HS MANAGEMENT PARTNERS, LLC

Second Quarter 2019 Investment Perspective

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

640 Fifth Avenue, 18th Floor
New York, NY 10019
212.888.0060
www.hsmanage.com

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CIO Commentary

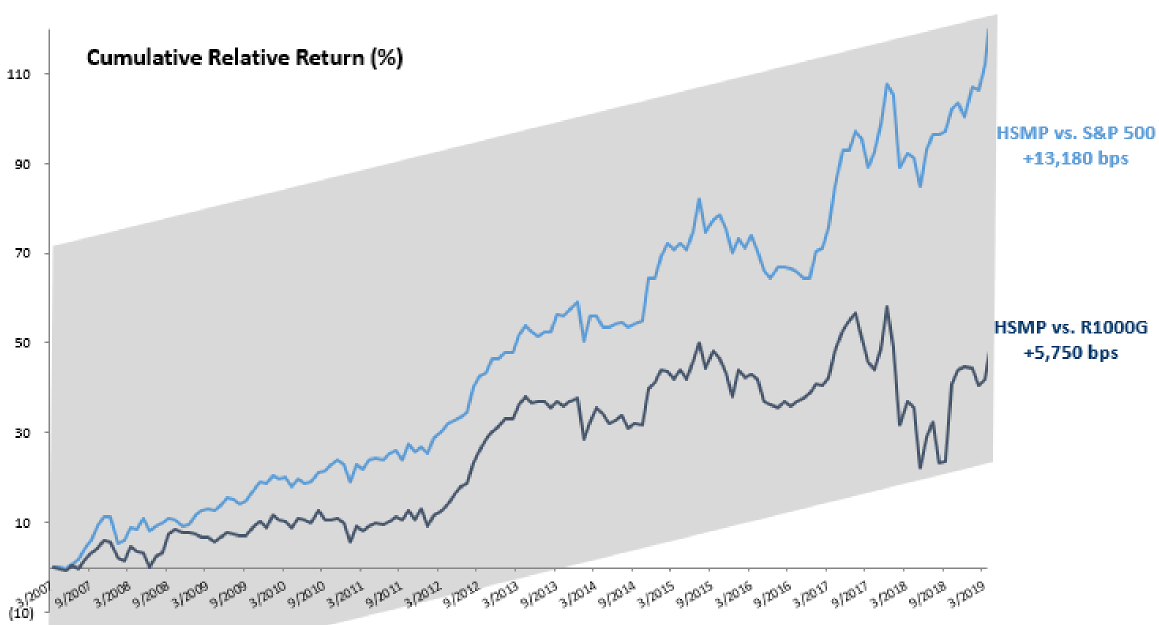
Performance Review

Second quarter 2019 results for the HS Management Partners (HSMP) Concentrated Quality Growth Composite along with relevant comparative data are highlighted below:

HSMP Concentrated Quality Growth Composite	2Q19	YTD
HSMP Composite (net)	8.4%	22.4%
Russell 1000® Growth Index	4.6%	21.5%
S&P 500® Index	4.3%	18.5%

Performance results are net of fees through 6/30/19 and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. See page 5 for the 1-, 3-, and 5-year annualized Composite returns. Please refer to pages 5-7 for important information.

The conclusion of the second quarter of 2019 marked the 12 and 1/4-year point for our Firm's Composite performance. Since inception (4/01/07) through 6/30/19, the HSMP Composite (net of fees) has increased cumulatively by 300.3% versus a 242.8% gain in the Russell 1000® Growth Index and a 168.5% increase in the S&P 500® Index, yielding a comparative relative advantage of 5,750 and 13,180 basis points respectively.



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Investment Perspective

The first half of 2018 was marked by fiscal stimulus, rising rates, and surging profits. 2019's first half, in contrast, was the opposite. Fiscal policy—in the form of widespread tariffs or threats of tariffs—is now a headwind, interest rates are dropping, and corporate profits are moderating. What a difference a year makes.

What stands out most is the direction of interest rates. Ten-year U.S. treasury yields are now close to 2%, and overseas rates are even lower. In fact, the Financial Times noted in a June 19th, 2019 article that "the global bond market has been buoyed by rising concerns that economic growth is petering out, and bets that central banks in the U.S., Europe and Asia will all have to ease monetary policy to prevent another downturn…the market value of bonds trading at negative yields---once thought to be economic lunacy---rose to a fresh record of $12.5tn, according to Bloomberg data, surpassing the last peak in 2016. The average yield of the global bond market is now just 1.76%, down from 2.51% in November last year."

To be sure, low interest rates are supportive of equity market valuations as stocks look relatively more attractive in the face of declining bond yields. Increasingly, though, the question becomes about the E side of the P/E equation…that is earnings. Declining rates suggest concern about trade and the potential for slowing global growth. The bond market may be saying that the economic damage has been done.

