After the Deluge

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The flood of monetary and fiscal stimulus is the environmental equivalent of a break in the Hoover Dam, unleashing a torrent of liquidity on a global citizenry parched by the COVID-19 pandemic.

A public health pandemic last raged 100 years ago, that of the 1918 Spanish Flu. Environmental and financial crises have been less disciplined in observing the century mark, choosing instead to shatter norms every couple of years. Hurricane Katrina and Superstorm Sandy were separated by seven years; 100-year storms are passé.

Twenty first century catastrophes – the unspeakable terrorist attack of 9/11, the Great Recession of '07/'08, the rapid collapse in global GDP coincident with a provincial epidemic surging to a global pandemic – have exhibited distinct origins. Remedies have been less unique: money, money and more money has proven the common elixir. And never have the currency presses cranked with such omnipotent intensity than those administered to counter the harrowing effects of the public health calamity of our lifetime.

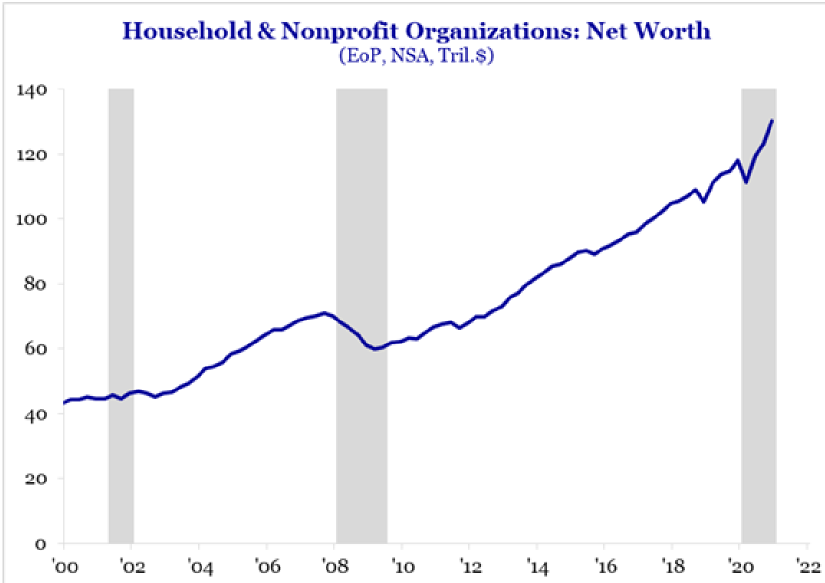
The Deluge

Record monetary and fiscal stimulus has been a global phenomenon, and much has been written about the magnitude and influence in previous HSMP pieces (see our First Quarter 2021 Investment Review dated April 12, 2021 and thought pieces "Into the Great Wide Open" dated Feb. 3, 2021 and "March (23rd) On" dated Dec. 21, 2020.)

Corporate earnings and GDP are rising at a rate unfathomable to us a year ago. Consumer balance sheets have never been stronger. Notable in the chart below, courtesy of Strategas Research, is that household net worth is appreciably above pre-pandemic levels. Also, important to note is that household net worth is two times greater than existed exiting The Great Recession. For anyone counting, that translates to approximately $70 Trillion in incremental – yes, incremental – household net-worth as we ponder what happens After the Deluge.

With the rapid change in enterprise and consumer behaviors during and likely following the pandemic, the fact consumers – 70% plus of aggregate demand – are as balance sheet ready as ever suggests a high level of sustained economic activity.

See pages 6-8 for important disclosures.



Source: Used with permission of Strategas Research Partners.

Memo to Bonds: The Times They Are a Changin'

We believe signs of economic optimism are abundant, and indeed, are provoking sage observers of economic and financial cycles to opine on a potential reset in the outlook for inflation and interest rates.

Warren Buffett recently described the economy as red hot with rising inflation. Ed Hyman of ISI/Evercore recently observed we could experience a trifecta: 3% unemployment, a 3% 10-year Treasury rate (nearly double where the ten-year rests now), and 3% inflation.

