# The Market Square…The HSMP Circle

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One of the principles of effective presentations is to tell the audience the intent of your message, followed by conveyance of the same, and to close with the message you've just delivered. Wash, rinse, repeat. I've had a lot of practice at home, and by now I'm pretty good at it: my wife Michele of 42 years often reminds me that I say the same thing over and over (and over) again.

And so it is for nearly sixteen years – a milestone we will celebrate at the end of this quarter – HS Management Partners (HSMP) has consistently maintained a benchmark agnostic approach to the composition of client portfolios. Three Black Swan events removed (Great Financial Crisis, Global Pandemic, Ukraine Invasion), HSMP's benchmark agnostic nature remains foundational to our process, and to the success we've realized on behalf of clients.

The substantial growth in passive investing affords capital allocators low-cost alternatives to gain exposure by mimicking market indices. It is therefore reasonable and entirely justified that HSMP demonstrate an ability to add value over time relative to these indices. The "market square" is a nod to the style boxes and categorizations directed at managers, sometimes self-imposed, and occasionally determined by others. The index benchmark for a given manager forms the hub from which the spokes of performance-centric peer group quartile analyses are conducted.

At HSMP, we think of our consistent, repeatable investment process as part of our circle of competence. We pride ourselves on our ability to circle the market square by delivering value to clients over time without the compulsion to have sector general and/or company specific weightings influence portfolio construction decisions. To paraphrase Frank Sinatra, one of New Jersey's finest, We've Done It Our Way.

Since inception, HSMP's performance has routinely been compared to the S&P 500 Index and Russell 1000 Growth Index. Neither Index is representative of our investment approach; however, the Russell 1000 Growth Index least resembles how HSMP manages client assets.

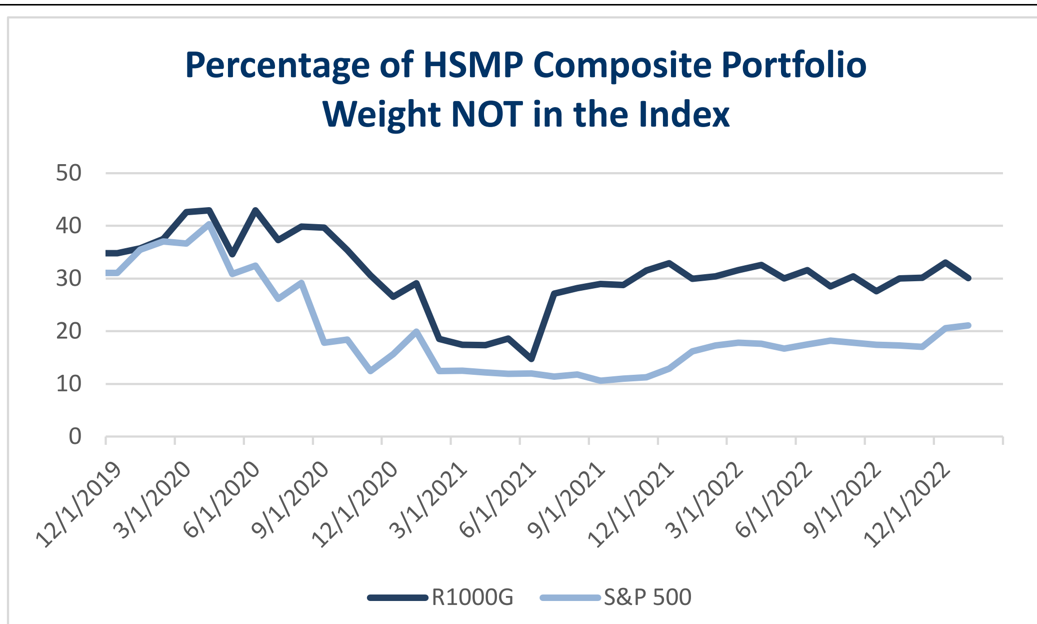
**As such, we will soon discontinue use of the Russell 1000 Growth Index in client communications**. We will continue to publish the S&P 500 Index for client comparative purposes, as it is (and has been for the forty years I've been in the investment profession) synonymous with "the market", and more representative of the investment style we employ. This change in our marketing and communications represents no change whatsoever in our disciplined investment approach.

