HS MANAGEMENT PARTNERS, LLC

HS Perspectives

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

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December 14, 2021

Behind the Wheel

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Partner & President

The Road Ahead

Ford's recent announcement of a record $11.4 billion investment in electric vehicle capacity – the most ambitious commitment in the company's illustrious 118-year history – got me to thinking about how best to retool my garage for the transition to an EV ride in the years ahead. More relevant to our clients is what will power financial markets and HS Management Partners' (HSMP) Concentrated Quality Growth Equity portfolio in the months and years ahead.

While electric vehicles are becoming more widely adopted, autonomous vehicles still make us a bit uneasy; we prefer to control the wheel. Similarly, when it comes to investing client assets, we at HSMP believe active management adds value. The autonomous vehicle investment equivalent – passive investing, better known as indexing – lacks the control we prefer in managing client finances. This is notably true at a time when indices are somewhat top heavy with a concentration of mega-cap tech businesses occupying a historically large percentage of popular indexes. Together with high valuations and mounting political, economic and public health uncertainties, we have no interest in autopiloting client assets.

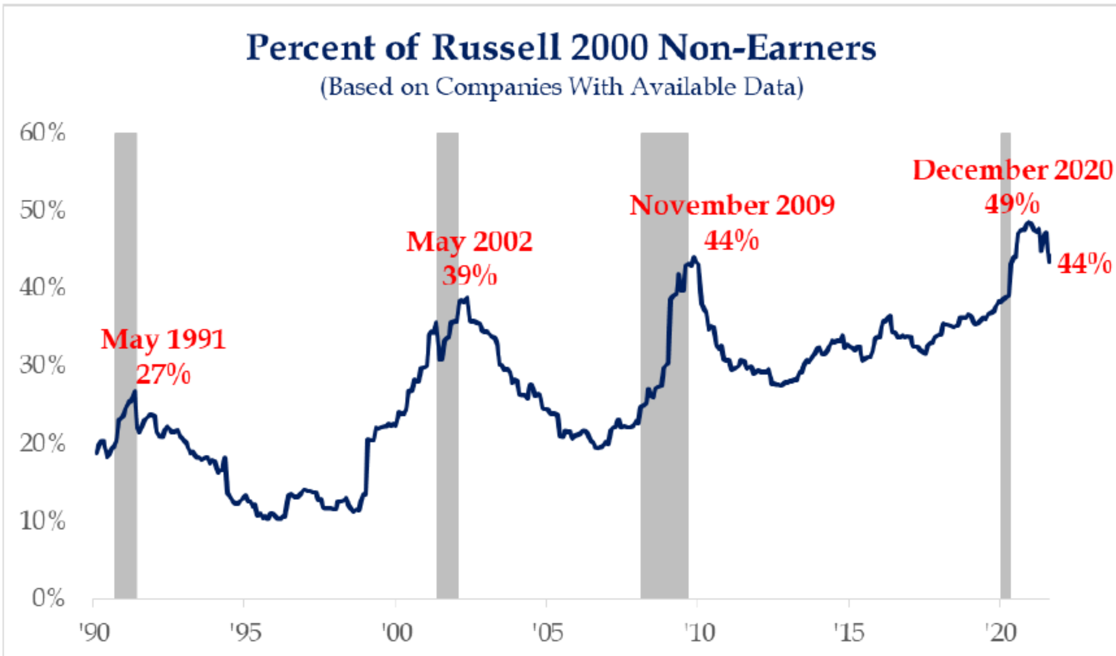
At HSMP, we take the wheel prepared for the daily trading day adventure, looking to steer client portfolios in a manner that drives positive absolute returns over time. And, notwithstanding our benchmark agnostic philosophy, to do so in a manner that hopefully produces a relative advantage to broad indices. Increasingly, we've pondered the road traveled the last 21 months, and, of more significance, gazed through the windshield at what may well fuel returns prospectively.