Close observers of political and policy circles have described President Biden and Fed Chairman Powell as representing philosophies counter to those of former President Reagan and Fed Chairman Volcker. President Biden cites infrastructure development and social programs of the past as illustrations of the federal government's capabilities to solve issues. Historians will recall Reagan's perspective: "The nine most terrifying words in the English language are: I'm from the Government, and I'm here to help."

Biden's massive infrastructure, climate and education programs are designed with his world view in mind. The manner in which the pandemic vaccine distribution response has been handled by his Administration may draw public support for a larger federal role.

Powell seems less concerned with structural inflation, a mission that Volcker was singularly focused on in the early 1980's. Powell is motivated to secure full employment and sustained economic growth while tolerating, even encouraging, some moderate increase in inflationary gauges. The Chairman seemingly views nascent inflation as a reasonable tradeoff for sustained economic progress that lifts the middle class and lower income households.

The forty-year bull market in bonds started with Reagan and Volcker at the helm. Biden and Powell are employing a different compass.

See pages 6-8 for important disclosures.

Source: Used with permission of Strategas Research Partners.

After the Deluge

The investment profession operates under the auspices of a market structure anticipatory by nature. A year ago, financial markets correctly anticipated an economic super cycle, a Biden Presidency, a ferocious Treasury Department and a Federal Reserve response to COVID-19. A year removed, the market's anticipatory behavior proved prescient: government stimulus manifest in unparalleled growth in money supply and currency in circulation; record sums of liquidity, a V shaped recovery in corporate profits; and 1Q GDP annualizing at a rate of 6.4%. The market optimism of a year ago, which seemed at the time premature and even misguided, was validated.

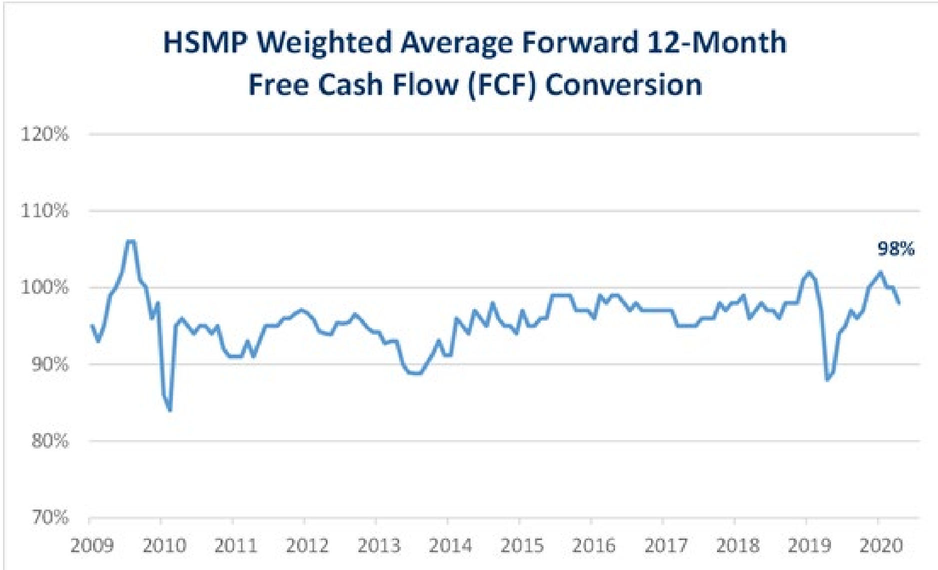
So now, After the Deluge of global stimulus employing every fiscal and monetary tool in the box, what's next? What is Mr. Market telling us now - today – about tomorrow?

Ah, if we only knew...for our role, and that of financial managers of all asset class varieties, is to make investment decisions today with an imperfect gaze around the bend, issuing judgements based on the history that has yet to be written. A bit daunting until you appreciate the exercise is a journey without a destination, a space odyssey with only a launch point. And so, we do what we do, disavowing perfection as a framework for one that provides space for us to do good.