**Our Aim is True**

Yes, it is Elvis Costello's debut studio album entitled "My Aim is True" that served as inspiration, though HSMP's aim has been true since we incubated our asset management practice in the spring of '07: to grow clients' scarce capital over time without taking undue risk.

How do we endeavor to achieve such a simple albeit lofty objective? By identifying companies we believe possess quality business models, assembling such businesses into a concentration of 20-25 securities capable of advancing the portfolio earnings/cash flow stream at an above average pace, while being highly attentive to, and disciplined, regarding valuation. We do not think of ourselves as a GARP manager – growth at a reasonable price – as that approach to us doesn't necessarily account for the quality of the business model. We are arguably best thought of as "QARP" manager – quality at a reasonable price.

Even that brief outline of our approach highlights notable differences between HSMP client portfolios and these two Indices. A 20-25 stock portfolio is by nature going to look considerably different than either Index. Our philosophy of owning a limited number of securities instills a discipline to invest scarce client capital as prudently as possible. As well, we have found our goal of advancing portfolio earnings and cash flows lends itself to companies residing in a subset of industries; indeed, and while bottom-up in our approach, we have found businesses that satisfy our core criteria generally occupy less than half of the sub-sectors comprising either Index. The chart below illustrates historic differences between HSMP client portfolios and that of the Indices in question by highlighting the percentage of weightings not contained in either Index.

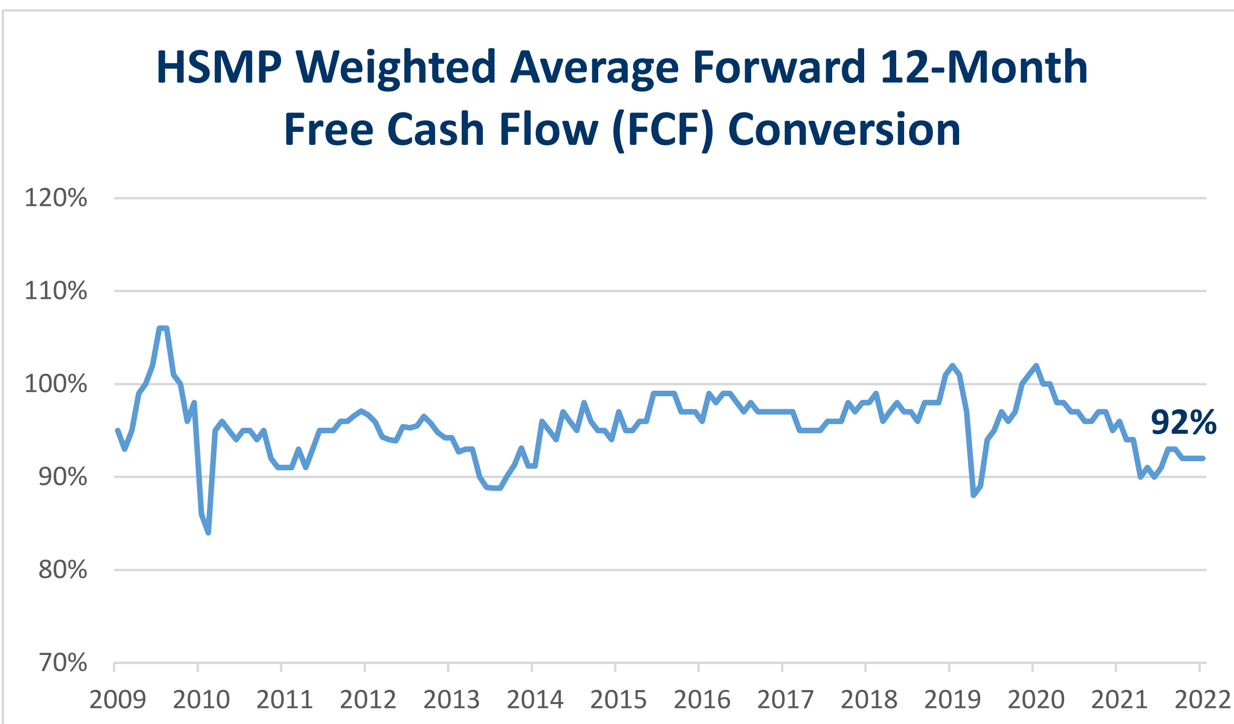



*Percentage of HSMP Composite Portfolio holdings not included in the S&P 500 Index and Russell 1000 Growth Index created with data from HSMP and Bloomberg. Please refer to pages 7-10 for important information.*