2020: Liquidity Driven

The response to the global pandemic by policy makers and central bankers of all persuasions was swift, coordinated and abundant. By most measures those actions proved highly effective in stabilizing financial market conditions as a precursor to averting a potentially catastrophic economic crisis. Of course, the outcomes were not universally positive nor equitably realized, with richer nations faring better, an expansion in affluent households' wealth advantage, rising inflation, and, by some accounts, asset bubbles in instruments that didn't so much as exist in the financial vernacular at the start of 2020: NFT's, Crypto, SPACs, MEME stocks and The Metaverse, as examples.

Not to be left behind, and as shown in the chart from Strategas below, unprofitable businesses have been among the largest benefactors of the liquidity swell (for more, see our thought piece entitled "After the Deluge", May 6, 2021). Unintended consequences notwithstanding, the actions of the Federal Reserve and U.S. Treasury – and the corollary institutions in the halls of the European Union and core Emerging Markets from Beijing to New Delhi and Brasilia – fortunately subscribed to the same memo. An unsavory meltdown was avoided.

% OF NON-EARNERS NOW BACK TO 2009 PEAK



Note: Used with permission from Strategas (Investment Strategy Report dated 11/29/2021).

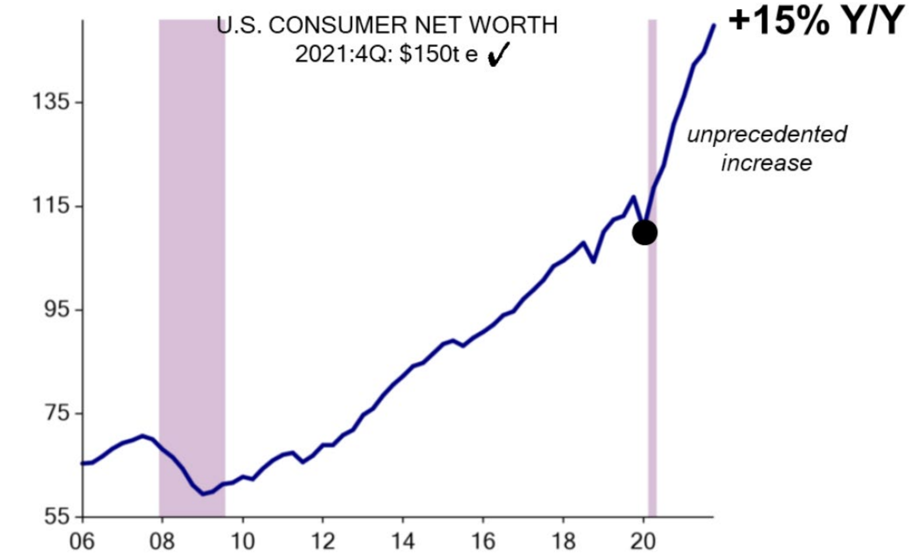
The initial mid-February '20 shock associated with the realization we were in the grip of a global pandemic led to a severe market downturn, though the bear was abruptly stopped by a raging bull on 3/23/20, and the beast has yet to be corralled as we pen this piece. Given the absence of earnings guidance throughout much of 2020, the market recovery was largely liquidity driven. Indeed, many companies understandably suspended earnings guidance, eliminated or reduced dividends, and/or halted share buyback activity.

As the year drew to a close, companies gradually began to wade back into the guidance pool. Those businesses who'd witnessed meaningful share gains and whose models gained relevancy – digitization, we believe, has proven a competitive differentiator among those who'd invested wisely behind such initiatives pre-pandemic – offered a glimpse into this calendar year.

2021: Earnings Driven

At the start of '21, we sensed earnings expectations were too conservative. HSMP is very much bottom up in our approach, though we recognize and embrace that the macroeconomic backdrop matters a great deal. Notwithstanding that valuations appeared somewhat extended in January, we realized that P/E is a ratio whose reliability pivots on getting the denominator approximately right rather than precisely wrong.

Our attention to business model details, coupled with inflation induced rising price realizations, robust consumer balance sheets/confidence (as shown in the chart from EvercoreISI below), and liquidity, whose multiplier effect was just beginning to filter into the economy, supported our conviction. COVID vaccine availability bolstered our view that earnings could well surpass expectations and that valuations were therefore more reasonable.



