March (23rd) On

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Remaining true to our investment principles amidst the Global Pandemic

Strange Days Indeed

The annual December 8th sojourn to the garden solitude of Central Park traversed a worn path. The pilgrimage to *Strawberry Fields*, a short walk from the bustle of John Lennon's NYC home, was celebratory and hopeful, a peaceful exhibition of resilience amidst the despair of the global health crisis of our lifetimes. The brilliance of the musical and creative genius of a generation was taken far too soon; and the forty years since his 1980 passing are bridged by the marriage of lyrics and melodic harmony as poignant today as *Yesterday*. I *Imagine* he'd reflect on 2020 as *Strange Days Indeed* (*Nobody Told Me*).

At the intersection of K Street, where Wall Street rises while Main Street struggles, we are reminded of: the importance of family and friends; the need to lend a helping hand; the selfless deeds of frontline workers, health care professionals, doctors, nurses, researchers; those willing to roll up their sleeves in experimental trials to endure potential risk for the greater good; the might of our military and the public/private partnership that allowed Operation Warp Speed to meet its lofty designation; the importance of simple acts of kindness – a smile, a thank you – to the heroes and heroines of these Strange Days.

As I pen this piece, one must marvel at the pace with which COVID-19 vaccine distribution has begun – a literal shot of hope in the arm of millions of citizens from all corners of the globe. In a year notably absent of light, the transformational medical breakthrough of our lives is the most illuminating star we could have ever dreamed of as 2020 draws to a close.

Marriott CEO Arne Sorenson observed in late March, "In terms of our business, COVID-19 is like nothing we've ever seen before. For a company that's 92 years old, that's borne witness to the Great Depression, World War II, and many other economic and global crises, that's saying something." He also characterized the Coronavirus outbreak as worse for business than 9/11 and the 2008 financial crises combined. That, too, is saying something.

And how did financial markets behave amidst such social and economic shock? With a volatility unprecedented in my four-decade career, bridged by the depth of the March 23rd trough to the glee of December's record highs.

See pages 8-10 for important disclosures.

On J.P. Morgan's 2nd Quarter 2020 earnings conference call, CEO Jamie Dimon offered his thoughts on the economic and market oddities we've witnessed:

"So, and just to amplify, in the normal recession, unemployment goes up, delinquencies go up, charges go up, home prices go down, incomes go down, savings go down. None of that's true here. So it's just very peculiar times."

The days of 2020 have been Strange Indeed, and the market has adopted a March On attitude breathtaking in scope and value creation.

Powell's Prescription: Liquidity as Elixir

It is hard to describe the voraciousness with which markets tumbled in fear, only to inflect to extreme optimism in what seemed like the blink of an eye. March 23, 2020 and March 9, 2009 share a flash that ushered in the start of a material rebound in equity markets, a restoration of confidence, and, as markets lead economic activity, a harbinger of improving - albeit still fragile – macro realities.

While bear markets have traditionally averaged 20 months, the 2020 version was over in a bit more than one month (Table 1); bulls quickly rushed bears back to hibernation. The fall from an all-time high in mid-February to bear market territory one month later represented a very sharp decline, and the bear market was the briefest on record.

