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MANAGEMENT PARTNERS, LLC

Second Quarter 2020 Investment Perspective

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

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July 10, 2020

CIO Commentary

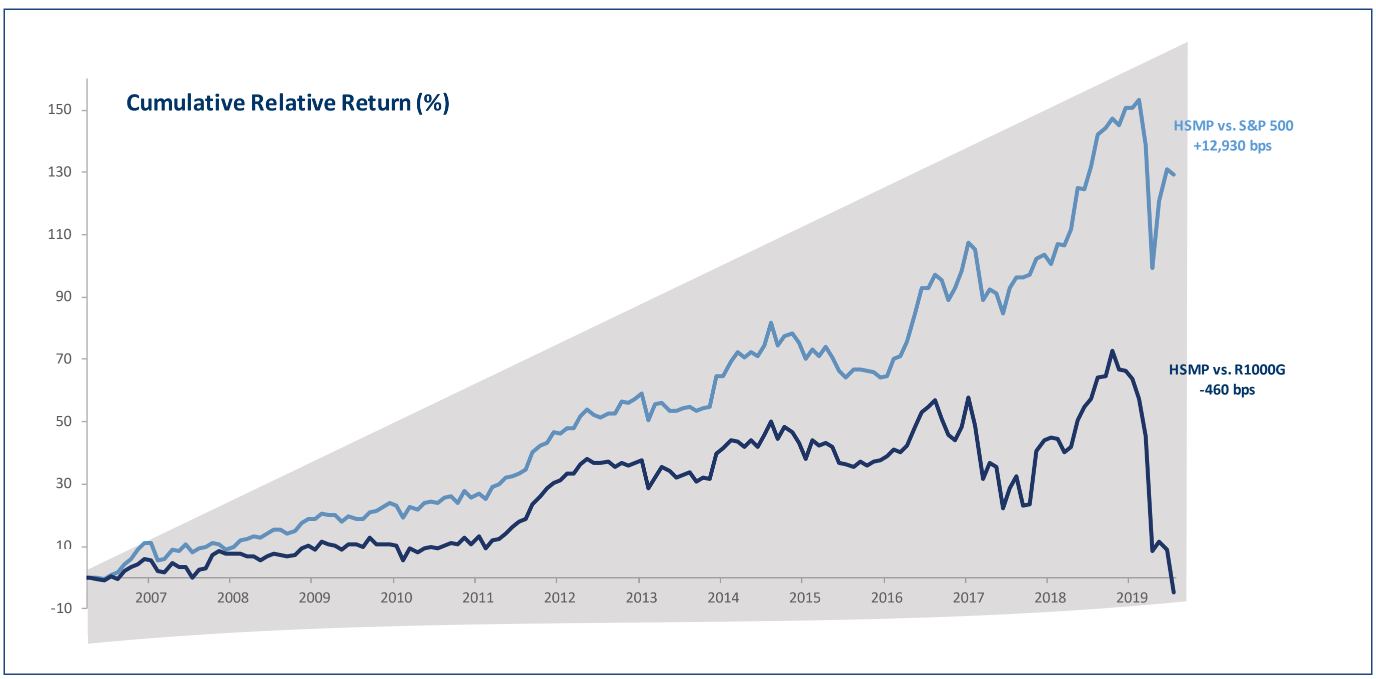
Performance Review

Second quarter 2020 results for the HS Management Partners (HSMP) Concentrated Quality Growth Composite along with relevant comparative data are highlighted below:

HSMP Concentrated Quality Growth Composite	2Q20	YTD
HSMP Composite (net)	23.3%	-6.8%
Russell 1000® Growth Index	27.8%	9.8%
S&P 500® Index	20.5%	-3.1%

Composite performance results are net of fees through 6/30/20 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.

Since inception (4/01/07) through 6/30/20, the HSMP Composite (net of fees) has increased cumulatively by 318.0% versus a 322.6% gain in the Russell 1000® Growth Index and a 188.7% increase in the S&P 500® Index.



Composite performance results since inception (4/01/07) through 6/30/20. Performance is 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 information.

Investment Perspective

To recap an eventful first half:

Earlier this year, COVID-19 spread from a Chinese epidemic to a global pandemic.

Markets plunged from peak levels reached on February 19th.

Financial panic ensued and it quickly became about solvency, liquidity, and access to capital markets.

Our focus on owning good businesses, growing the earnings and cash flow stream over time, and valuation remained undimmed.