Our multi-dimensional approach includes a willingness to span the growth continuum from established to rapid growers, to move up and down the cap scale, and to own non-U.S. domiciled companies (by definition, not index constituents) provided our qualitative criteria are satisfied. Our conversations regarding portfolio investment decisions are not at all anchored around sector or company specific weightings in a given index. Our indifference with regard to the composition of market indices is also among the reasons we cite positive and negative contribution to performance over a given measurement interval rather than attribution (for more on this topic, see our Thought Piece entitled "Means to an End", dated Dec. 11, 2019). Fundamental to our qualitative assessment of a given company is the non-negotiable imperative that it be inherently profitable and cash flow positive. SPAC's, MEME stocks, and concept companies may appeal to other managers, but that is not where we roam.

**Inclusion Criteria: Only Profitable Businesses Need Apply**

Our core emphasis on advancing portfolio earnings and cash flows is grounded in owning profitable businesses. We look beyond reported earnings and the somewhat discretionary application of certain generally accepted accounting principles (GAAP) to measure the essence of what creates value in an enterprise – cash flow, the standard bearer and great equalizer in a world of GAAP and non-GAAP reporting practices. As shown in the chart below, our holdings have consistently converted between 90%-100% of earnings into free cash flow on a fully exhaustive basis. Profitable companies with capital-light business models typically enjoy strong free cash flow characteristics, and that is a baseline for the qualitative – and quantitative - criteria we prize.

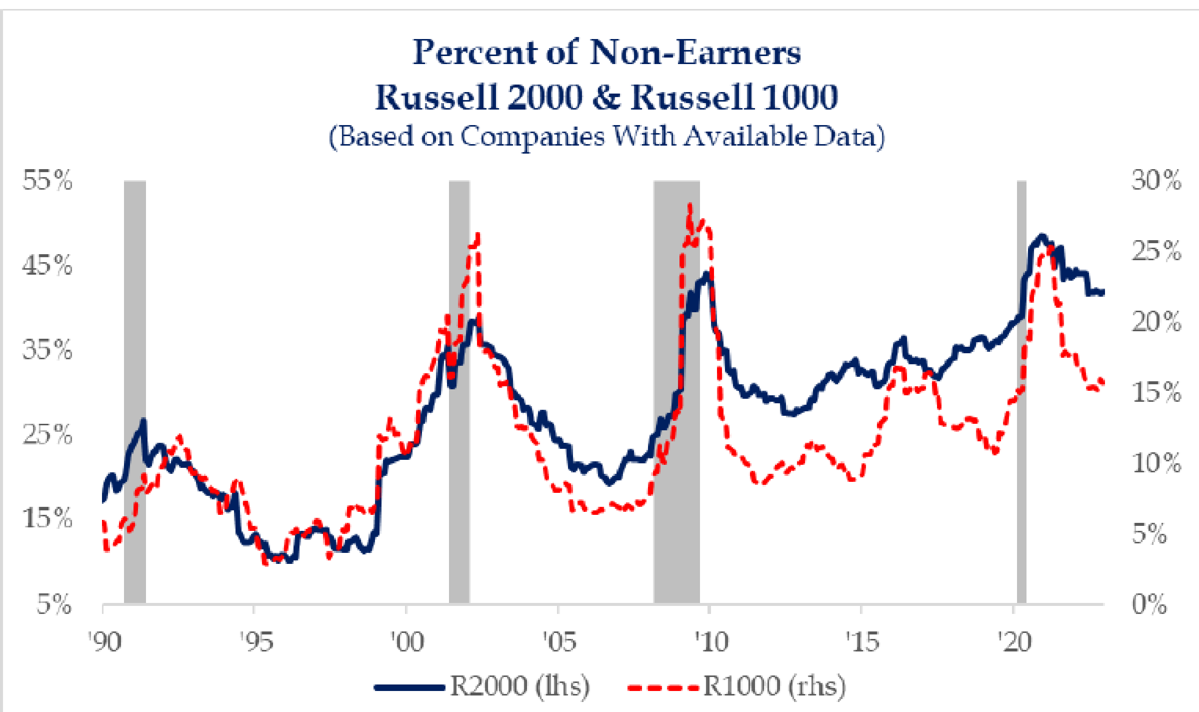



*Based on HSMP estimates since 12/31/09 through 12/31/22. Please refer to pages 7-10 for important information.*