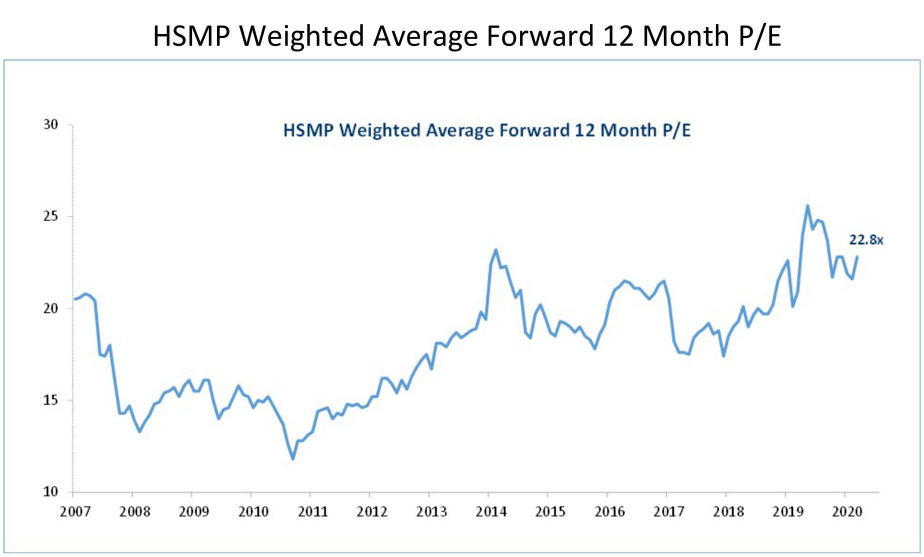
Clairvoyant limitations aside, we at HSMP have consistently applied the same investment principles over the long-term. Michael Lewis, in his latest book "The Premonition," refers to the general ability to make reasoned judgements with imperfect information as Trained Intuition. Trained Intuition describes the approach we take to situations unknown. We believe that together with our framework of identifying quality business models, growing the portfolio earnings and cash flow streams, and being highly attentive to valuation, Trained Intuition adds a dimension that allows us to assess conditions and position client portfolios accordingly.

The consistency of our approach is captured in the charts below. The quantification of one of the qualitative criteria we prize is that of free cash flow conversion. It reflects business models which are inherently capital lite relative to the size and scope of revenues and asset productivity and reduces if not eliminates reliance on capital markets.

See pages 6-8 for important disclosures.



Based on HSMP estimates through 3/31/21. Please refer to pgaes 6-8 for important disclosures



Based on HSMP estimates since inception (4/1/07) through 3/31/21. Please refer to pgaes 6-8 for important disclosures

Being financially self-sufficient is a good thing. At no time was that more apparent than during the six-week interval ending 3/23/20, when financial markets seized and the equities of companies in need of external capital to bridge potential gaps in liquidity went free-falling.

We have also consistently emphasized the importance of valuation, attempting to provide a margin of safety as a buoy when market seas swell. Admittedly, the market doesn't always prize the importance of quality and valuation as we do: 2020 was a case in point where liquidity – stimulus checks – promoted a fear of missing out (FOMO) mentality with little regard for quality or valuation.

We are undaunted in our view that valuation matters, and that attaching our client capital to an earnings and cash flow stream (mindful that the sun doesn't shine perennially) is prudent.

See pages 6-8 for important disclosures.

The performance table below covers our since-inception Composite performance under a variety of market and economic conditions. We have operated with a consistent philosophy and approach, and that has allowed us to proceed with conviction when positioning client portfolios for the history that has yet to be written.

Performance as of 3/31/21

	YTD	1 Year	2020	2019	3 Years *Annualized*	5 Years *Annualized*	10 Years *Annualized*	Since Inception 4/1/07 *Annualized*	Since Inception 4/1/07 *Cumulative*
HSMP Composite (net)	8.3%	63.2%	13.9%	37.1%	19.1%	17.2%	16.2%	13.0%	453.1%
S&P 500® Index	6.2%	56.4%	18.4%	31.5%	16.8%	16.3%	13.9%	9.9%	274.5%
Russell 1000® Growth Index	0.9%	62.7%	38.5%	36.4%	22.8%	21.1%	16.6%	12.8%	438.0%

Note: Performance (net-of-fees) as of 3/31/21. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. Please refer to pages 6-8 for important disclosures.