We increasingly relied on balance sheet analysis. It was hard to predict near-term earnings and cash flows, but we could build conviction around a company's liquidity, durability, and long-term market position.

We leaned into some of the most distressed quality stocks, including companies greatly hurt by the virtual shutting down of physical commerce, travel and restaurants.

The Federal Reserve rode to the rescue in a big, big way by lowering rates and flooding the market with money in historic ways.

The U.S. Government responded with fiscal programs (such as the Paycheck Protection Program and extended unemployment benefits), but it was mostly about the Fed.

Markets bounced from March 23rd lows and recovered much of the lost ground by Q2's end.

The global economy began to re-open…in some cases prematurely.

Where to from here:

As the Fed's actions took hold and markets recovered, we increasingly turned our attention to, "How do we proceed from here?"

Our view has been that we will live in a subpar economic world—running far from full capacity—until there is a vaccine next year and widespread herd immunity.

Fiscal and monetary stimulus do help—though it seems the monetary stimulus helps markets more than the economy and may even be a source of bubbles—but in the end, this is a health issue which needs to be solved.

During the second quarter, we shifted out of many of the names more vulnerable to the near-term economic stress as they began to discount a recovery and focused on companies with the strongest balance sheets, most durable cash flows, and we believe promising secular outlooks.

What's Next:

As noted, we expected a subpar economic world even as we reopened the economy. While recent economic data has been stronger than forecast, we believe the outlook is not as good as we thought just a month or so back. As you know, the United States' COVID-19 case trajectory is proving worse than China's, Greater Asia, and Europe overall.

Unfortunately, the COVID crisis has become political in nature and the country has lacked a unified response. While different states and localities will apply different guidelines and restrictions toward reopening, ultimately companies and consumers will shape behavior based on the threat they feel from possible COVID infection.

To that end, we believe our emphasis on balance sheet strength, durability, and resilient cash flows continues to make sense. We also continue to focus on valuation, which is at the heart of our investment methodology. This is especially important in our minds during a time when Fed easing is leading to pockets of speculative behavior. We are also mindful of a surge in retail investment and know that some fiscal dollars have ended up in the market (Robinhood phenomena).

Finally, while we own several technology stocks—which have been justifiably buoyed by strong balance sheets and favorable business models---the relentless rise across a broad swath of companies in this sector without regard in some cases to valuation creates risk. If you listen closely enough, that sound you hear could be a famous Midwest icon (Prince, not Buffet) singing, "gonna party like it's 1999."

The table below highlights our current view of the aggregate earnings power for your portfolio:

Indexed Earnings & P/E

	2019	Y/Y % Change	2020E	Y/Y % Change	2021E
Indexed EPS	100	-23%	77	+33%	102
P/E Ratio	20.2		26.4		19.8

Based on HSMP estimates as of 6/30/20. Please refer to pages 5 - 7 for important information.

As you can see, on an indexed basis, we think that aggregate earnings will drop substantially this year. Encouragingly, we think a sharp earnings recovery is likely in the cards for 2021 and that next year's earnings power will roughly equal 2019's level.

Valuation metrics are tricky since it is hard to know where earnings settle. The portfolio's multiple has improved from the end of the first quarter and is high at 26X estimated 2020 estimates. But current results are depressed, and the valuation is reasonable at both 20X last year's (2019) actual earnings and 2021's early forecast.

Aggregated Earnings Portfolio Metrics	
FTM Estimated P/E	22.6x
FTM Earnings Yield	4.4%
Current 10-Year Bond Yield	0.66%
Earnings Yield/Bond Yield	6.7x
Indicated Dividend Yield	1.7%

FTM means Forward Twelve Months. Based on HSMP aggregate estimates as of 6/30/20.
Please refer to pages 5-7 for important information.

Thanks in part to the Fed, alternative long duration assets such as the ten-year bond yield is low so the relative valuation of the portfolio to the long bond remains appealing. The current dividend yield of 1.7% is also supportive of portfolio values.

