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MANAGEMENT
PARTNERS, LLC

HS Management Partners, LLC Looks to the Next 15 Years



PR Newswire Release – March 2, 2023

HS Management Partners, LLC (HSMP), a boutique equity investment advisor, is proud to announce several milestones as we near completion of year 16 of our performance track record, ending March 31st, 2023 for its sole investment strategy, the **HSMP Concentrated Quality Growth Equity** portfolio.

The Firm, located at 640 Fifth Avenue in New York City, was established in 2007 and currently advises assets approaching \$2.5 billion applying a focused, bottom-up fundamentals-first approach to portfolio construction.

HSMP Composite Performance as of 12/31/22

	4Q22	2022 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)	13.5%	-17.7%	6.9%	9.7%	13.1%	11.4%	448.3%
S&P 500® Index	7.6%	-18.1%	7.7%	9.4%	12.6%	8.7%	271.7%
Russell 1000® Growth Index	2.2%	-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.

Harry Segalas, Managing Partner & Chief Investment Officer, remarks, “Since inception, our Composite has annualized compounded returns at a 11.4% annual post-fee rate (net-of-fees) (4/1/2007 through 12/31/2022). The power of this compounding shows that cumulative returns (net-of-fees) amounted to 448.3% in that period and that \$1 million invested at our start (4/1/2007) is now worth \$5,482,900 (see Performance table above). We believe this represents a strong track record during that period, even in the face of three Black Swan events in the past 15 years (the Global Financial Crisis in 2008, the Pandemic in 2020, and the Russian Invasion of Ukraine in 2022).

Continuing forward, we remain committed to our sole concentrated quality growth methodology. This includes a strong valuation discipline and active management. Undoubtedly, we will face many challenges but believe this approach will serve clients well in our drive toward absolute returns in the years ahead. Many thanks to the incredible HS Management Partners team that has been assembled over the years, and thanks most of all to our clients, entrusting us with the management of their valuable assets. It is a responsibility that we take with utmost seriousness.”

Greg Nejmech, Partner, President & Investment Strategist, adds, “The key to our future is the same as the key to our past – our culture. When asked by a client along the way what was the best decision we’d made, and after some reflection, I offered our best decision was to model HS Management Partners in a manner consistent with the criteria we prize among our portfolio holdings: a long-term market perspective, a highly focused approach, and a relentless emphasis on quality in people, processes, products, and services. We invested behind the core of our convictions, and that has made, and will continue to make, all the difference.”

“As we move forward, we are proud of the inclusive and diverse team of professionals we have assembled, and we have continued to invest in our capabilities (investment, client, and operational) with an intent to grow Firm assets. We view ourselves as a “QARP” manager – quality at a reasonable price – and our benchmark agnostic approach has served clients well (see our latest Thought Piece, entitled “[The Market Square...The HSMP Circle](#)”). We are proud to have been recently recognized by Zephyr’s PSN as a “Top Gun” in their latest quarterly rankings and having been identified by Nasdaq eVestment in recent quarters of their Brand Awareness Rankings. We hope to build on our internal initiatives and external recognition to grow the Firm while maintaining focus on our singular strategy.”

With David Altman, Partner and Director of Research and Bart Buxbaum, Partner and Chief Administrative Officer, the four Partners have over 160 years of combined industry experience. In total, HSMP consists of 18 professionals with an average of 28 years of experience. The entire HSMP team is determined to continue to manage and service client assets with the same purpose, resolve and integrity that have served as the blueprint for past success.

For HSMP market commentary and quarterly updates, follow the [HSMP LinkedIn](#) page or #HSPerspectives. For additional information on HSMP, visit the Firm’s website at www.hsmanage.com which includes a [Firm video](#) or contact Tom Bylaitis or Patti Norton at 212-888-0060 or info@hsmanage.com.

Important Disclosures

This piece represents our opinion as of 3/2/23 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). When we use *Composite*, we mean our HS Management Partners Concentrated Quality Growth Composite. The 11.4% annualized Composite compounded return indicated here is net-of-fees and was used for the \$1 million investment example. The \$1 million investment example is for illustration/discussion and there is no assurance that the indicated return was attained by any client account or could be attained in the future. 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.

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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HSMP pays eVestment and PSN Informa to collect our data that is used to provide data and other to information to qualified investment professionals and financial institutions. HSMP does not compensate eVestment or PSN Informa directly for their rankings. HSMP has been ranked in the Top 20 of the Nasdaq eVestment Brand Awareness Rankings in the Single Product Firm category among both Consultants and Asset Owners for the prior three quarters in 2022. HSMP has been ranked in the PSN Top Guns list for both the Large Growth Universe and US Growth Universe categories.

This document includes general information and has not been tailored for any specific recipient or recipients. Accordingly, the information here is not intended to cause HSMP to become a fiduciary within the meaning of Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986, as amended.

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