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MANAGEMENT PARTNERS, LLC

Third Quarter 2020 Investment Perspective

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

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October 8, 2020

Investment Perspective

Our Focus is on the Absolute

Our Investment Goal, as stated, is to deliver positive absolute returns over time by owning what we believe are good businesses, growing the earnings and cash flow stream yearly, and attaching ourselves to this stream at what we think is an attractive valuation.

Last year, absolute net returns increased 37%, a well above average year by any measure. At the start of this year (feels like a long time ago), absolute net- returns bounded further, up almost another 6% year-to-date as of February 20th.

Then COVID-19 hit. Our portfolio swung to being down roughly 35% on a year-to-date basis as of March 23rd.

As I wrote a week later in our "Once in a Lifetime" thought piece: "The global COVID-19 Pandemic is truly a once in a lifetime event. I have experienced much in my 38-year investment career…We have not experienced anything like this."

Our portfolios have historically been recession resistant. That is, to industrial recessions! Pandemics are a different story. Whereas recessions are traditionally led by manufacturing and industrial downturns, the pandemic severely hit the service and consumer economy. People simply stopped showing up.

We have taken a three-step approach in terms of assessing and addressing the Pandemic and your portfolio:

First, we leaned into balance sheet analysis. We have always cared about owning companies with strong cash flows and solid financials, but in a world where the top-line was greatly curtailed, it was hard to rely on traditional earnings and cash flow metrics. Our balance sheet work gave us the confidence to buy into several companies that were freefalling during the market's March panic. We believe balance sheet strength remains of paramount importance even with the market's recovery.

Second, starting in April, we began to align the portfolio for a subdued and subpar world that we think is likely to exist until there is widespread distribution of a vaccine. In other words, this was not going to be a problem for a couple of weeks or a couple of months. It is hard to know, but we are not likely to return to some sense of normalcy until well into 2021. So, our focus shifted to adding names that we believe are good businesses with good balance sheets that could be both resilient today and secular winners tomorrow.

Third, while we believe COVID-19 will eventually pass and some sense of regularity will resume, there is no question that the Pandemic has accelerated certain trends, changed some behaviors in a lasting way, and has led to enhanced outlooks for some companies. In that vein, we emphasized names that we think have increasingly relevant business models and improved long-term outlooks. We have stayed true to our mantra that *growth and value are joined at the hip*, and we were able to purchase these newer holdings at what we believe are attractive valuations.

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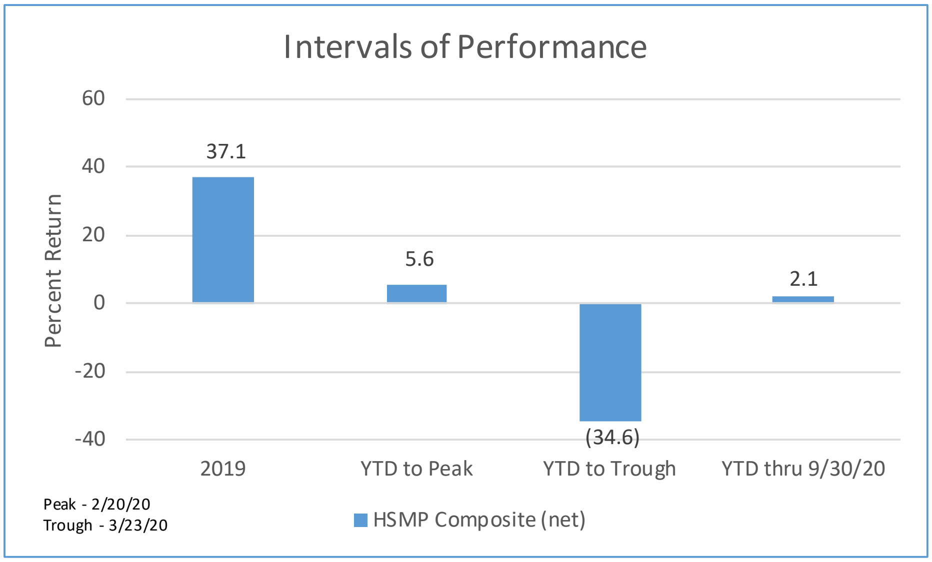
See pages 7 & 8 for important information & disclosures.

