Globally Domesticated

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Partner & President
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At Home – and On Distant Shores

I fondly recall attending the 1964 World's Fair in Queens, New York as a child and marveling at Disney's exhibit "It's a Small World." I was fascinated that such an amazing array of pavilions could bring to life the culture and pageantry of distant shores to those who had the good fortune to attend. Ah, the pleasant melody that crackled aloud as we circled the "world" in our little boat. Disney's creative genius was as evident then as now.

Over these many years, the world - figuratively speaking - has gotten smaller. Advances in technology, the ubiquity of smartphones, the proliferation of social media, airline deregulation and a host of other progressions have converged to raise awareness and curiosity about — and accessibility to — disparate lands and people.

Perhaps nowhere is such instantaneousness more apparent than in global financial arenas. Omnipresent trading and socio/political/economic developments in markets thousands of miles apart ripple across continents like stones skimming calm waters. Beijing and New York are 6,800 miles apart though no more than a millisecond and a click removed; markets react swiftly to the latest arc — or tweet. Come to think of it, clicks are rather *blasé*…tweets are the preferred *force majeure* of U.S. economic policy, and one every bit as effective in careening global markets.

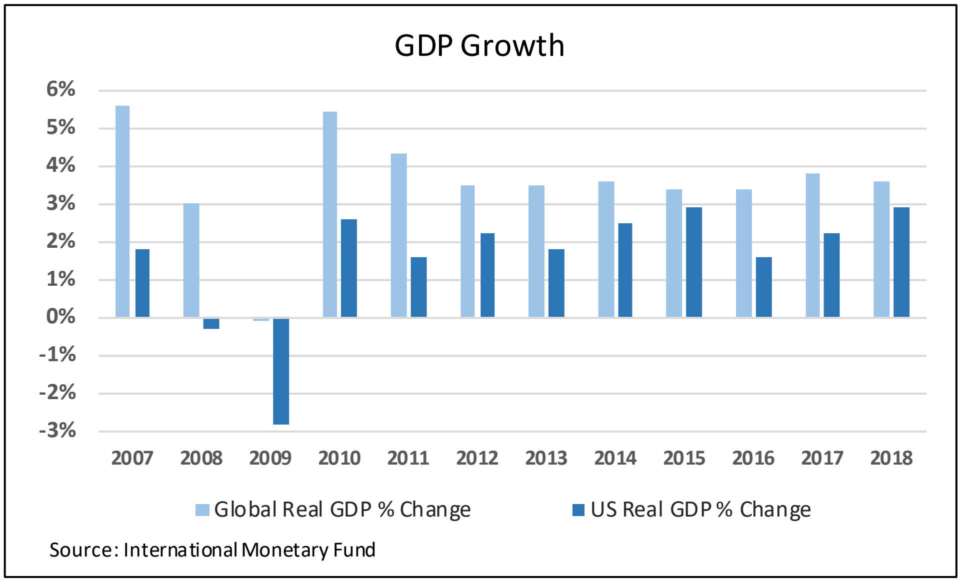
Trade, Tariffs, Twitter and Trump…Four T's Raise the Summer Temps

A May 31st NY Times article summarized the state of international economic diplomacy. Entitled "How Trump's Trade War Is Being Fought Around the World," the article detailed U.S. Administration efforts with Mexico, China, Japan, Europe and Canada, among others: "He is challenging the post-World War II consensus that free trade enriches the world." With a large field of Democratic candidates taking the stage again this evening in Miami, followed by the G20 Summit this weekend in Osaka, it looks like the lazy days of summer are going to be delayed for a bit. A dovish Fed and a hawkish Iran beckon in the background. Surely, we'll be hearing lots of news flow, and the clamor is likely to be bold on occasion. It is in noisy times that we try to dim the volume, focus on what matters, avoid knee jerk reactions to the latest data point, and cling more tightly to the fundamental precepts of our investment roots from whence we came.

Central to our investment philosophy is our aim to own quality businesses capable of growing the earnings and cash flow profile of the overall Portfolio at an above average rate. As a U.S.-based concentrated quality growth manager, we appreciate that the realization of our goal necessitates an acknowledgement that economies beyond our borders have grown more quickly. **Chart 1** is illustrative of the cadence of economic growth globally to that of the U.S., and for the period shown seemingly supports the thesis that owning a profile of quality businesses with a multi-national footprint has been an important ingredient in satisfying our mission over time.

See pages 6-8 for important disclosures.

