H S MANAGEMENT PARTNERS, LLC

Third 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

October 10, 2019

CIO Commentary

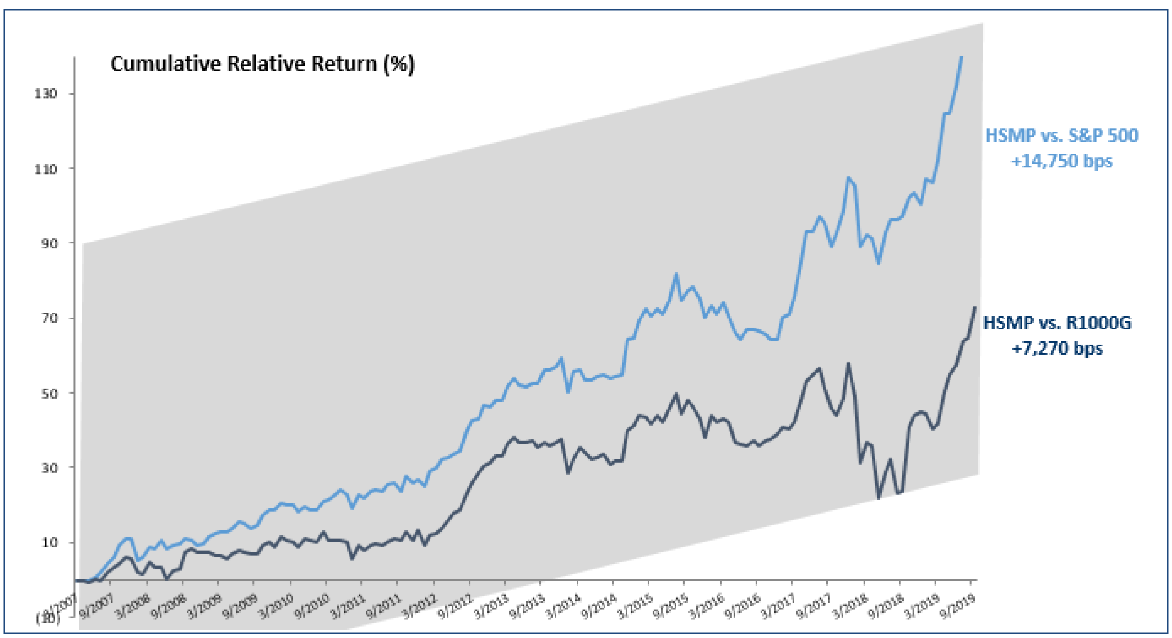
Performance Review

Third 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	3Q19	YTD
HSMP Composite (net)	5.1%	28.6%
Russell 1000® Growth Index	1.5%	23.3%
S&P 500® Index	1.7%	20.6%

Performance results are net of fees through 9/30/19 and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. See page 6 for the 1-, 3-, and 5-year annualized Composite returns. Please refer to pages 6 - 8 for important information.

The conclusion of the third quarter of 2019 marked the twelve-and-one-half-year mark for our Firm's Composite performance. Since inception (4/01/07) through 9/30/19, the HSMP Composite (net of fees) has increased cumulatively by 320.6% versus a 247.9% gain in the Russell 1000® Growth Index and a 173.1% increase in the S&P 500® Index, yielding a comparative relative advantage of 7,270 and 14,750 basis points respectively.



Composite performance results are net of fees through 9/30/19 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 information.