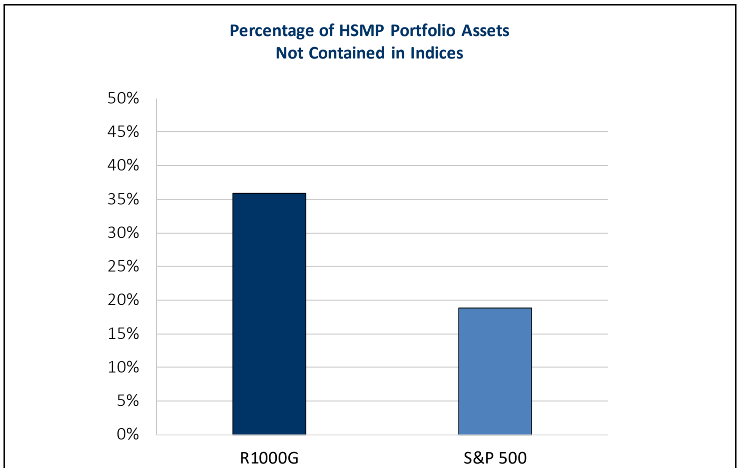
These actions, along with a broad market rebound, contributed to a recovery in portfolio values from March lows.



Based on HSMP Composite as of 9/30/20. Composite performance results are net-of-fees 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 through 9/30/20.

Relative Perspective

A corollary to our Investment Goal of delivering positive absolute returns over time is to look for these gains to translate into above average relative performance over investment cycles. With our concentrated quality portfolio that relies on both a growing earnings and cash flow stream as well as a rigorous valuation discipline, there is no perfect index, especially with our willingness to own non-U.S. domiciled stocks.



Based on HSMP Composite assets and holdings as of 9/30/20.

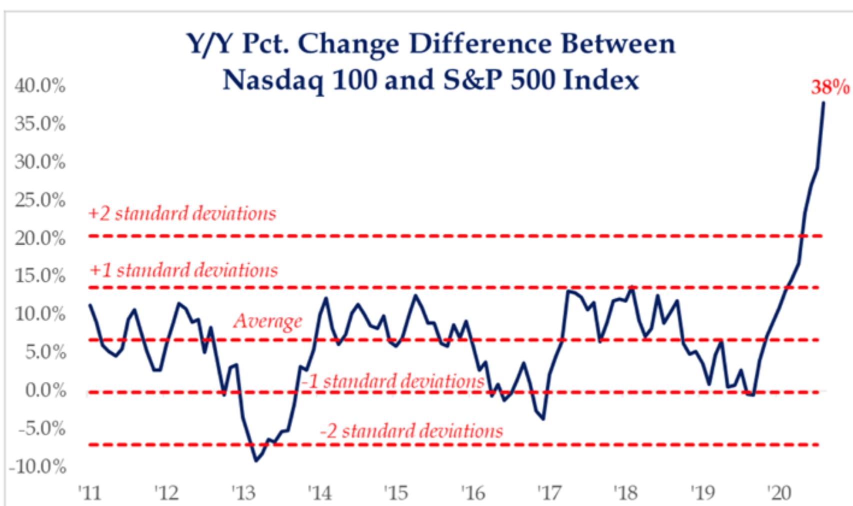
We routinely purchase a significant number of holdings for your portfolios that are not in either the S&P 500® Index or the Russell 1000® Growth Index. That said, given the surge we have seen in many stocks away from us, some perspective is in order.

I noted at the outset the enormity of the Pandemic. The response to the Pandemic has also been historic, especially the monetary actions from the Federal Reserve. This unprecedented stimulus has led to a massive amount of liquidity in the market with money supply growing far more rapidly than underlying economic growth. This has led to increased investor enthusiasm and pockets of speculation. Let me count the ways:

- *This has become a top-heavy market with the combined weight of the 5 largest S&P 500 stocks above 1999's levels.*