Table 1

BEAR MARKETS HISTORICALLY AVERAGE
DECLINES OF ABOUT 40% OVER 20 MONTHS

S&P 500 Bear Markets

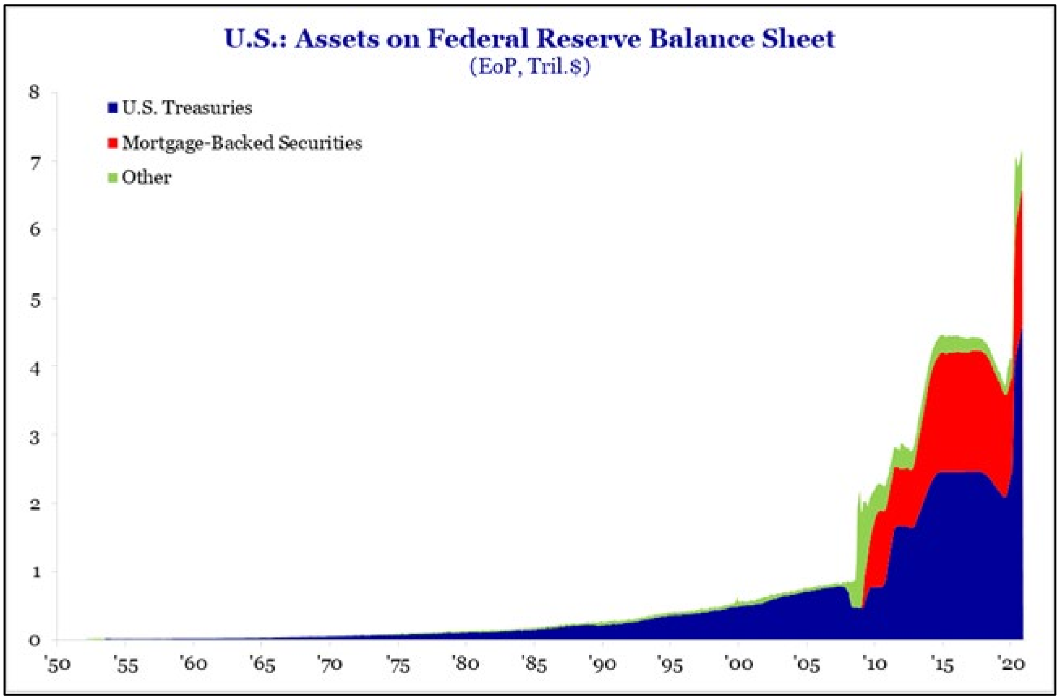
Start Date	Start Price	End Date	End Price	Duration (Months)	Percent Change
9/16/1929	31.9	6/1/1932	4.4	32	-86.2%
3/10/1937	18.7	4/28/1942	7.5	62	-60.0%
5/29/1946	19.3	6/13/1949	13.6	37	-29.6%
8/2/1956	49.7	10/22/1957	39.0	15	-21.6%
12/12/1961	72.6	6/26/1962	52.3	6	-28.0%
2/9/1966	94.1	10/7/1966	73.2	8	-22.2%
11/29/1968	108.4	5/26/1970	69.3	18	-36.1%
1/11/1973	120.2	10/3/1974	62.3	21	-48.2%
11/28/1980	140.5	8/12/1982	102.4	20	-27.1%
8/25/1987	336.8	12/4/1987	223.9	3	-33.5%
7/16/1990	369.0	10/11/1990	295.5	3	-19.9%
3/24/2000	1527.5	10/9/2002	776.8	31	-49.1%
10/9/2007	1565.2	3/9/2009	676.5	17	-56.8%
2/19/2020	3386.2	3/20/2020	2304.9	1	-31.9%
		Average		20	-39.3%

Source: Used with permission of Strategas Research Partners.

The Treasury and the Federal Reserve responded to the global public health crisis with the equivalent of a financial stimulus antitoxin. Liquidity administered by a dramatic increase in the Fed balance sheet and U.S. deficits (see Charts 2 and 3) accompanied the $2.2 Trillion CARES Act. The economic recovery, less ebullient than the financial market response, has nonetheless well surpassed the bleak 1Q forecasts for year-end unemployment and other measures of activity as we enter 2021.