Note: Used with permission from EvercoreISI (as of 12/10/2021).

The graph below from Morgan Stanley captures the positive revision breadth throughout late ’20 and well into ’21. Accommodative central bank tendencies – some refer to the elongated dance toward higher rates as a slow waltz, and lower for longer as symbolic of an Infinity Fed – also factored favorably for the risk-free rate contained in the capital asset pricing model, and hence capitalization rates applied to future cash flows.

S&P 500 Earnings Revisions Breadth

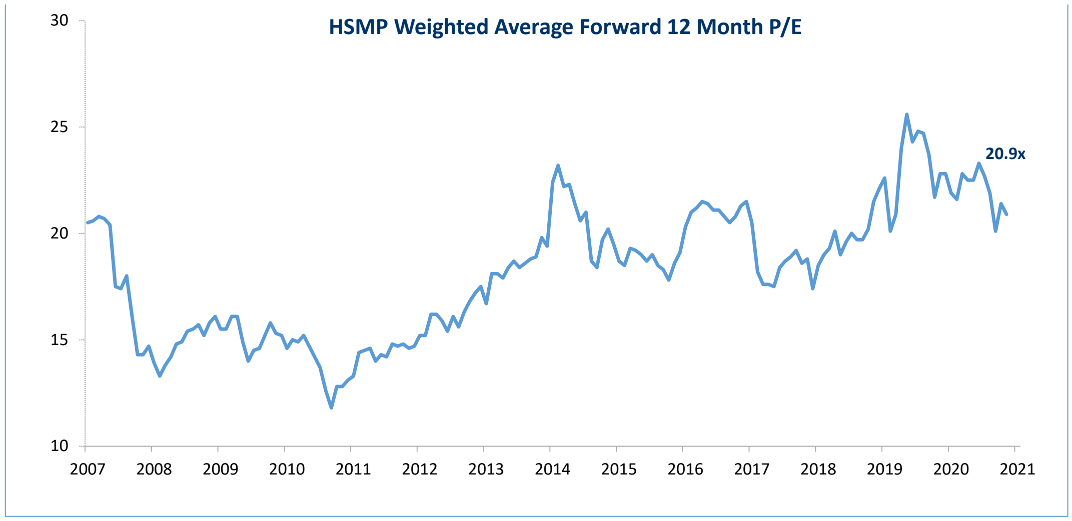
Note: Used with permission from Morgan Stanley (as of 12/10/2021).

2022: Valuation takes the Wheel

With a deluge of liquidity and notably positive earnings surprises now largely discounted by investors, what’s likely to power HSMP’s Portfolio tomorrow? Liquidity and earnings will continue to be our core determinants, though the rate of change associated with those variables is likely to dissipate some in importance. We believe valuation could well be the factor driving returns as ’22 beckons.

HSMP's investment philosophy has consistently been grounded in identifying quality businesses, growing the portfolio and cash flow streams, and being vigilant with respect to valuation. As depicted in the charts below, we have managed the portfolio with attention to the forward P/E, and valuation today is similar to when we opened our doors to clients back in '08. As such, we do not view the valuation of HSMP client portfolios as extended at this time.