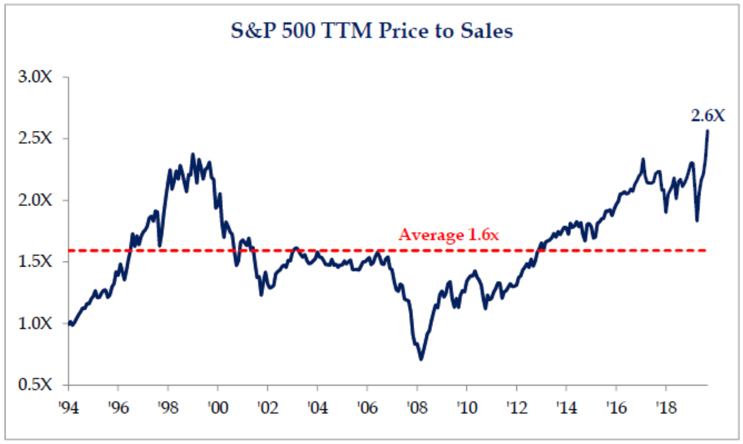
Source: Used with permission of Strategas Research Partners. Presentation dated 09/21/2020.

- *There has been extreme Nasdaq 100 outperformance vs the S&P 500 Index.*



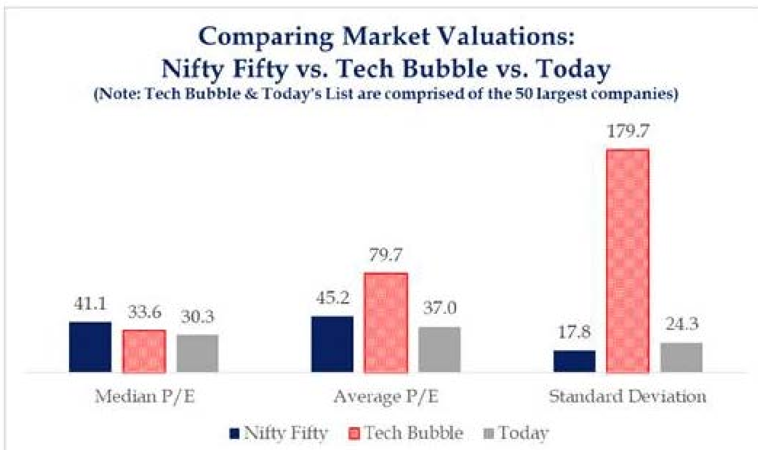
Source: Used with permission of Strategas Research Partners. Presentation dated 09/21/2020.

- *The S&P 500 Price to Sales Multiple has reached peak levels, exceeding the previous high reached in 1999.*



Source: Used with permission of Strategas Research Partners. Presentation dated 09/21/2020.

- *While valuations are not at Nifty-Fifty or 1999 levels, there are echoes of these times.*



Source: Used with permission of Strategas Research Partners. Presentation dated 09/21/2020.

- *With three months to go, equity offerings this year have already outpaced prior year highs.*

Source: Used with permission of Strategas Research Partners.

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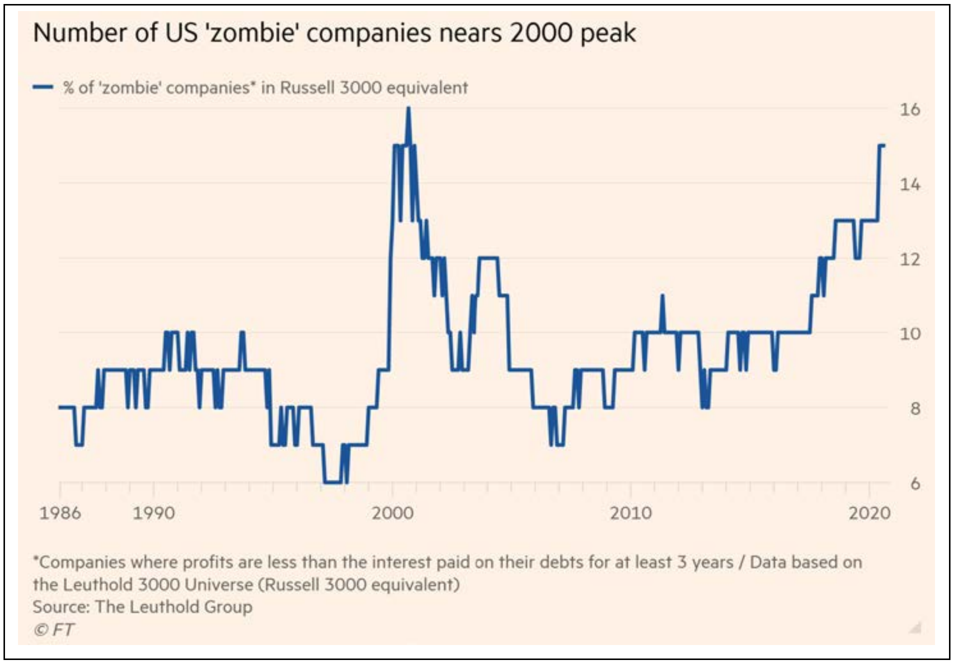
To add insult to this injurious list, we have seen large retail investment (see Robinhood) in hype fueled industries, outsized options buying (see SoftBank) especially in the technology space, and the widespread use of special purpose acquisition vehicles (SPACs) which have far less scrutiny than the traditional IPO process (see Nikola). The venerable Financial Times leaves indiscriminate broad market participants one final thing to lose sleep about.