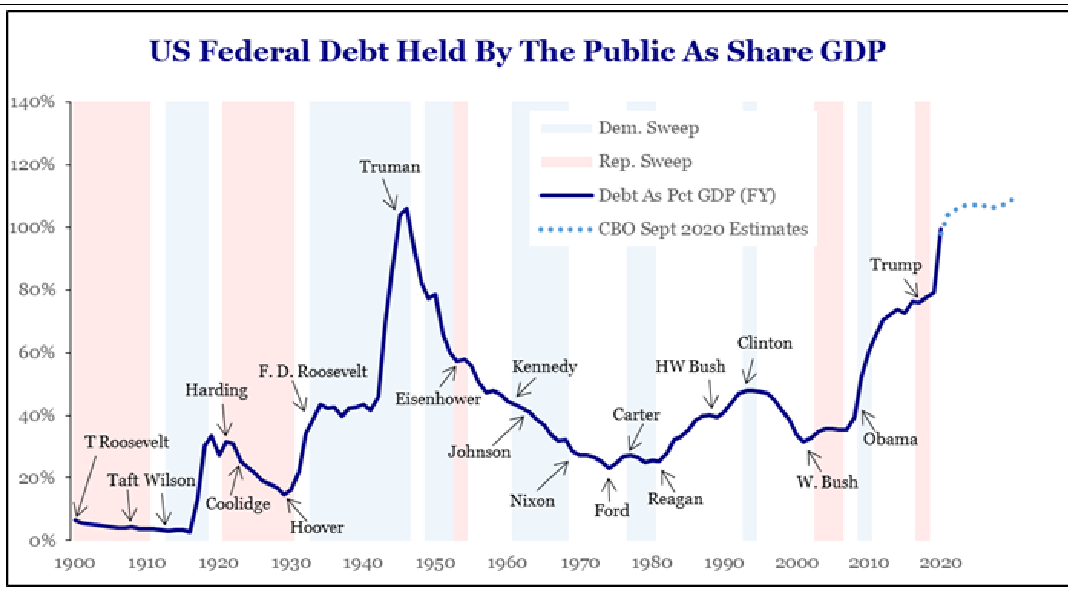
See pages 8-10 for important disclosures.

Chart 2



Source: Used with permission of Strategas Research Partners

Chart 3



Source: Used with permission of Strategas Research Partners.

The fear gripping financial market participants found an old reliable friend in 10-year Treasuries, and the forty-year punch bowl of ever cascading rates was spiked for yet another round (see Chart 4). With nearly $18 trillion in negative yielding debt around the world, and negligible returns on fixed income instruments generally, the allocation of capital became less about unsavory alternatives and more about entering the field of play for the only game in town.

See pages 8-10 for important disclosures.

Chart 4

Source: Used with permission of Strategas Research Partners.

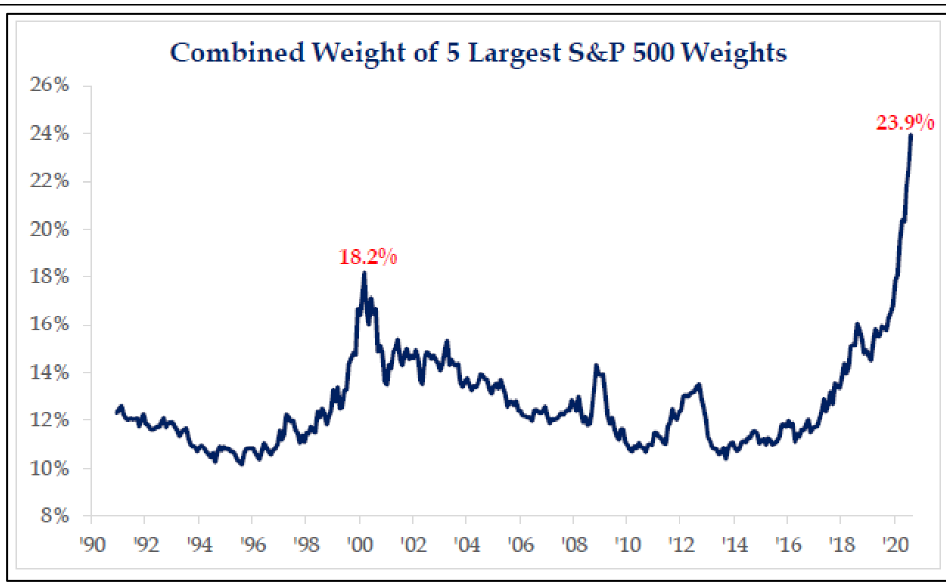
The Only Game in Town

So what was an investor to do? Go long equities, young lad!