What awaits After the Deluge? While we have many thoughts, as do any number of market seers, time will tell. We do feel confident that, whatever comes next, the philosophy and tools we've employed over many investment journeys will serve clients well, as will our individual and cumulative trained intuition.

Many thanks to all for your continued confidence and trust in HS Management Partners.

A happy and healthy summer season to all.

A special thank you to our front-line workers up and down the line. The competency, compassion and commitment you've demonstrated is an inspiration to all, and our deepest gratitude for all you've done and continue to do in the best interests of the greater good.

See pages 6-8 for important disclosures.

HS Management Partners, LLC
Concentrated Quality Growth Composite
GIPS© Report

	Firm	Composite		Performance Results					3-Year Annualized Std Deviation		
Year End	Assets (millions)	Assets (USD) (millions)	Number of Accounts	Composite Gross	Composite Net	S&P 500®	Russell 1000® Growth	Composite Dispersion (Std Dev)	Composite Gross	S&P 500®	Russell 1000® Growth
1Q21	**3,559**	**3,425**	**277**	**8.47%**	**8.29%**	**6.17%**	**0.94%**	**.07**	**19.49**	**18.14**	**19.14**
2020	3,491	3,341	284	14.70%	13.88%	18.40%	38.49%	.14	19.75	18.53	19.64
2019	3,566	3,478	280	38.12%	37.13%	31.49%	36.39%	1.13	11.29	11.93	13.07
2018	3,145	2,967	259	-4.42%	-5.07%	-4.38%	-1.51%	.28	10.04	10.80	12.12
2017	4,028	3,840	236	33.87%	33.06%	21.83%	30.21%	.46	9.61	9.92	10.54
2016	3,446	3,269	199	6.92%	6.25%	11.96%	7.08%	.10	10.72	10.59	11.15
2015	3,143	3,014	176	3.94%	3.32%	1.38%	5.67%	.81	11.03	10.48	10.70
2014	3,295	3,193	148	13.06%	12.39%	13.69%	13.05%	.26	9.85	8.98	9.59
2013	2,392	2,298	136	31.76%	31.04%	32.39%	33.48%	.09	12.26	11.94	12.18
2012	1,622	1,616	94	28.86%	28.16%	16.00%	15.26%	.15	13.82	15.09	15.66
2011	884	880	72	5.55%	5.00%	2.11%	2.64%	.11	15.81	18.70	17.76
2010	531	528	46	17.13%	16.44%	15.06%	16.71%	.28	19.54	21.85	22.11
2009	292	290	32	35.91%	35.06%	26.46%	37.21%	.33			
2008**	172	152	27	(34.49%)	(34.80%)	(37.00%)	(38.44%)	N.A.			
2007*	-	6	5 or fewer	16.84%	16.08%	4.83%	10.51%	N.A.			

** HS Management Partners, LLC charges its fees quarterly in arrears and therefore no significant fees were charged to client accounts in the first quarter of 2008. Had a modeled fee of 0.90% per annum been applied, the net of fee return for the first quarter of 2008 would be (10.82%).
N.A. - Information is not statistically meaningful due to an insufficient number of portfolios (5 or fewer) in the Composite for the entire year.

__The HS Management Partners Concentrated Quality Growth Composite__ includes all fully discretionary, actively managed, fee paying accounts which employ our style of investing in 20-25 quality growth businesses. These accounts must have a market value exceeding $500,000 at the time of initial inclusion in the Composite and have a market value exceeding $300,000 to maintain inclusion.