And this perpetually low cost of capital world has led to some areas of speculation, most notably in the U.S. initial public offering (IPO) market. A high percentage of current IPOs are unprofitable yet are being rewarded with sky-high market capitalizations. There is no longer an effort to assign price/earnings ratios to many of these companies…. now it is more about price to sales (I remember in 1999 when it was about "page views"). Increasingly, the "cloud" businesses today are the "dot.com's" of 2000. I doubt long-time favorite Elvis Costello ever weighed in on meat-substitute valuations, but the title to long ago song "Beyond Belief" seems spot on.

For us, we stick to our knitting regardless of the swings in emotions, sentiments, and actions around us. It is all about the quality of the business model, the earnings and underlying cash flows, and valuation.

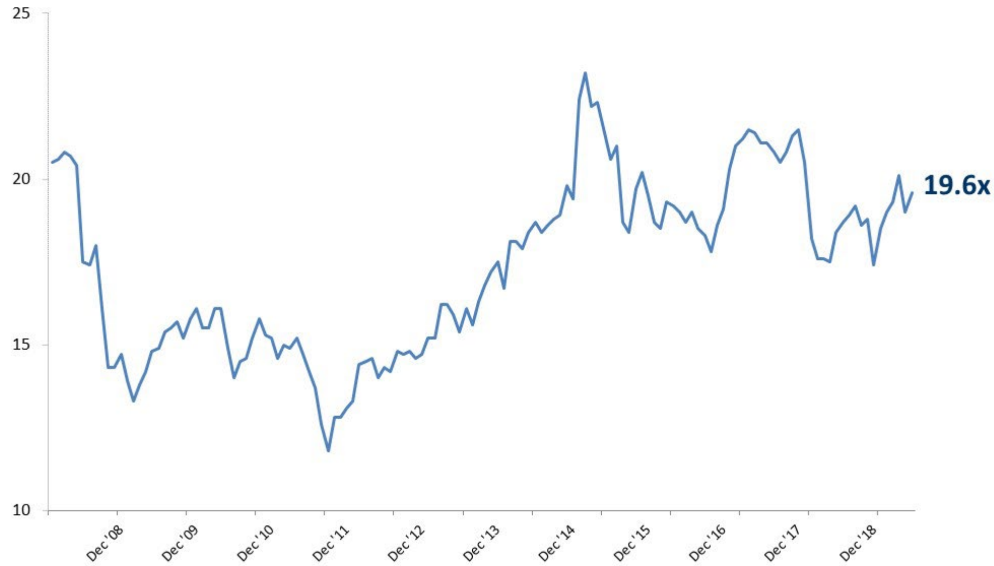
We continue to like what we own and find attractive new investment opportunities. We anticipate that the underlying earnings per share stream will grow in the high single digits this year, certainly a tick down from prior years, but still healthy nonetheless given where we are in the economic cycle and some of the headwinds that have emerged. The strong dollar, combined with some unusually large investment spending for some key holdings, is clipping growth. Absent those items, underlying profit growth would be about 10%.

To that end, we continue to believe that the secular growth in your portfolio's profits stream---barring a recession---is more than 10% annually. Should a recession hit, our companies will not be immune, but some of the defensive characteristics of your holdings should enable earnings to advance modestly (which keeps upward pressure on the portfolio and will look compelling on a relative basis).

From a valuation perspective, your Concentrated Quality Growth portfolio currently sells for about 20X estimated forward 12-month earnings per share. As the chart below shows, this has moved up from levels at the start of year, but is still off higher levels reached in the past few years and is less than when we first began more than 12 years ago. As an aside, while there are pockets of 1999/2000 speculation in areas away from us as noted earlier, this is not the case for quality growth stocks, which sold for as much as 30X (or more) back in 2000.