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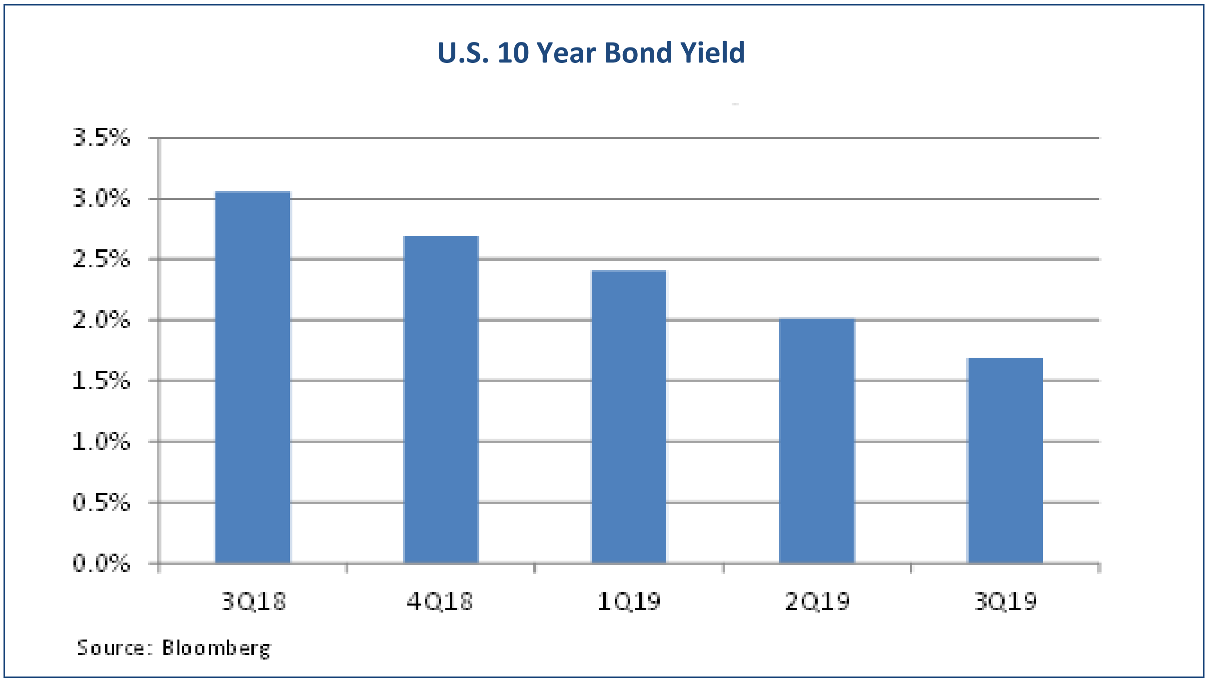
Investment Perspective

This year has been characterized by the dichotomy of a global manufacturing slowdown — exacerbated by the U.S.-China trade war — offset by a still healthy U.S. consumer, low U.S. unemployment levels, and employment growth in key markets worldwide. Most notably, 2019 has seen the persistence of negative rates in the Eurozone and a dramatic drop in the U.S. ten-year bond yield.



Values reflect quarter-end yields.

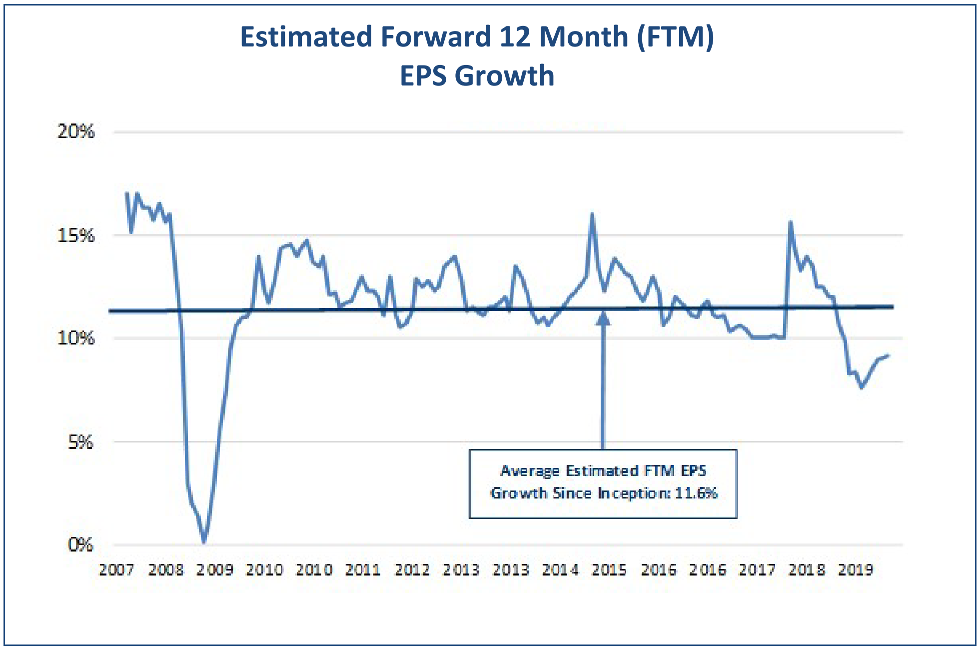
Adding to this mix, there is now a good chance that impeachment proceedings will occur in the House of Representatives by Thanksgiving. If impeachment by the House occurs, it goes to the Senate for a trial presided over by Chief Justice Roberts and requires a two-thirds vote for impeachment. The noise of an investigation and trial may not be good for consumer confidence as we head into the holidays.