While our benchmark agnostic approach doesn't lend itself as a close proxy for any index, we do believe the S&P 500 Index makes the most sense for clients interested in a comparative analysis. Our conviction in that regard isn't purely grounded in our admittedly subjective view that the S&P 500 Index is more representative of our philosophy than the Russell 1000 Growth Index. In fact, when one considers the criteria for inclusion in the S&P 500 Index as distinct from the Russell 1000 Growth Index, considerably more alignment exists in terms of HSMP's inclusion criteria with the S&P Index than the Russell Index.

S&P requires companies in its Index to have large market caps (as we do generally) and, most importantly that companies in its Index are financially viable; companies must have positive reported earnings over the most recent quarter, as well as be profitable when considering the sum of the preceding four quarters. Russell does not appear to include profitability as a core criterion in its Index. The Russell 1000 Growth Index (which consists of far fewer than 1000 names) is selected from constituents of the Russell 1000 and consists of companies with relatively higher price-to-book ratios, higher I/B/E/S (The Institutional Brokers' Estimate System) forecast medium term (2 year) growth and higher sales per share historical growth (5 year).

As shown in the chart below, courtesy of Strategas, unprofitable businesses have occupied as much as 10%-30% of the Russell Index over time. By definition, given the inclusion of unprofitable companies in the Russell Index, those constituents represent companies that we would not consider for HSMP client portfolios. That is not to say there aren't accomplished asset managers who've had considerable success owning those types of companies; it is to say that is not where HSMP identifies value, nor do we consider it among our core competencies to determine if, and when, such entities may turn a profit. Those companies simply do not find their way into our playbook.




*Source: Used with permission of Strategas Research Partners. The Russell 1000 Index scale is included on the right-hand-side (rhs) of the chart.*

**Growth and Value: Distinctions without a Difference**

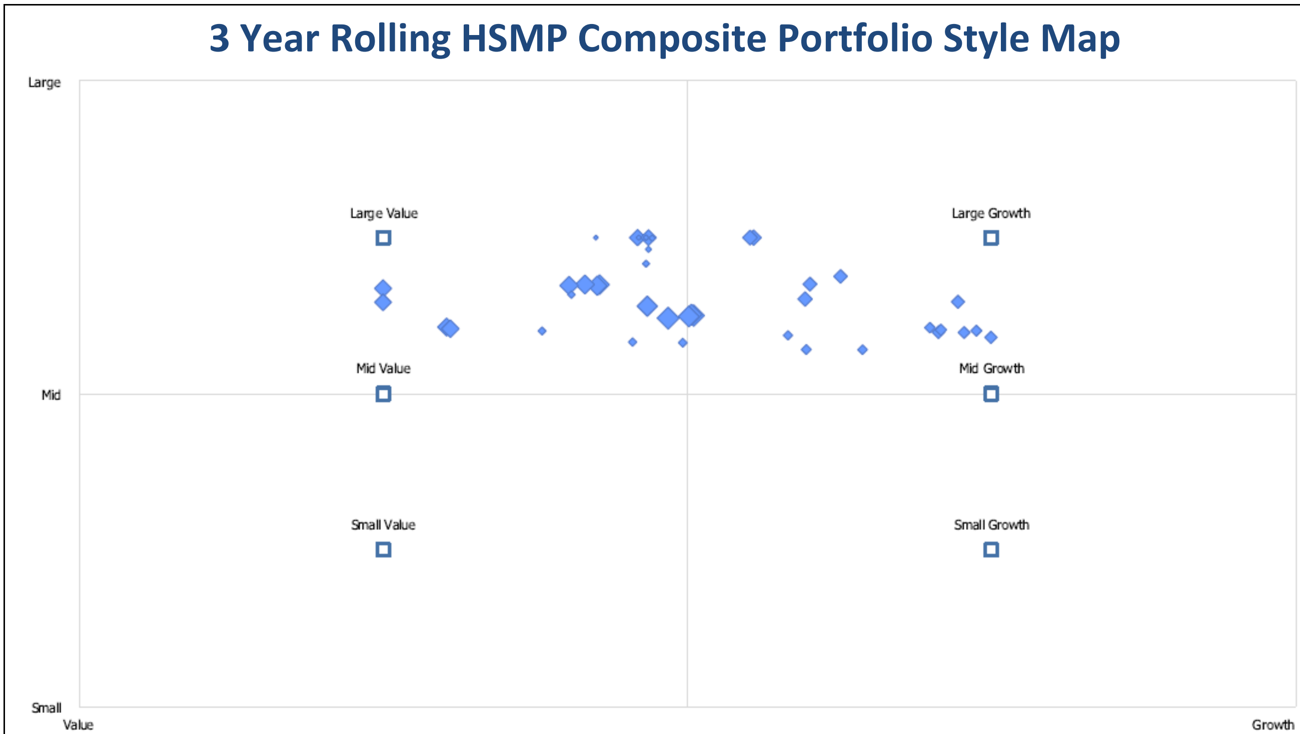
In his 1992 letter to shareholders, Warren Buffet made the observation that growth and value are joined at the hip, proffering that growth is always a component in the calculation of value, representing a variable that can be of negligible or great importance, and can negatively or positively influence returns.