Chart 1



Our investment guidelines typically permit us to invest our client portfolios in non-U.S. domiciled companies, and we have, since Firm inception, maintained positions in what we deem to be quality businesses based outside the U.S. We appreciate the relevance of country of origin data so as to better categorize and compare us to other managers. That said, we have consistently maintained a benchmark agnostic approach, one that largely belies the contours of precisely defined style boxes. As I write, the weighting of client portfolios not represented in the S&P 500® or the Russell 1000® Growth equal 24% and 28%, respectively, and we have typically owned securities not represented in the indices – not by design, not to simply be different – but because that's where our investment discipline and opportunity set led us. While we are predominantly large cap, we have and will go down the cap scale; while we are a U.S. based manager, we have and will gaze at horizons beyond our shores; while we are growth managers, we have and will maintain a valuation discipline; while we are intent on managing client assets to the best of our ability, we have and will maintain a quality lens to the businesses we own on their behalf. We invest based on where a given company conducts its business rather than where it is headquartered; selling to consumers/enterprises in healthy, advancing economies is most germane to our earnings/cash flow embrace. Many of our U.S.-based holdings have large (and in some cases, larger) presences outside the U.S. than within, and so too do some of our European-based holdings count North America as their primary region.

Typically, over 50% of Portfolio revenue is derived from the U.S., with developed markets in Western Europe and Japan around one-quarter to one-third and a collection of emerging markets the balance. Assuming global economic growth continues to exceed that of the U.S. — albeit with heightened volatility given the influence of emerging market economies — we believe we can maintain an anticipated weighted average of 10% or greater earnings-per-share (EPS) growth over the long term for Portfolio companies.

HSMP's Song Remains the Same

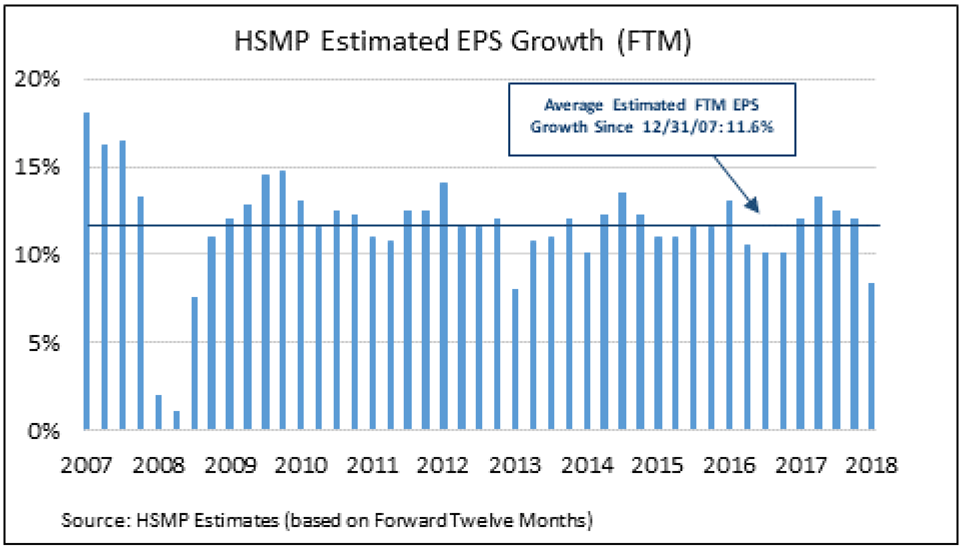
We own businesses that we think possess the qualitative elements we prize: a reasonably high measure of predictability to revenues/earnings/cash flows; sales into large and growing categories; seasoned and prudent management teams; the sale of affordable goods/services consumed/utilized on a fairly routine basis; capital lite models realizing meaningful free cash flow; broad geographic platforms; large and increasingly formidable

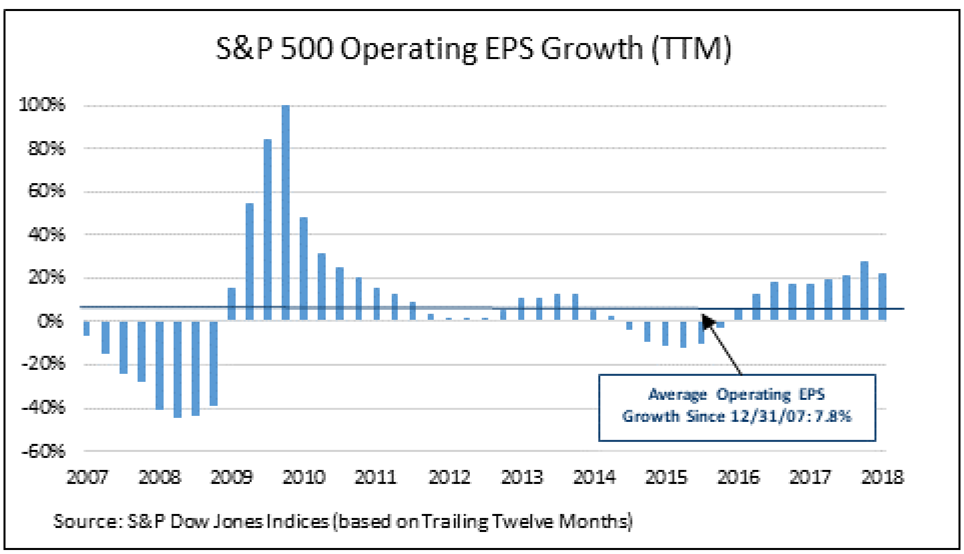
See pages 6-8 for important disclosures.

