H S
MANAGEMENT PARTNERS, LLC

HS Perspectives

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

640 Fifth Avenue, 18th Floor
New York, NY 10019
info@hsmanage.com
www.hsmanage.com

June 30, 2022

The Reunion

Gregory A. Nejmeh, CFA
Partner & President

Yesterday

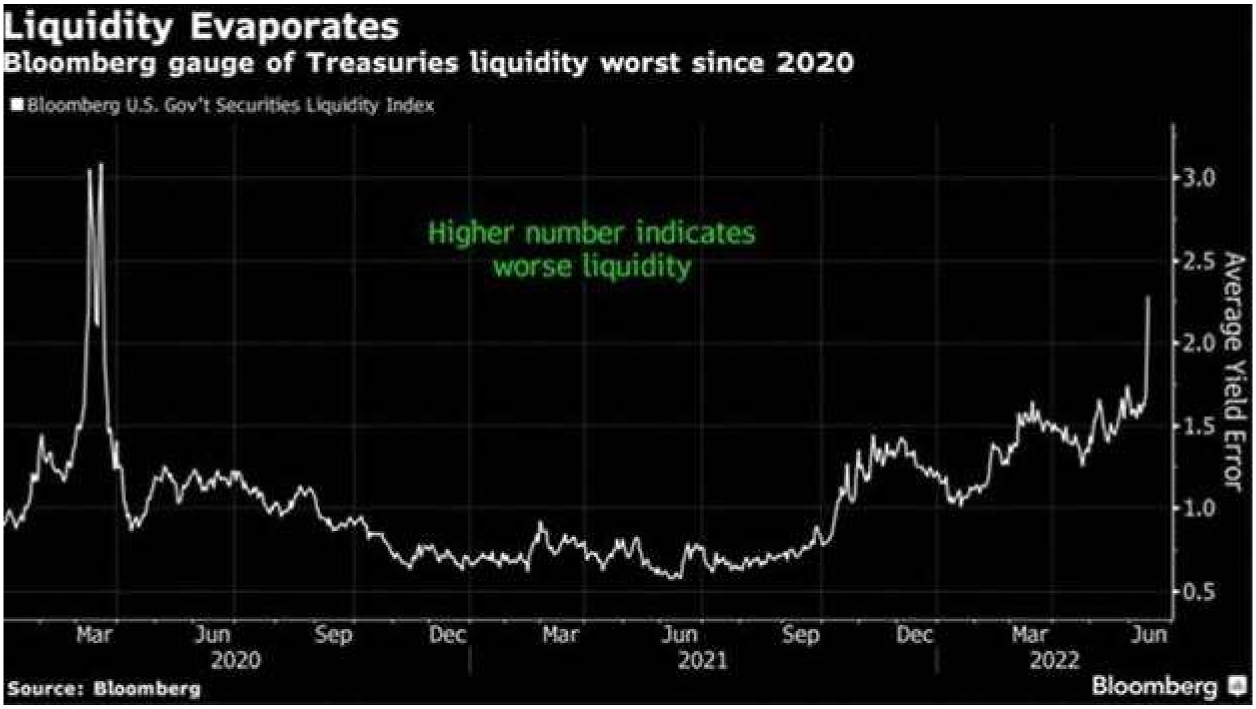
My wife Michele and I recently attended the last show on Paul McCartney's U.S. Tour at MetLife Stadium in northern New Jersey. The last time we'd been to that venue for a show was pre-pandemic in the summer of 2019 to see The Rolling Stones, and it felt good to see another of the transcendent artists of our generation perform. On the eve of Sir Paul's 80th birthday, the crowd appropriately serenaded McCartney, and he returned the favor with a rollicking version of "Birthday".

While "Yesterday" was not among the classics performed, the lyrics nonetheless remind me of the state of financial markets: "Yesterday, love was such an easy game to play, now I need a place to hide away, Oh I believe in yesterday." Yesterday, making money in stocks, bonds, crypto, real estate, commodities, NFT's, Meme stocks, SPACs was an easy game to play...and now many need a place to hide away...ah for yesterday. Maybe I'm Amazed - and perhaps I shouldn't be - at the greed to fear mentality that plays out repeatedly, underpinning market cycles.

Easy money enabled making money easy; tighter monetary policy will render making money harder, as the first half of 2022 has made so plainly and painfully clear. The Golden Age of massive liquidity promoted an ascension of asset values of all stripes – the Everything Rally – and reminds me of the concept of participation trophies in grade school – show up and get a shiny toy. That thrill is gone, stored in a corner of market excesses, someday (though no time soon) to rise again.