Accounts that have contributions/withdrawals of greater than 10% of their market value (at the time of the cash flow) shall be excluded from Composite membership. Accounts that are not actively managed according to the intended strategy are excluded at the end of the last full day in which they last met the inclusion criteria. Accounts are reinstated into the Composite on the first day after the account again meets our inclusion criteria. Prior to April 1, 2009, our inclusion and exclusion criteria were applied on a monthly basis, rather than daily. There are accounts paying zero commissions included in the Composite. Additional information regarding the treatment of significant cash flows is available upon request. Also available upon request are policies for valuing investments, calculating performance, and preparing GIPS Reports.

For benchmark purposes, the Composite is compared to the S&P 500® and Russell 1000® Growth indices, however, the Composite may contain securities not represented in either or both indices. The HS Management Partners Concentrated Quality Growth Composite was created January 1, 2008 (the inception date of the Composite was April 1, 2007). Prior to January 1, 2008 the accounts in the Composite were non-fee paying individual accounts managed by Harry Segalas in accordance with HS Management Partners' investment policies, becoming HS Management Partners accounts in December 2007.

The Composite Dispersion presented is an asset-weighted standard deviation calculated using gross performance results for accounts included within the Composite for the entire period. In addition, gross performance results are used to calculate the 3-year annualized standard deviation.

HS Management Partners, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. HS Management Partners, LLC has been independently verified for the period January 1, 2008 through March 31, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the Firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Concentrated Quality Growth Composite has had a performance examination for the periods January 1, 2008 through March 31, 2021. The verification and performance examination reports are available upon request.

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The performance track record from April 1, 2007 through December 31, 2007 has been examined by Ashland Partners & Company, LLP and meets the portability requirements of the GIPS® standards. A copy of their report is available upon request.

HS Management Partners, LLC is an independent SEC registered investment advisor (SEC registration does not imply a certain level of skill or training). The Firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. When international ordinary shares or ADRs are held in portfolios in the Composite, performance is shown net of foreign withholding taxes. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Prior to January 1, 2008, a representative fee of 0.90% annually was applied to the individual accounts in the Composite managed by Harry Segalas. Additional information regarding the policies for calculating and reporting returns is available upon request. Policies governing compliance with the GIPS® Standards were followed in establishing HS Management Partners' performance record and the accounts to be included therein. In that regard, certain individual accounts managed by Harry Segalas were excluded from the Composite because of material differences in the management style of those accounts and HS Management Partners' investment policies. The GIPS® standards were applied retroactively for the purposes of computing 2007 performance, and are being applied prospectively in a consistent manner.

Investment advisory fees are charged as a percentage of on an account's assets under management. The annual fee schedule for accounts that are at least $10 million under management is as follows: 0.90% on first $25 million, 0.70% on next $25 million and 0.50% on the balance. Accounts below $10 million pay the greater of 1% or $10,000. Actual investment advisory fees may deviate from the above fee schedule at the Firm's sole discretion. Please refer to our Form ADV for more information related to our fees.

See pages 6-8 for important disclosures.