H S MANAGEMENT PARTNERS, LLC

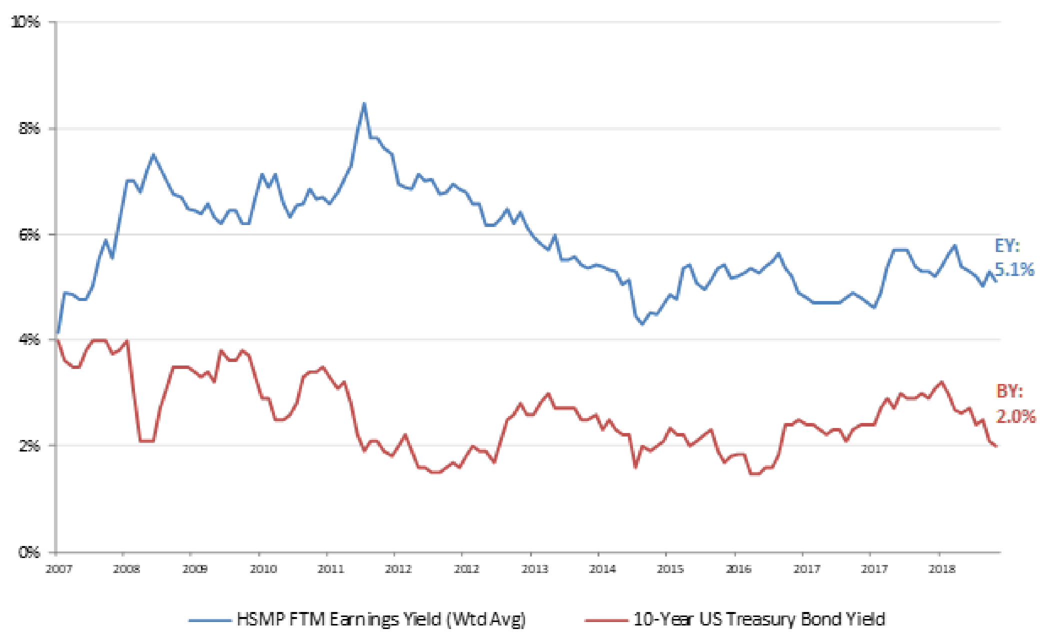
HSMP Weighted Average Forward 12 Month P/E



Based on HSMP estimates since inception (4/1/07) through 6/30/19. Please refer to pages 5 -7 for important information.

Because of the declining bond yields highlighted earlier, the earnings yield/bond yield ratio has become increasingly attractive even as absolute P/E's rise. Today, a 20X multiple works out to a 5% earnings yield, which stands at levels approaching 2.5X the bond yield. For much of my 37-year career, the earnings yield for quality growth shares sold for less than the bond yield, not a multiple of the bond yield. Today's relationship speaks more to the fall in bond yields than a rise in price/earnings ratios. In fact, the dividend yield of your portfolio—at 1.7%--almost reaches the ten-year bond yield, and 9 of your 25 portfolio holdings have a dividend yield more than the bond yield.

HSMP Forward 12 Month Earnings Yield & Bond Yield

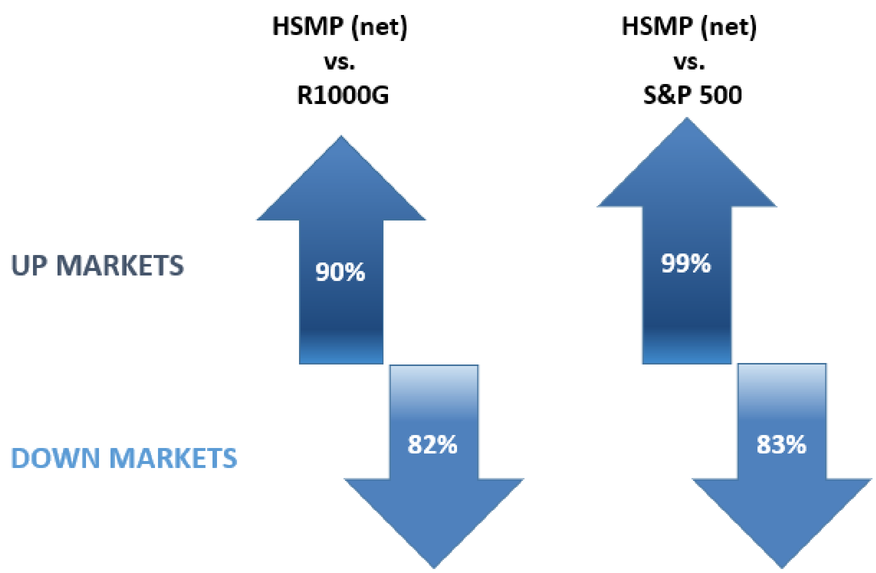


Based on HSMP estimates since inception (4/1/07) through 6/30/19. Please refer to pages 5 - 7 for important information.

Stepping back, we have been true to our Concentrated Quality Growth methodology. We understand the overwhelming desire to have one's investment style boiled down neatly into a box. In some ways, I think we have our own box, a simple and straight forward approach that sometimes defies easy categorization. As our own descriptive title "Concentrated Quality Growth" suggests, we like growth. But we like different paces of growth—both the rapid, top-line growers—and the durable, defensive, more moderate growers as well. The tie that binds is that we think all are good businesses, run by good people, and when we buy them, feel the valuation is attractive.

That brings us to the next point. We like growth, but we also have a strong valuation discipline. We agree with Warren Buffett that growth and value are joined at the hip. To be sure, in a more momentum-oriented and easy money world, having a valuation discipline acts as a restraint…almost like a tapping on the brakes ahead of going fast into a curve. We are comfortable with that. It is one reason why we tend to capture much if not all the upside during the good times but have been able to preserve capital better historically during the down times. Our investment goal is to drive absolute performance over time, but on a relative basis, this upside/downside math works well.