The Reunion: Bond Market Vigilantes Party Like It's 1979

Like an old friend we've not seen in a long time, bond market vigilantes haven't changed much over the years. Sure, they've gotten older, perhaps wiser, though the same investment approach that defined that niche of the market so many years ago hasn't changed one bit: the forty-year hibernation of the bond market vigilantes is over, and the bear market in bonds suggests lots of pent-up frustration was stored in that four-decade slumber. Bond market weakness has been aggravated by a decline in market liquidity, as seen in the chart below.



We've written extensively about the specter of interest rates rising to combat inflationary pressures occasioned by too much liquidity chasing too few goods (see The Last Waltz, The Fed Put is Ka(Put), Behind the Wheel).

As my partner and our CIO Harry Segalas and I have commented on in written communiques to clients, we have endured three Black Swan experiences since opening our doors to clients fifteen years ago: The Great Financial Crisis, The Global Pandemic, and the inhumane invasion of Ukraine by Russia. In response to the first two crises, the Fed administered massive liquidity in the form of Quantitative Easing to avert systemic risk. In so doing, the Fed balance sheet ballooned to ~$9-$10 trillion in the past decade.

As inflation has advanced to a forty-year high, the Fed has begun the long process of unwinding its balance sheet at a rate of ~$1 trillion per year, reducing liquidity to slow the economy sufficiently to tame inflation while avoiding recession. It is a very tall order, one Fed Chair Powell acknowledges will be quite challenging to achieve, and the markets alternately focus on one or the other, believing lower inflation and continued economic expansion cannot co-exist. What is abundantly clear is that the loose change since the GFC is gone, replaced by serious belt tightening in the span of six months; a wrenching recognition in the form of widespread asset value diminution has ushered in the new normal.

Opportunity in Adversity

At HS Management Partners, we anticipate our days in the arena (notwithstanding the fact the bears have backed the bulls into a corner), applying our investment philosophy and approach in a manner we believe will add value to client assets over time.

The table below highlights the P/E diminution our portfolio has experienced as rates have advanced. As striking as is the decline in the forward earnings multiple, the most stunning change is the doubling in yields as captured by the rise in 10-year Treasury yields in the span of six months! Crypto isn't the only asset class in winter.

HSMP Valuation Metrics
Weighted Earnings Portfolio Metrics

	12/31/2021	**6/28/2022**
FTM Estimated P/E	21.6x	15.5x
FTM Earnings Yield	4.6%	6.5%
Current 10-Year Bond Yield	1.5%	3.2%
Earnings Yield/Bond Yield	3.1x	2.0x
Indicated Dividend Yield	1.6%	2.1%
FTM Free Cash Flow Yield	4.4%	5.8%

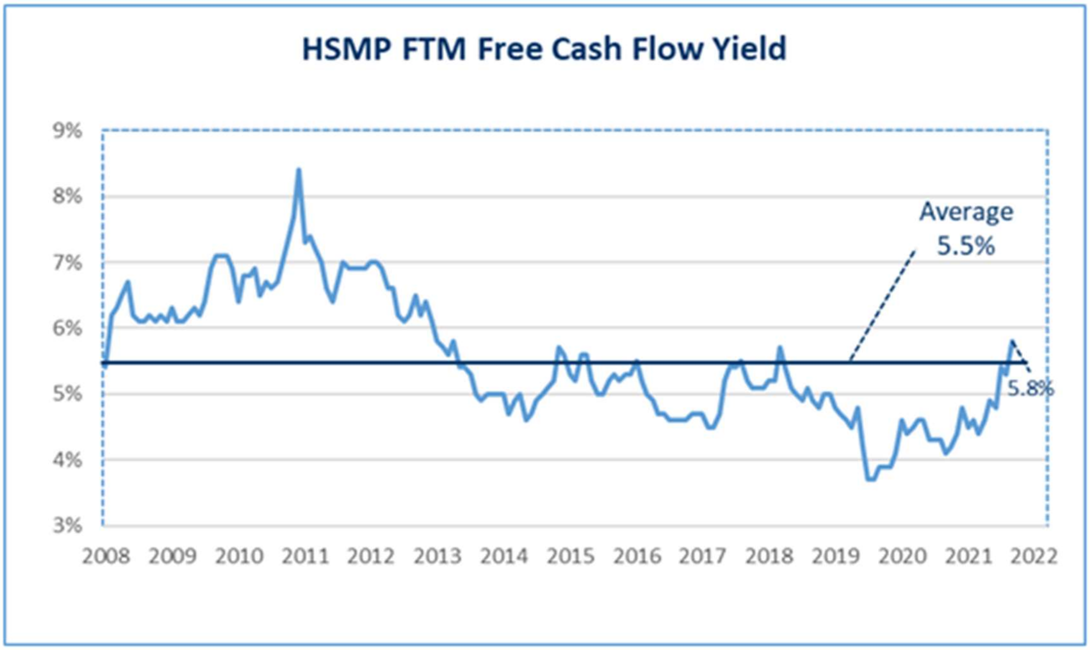
Note: Based on HSMP estimates as of 6/28/2022. Please refer to pages 5-7 for additional information.