IMPORTANT DISCLOSURES

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. This piece is written from the perspective of our Composite holdings, performance, and estimated metrics, and does not refer to any specific client account (client accounts can have higher or lower performance than that shown here). When we use Composite, we mean our HS Management Partners Concentrated Quality Growth Composite, and when we refer to client portfolios, we mean client portfolios in general from our Composite perspective (see below regarding differences between the Composite and client portfolios/accounts and differences between client portfolios/accounts themselves). This piece represents our opinion as of 5/6/2021 based on our understanding of market conditions and publicly available information. It has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or portfolio/client portfolio outlook); there is no assurance that forward-looking statements will prove to be accurate as actual results and future events can differ materially from our assumptions. 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. The securities identified and described do not represent all of the securities purchased, sold, or recommended for client accounts, and the reader should not assume that an investment in the securities identified is, was, or will be profitable. Investing in securities involves significant risks, including the risk of loss of the original amount invested. While we believe that our investment strategy will produce desired returns, we do not guarantee that this will be the case, or that we can provide any margin of safety, any actual client experience, any profit or protection against loss whatsoever, or that we will achieve our investment objectives or be successful implementing our strategy. Investing in securities involves significant risks, including the risk of loss of the original amount invested. The following is a summary of some material risks, not all 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 increases trading, which in turn increases trading commissions and/or other transaction costs, fees and expenses that will reduce client returns/performance. Portfolio turnover can also result in short-term capital gains, which can reduce the after-tax return for taxable clients.
- Catastrophic Events, Civil Disturbances, Health Crises, Wars, Natural Disasters, Terrorist Attacks, Environmental Calamities, and Acts of God Risk. All these events can significantly disrupt not only the economy and 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
- Concentration Risk. Our investment strategy involves a high concentration in certain market sectors, industries, geographic regions, and number of issuers. A concentrated portfolio is subject to greater risk of loss and market impact than a more diversified account.
- Consumer Discretionary, Consumer Staples and Technology Sectors Risk. Our discretionary client portfolios are concentrated in these sectors, which are highly sensitive to rising inflation, increased interest rates, pandemics, wars, and other events that impact consumer confidence and behavior. The consumer discretionary and the technology sectors are especially tied to the strength of the economy. Moreover, the technology industry is very sensitive to rapid and often unforeseeable innovation and product obsolescence.
- Cybersecurity and Other Technology Risk. We rely heavily on technology to perform our functions and also share sensitive, confidential information 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 we engage in the client service, operations, legal/compliance, marketing, and Firm accounting areas, among other. 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.
- Equity Securities Risk. We invest in equity securities, which involves several risks. Their value can decrease, potentially dramatically, in response to many factors (including general economic conditions, inflation, 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, environmental calamities, terrorist attacks, wars, and health crises such as epidemics or pandemics) that can negatively impact the economy in general or a particular company's financial situation, result in 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. 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.
- Foreign Security Risk. Our discretionary client portfolios 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.
- General Economic and Market Conditions Risk. The success of our Firm and the companies in which we invest will be affected by general economic and market conditions, such as inflation, interest rate fluctuations, a recession, the availability of credit, economic uncertainty, changes in laws, supply chain issues, labor shortages, trade barriers, currency exchange controls, energy and commodity prices, national and international political circumstances, natural disasters such as environmental calamities, and regional, national and global health crises.
- Credit Risk. Financial intermediaries and security issuers can experience adverse economic consequences, including impaired credit ratings, default, and bankruptcy or insolvency. All of which can cause adverse events, such as trading disruptions and credit events that can impair or erase a client's investment.
- Legal, Tax, and Regulatory Risk. We are 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 can adversely affect the companies in which we invest or the regulatory or tax treatment of client gains.
- Liquidity Risk. In times of turbulent or uncertain market conditions liquidity risk for our client portfolio increases as there can be fewer market participants, or no market participant, willing to pay a stock price that is not deeply discounted from the price we paid when we invested in the stock, or willing to pay a stock price that we deem reasonable for the securities we own.
- Low Cash Balances Risk. Our investment strategy generally involves maintaining very 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, stock liquidity risk can significantly increase as the market for the stock can shrink and the stock price can decline, particularly in turbulent markets. In addition, small 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 can be instances where we receive non-public information, voluntarily or involuntarily. 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.
- 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 can make investment decisions, the unforeseen absence of our CIO can impair our ability to successfully implement our investment strategy.

See pages 6-8 for important disclosures.

Refer to our Firm Brochure (at www.hsmanage.com/documents/ or upon request at 212-888-0060) for material risks applicable to our strategy and information regarding our Firm. The information in this piece is solely for illustration/discussion, has not been tailored to any particular recipient, 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.

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 HS Management Partners Concentrated Quality Growth Composite includes all fully discretionary, actively managed, investment advisory fee-paying accounts (even if they pay zero trading commissions), which employ our style of investing in 20-25 quality growth businesses. These accounts must have a market value exceeding $500,000 at the time of initial inclusion in the Composite and have a market value exceeding $300,000 to maintain inclusion. Results are based on fully discretionary accounts under management that meet our Composite's inclusion criteria, including those accounts no longer with HSMP. Results reflect accounts managed at another entity: prior to January 1, 2008, the accounts in the Composite were non-fee paying (non-investment-advisory fee-paying) individual accounts managed by Harry Segalas in accordance with HSMP's investment policies, becoming HSMP's accounts in December 2007. The U.S. Dollar is the currency used to express performance. For more information or list of composite descriptions, please contact us at 212-888-0060. A copy of our fully compliant GIPS® Report is included in this piece.