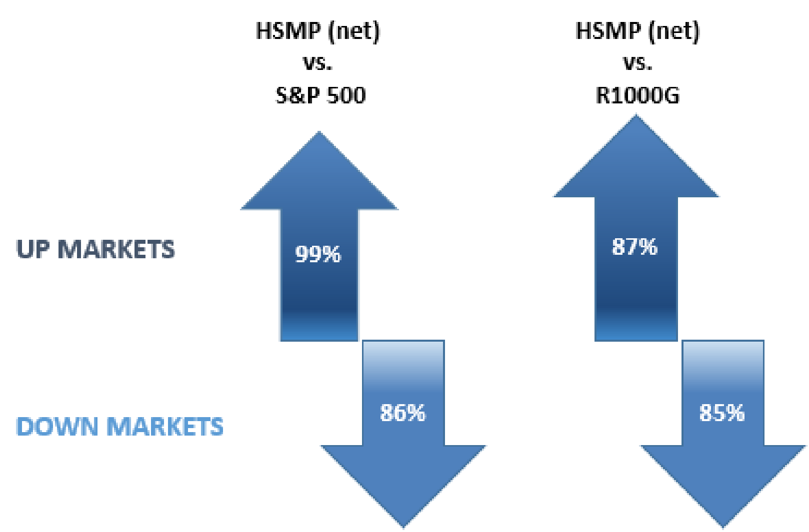
Current Valuation



Note: Based on HSMP estimates since inception (4/1/07) through 11/30/21. Please refer to pages 6-8 for important information.

Our performance over time is a compilation of our so called "upside/downside" capture ratio, or simply the degree to which we participate in market advances as well as preserve capital in more difficult market environments. We've experienced far fewer instances where the market declined in a given month than advanced since inception (over the 176 months since the inception of our performance track record to 11/30/21, the market has advanced in 119 and 112 months while declining 57 and 64 months based on S&P500 and R1000G indices, respectively). We have managed to capture a good portion of the upside while preserving capital reasonably effectively in down markets, and that has yielded what we consider a respectable net-of-fee since inception composite performance.

Upside and Downside Capture Ratios



Note: Analysis of monthly, net-of-fees Composite performance returns since inception (4/1/07) through 11/30/21. Composite performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. Please refer to pages 6-8 for important performance information.

I am intrigued at the prospect of transitioning my driving experience from a combustion engine to an electronic vehicle. EV's have come a long way, and the technology is changing rapidly as is the number of entrants, some traditional vehicle producers, many Newco's with novel approaches.

Novel approaches are also being applied to rationalize equity market valuations after an extended period of above trend line returns. Such novelty (frivolity?) is noteworthy, for the run has attracted younger participants (Reddit, Robinhood, et al) with new thoughts on the art of investing. Their ride has been smooth and largely paved in green, as the path has steadily ascended in the direction of portfolio appreciation. Dare we say it has looked easy?

The Designated Driver

Alas, valuing companies is not like embracing new vehicle technologies. We believe in time tested foundational investment principals, truisms that mattered yesterday, today, and will be applicable tomorrow. Price/forward twelve-month earnings, price/forward free cash flow yield, balance sheet metrics including net debt/net cash positions, credit ratings, and spreads identifying credit risk (and others) are among the basket of valuation tools we routinely employ.

The valuation tenets have served us and our clients well over the forty plus years the partners of HSMP have experienced investment and economic cycles. In effect, clients call upon us to be the adult in the room, the designated driver, the responsible one at the bar after the financial punch bowl has been consumed many times over. The public health crisis of our lifetimes, with the Omicron variant the latest concern, only affirms our conviction in the importance of valuing businesses in a fashion that is objective and reasoned.

As excited as I am to consider new modes of transportation, no set of wheels has proven as therapeutic, as enjoyable, as reliable as my handcrafted, made in the U.S.A. Serotta bicycle. Relying on your own source of power, inspiration and acquired judgement – like relying on traditional principals of investment valuation – has been a just reward over many miles of market cycles.

Enjoy the ride.

Wishing all a Happy, Healthy and Joyous Holiday season.

P.S.

I had the privilege of attending the 122nd Army-Navy game on Saturday. It was a special experience as I attended with my son Greg. It is a game I've long wanted to attend. 2021 marks the 80th year since the attack on Pearl Harbor, and the 20th year since the tragedy of 9/11. Fittingly, the game was played in N.J., miles from the World Trade Center in lower Manhattan.

As we reflect on this year, let us give thanks always to the men and women of the U.S. Military who have and continue to serve our country so valiantly, so courageously, so selflessly - so our children, our grandchildren, and all future generations can live with the freedom that the individual and collective sacrifice of our military personnel make possible.

And once again, an ode of gratitude to our front-line workers and health care professionals for your tireless efforts on behalf of the greater good.