And oh, how they listened, with a notable holiday cheer for tech. Over our shoulder, the set-up for tech was rather inviting: record low interest rates justified lofty future cash flow valuations; pristine balance sheets – in some cases with credit ratings above that of the U.S. government – allayed pervasive liquidity fears; the prospect of a pandemic induced, more growth deprived world colluded with record low rates to rationalize the ascension of tech PE's as growth scarcity became more richly prized; and the amplification of remote work, virtual education, self-directed wellness, prepared/grocery residential food delivery, telemedicine, e-commerce and more were behavioral human adaptations that only massively scalable platforms could accommodate.

Chart 5 captures the astonishing rise in capital directed at an increasingly narrow collection of businesses.

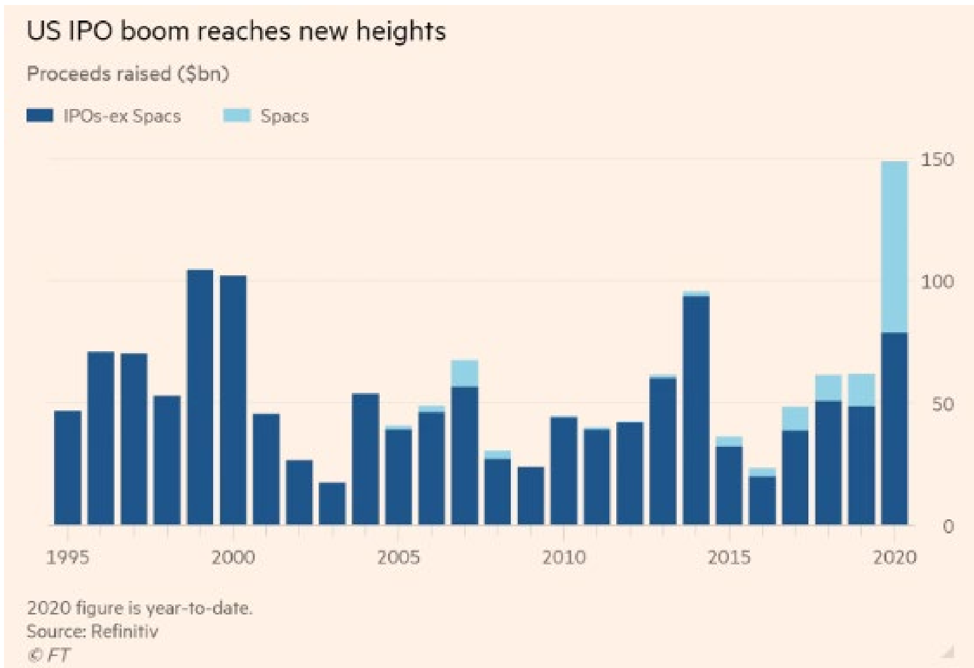
Chart 5



Source: Used with permission of Strategas Research Partners.

The largest capitalization equities now occupy a perch one-third higher as a percentage of the S&P 500 (~24% vs. 18%) than existed at the apex of the dot-com bubble. A certain irrational exuberance has also lined the coffers of newly minted public companies, as evidenced by the record pace of IPOs, including SPACs (Chart 6). Cheap money, weak investment alternatives and the perfect storm of business model attributes to satisfy radical shifts in how commerce is conducted in a public health crisis have proven to be big tech elixir.