Composite performance is presented net-of-fees (net of actual investment advisory fees and trading costs) and includes the reinvestment of dividends and other earnings. In some instances, Composite performance is presented by itself on an absolute basis (i.e., without comparing it to any index or benchmark). In other instances, the Composite is compared to the Russell 1000® Growth Index (R1000G) and the S&P 500® Index (S&P 500) as benchmarks for market context. The R1000G 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 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 index 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. Small accounts generally experience higher dispersion from our Composite than large accounts primarily because they do not participate in trading, allocations, and aggregations to the same extent as large accounts given their size and that actual participation in trade orders depends, among other factors, on cash available in an account and on our imposed per-order share minimums, which typically range anywhere from 5 to 100 shares depending on the stock price. Also, while the investment merits of a given security drive our investment decisions, we use trading groups to facilitate trading and not all groups trade to the same extent. In sum, client account holdings and performance can deviate from our Composite and/or from other client accounts (even within the same group and even different accounts of the same client) for several reasons, such as: client restrictions, account type and size, timing and market conditions at an account's inception and contributions/withdrawals, timing and terms of trades, actual client investment advisory fees (or the lack thereof), and client directed brokerage/commission recapture instructions. Furthermore, under our sole investment strategy (HSMP Concentrated Quality Growth Equity strategy) we provide investment advice on a discretionary basis (we make all the investment decisions and trade the accounts) and also on a non-discretionary basis in the form of model portfolios for use in multimanager products (we do not make the final investment decisions nor trade the accounts); therefore, certain information here (including performance, Composite, and investment strategy implementation) is not applicable to model portfolio clients as we have no control and do not monitor the implementation (complete, partial or not at all) of model portfolios, and the performance of model portfolio clients is not attributable to us.

The price-earnings (P/E) ratio, earnings yield, free cash flow yield, and earnings yield/bond yield are weighted averages of the Composite holdings and are based on our estimates on a 12-month forward projected basis as of the indicated reporting date (our estimates can be inaccurate; actual results and future events can differ, even materially, from our assumptions). The earnings yield/bond yield is based on the 10-year bond yield as of the indicated period. The dividend yield is a weighted average of the Composite holdings based on the most recently announced company gross dividend (annualized) divided by the last stock price as of the indicated reporting date.

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 (client accounts can typically have over 50% exposure to the consumer discretionary, consumer staples and/or technology sectors). Cash is not a major component of our investment strategy, and we tend to keep client accounts almost fully invested with less than 1% residual cash position after a trading day. Our portfolio has typically been invested in what are generally considered more established, large cap names (over traditionally growth companies and mid-small cap companies).

In response to COVID-19 and in an effort to protect the safety of our team and the continuity of our critical business operations (making investment decisions, trading and settlement, and communicating with clients about the status of their accounts), 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 we believe we can continue to perform our services, 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.

The price-earnings (P/E) ratio, earnings yield, free cash flow yield, and earnings yield/bond yield are weighted averages of the Composite holdings and are based on our estimates on a 12-month forward projected basis as of the indicated reporting date (our estimates can be inaccurate; actual results and future events can differ, even materially, from our assumptions). The earnings yield/bond yield is based on the 10-year bond yield as of the indicated period. The dividend yield is a weighted average of the Composite holdings based on the most recently announced company gross dividend (annualized) divided by the last stock price as of the indicated reporting date.

The calculation methodology and a list showing every holding's contribution to the overall representative account's performance during the period shown is available upon request by calling us at 212-888-0060.

This document includes general information and has not been tailored for any specific recipient or recipients. Accordingly, the information in this document is not intended to cause HSMP to become a fiduciary within the meaning of Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986, as amended.

See pages 6-8 for important disclosures.