It is possible that a China trade deal or truce of some sorts may become more likely as the Administration is undoubtably mindful of the economy heading into an election year. In the end, it is unlikely that we are staring at major structural changes though we could see some welcome tariff relief.

Our approach through this all is to stick to good businesses, grow the EPS and cash flow stream, and pay close attention to valuation. As always, we will try to capitalize on any volatility with active management and our mindset that our clients' capital is scarce capital. That is, each day we work to determine what is the best use of that capital based on our view of fundamentals, valuation and alternatives, all within the context of our concentrated methodology and a hard cap of owning no more than 25 stocks.

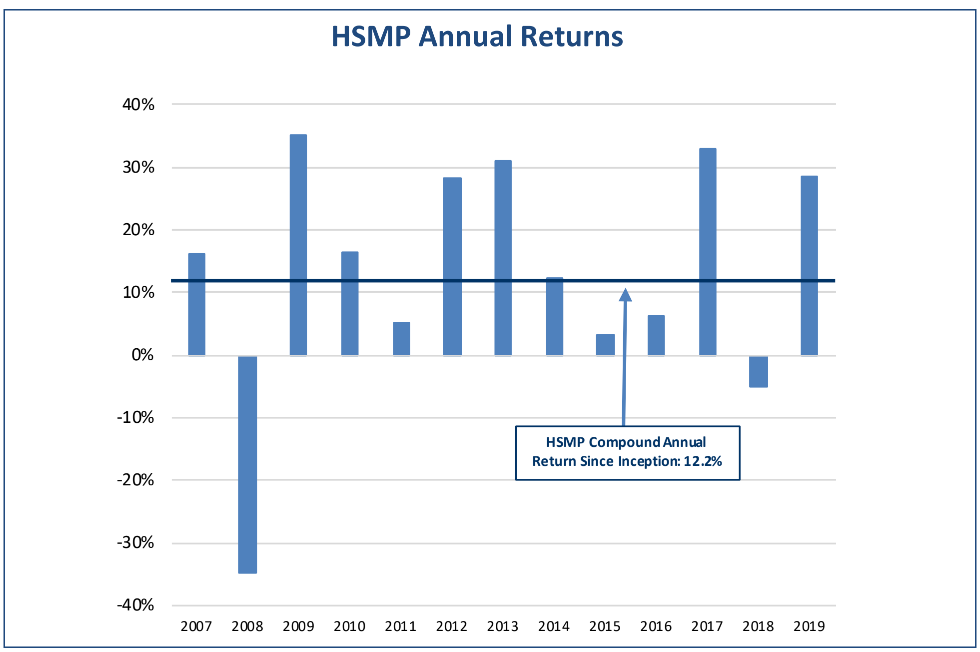
For perspective, it is worth stepping back and looking at the portfolio's progress over time. We have seen that the underlying earnings growth of your portfolio holdings has been the engine behind absolute returns.

The chart below shows the estimated forward 12-month earnings growth for our portfolio holdings historically. As you can see, forecasted results have been as high as the upper teens on a few occasions and as low as barely positive during the depths of financial crisis. Since inception, these forecasted EPS results have approached 12%.