At HSMP, we have consistently maintained three principles as forming the building blocks of our approach:

- Identify enterprises with quality business models
- Grow the earnings and cash flow stream in a consistent, visible manner
- Be highly attentive to long standing measures of valuation

Indeed, should one of our holdings become extended according to the valuation metrics we prize, that could be a reason to trim or liquidate a position. One of the factors that clients have told us distinguish our approach from other growth managers is our valuation discipline, and we believe that resolve has also often allowed us to preserve capital better than the indices in more challenging market environments.

The graph below, courtesy of data compiled by eVestment, is a scatter diagram depicting HSMP's "style map" over the last three years. It is important to note the array is a byproduct of our process – not a design – and that we routinely oscillate between value and growth depending on where we discover opportunities. We try to avoid being too dogmatic in our security selection process, so as not to ignore good businesses simply because they don't satisfy a traditional growth stock profile. Indeed, established businesses have been well represented in client portfolios since inception, and their appeal is grounded in an appreciation for the durability and duration of the investment ride they may offer, and a recognition that such franchises can often be acquired at attractive valuations.

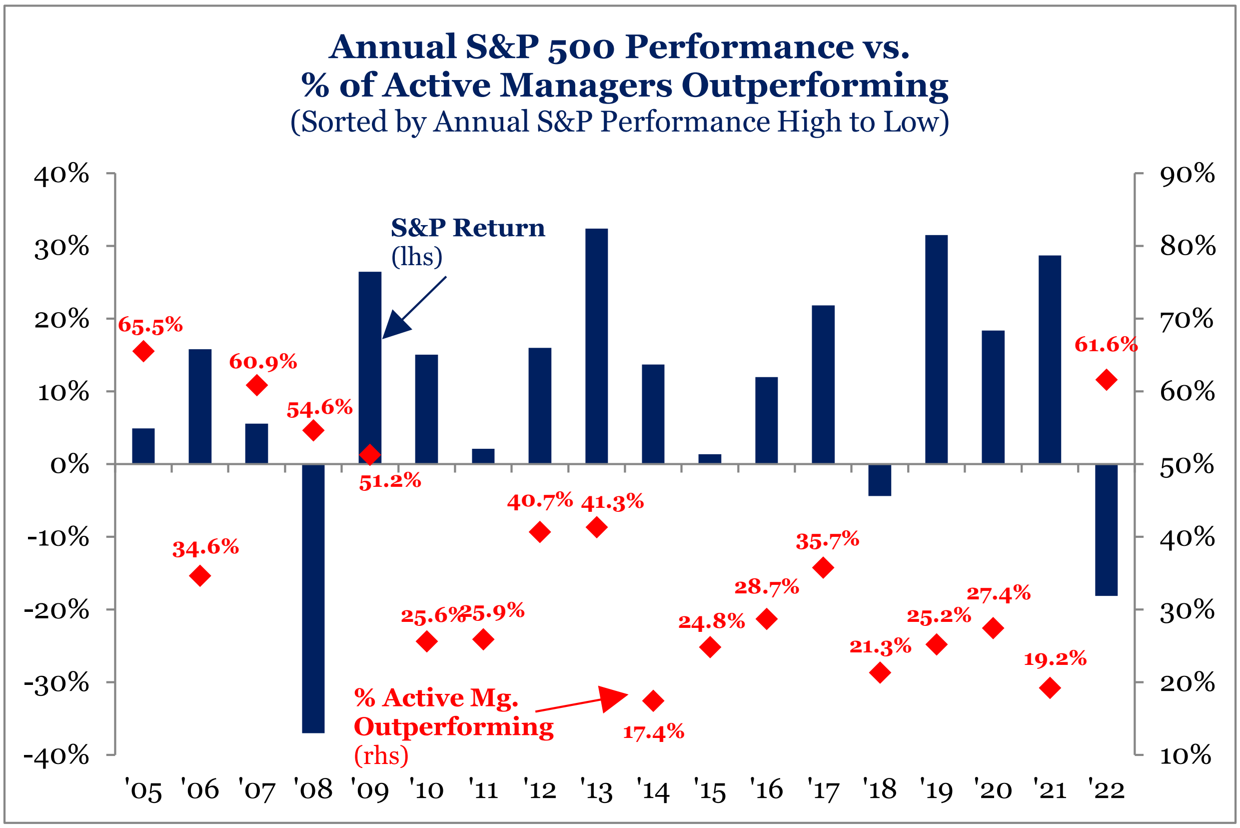



*eVestment investment style chart for the HSMP Composite Portfolio as of 12/31/2022 created with holdings data provided by HSMP. The diamonds represent the HSMP Composite Portfolio. The size of each diamond reflects the different reporting period dates with the larger diamonds reflecting the more recent quarter-end periods. Please refer to pages 7-10 for important information.*

**Nightfall on Easy Money...Dawn for Active Management?**

The cost of debt capital was virtually non-existent for the fifteen-year interval bracketing the 2007/08 Great Financial Crisis to the approaching one year mark of the unconscionable invasion of Ukraine by Russia (February 24, 2022, see our Thought Piece entitled "Indelible", dated March 7, 2022). The third leg of the trio of Black Swan events – the Global Pandemic – ushered in oceans of liquidity among global central banks that served to fortify the prescription of easy money for all that ailed world economies.