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Investment Outlook

Our take: watch your step. A go-go market and the chase for performance has led to the crowning of momentum investing as this market's king and a world where "valuation" is now a bad word. An ongoing move to passive assets powerfully reinforces the trend. As Jason Trennert and our friends at Strategas put it recently "it is slowly becoming an article of faith only top-line growth matters during a period in which real interest rates can be expected to be negative indefinitely. Certainly, the terminal value of any asset can approach infinity if one takes the thought experiment far enough. For the superstitious, such talk could make a coffee cup nervous."

Although the Hare is running fast ahead, our money is still on the Tortoise. We like what we own. We believe our holdings blend both a resiliency needed for today's challenging environment (high residual unemployment) and strong secular company growth prospects. We are comforted by the portfolio's strong balance sheet profiles. We like its valuation and do not feel extended. In fact, the portfolio sells for about 22.6X forward aggregate estimated earnings or 21X forecasted 2021 estimates. In a 0.65% 10-year bond yield world, this is compelling and leaves room for an increase in bond rates without severely denting multiples, which we do not think is true for the market at large. The dividend yield on the portfolio approaches 2% which we happily take.

2020 has been tumultuous and is likely to continue so. We think there is a good possibility that there will be vastly increased fiscal spending next year. This will add further to the deficit. We do think a vaccine has a good chance of widespread distribution by year-end 2021. The Fed may not have to be as aggressive and while it is likely to sustain a dovish posture, the specter of possible inflation may influence long-term interest rates. At some point, any move higher in rates could begin to start bursting bubbles, and hubris may turn to sophrosyne (the Greek word for qualities of humble importance such as temperance, moderation, prudence, purity, and self-control). This is a fancier way of saying greed—which there is a lot around us these days—can turn to fear, which in practical terms could lead to sizable erosions in pockets of value away from us.

Thanks as always for your confidence in us. Stay safe, stay healthy, and we wish you all the best in the times ahead.