barriers to entry derived from the above criteria coupled with meaningful scale advantages, among others. We believe that the multi-dimensional mosaic with which we assemble client portfolios — embracing companies across the growth continuum from established to more rapid growers, a willingness to go up and down the cap scale, and an appreciation for non-U.S. domiciled businesses — affords us flexibility in managing client assets.

Chart 2 highlights the estimated earnings per share (EPS) of Portfolio companies using HSMP quarterly data as compared to that of quarterly operating results posted by constituents of the S&P 500 from 12/31/07 to 12/31/18. In fact, HSMP Portfolio companies in aggregate exhibited fairly consistent low double-digit EPS growth in line with our forecast for the period shown. On average, the aggregate EPS of the companies in our Portfolio have advanced at a superior rate to that of the S&P 500 with less variability around the mean.

Chart 2





Valuation Matters, Particularly in a Yield Deprived World

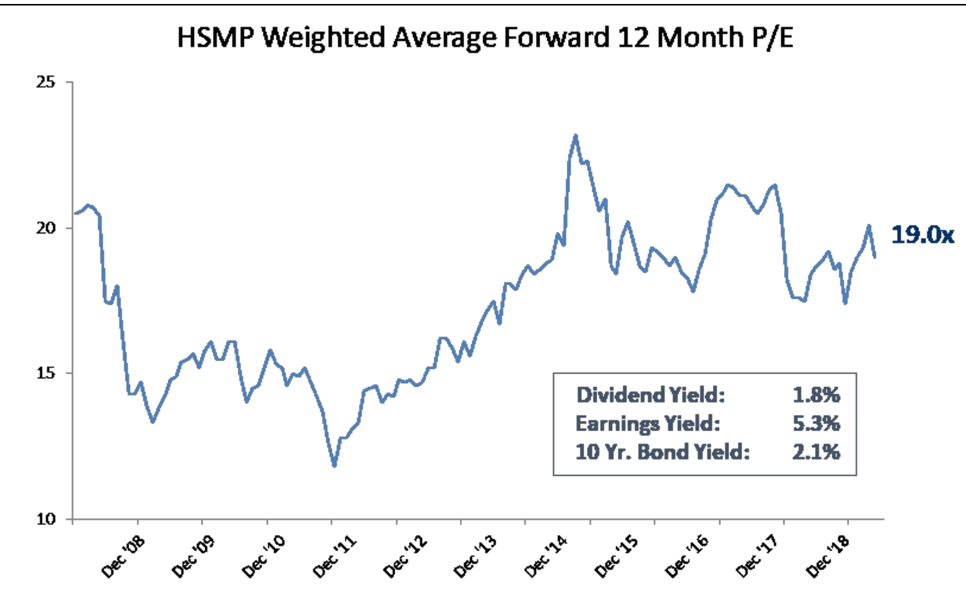
At the same time, we are very attentive to valuation, utilizing three primary metrics — price/forward twelve-month earnings, price/forward twelve-month free cash flow yield, and an appraised present value analysis. The valuation dimension in our decision-making process serves to quantitatively complement the qualitative emphasis we place on identifying good businesses to invest our clients' precious capital.

We believe valuation always matters, and it is tightly woven into the fabric of our investment uniform. Our long term track record is a compilation of our relative performance in ebullient and difficult markets, and we've demonstrated an ability to largely — though not completely — keep pace in months when the market has advanced while preserving capital better than the indices in more challenging environments: our so-called upside/downside capture reading since inception and through 5/31/19 is 100%/(83%) to the S&P 500, and 90%/(82%) to the Russell 1000 Growth.

In a world of easy money, it is understandable that some observers may view equities as undervalued. With over $13 trillion in negative yielding debt around the globe — yes, with a T, and yes, you pay the issuer to borrow your money — it is no wonder that a certain complacency reigns with respect to valuations in other asset classes. IPOs with multi-billion dollar market capitalizations and no earnings to show (today and, in some cases, not for many tomorrows to come) is another signal that valuation has run somewhat amok — making it all the more imperative to our thought process. Bloomberg ran an article yesterday entitled "Bitcoin Goes Parabolic as Bubble-Like Gains Come Roaring Back." Enough said.