As shown below, in a climate where price discovery for risk assets over that interval was negligible, active managers were challenged to demonstrate consistent outperformance. The Fed's aggressive resolve to reign in pervasive inflation was the financial narrative of '22, and risk assets are now incorporating an element of price discovery in valuations that will make for volatile market conditions and moderating returns prospectively, in our opinion (See our Thought Piece entitled "Recess from Excess", dated Nov. 21, 2022).



*Source: Used with permission of Strategas Research Partners.The S&P 500 Index Return scale is included on the left-hand-side (lhs) and the Percentage of Active Managers Outperforming scale is included on the right-hand-side (rhs) of the chart.*

At HSMP, we remain committed to that lofty albeit simple objective: to grow clients' scarce capital over time, without taking undue risk. **We'll hug the same approach** that has yielded success as captured by our since-inception body of work: owning companies possessive of quality business models; growing the earnings and cash flow streams in a consistent, visible fashion; and being highly attentive to valuation. And while our aim is indeed true, we will do it our way, without succumbing to the square of market styles that would otherwise compromise the circle of competency we pride ourselves on, and our clients have come to expect.

Many thanks to our clients for the trust and confidence you have shown in us over the years.

*With an additional thanks to my colleagues, Patti Norton, Rob Gebhart, and Cameron Livingstone, without whom this piece would be aging in my "Documents" file rather than finding its way to your inbox.*

## HS Management Partners, LLC
## Concentrated Quality Growth Composite

### HSMP Composite Performance as of 12/31/22

| | YTD 1 Year | 3 Years *Annualized* | 5 Years *Annualized* | 10 Years *Annualized* | *Since Inception 4/1/07 Annualized* | *Since Inception 4/1/07 Cumulative* |
|---|---|---|---|---|---|---|
| HSMP Composite (Net) | -17.7% | 6.9% | 9.7% | 13.1% | 11.4% | 448.3% |
| S&P 500® Index | -18.1% | 7.7% | 9.4% | 12.6% | 8.7% | 271.7% |
| Russell 1000® Growth Index | -29.1% | 7.8% | 11.0% | 14.1% | 10.5% | 382.0% |

*Performance results are net-of-fees and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.*