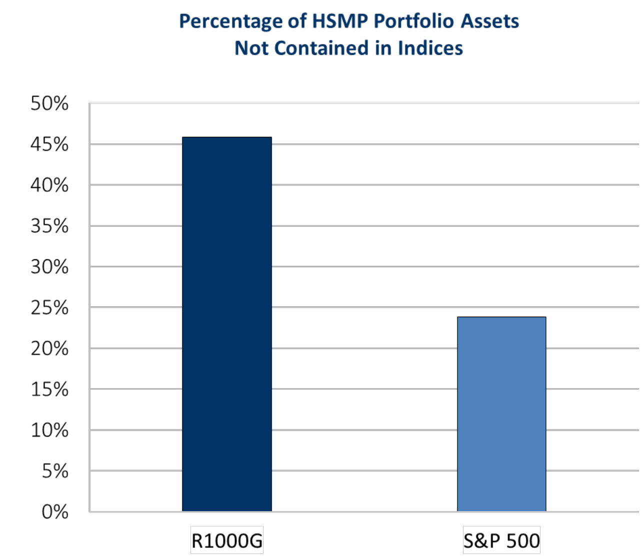
As I noted in my March 30th, 2020 thought piece, "Once in A Lifetime," this has been a most unusual time. While discussions swirl around recessions and varying shaped recoveries, this is different. Recessions are typically industrial driven events. This was a forced health shut down and a world where consumers simply stopped showing up. It has challenged business models typically resilient to tougher times, from soft drinks to beer to fast food breakfasts. It has accelerated trends such as the move to digital and online shopping. Efficiencies that have been realized with remote working are likely to continue even after a vaccine has been discovered.

We expect the world will look different 12 to 18 months from today. We most likely will have a vaccine which has been widely administered. Consumers will once again want to travel, shop at stores, and go to restaurants, bars, theatres and concerts. A hard-fought election will have already been waged and sharply different legislative outcomes will take shape depending on its results. We may well be staring at a period of higher taxes. We are surely staring at a world of higher unemployment levels than before the pandemic and more debt…lots more debt.

We continue to focus on quality, growth, and valuation and have tried to construct a portfolio that will prove resilient today and still relevant tomorrow. The importance of strong balance sheets and our intensified analysis of these metrics will be lasting. We seek to drive absolute returns over time and remain bottom-up and benchmark agnostic in our approach. We also continue to balance both risk and reward as we assess the future and manage your portfolios. Thanks for your confidence in us and we wish you and your families the best health and safety in the days to come.

Sincerely,

Harry W. Segalas



Based on HSMP Composite assets and holdings as of 6/30/20. Please refer to pages 5-7 for important information.

Portfolio Profile (6/30/20)

HSMP Composite Performance as of 6/30/20

	2Q20	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)	23.3%	-6.8%	4.41%	11.0%	11.0%	15.8%	11.4%	318.0%
Russell 1000® Growth Index	27.8%	9.8%	23.3%	19.0%	15.9%	17.2%	11.5%	322.6%
S&P 500® Index	20.5%	-3.1%	7.5%	10.7%	10.7%	14.0%	8.3%	188.7%

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.

HS MANAGEMENT PARTNERS, LLC

IMPORTANT DISCLOSURES

When we use *HSMP*, *HS Management Partners*, or *Firm*, we mean HS Management Partners, LLC. When we use *Composite* we mean our HS Management Partners Concentrated Quality Growth Composite (as of 6/30/20). 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 *our portfolio(s)/your portfolio(s)* we mean client portfolios in general from our Composite perspective – see below regarding differences between the Composite and client portfolios/ accounts). This piece represents our opinion as of 7/10/2020 based on our understanding of market conditions and publicly available information and the state of the ongoing COVID-19 crisis. 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, particularly given the uncertainty of the current health crisis. 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.

In response to the current coronavirus (COVID-19) global pandemic and in an effort to protect the safety and well-being of our team and the continuity of our critical business operations, our employees are working remotely and we suspended business travel and replaced in-person meetings with conference calls and video chats. We have tested our capacity to operate remotely and members of our team have worked from home in the past, and as of this moment, we believe we can continue to perform critical services (making investment decisions, trading and settlement, and communicating with clients about the status of their accounts), assuming that conditions do not worsen dramatically, that our team and close family members do not fall ill with COVID-19, that there are no significant disruptions to our key service providers, and that our team continues to have internet connectivity and phone access from home. Although our business continuity/disaster recovery plan aims to mitigate the impact of natural disasters or catastrophic events by maintaining critical business functions while keeping the safety of our employees first, no plan can guarantee the continuity of our operations in the presence of these events. In particular, given the evolving situation and the unknown impact of COVID-19, we cannot predict with certainty its effect to our business and client portfolios.

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.

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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