And given that the forward price earnings ratio (P/E) of the Portfolio is now nearly identical to when we started the Firm (**Chart 3**), our 11.5% annualized net of fee return (since Firm inception — 4/01/07 — through 5/31/19) has been supported unequivocally by our ability to advance the earnings and cash flow contour of client portfolios. With an earnings yield well in excess of the current dividend yield on the Portfolio, and with the latter competitive with the modest yield available on 10 year Treasuries, we find our valuation reasonable in a financial setting where the alternatives are not all that compelling from our perspective.

Chart 3



Note: Based on HSMP estimates since Inception (4/1/07) through 5/31/19. *Past performance is not indicative of future results. Please refer to pages 6-8 for important disclosures.*

The HSMP investment team is mindful that business fundamentals and industry structures can and do change, and that such change — in part, and at times, influenced by trade policies — can invite opportunity. We are proactive in our thinking and within our strategy, we try to guard against complacency with an open mindedness to new business models, the removal of legacy barriers to existing models, and an appreciation that the world is subject to more rapid disruption and dislocation than at any time in our 35+ year investment careers. And we'll do it the only way we know how: understanding what we own, emphasizing quality business models, actively managing clients' scarce capital, and maintaining a disciplined valuation construct. To borrow the memorable John Houseman line from the Smith Barney commercial of yesteryear, "They make money the old fashioned way. They earn it."

At HS Management Partners, This is Our Field of Play

Amidst the consistency and duration of our approach, clients may rest a bit more comfortably at night, secure in the knowledge that the importance we ascribe to disciplined participation in global businesses — trade tensions, et. al.— is balanced with the U.S. market landscape we know so well.

It's a Small World, after all.

We appreciate deeply the trust we've earned from so many, and are grateful to our clients for their continuing support.

Our best to you and your families for a joyous summer.

HSMP Composite Performance as of 3/31/19

	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)	13.0%	12.8%	13.9%	12.0%	17.8%	11.5%	269.4%
S&P 500® Index	13.7%	9.5%	13.5%	10.9%	15.9%	8.2%	157.5%
Russell 1000® Growth Index	16.1%	12.8%	16.5%	13.5%	17.5%	10.4%	227.6%

Performance results are net-of-fees and 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.

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GIPS Report

HS Management Partners, LLC
Concentrated Quality Growth Composite
Annual Disclosure Presentation

	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
1Q-19	3,234	3,173	257	13.15%	12.95%	13.65%	16.10%	.27	10.23	10.58	12.02
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.			

* Performance shown for 2007 is from April 1, 2007 through December 31, 2007.

** 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 annun 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. Additional information regarding the treatment of significant cash flows is available upon request. Also available upon request are policies for valuing portfolios, calculating performance, and preparing compliant presentations.

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. 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. Prior to July 1, 2011, the HS Management Partners Concentrated Quality Growth Composite was known as the HS Management Partners Concentrated Growth Composite.

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.

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 September 30, 2018. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Concentrated Quality Growth Composite has been examined for the period January 1, 2008 through September 30, 2018. The verification and performance examination reports are available upon request.

The performance track record from April 1, 2007 through December 31, 2007 has been examined by Ashland Partners & Company LLP and is compliant with the portability requirements of the GIPS® standards. A copy of the verification 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. When we use Composite or Portfolio we mean our HS Management Partners Concentrated Quality Growth Composite. 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. This piece represents our opinion as of 6/27/19 based on our understanding of market conditions and publicly available information. It has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or Portfolio/client portfolio outlook); there is no assurance that forward-looking statements are accurate as actual results and future events can differ materially from our assumptions. Any reference to performance should not be taken as an indication of how the Composite or a client account will perform in the future; past performance is not indicative of and does not guarantee future results. Investing in securities involves significant risks, including the risk of loss of the original amount invested. The information here is solely for illustration/discussion, is subject to change without notice, should not be construed as a recommendation to buy or sell any particular security, and should not be used as the only basis for making investment decisions. 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.

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.

This piece is written from the perspective of our Composite holdings, performance and estimated metrics, it does not refer to any specific group/client account (when we use *your portfolios* we mean client portfolios in general from our Composite perspective). Although most discretionary client accounts are included in the Composite and dispersion is typically low over time, not all client accounts are in the Composite, and even for those in the Composite, there can be dispersion, particularly 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.

Chart 1 was produced by Bloomberg and has not been verified by HSMP. The bottom portion of Chart 2 was produced by S&P Dow Jones Indices and we have not verified the accuracy of its data.

The upside [downside] capture ratios were computed by dividing the cumulative annualized return of the HSMP Composite (net-of-fees) in months of positive [negative] index returns by the cumulative annualized return of said corresponding index for those same months.

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).

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