Our approach amidst such chaos is to remain composed and focus on the principles that we believe have served clients effectively over the long term. Identify and own what we deem to be quality business models, assemble a concentrated portfolio of 20-25 securities that represent our best thinking and that we think collectively offer the prospect of above average earnings and cash flow growth, and be very attentive to valuation.

Our multi-dimensional, benchmark agnostic approach affords us inherent flexibility to invest across the growth continuum from established to higher growth businesses, down the market capitalization scale, and to embrace non-U.S. domiciled businesses that in our opinion satisfy our qualitative criteria.

As Harry has outlined (and will outline) in his Quarterly Investment Review, recent portfolio changes have allowed us to initiate select positions in non-consumer businesses that we think enjoy attractive prospects as the world order has shifted.

We believe a highly desirable aspect of our portfolio companies is the ability they've demonstrated over business cycles to generate free cash flow. As a core tenet to a quality business, free cash flow and balance sheet strength take on even greater significance in times of market duress and illiquidity. Free cash flow also affords businesses the opportunity to reward shareholders with dividends and share buybacks and to do so without compromising the application of cash flow to business reinvestment.



Note: Based on HSMP estimates since 12/31/09 through 6/28/22. Please refer to pages 5-7 for additional information.

As the table above highlights, the dividend yield of our client portfolios is just over 2%, and the free cash yield is approaching 6%. That differential should allow for flexibility to continue to raise dividends in the years ahead. Over time, dividends have been an important component of total shareholder return. A report by Strategas highlighted the fact that dividends made up nearly 60% of the total return, on average, each decade for the S&P 500 since 1930. Today, well over 80% of our holdings pay dividends, and the Portfolio presently yields 2.1% (average dividend yield). Slowing earnings growth and the likelihood of limited multiple expansion given the interest rate climate may well translate to dividends being a more highly sought component of total return, as has been the case for decades.

In a climate where rising interest rates and slowing economic growth are placing a lid on P/E multiples, the historic importance of dividends may take on greater significance. Those companies in a position to increase dividends could attract more capital, thereby providing an assist to P/E multiples. After a difficult six-month stretch, rewarding clients with rising dividends to counter stubborn inflation would represent sweet music indeed.

Oh, I believe in Yesterday...I believe the corrective phase we've been in will pass (see This Too Shall Pass, May 26, 2022) ... and the optimistic realist in me believes in a better tomorrow.

A pleasant and safe summer to all.

HSMP Composite Performance as of 03/31/22

	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)	-8.1%	10.7%	18.4%	16.8%	15.9%	12.8%	512.3%
S&P 500® Index	-4.6%	15.7%	18.9%	16.0%	14.6%	10.3%	333.0%
Russell 1000® Growth Index	-9.0%	15.0%	23.6%	20.9%	17.0%	12.9%	518.6%

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 5-7 for important performance and disclosures information.

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
1Q22	**3,563**	**3,436**	**278**	**-7.97%**	**-8.14%**	**-4.60%**	**-9.04%**	**.34**	**19.65**	**17.51**	19.20
2021	3,927	3,813	281	31.43%	30.51%	28.71%	27.60%	.64	19.31	17.17	18.17
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.			

* 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 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, 2022. 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, 2022. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.

.

IMPORTANT DISCLOSURES

This piece represents our opinion as of 6/30/2022 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, free cash flows, earnings-per-share (EPS), price-earnings ratios (P/E), growth rates, dividend yields, 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, even materially, from our assumptions. 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.

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 Liquidity chart on this piece was obtained from the indicated third-party source which we believe reliable, but we did not verify, nor do we guarantee the accuracy of this information. 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, 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).

This document includes general information and has neither been tailored for any specific recipient nor consider your/anyone's particular investment needs. Accordingly, the information herein is not intended to cause HSMP to become a fiduciary within the meaning of the Investment Advisers Act of 1940, the Investment Company Act of 1940, Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986–all as amended.

When we use HSMP, HS Management Partners, or Firm, we mean HS Management Partners, LLC.

Trademark and Copyright Disclosures: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell 1000® Growth Index. Russell® is a trademark of Russell Investment Group. S&P 500® Index is a registered trademark of Standard and Poor's Financial Services LLC, a division of the McGraw-Hill Companies, Inc. Standard & Poor's is the owner of the trademarks, service marks, and copyrights related to its indexes. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Neither Standard and Poor's nor Russell Investment Group nor CFA Institute endorses, promotes, or sponsors HSMP. The marks, trade names, or copyrighted work included in this document are mentioned for identification purposes only and are the property of their respective owners.