HSMP Composite Performance as of 9/30/21

	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)	18.0%	31.7%	18.8%	18.9%	18.4%	13.2%	502.8%
S&P 500® Index	15.9%	30.0%	16.0%	16.9%	16.6%	10.2%	308.8%
Russell 1000® Growth Index	14.3%	27.3%	22.0%	22.8%	19.7%	13.3%	509.2%

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.

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
3Q21	**3,650**	**3,554**	**285**	-1.14%	-1.32%	0.58%	1.16%	.09	19.88	18.55	19.91
2Q21	3,791	3,695	284	10.65%	10.46%	8.55%	11.93%	.05	19.51	18.26	19.52
1Q21	3,559	3,425	277	8.47%	8.29%	6.17%	0.94%	.07	19.49	18.14	19.14
2020	3,491	3,341	284	14.70%	13.88%	18.40%	38.49%	.14	19.75	18.53	19.64
2019	3,566	3,478	280	38.12%	37.13%	31.49%	36.39%	1.13	11.29	11.93	13.07
2018	3,145	2,967	259	-4.42%	-5.07%	-4.38%	-1.51%	.28	10.04	10.80	12.12
2017	4,028	3,840	236	33.87%	33.06%	21.83%	30.21%	.46	9.61	9.92	10.54
2016	3,446	3,269	199	6.92%	6.25%	11.96%	7.08%	.10	10.72	10.59	11.15
2015	3,143	3,014	176	3.94%	3.32%	1.38%	5.67%	.81	11.03	10.48	10.70
2014	3,295	3,193	148	13.06%	12.39%	13.69%	13.05%	.26	9.85	8.98	9.59
2013	2,392	2,298	136	31.76%	31.04%	32.39%	33.48%	.09	12.26	11.94	12.18
2012	1,622	1,616	94	28.86%	28.16%	16.00%	15.26%	.15	13.82	15.09	15.66
2011	884	880	72	5.55%	5.00%	2.11%	2.64%	.11	15.81	18.70	17.76
2010	531	528	46	17.13%	16.44%	15.06%	16.71%	.28	19.54	21.85	22.11
2009	292	290	32	35.91%	35.06%	26.46%	37.21%	.33			
2008**	172	152	27	(34.49%)	(34.80%)	(37.00%)	(38.44%)	N.A.			
2007*	-	6	5 or fewer	16.84%	16.08%	4.83%	10.51%	N.A.			

* 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 September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the Firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Concentrated Quality Growth Composite has had a performance examination for the periods January 1, 2008 through September 30, 2021. 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

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. This piece is written from the perspective of our Composite holdings, performance, and estimated metrics, and does not refer to any specific client account (client accounts can have higher or lower performance than that shown here). When we use Composite, we mean our HS Management Partners Concentrated Quality Growth Composite, and when we refer to client portfolios, we mean client portfolios in general from our Composite perspective (see below regarding differences between the Composite and client portfolios/accounts and differences between client portfolios/accounts themselves). This piece represents our opinion as of 12/14/2021 based on our understanding of market conditions and publicly available information. It has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or portfolio/client portfolio outlook); there is no assurance that forward-looking statements will prove to be accurate as actual results and future events can differ materially from our assumptions. Some of the charts in this piece were obtained from the indicated third-party sources which we believe reliable, but we did not verify, nor do we guarantee the accuracy of this information. The upside [downside] capture ratios measure the Composite performance against the indices and were computed by dividing the cumulative annualized Composite return (net-of-fees) in months of positive [negative] index returns by the cumulative annualized return of the corresponding index for those same months. The price-earnings (P/E) ratio and earnings 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). Please refer to our website at hsmanage.com/investing-with-us/ for additional Composite performance (in addition to the GIPS® Report included herein). The performance shown should not be taken as an indication of how the Composite or a client account will perform in the future; past performance is not indicative of and does not guarantee future results. 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 or 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 hsmanage.com/documents/ or upon request at 212-888-0060) for material risks applicable to our strategy and information regarding our Firm. The information here 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.

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.