### GIPS® Report

| | Firm | Composite | | Performance Results | | | | | 3-Year Annualized Std Deviation | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Composite | | | | | | | |
| Year End | Assets (USD) (millions) | Assets (USD) (millions) | Number of Accounts | Gross | Net | S&P 500® | Russell 1000® Growth | Composite Dispersion (Std Dev) | Composite Gross | S&P 500® | Russell 1000® Growth |
| **2022** | **2,427** | **2,308** | **250** | **-17.14%** | **-17.74%** | **-18.11%** | **-29.14%** | **.39** | **23.05** | **20.87** | **23.47** |
| **4Q22** | **2,427** | **2,308** | **250** | **13.74%** | **13.53%** | **7.56%** | **2.20%** | **.06** | **23.05** | **20.87** | **23.47** |
| 3Q22 | 2,274 | 2,104 | 260 | -3.11% | -3.28% | -4.88% | -3.60% | .24 | 22.14 | 20.02 | 22.81 |
| 2Q22 | 2,832 | 2,725 | 276 | -18.30% | -18.45% | -16.10% | -20.92% | .09 | 20.69 | 18.38 | 20.80 |
| 1Q22 | 3,563 | 3,445 | 279 | -7.97% | -8.14% | -4.60% | -9.04% | .34 | 19.65 | 17.51 | 19.20 |
| 2021 | 3,927 | 3,822 | 281 | 31.43% | 30.50% | 28.71% | 27.60% | .64 | 19.31 | 17.17 | 18.17 |
| 2020 | 3,491 | 3,341 | 284 | 14.70% | 13.88% | 18.40% | 38.49% | .14 | 19.75 | 18.53 | 19.64 |
| 2019 | 3,566 | 3,478 | 280 | 38.12% | 37.13% | 31.49% | 36.39% | 1.13 | 11.29 | 11.93 | 13.07 |
| 2018 | 3,145 | 2,967 | 259 | -4.42% | -5.07% | -4.38% | -1.51% | .28 | 10.04 | 10.80 | 12.12 |
| 2017 | 4,028 | 3,840 | 236 | 33.87% | 33.06% | 21.83% | 30.21% | .46 | 9.61 | 9.92 | 10.54 |
| 2016 | 3,446 | 3,269 | 199 | 6.92% | 6.25% | 11.96% | 7.08% | .10 | 10.72 | 10.59 | 11.15 |
| 2015 | 3,143 | 3,014 | 176 | 3.94% | 3.32% | 1.38% | 5.67% | .81 | 11.03 | 10.48 | 10.70 |
| 2014 | 3,295 | 3,193 | 148 | 13.06% | 12.39% | 13.69% | 13.05% | .26 | 9.85 | 8.98 | 9.59 |
| 2013 | 2,392 | 2,298 | 136 | 31.76% | 31.04% | 32.39% | 33.48% | .09 | 12.26 | 11.94 | 12.18 |
| 2012 | 1,622 | 1,616 | 94 | 28.86% | 28.16% | 16.00% | 15.26% | .15 | 13.82 | 15.09 | 15.66 |
| 2011 | 884 | 880 | 72 | 5.55% | 5.00% | 2.11% | 2.64% | .11 | 15.81 | 18.70 | 17.76 |
| 2010 | 531 | 528 | 46 | 17.13% | 16.44% | 15.06% | 16.71% | .28 | 19.54 | 21.85 | 22.11 |
| 2009 | 292 | 290 | 32 | 35.91% | 35.06% | 26.46% | 37.21% | .33 | | | |
| 2008** | 172 | 152 | 27 | -34.49% | -34.80% | -37.00% | -38.44% | N.A. | | | |
| 2007* | - | 6 | 5 or fewer | 16.84% | 16.08% | 4.83% | 10.51% | N.A. | | | |

* Performance shown for 2007 is from April 1, 2007 through December 31, 2007.

** HS Management Partners, LLC charges its fees quarterly in arrears and therefore no significant fees were charged to client accounts in the first quarter of 2008. Had a modeled fee of 0.90% per annum been applied, the net of fee return for 2008 would have been -35.39%.

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 internal, asset-weighted risk measure of the variability of portfolio-level returns (gross of fee) around the Composite for those portfolios that are included in the Composite for the entire period. In addition, 3-Year Annualized Standard Deviation is a risk measure computed using monthly returns for the Composite (gross of fee) and Indices and quantifies the variability of returns over time.

