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

April 14, 2023

Investment Perspective

Ich bin Bankanalyst

On June 26th, 1963 — almost a full 60 years ago — President John F. Kennedy gave one of his most famous Cold War speeches. “Ich bin ein Berliner” ... “I am a Berliner” resounded to the crowd in West Berlin and around the world.

On March 8th, 2023, Silicon Valley Bank (SVB) sent a press release out after the market close entitled: “SVB Financial Group Announces Proposed Offerings of Common Stock and Mandatory Convertible Preferred Stock.”

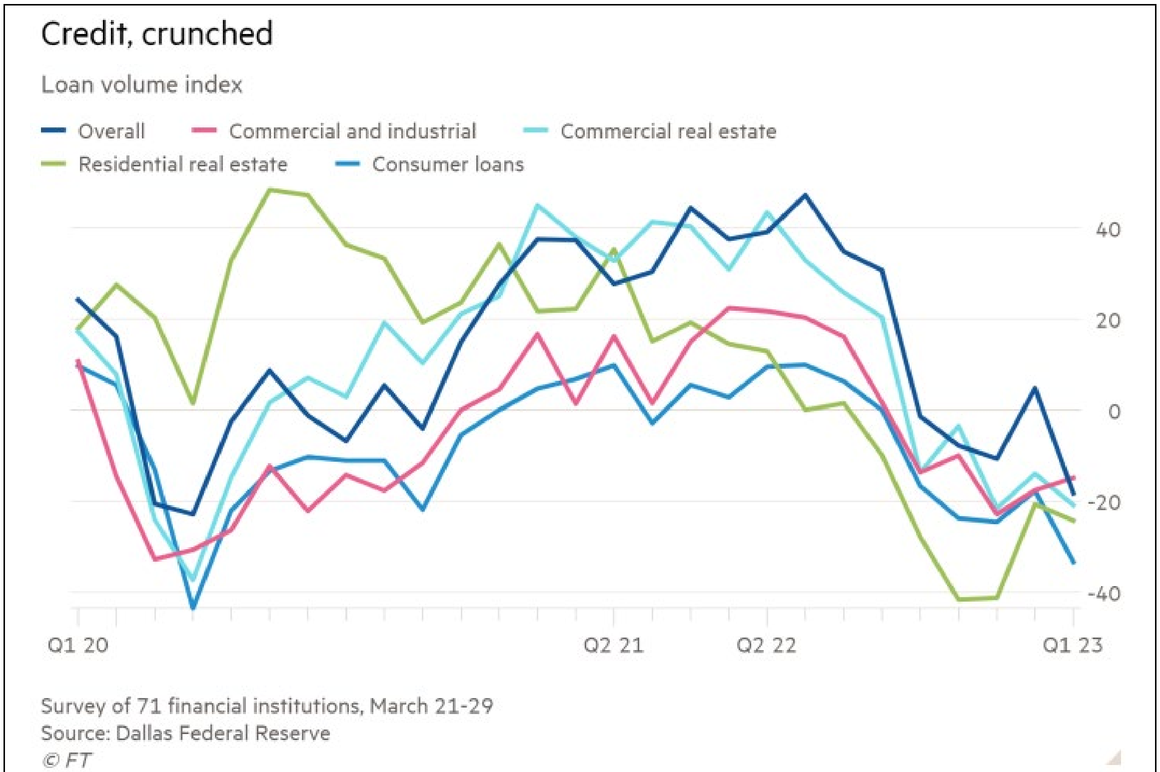
What followed has been well documented. A plunge in SVB shares on Thursday, March 9th fueled a Twitter-led, smart device run on the bank (none of “It’s a Wonderful Life” lining up in the cold). Through that perilous weekend, and from that day on, scrutiny of the banking system and financial institutions at large has been job number one in order to understand possible collateral damage. From that point on, “Ich bin Bankanalyst” … “I am a bank analyst” became everyone’s new mantra.

Leave it to J.P. Morgan’s venerable CEO Jamie Dimon, to sum things up best, as he did in his recent annual letter “most of the risks were **hiding in plain sight**. Interest rate exposure, the fair value of held-to-maturity (HTM) portfolios and the amount of SVB’s uninsured deposits were always known — both to regulators and the marketplace. The unknown risk was that SVB’s over 35,000 corporate clients — and activity within them — were controlled by a small number of venture capital companies and moved their deposits in lockstep.” Dimon sees this in no way comparable to the severity of events in 2008 but cautions that “the current crisis is not yet over, and even when it is behind us, there will be repercussions from it for years to come.” He noted that “any crisis that damages Americans’ trust in their banks damages **all banks** — a fact that was known even before this crisis.”