Upside and Downside Capture Ratios



Analysis of monthly Composite performance returns since inception (4/1/07) through 6/30/19. Past performance is not indicative of future results. Please refer to pages 5-7 for important information.

A popular move afoot is "going global." This is something that we have done since the outset. We like owning multinationals that play in healthy developed and developing profit pools. The majority of what we own are U.S. companies, but, since our inception, we also have owned non-U.S. domiciled companies that fit that bill. This is one reason that about 55% of the sales for your portfolio companies come from the U.S., about 25%-30% from international developed markets, and the remaining 15%-20% from developing markets. What we don't do is own companies that participate only in emerging markets or derive most of their sales from one single emerging market. We don't take that risk.

What about size? We certainly like the big 800 lb. gorillas in the world with large market capitalizations, but also are willing to go down the cap scale below $10 billion (3 holdings are currently under $5 billion) if we like the business model or find a company early in its life cycle. This also is something we have done since our inception.

Finally, we are comfortable staying within our circle of competence. We are benchmark agnostic and bottom-up in our approach. We find some companies and industries work better with our methodology and give us greater visibility to grow the earnings stream with powerful free cash flow to back it up. We find most of the investment universe—while full of good opportunities for practitioners of different approaches—does not fit as well with our approach. We steer clear of companies that are commodity oriented, capital intensive, tied to the government, or fundamentally selling higher ticket items to a concentrated customer base whose mission in life is to cut their price. So, we have a lot of consumer non-durable names, consumer discretionary companies, media, front-end technology, service companies (including fee-based financial services), and occasional industrial companies. We are not wed to these industries…we are wed to finding good business models…and recognize that over time industries and companies change. But this is where we immerse ourselves.

While we don't neatly fit into a box, we have found that this approach has stood the test of time---after going through periods of both being in and out of favor. What is most notable perhaps is that when you look back at our history, the Portfolio's post fee returns of 12.0% since inception syncs closely with the estimated growth in earnings per share. Valuations today are lower than when we started but we have received dividends to augment returns. As we look ahead, that will remain our focus. Find good businesses. Grow the earnings and cash flow stream. Pay attention to valuation.

We hope you all have a great summer and thanks as always for your confidence in us.

Sincerely,

Harry W. Segalas

Portfolio Profile (6/30/19)

HSMP Composite Performance as of 6/30/19

	2Q19	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)	8.4%	22.4%	19.1%	17.8%	13.2%	17.0%	12.0%	300.3%
Russell 1000® Growth Index	4.6%	21.5%	11.6%	18.1%	13.4%	16.3%	10.6%	242.8%
S&P 500® Index	4.3%	18.5%	10.4%	14.2%	10.7%	14.7%	8.4%	168.5%

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 6 & 7 for important information.

IMPORTANT DISCLOSURES

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. When we use *Composite* or *Portfolio* we mean our HS Management Partners Concentrated Quality Growth Composite (as of 6/30/19, the Composite included a small residual position in Starbucks, which was fully exited as of 7/1/19). This piece represents our opinion as of 7/11/19 based on our understanding of market conditions and publicly available information. It has forward-looking statements that are by their nature uncertain and based on our assumptions (such as when we refer to possible/future/estimated earnings, cash flows, earnings-per-share (EPS), growth rates, price-earnings ratios (P/E), market conditions, or Portfolio/client portfolio outlook); there is no assurance that forward-looking statements are accurate as actual results and future events can differ materially from our assumptions. 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. Investing in securities involves significant risks, including the risk of loss of the original amount invested. The information here is solely for illustration/discussion, is subject to change without notice, should not be construed as a recommendation to buy or sell any particular security, and should not be used as the only basis for making investment decisions.

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 for a copy of our fully compliant GIPS® Report and/or list of composite descriptions, please contact us at 212-888-0060.

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 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

This piece is written from the perspective of our Composite holdings, performance and estimated metrics, and it does not refer to any specific group/client account (when we use *your portfolios/your portfolio* we mean client portfolios in general from our Composite perspective). Although most discretionary client accounts are included in the Composite and dispersion is typically low over time, not all client accounts are in the Composite, and even for those in the Composite, there can be dispersion, particularly when viewed over narrow time periods. Client account holdings and performance can vary from the Composite or from other client accounts (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 act as a non-discretionary sub-adviser and 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).

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. We encourage you to refer to our Firm Brochure (which is available on our website—www.hsmanage.com—or upon request at 212-888-0060) for some material risks applicable to our investment strategy and additional information regarding our Firm. 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.

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.

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