Chart 6



Navigating With No Historic Financial Market GPS

The year has also been one of difficult choices, and duality has become manifest in bimodal behavior. Bimodalism not only sadly exists on K Street; this or that has become a narrative destination on a 2020 journey with waypoints yay or nay – no rest stop at perhaps. It's buy or sell – no holds allowed. Such thinking permeated much of society – mask/no mask, open/close, urban/suburban, blue/red – and financial markets in 2020: stay at home stocks vs. return to work, tech vs. everything else, cyclicals vs. defensive positioning, bitcoin loved/bitcoin loathed. We do not subscribe to such linear outcomes, finding opportunities on both the buy and sell side from the prevailing narrative. HSMP took advantage to invest in what we believe are good businesses at compelling valuations; the left behind patrons who did not fit neatly into the bimodal conversation. Our activity could be summarized in three phases: balance sheet centric at the recognition of the crisis; positioning to identify businesses that could operate in a climate of pandemic influenced sub-par global economic growth; and a realization that certain behavioral changes are likely to persist long after society is widely inoculated, and that certain companies had become more sustainably relevant as a consequence. (See Phases dated June 5, 2020 and Third Quarter Investment Perspective dated October 8, 2020.)

The changes made effectively enhanced the quality of client portfolios and yielded two primary benefits. Compared with our positioning early in the year, a higher percentage of companies populating client portfolios have maintained or issued guidance, maintained and/or raised dividends, and in some cases maintained or resumed share repurchases. And we believe we have managed to enhance the portfolio while not being

See pages 8-10 for important disclosures.

extended from a valuation perspective. Our work has also wrought the prospect of portfolio earnings in 2021 comfortably exceeding that which were realized pre-pandemic in 2019 (see Table 7).

Table 7

V Aggregate Portfolio EPS & Valuation Analysis

	2019	Y/Y % Change	2020E	Y/Y % Change	2021E
Indexed EPS	100	+4.2%	104	+16.7%	122
P/E Ratio	25.9		24.8		21.3

Based on HSMP estimates as of 11/30/20. *Please refer to pages 8-10 for additional information.*

Now and Then: Recency Bias and the Body of Work

The HSMP investment tagline "investment styles ebb and flow…fundamentals never go out of favor" is one that has served our clients well. The fundamentals of identifying quality businesses, of assembling those businesses into a concentrated portfolio with advancing earnings and cash flows, and the fundamental precepts of maintaining a valuation discipline are principles to which we adhere in managing client assets. All elements of our investment discipline matter, and our valuation resolve has become perhaps more the object of our affection as the market has taken a somewhat indiscriminate, cavalier view of the same, capitalizing future cash flows – some far out on the horizon, if realizable at all – at exceedingly high rates.

Compartmentalizing our performance history offers some perspective. Our long-term body of work pre-pandemic (4/1/07-12/31/19) as compared to our year-to-date performance offers a useful construct in what has certainly been the most bizarre year of my investment career. Table 8 highlights the two intervals, exhibiting the HSMP Composite performance together with the factors most influential during each period.

Table 8

Factor	Ticker	4/1/2007 - 12/31/2019 Cumulative	4/1/2007 - 12/31/2019 Annualized
HSMP Composite (net)		**348.5%**	**12.5%**
Russell 1000 Growth		284.9%	11.2%
Quality	BCSUQLTL Index	278.1%	
Size	BCSUSIZL Index	212.3%	
S&P 500		197.9%	8.9%
Momentum	BCSUMMTL Index	157.7%	
Value	BCSUVALL Index	154.5%	
Growth	BCSUGRWL Index	135.6%	
Volatility	BCSUVOLL Index	111.7%	

Factor	Ticker	1/1/2020 - 11/30/2020
Volatility	BCSUVOLL Index	46.1%
Growth	BCSUGRWL Index	35.3%
Russell 1000 Growth		32.4%
Momentum	BCSUMMTL Index	32.0%
Quality	BCSUQLTL Index	15.9%
S&P 500		14.0%
Size	BCSUSIZL Index	12.3%
HSMP Composite (net)		**11.9%**
Value	BCSUVALL Index	-14.4%

Source: HSMP, Barclays, Bloomberg. HSMP 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 pages 8-10 for additional information.

