which is affiliated with us. Although in accordance with our strategy we usually trade our discretionary client accounts in the same direction of a transaction in a given stock, it is possible that we are also trading for some clients in the opposite direction for several reasons such as to invest contributions or to raise cash for a withdrawal or liquidation.

Final allocations are made at the end of a trading day (even for those orders that may have been completed intra-day) and we do not keep our orders open from day to day. For purposes of allocation, we aim to combine/aggregate orders executed that day for the same side in the same security through the same broker-dealer. We endeavor to allocate shares among the participating accounts in these combined/aggregated orders on a pro-rata basis, and each such account receives the same average price and shares transaction costs also on a pro-rata basis. Although aggregating orders in this fashion can result in a less favorable execution price for any individual client with respect to any particular trade, we believe that it is consistent with our goal of minimizing dispersion and providing similar investment results across accounts over time, and helps us mitigate possible conflicts of interest that may arise when managing different client accounts under the same strategy, particularly in the case of the account of our employees and their family members.

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. It is the case, however, that smaller client accounts often do not participate in allocations because they do not meet our imposed per-order share minimums. It should be noted that if the next morning's trade reconciliation reveals that an adjustment to the previous day's trade allocation is appropriate, the CCO is promptly notified and the allocation is adjusted in accordance with our allocation procedures.

We can depart from the described trading, aggregation, and allocation procedures if we believe it appropriate under the circumstances with the aim to treat clients as a whole fairly over time. While we do not review individual trades in isolation, our CCO and our Senior Vice President of Investments & Manager of Operations regularly monitor client holdings and review client performance dispersion on a monthly basis. As previously noted in connection with our model portfolio arrangements, we do not trade the assets of model portfolio clients, and therefore the procedures described here do not apply to them (please refer to Item 4 for more information regarding our model portfolio services).

Directed Brokerage/Commission Recapture

In some instances, discretionary clients can restrict our ability to select broker-dealers by directing us to execute some or all trade orders in their accounts at the broker-dealers that the clients select (this is called directed brokerage, and when done for purposes of rebating commissions, it is known as commission recapture). 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 client's chosen 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, particularly when we cannot aggregate their trades with our other clients' orders. For example, when our other clients' orders are placed with an executing broker-dealer that cannot satisfy a client's directed brokerage or commission recapture instructions, we will not be able to aggregate said client's orders with those of our other clients, and as a result, the directed brokerage or commission recapture clients may pay higher or lower commissions or receive less favorable or better net prices than we may have been able to obtain had we been given discretion to select the broker-dealer (please refer to the *Trading, Aggregation, and Allocation of Client Orders* section above). Furthermore, when we cannot aggregate orders for a directed brokerage or commission recapture client with that of our other clients, we will initiate the directed brokerage or commission recapture clients' orders 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 but will not pay trading commissions for trades executed at Schwab (Schwab no longer charges trading commissions to its client accounts). To avoid the trade-away fee, we offer our clients who custody their accounts at Schwab (and 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 and they may receive less favorable prices than clients for whom we exercise discretion in the selection of broker-dealers. We also disclose to them that their orders will be initiated after aggregated block-trade orders, as noted above. 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. We reimburse clients who suffer a loss based on the circumstances when we cause the error. In determining the impact of an error and if appropriate, we would normally net the gains/losses of multiple transactions related to the same error in a client's account and/or compare the relevant client's performance against our composite or the largest account in the relevant client's trading group. 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.

Some gains are retained by clients while others are not. When a trade error is resolved directly in a client's account, gains resulting from the correction of the error remain in the client's account. When a trade error is resolved in the executing broker-dealer's own error account (as an accommodation to HSMP), gains resulting from the correction of the error are generally donated to charity (by either us or the broker-dealer and to the charity of our choice or of the broker-dealer's choice) or remain with the broker-dealer. We do not use soft dollars or future brokerage to compensate a broker-dealer for the correction of trade errors.

As previously noted in connection with our model portfolio arrangements, we do not trade the assets of model portfolio clients, and therefore the procedures described here do not apply to them (see Item 4 for more information regarding our model portfolio services).

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 Shares or as American Depository Receipts (both sponsored and non-sponsored). 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 Ordinary Shares and American Depository Receipts 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 based on the circumstances as to whether conversion is in the best interest of our clients.

Item 13 — Review of Accounts

Members of our team review discretionary client accounts periodically to verify certain aspects of the implementation of our investment strategy. For example, 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 discretionary accounts that have not participated in recent trades. Also, members of our operations team, under the supervision of our Senior Vice President of Investments & Manager of Operations, typically reconcile security and cash positions for most discretionary 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). 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 discretionary clients with quarterly written reports summarizing account performance and portfolio holdings. 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.

As previously noted in connection with our model portfolio arrangements, we do not make the final investment decisions or trade for model portfolio clients. We generally review compliance with model portfolio guidelines and restrictions at the time of delivery of each model portfolio. Please refer to Item 4 for more information regarding our model portfolio services.

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 (please refer to 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 can be deemed to have custody. For example, some of our discretionary clients have granted us authorization to directly instruct their custodians to pay our advisory fees (direct debit). 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 discretionary clients urge them to compare the statements they receive from their custodians against the statements they receive from HSMP. For those clients for whom we are deemed to have custody, we seek to confirm annually with their custodians that they are sending clients their custodial statements at least quarterly.

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. Please refer to Item 4 for information related to withdrawal requests.

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. Please refer to Item 12 for information regarding directed brokerage agreements for clients who use Schwab as custodian.

It should be noted that HSMP does not accept disbursement authority beyond that needed for trading and settlement delivery versus payment, and to direct debit our investment advisory fees. Clients should carefully review their custodial arrangements so that they do not inadvertently grant us authority beyond this even if HSMP would not act on such broad authorization.

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 (please refer to 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 (please refer to Item 12 for a discussion of directed brokerage and commission recapture). HSMP does not manage accounts on a non-discretionary basis—where we would be required to obtain approval of our investment recommendations from clients prior to arranging or effecting the corresponding trade (please refer to Item 4 for a description of our discretionary advisory services).

As previously noted, we provide non-discretionary investment recommendations in the form of model portfolios—we do not make the final investment decisions or trade for model portfolio clients. Please refer to Item 4 for more information regarding our model portfolio services.

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 maintaining 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.

Class Actions and Other Legal Matters

HSMP is an investment adviser, and as such, it is hired to provide investment advice. We believe that clients, their custodians, and their legal advisers are best suited to make determinations regarding a client participation in class actions or other legal matters, including class actions claim eligibility notices and filings, as making such determination depends on the merits of the actions and also on the assessment of a client's particular circumstances. Accordingly, HSMP does not generally take any responsibility for class actions or similar matters concerning past or current holdings in client accounts.

However, unless otherwise agreed with a client, when we receive written notice of a class action or other legal matter relating to stocks in our client portfolios, we allow custodians to file the corresponding proof of claims. In either case, we will not seek to determine on an individual basis whether facts and circumstances relevant to each corresponding client would suggest that participation or non-participation in a class action or other legal matter is appropriate or more advantageous to each corresponding client or in the best interest of the client. Therefore, a client for whom a proof of claim notice is filed can as a result waive other claims that it may have against the target of the class action—which may or not be in the best interest of the client.

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.