HSMP estimated earnings-per-share (EPS) from inception (4/1/07) through 9/30/19. Please refer to pages 6 -8 for important information.

Post-fee returns are shown on an annual basis in the following bar chart. Some years, portfolio returns advance more than earnings growth and some years less. Changes in the price/earnings ratio also dictate returns as do dividends, portfolio changes and fees. Over the long run, the principal driver has been earnings growth, and it is not a coincidence that compounded net returns of 12.2% annualized since inception is roughly in line with the 11.6% average forecasted EPS results noted earlier.



Performance (net of fees) since inception (4/1/07) through 9/30/19. 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 information.

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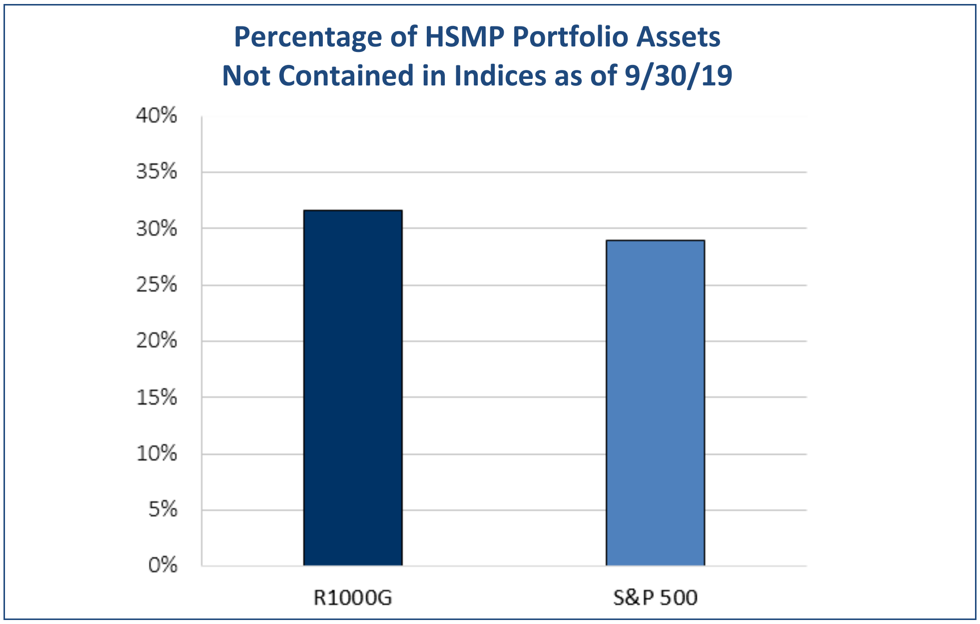
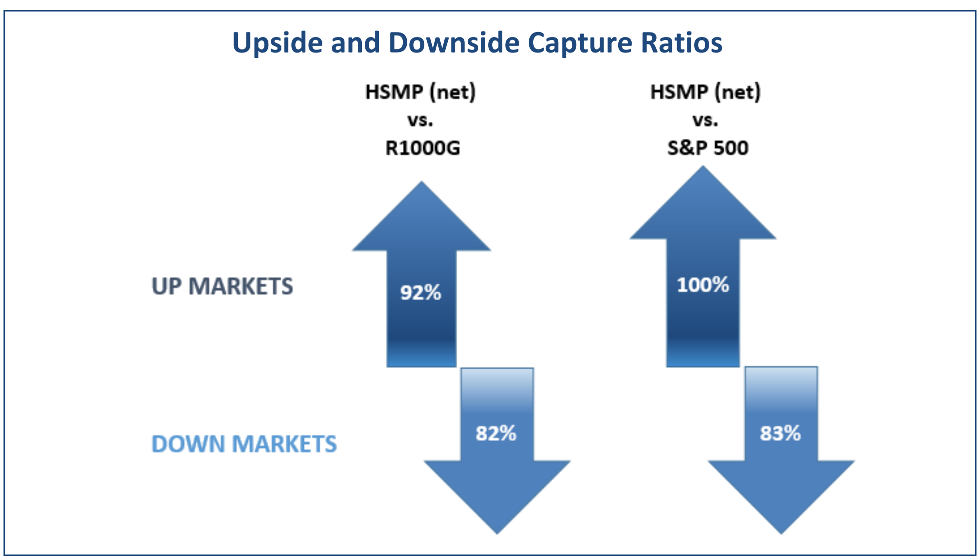
There are several additional points worth highlighting.