As long-term clients know, our focus is on delivering positive absolute returns and for such absolute returns to yield positive relative returns over time. We take a benchmark agnostic approach (for more, see "Means to an

End" dated 12/11/2019). As shown, our body of work over the first 51 quarters of our existence – just shy of 13 years – produced attractive absolute and relative returns. Hard work, prudent portfolio management, and a dose of good fortune were constant companions, and the "factors" that mattered to investors were the same time-honored standards core in our investment process: quality and size mattered most, and value closely followed momentum (not a game we play) over that long duration. The eleven months of 2020 through November – with as short a bear market as has ever been realized and a pandemic influenced, liquidity fueled burst of tech enthusiasm – saw an embrace of volatility, growth and momentum. Quality was only one-third as important as was volatility, and size and value trailed, with value actually a negative factor in the year-to-date series.

Noteworthy is that HSMP's year-to-date performance has been consistent with the approximate 12% per annum return (net-of-fees) we'd demonstrated in the first thirteen years of our existence; the outlier returns this year relative to history were exhibited by the indices. The year 2020 has been anomalous in many, many ways, and we recognize there will be stretches – sometimes long, always painful – when what we prize as investors is eroded by the tide of sentiment rolling ashore. The shifting sands do not suggest to us that the principles upon which we invest have been legislated away or are no longer important. What have you done for me lately is a hard-wire reaction of human nature, often leading in our profession to positive asset flows as capital chases the hot hand with the best year-to-date return. The hare has enjoyed a banner year with a sprint in record time. We quite like the tortoise shell and appreciate marathons can only be completed with the proper pace.

All I Want is the Truth

In the end, our relationship with clients is a partnership wherein we forge a covenant to operate in a manner consistent with our pledge; we do what we say we'll do in managing clients' scarce capital. That is our truth – to abide by the oath of principles upon which clients selected us. The social media obsessed and politically divisive world in which we live does in some corners succeed in rendering truth a theorem. Our way of processing facts can't wrap itself around such cerebral novelty – ahem, frivolity. As John Lennon implored, "All I Want is the Truth…Just Gimme Some Truth." Words to live by.

From all HSMP team members to all of you, the truth is we want to extend our sincerest appreciation for the trust and confidence you've shown in us. Our very best wishes for a Happy and Healthy Holiday Season and a better tomorrow.

A special thank you to essential workers far and wide, up and down the line. You are agents of hope and an inspiration to us all.

HSMP Composite Performance as of 9/30/20

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

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 8-10 for important performance and disclosures information.

See pages 8-10 for important disclosures.

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
3Q20	3,257	3,134	282	9.69%	9.50%	8.93%	13.22%	0.15	18.84	17.49	18.78
2Q20	3,186	3,042	287	23.54%	23.31%	20.54%	27.84%	0.11	18.64	16.71	17.40
1Q20	2,674	2,602	292	-24.29%	-24.42%	-19.60%	-14.10%	0.28	16.56	15.00	15.19
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.			

* 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, 2020. 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, 2020. 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 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 8-10 for important disclosures.

IMPORTANT DISCLOSURES

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. This piece represents our opinion as of 12/21/20 based on our understanding of market conditions and publicly available information. This piece is written from the perspective of our investment philosophy and strategy, Composite performance, and estimated outlook and metrics, and does not refer to any specific client account (client accounts can have higher or lower performance than that shown here or than our Composite). When we use Composite, we mean our HS Management Partners Concentrated Quality Growth Composite, and when we use the portfolio/our portfolio/your portfolio(s), 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). 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. The performance shown here 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. This piece has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or portfolio/client portfolio outlook); there is no assurance that forward-looking statements are accurate as actual results and future events can differ materially from our assumptions. The 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 a base 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.

See pages 8-10 for important disclosures.

- 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.

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.

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, and free cash flow 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).

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 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.

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 8-10 for important disclosures.