Sincerely,

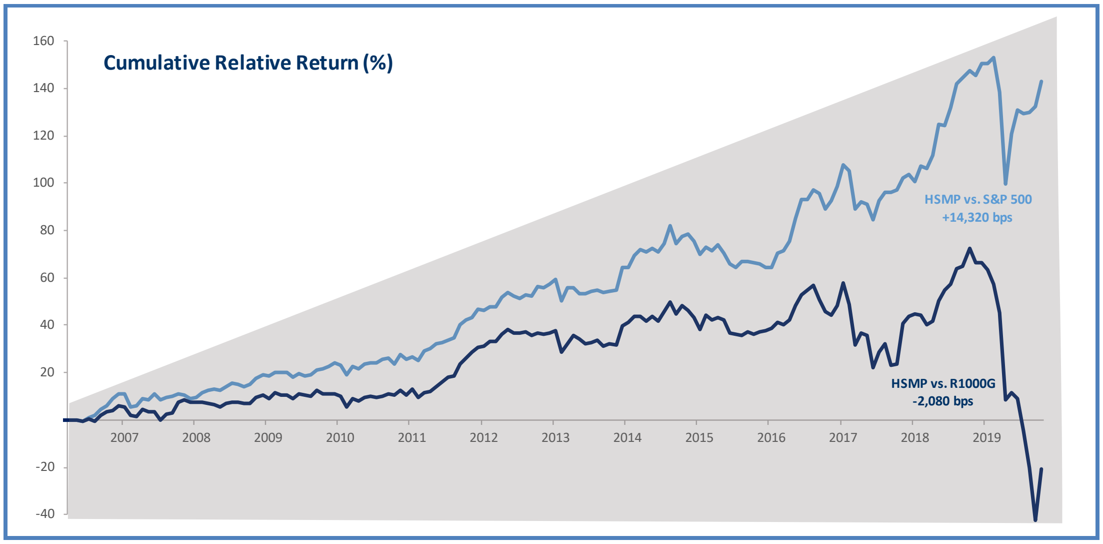
Harry W. Segalas

Portfolio Profile (9/30/20)

HSMP Composite Performance as of 9/30/20

	3Q20	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)	9.5%	2.1%	8.8%	13.7%	13.8%	15.5%	11.9%	357.7%
Russell 1000® Growth Index	13.2%	24.3%	37.5%	21.7%	20.1%	17.3%	12.3%	378.5%
S&P 500® Index	8.9%	5.6%	15.2%	12.3%	14.2%	13.7%	8.9%	214.5%

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



Composite performance results since inception (4/01/07) through 9/30/20. Performance is net of fees and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.

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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 (as of 9/30/20). This piece is written from the perspective of our Composite holdings, performance, and estimated metrics, and it does not refer to any specific group/client account (when we use *our portfolio(s)/your portfolio(s),* we mean client portfolios in general from our Composite perspective – see below regarding differences between the Composite and client portfolios/ accounts). This piece represents our opinion as of 10/8/2020 based on our understanding of market conditions and publicly available information and the state of the ongoing COVID-19 crisis. 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, particularly given the uncertainty of the current health crisis. Some of the charts in this piece were obtained from the indicated third-party sources which we believe reliable, but we did not verify, nor do we guarantee the accuracy of this information. 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 basis for making investment decisions.

In response to the current coronavirus (COVID-19) global pandemic and 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. We have tested our capacity to operate remotely and members of our team have worked from home in the past, and as of this moment, we believe we can continue to perform critical services (making investment decisions, trading and settlement, and communicating with clients about the status of their accounts), assuming that conditions do not worsen dramatically, that our team and close family members do not fall ill with COVID-19, 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. Although our business continuity/disaster recovery plan aims to mitigate the impact of natural disasters or catastrophic events by maintaining critical business functions while keeping the safety of our employees first, no plan can guarantee the continuity of our operations in the presence of these events. In particular, given the evolving situation and the unknown impact of COVID-19, we cannot predict with certainty its effect to our business and client portfolios.

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). 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 that 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. 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 (e.g., the Composite contains securities not represented in either or both indices and is much more concentrated than either index in terms of companies and sectors; the average market capitalization of companies in the Composite will likely differ from that of either index; and market or economic conditions can affect positively/negatively the Composite's performance but not the indices to the same extent). In addition, neither index bears fees and expenses and investors cannot invest directly in either of them. Furthermore, we do not seek to mimic any market index in our investment approach and do not maintain limits on industry or sector weightings.

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 for small client accounts and also 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), and also from the representative portfolio, 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 holdings, performance, Composite, and investment strategy implementation) is not applicable to model portfolio clients as we have no control and do not monitor the implementation (complete, partial or not at all) of model portfolios, and the performance of model portfolio clients is not attributable to us.

We typically build a concentrated portfolio with a hard cap on company names and with an aim to keeping clients' capital nearly fully invested. Our investment advice is limited to domestic and foreign equity securities of publicly traded companies. Client accounts generally hold 20-25 companies, although in certain circumstances they may hold more or less names. We do not maintain limits on industry or sector weightings, and while we do limit portfolio positions by company, clients' portfolios are likely to be significantly concentrated by sector, industry and/or geography, among other factors. While we believe that our investment strategy will produce desired returns, there can be no assurance that we will achieve our investment objectives. We encourage you to refer to our Firm Brochure (which is available on our website—www.hsmanage.com—or upon request at 212-888-0060) for some material risks applicable to our investment strategy and additional information regarding our Firm.

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