Our investment goal is to deliver positive absolute returns over time by owning good businesses, growing the earnings and cash flow stream yearly, and attaching ourselves to this stream at an attractive valuation. We are bottom-up in our approach, and benchmark agnostic. We don't look at tracking error or find it useful. Attribution is also not a good tool to analyze our concentrated approach. Contribution is what matters to us. We look for positive absolute gains to translate into above average relative performance over investment cycles.



Based on Composite assets and holdings as of 9/30/19. Please refer to pages 6 - 8 for important information.

We also try to think about both sides of the equation. That is, to not just focus on reward, but risk as well. This goes hand in hand with the focus on good business models with strong cash flow characteristics, making sure the earnings stream is resilient and having a valuation discipline, especially during more ebullient times. As the chart below demonstrates, we have been able to capture much if not all the upside during good times but have also been able to better preserve capital during more challenging periods.



Analysis of monthly Composite performance returns since inception (4/1/07) through 9/30/19. 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 information.

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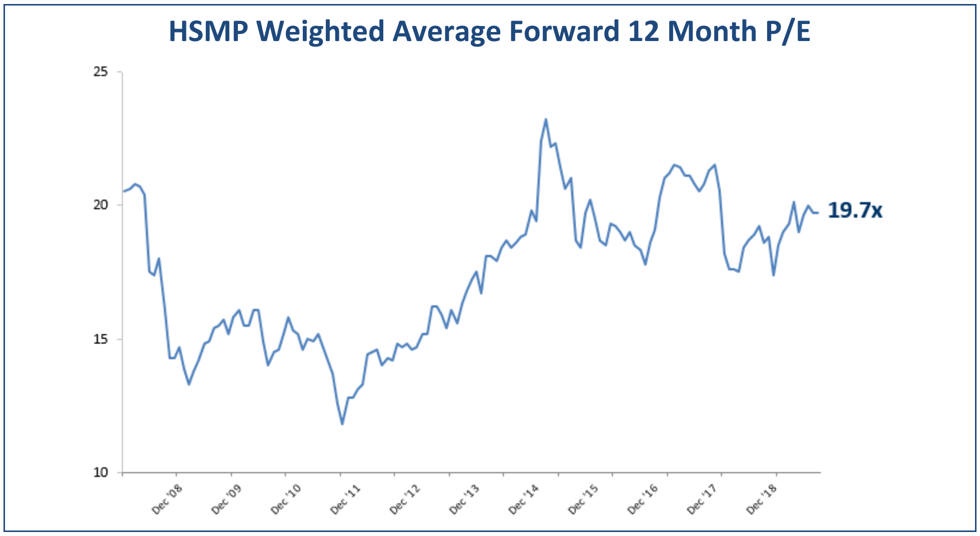
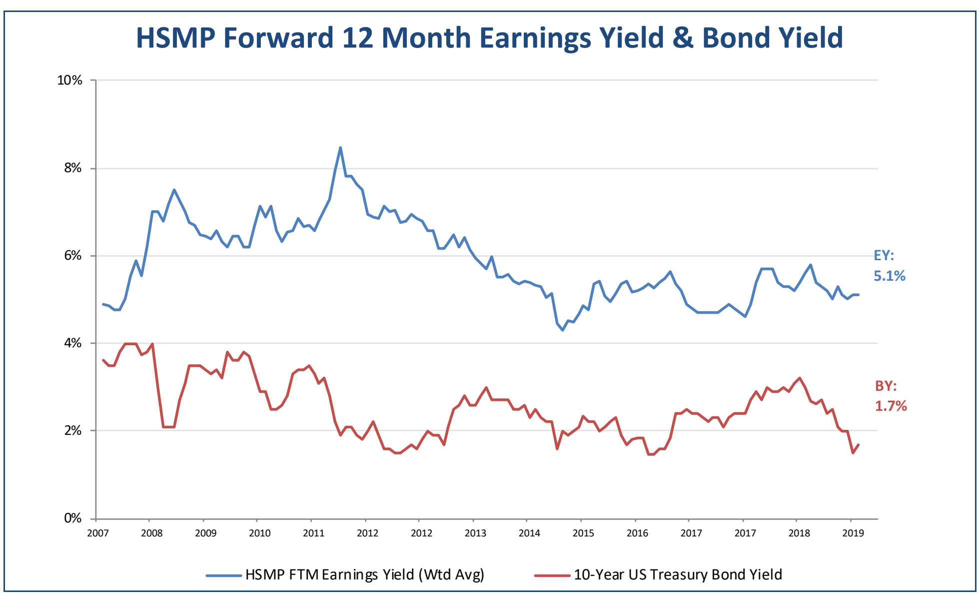
Looking ahead, we believe future appreciation will predominately come down to the trend in earnings growth and the price/earnings ratio. We expect portfolio earnings to advance roughly 6% in 2019, which is below our historical pace, in large part due to significant investment spending for some of our largest holdings dampening current results. In addition, the strong dollar remains a headwind, as does the trade war in terms of higher tariffs and reduced global tourism. We think over time the secular earnings growth of your portfolio barring a recession will exceed 10% annually.