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 December 31, 2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the Firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Concentrated Quality Growth Composite has had a performance examination for the periods January 1, 2008 through December 31, 2022. The verification and performance examination reports are available upon request.

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The performance track record from April 1, 2007 through December 31, 2007 has been examined by Ashland Partners & Company, LLP and meets the portability requirements of the GIPS® standards. A copy of their report is available upon request.

HS Management Partners, LLC is an independent SEC registered investment advisor (SEC registration does not imply a certain level of skill or training). The Firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. When international ordinary shares or ADRs are held in portfolios in the Composite, performance is shown net of foreign withholding taxes. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Prior to January 1, 2008, a representative fee of 0.90% annually was applied to the individual accounts in the Composite managed by Harry Segalas. Additional information regarding the policies for calculating and reporting returns is available upon request. Policies governing compliance with the GIPS® Standards were followed in establishing HS Management Partners' performance record and the accounts to be included therein. In that regard, certain individual accounts managed by Harry Segalas were excluded from the Composite because of material differences in the management style of those accounts and HS Management Partners' investment policies. The GIPS® standards were applied retroactively for the purposes of computing 2007 performance and are being applied prospectively in a consistent manner.

Investment advisory fees are charged as a percentage of on an account's assets under management. The annual fee schedule for accounts that are at least $10 million under management is as follows: 0.90% on first $25 million, 0.70% on next $25 million and 0.50% on the balance. Accounts below $10 million pay the greater of 1% or $10,000. Actual investment advisory fees may deviate from the above fee schedule at the Firm's sole discretion. Please refer to our Form ADV for more information related to our fees.

**IMPORTANT DISCLOSURES**

This piece represents our opinion as of 2/9/2023 based on our understanding of market conditions and publicly available information, and is intended for Institutional and High-Net-Worth investors only. This piece is written from the perspective of our investment philosophy and strategy, Composite holdings, performance, and estimated outlook and metrics, and it does not refer to any specific client account (client accounts can have higher or lower performance than that shown here and can have some but not all of the holdings shown here). When we use *Composite*, we mean our HS Management Partners Concentrated Quality Growth Composite. Composite performance is presented net-of-fees and trading costs, and includes dividends, interest, and other earnings. The performance shown here should not be taken as an indication of how the Composite or a client account will perform in the future; past performance is not indicative of and does not guarantee future results. Some charts were obtained from third-party sources which we believe reliable, but we did not verify, nor do we guarantee the accuracy of this information.

This document may contain forward-looking statements relating to the objectives, opportunities, and the future performance of the U.S. market generally. Forward-looking statements may be identified by the use of such words as; "believe,", "anticipate," "estimated," and other similar terms. Examples of forward-looking statements include, but are not limited to, estimates with respect to financial condition, results of operations, and success or lack of success of any particular investment strategy. All are subject to various factors, including, but not limited to general and local economic conditions, changing levels of competition within certain industries and markets, changes in interest rates, changes in legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors affecting a portfolio's operations that could cause actual results to differ materially from projected results. Such statements are forward-looking in nature and involve a number of known and unknown risks, uncertainties and other factors, and accordingly, actual results may differ materially from those reflected or contemplated in such forward-looking statements. Prospective investors are cautioned not to place undue reliance on any forward-looking statements or examples. None of HSMP, its affiliates, principals nor any other individual or entity assumes any obligation to update any forward-looking statements as a result of new information, subsequent events or any other circumstances. All statements made herein speak only as of the date that they were made.

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.

- 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 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. The technology industry is sensitive to rapid and unforeseeable innovation and product obsolescence.
- 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 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.
- 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 http://www.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 or 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 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, a representative fee of 0.90% annually was applied to the individual accounts in the Composite 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.

In some instances, Composite performance is presented by itself on an absolute basis (without comparing it to an index or benchmark) and in other instances, the Composite is compared to the Russell 1000® Growth Index and the S&P 500® Index as benchmarks for market context only. The Russell 1000 Growth Index 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® Index 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 or both indices 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. For these and other reasons the Composite does not directly relate to an index. 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. 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. Client account holdings and performance can deviate from our Composite and/or from other client accounts, and also from the representative portfolio, 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.

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 some cases 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).

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