Your portfolio's price/earnings ratio has advanced over the past twelve months from 19.2X on 9/30/18 to about 19.7X currently. The graph below highlights the estimated forward 12-month P/E for our portfolio over time.



Based on HSMP estimates since inception (4/1/07) through 9/30/19. Please refer to pages 6 - 8 for important information.

As noted earlier, we have seen a meaningful drop in bond yields this year. As a result, the earnings yield (the inverse of the price/earnings ratio) on our portfolio relative to the bond yield is now more attractive than where it was twelve months ago and stands at 3X the bond yield. In fact, the dividend yield on your portfolio at 1.6% almost reaches the U.S. ten-year bond yield. In the end, we think that the valuation of our portfolio remains attractive and that these shares are a compelling alternative to other quality long duration assets.



Based on HSMP estimates since inception (4/1/07) through 9/30/19. Please refer to pages 6-8 for important information.

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Disney's Chairman & CEO Bob Iger has just released a book: "*The Ride of a Lifetime.*" Iger writes about ten principles that strike him as necessary to true leadership: Optimism, Courage, Focus, Decisiveness, Curiosity, Fairness, Thoughtfulness, Authenticity, The Relentless Pursuit of Perfection, and Integrity. We think these attributes are applicable to managing our client's assets. He writes that "fear of failure destroys creativity," that "all decisions, no matter how difficult, can and should be made in a timely way," and that "a deep and abiding curiosity enables the discovery of new…ideas, as well as an awareness of the marketplace and its changing dynamics." Looking ahead, we will stay focused on our high-quality concentrated growth methodology, relentlessly pursuing attractive investment returns, and applying the same principles that Iger highlights. Thanks for your continued confidence in us.

Sincerely,

Harry W. Segalas

Portfolio Profile (9/30/19)

HSMP Composite Performance as of 9/30/19

	3Q19	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)	5.1%	28.6%	17.1%	18.3%	14.1%	16.2%	12.2%	320.6%
Russell 1000® Growth Index	1.5%	23.3%	3.7%	16.9%	13.4%	14.9%	10.5%	247.9%
S&P 500® Index	1.7%	20.6%	4.3%	13.4%	10.8%	13.2%	8.4%	173.1%

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 7 & 8 for important information.

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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. This piece represents our opinion as of 10/10/19 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, , 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 upside (downside) capture ratios shown on this piece were computed by dividing the cumulative annualized return of the Composite (net of fees) in months of positive (negative) index returns by the cumulative annualized return of the corresponding index used in the comparison for those same months.

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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