Our big picture view going into this year was that 2022 marked the end of the era of easy money. A loose monetary and fiscal regime has sparked inflation that now needs to be contained by Fed tightening and more government spending restraint (witness the upcoming budget battle). Markets have benefitted early in 2023 by a rebound from depressed levels and a drop in long-term bond yields which have helped price/earnings multiples recover. But the key in our minds going forward will be to navigate a pending economic slowdown. It is not about how business is today … it is how business will be 6, 12, and 18 months from now. Fiscal policy works with long and variable lags, so today’s tightening affects tomorrow’s growth.

To that end, our focus on quality businesses, durable earnings streams, robust cash flows, solid balance sheets, and supportive dividend policies remains as timely as ever. A valuation discipline is also of paramount importance as both a beacon to discover opportunity and a cushion to curb risk. We care equally about reward and risk.

So, as we assess the events so far in 2023, punctuated by the failure of SVB and other banks, the subsequent pressure on regional banks, and the forced sale of Credit Suisse to UBS, this leads us to a view of an even more pronounced slowdown. The chart below from the Dallas Federal Reserve and featured in the 4/11/2023 Financial Times, highlights slowing lending and a worsening outlook.

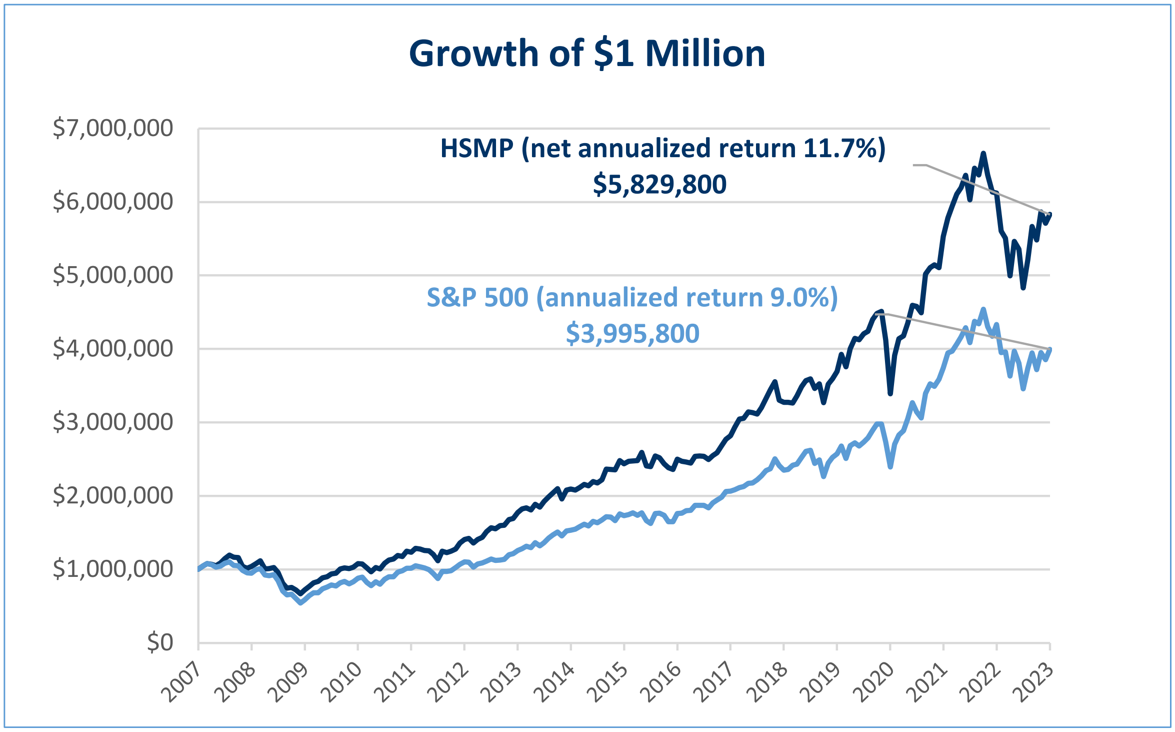


Source: Financial Times as of 4/11/2023.

Our bottom line is that the need for portfolio resilience and our focus on navigating a prospective economic slowdown are increasingly relevant. And as we wrote in our year-end 2022 correspondence, "Much as the mantra in real estate is "location, location, location," we think for an equity portfolio that mantra will be "quality, quality, quality."

Sweet Sixteen

The first quarter of 2023 also marked the completion of the 16th year for our performance track record (where does the time go?). The table on the back of this letter (page 5) gives detailed performance information, and the chart below also offers additional perspective:



Note: Based on HSMP Concentrated Quality Growth Composite performance returns (net-of-fees) since inception 4/1/07 through 3/31/2023 and includes the reinvestment of dividends and other earnings. 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. Past performance is not indicative of future results. Please refer to the 1, 5, 10 Year Performance table on page 5 and refer to pages 5-7 for important information.

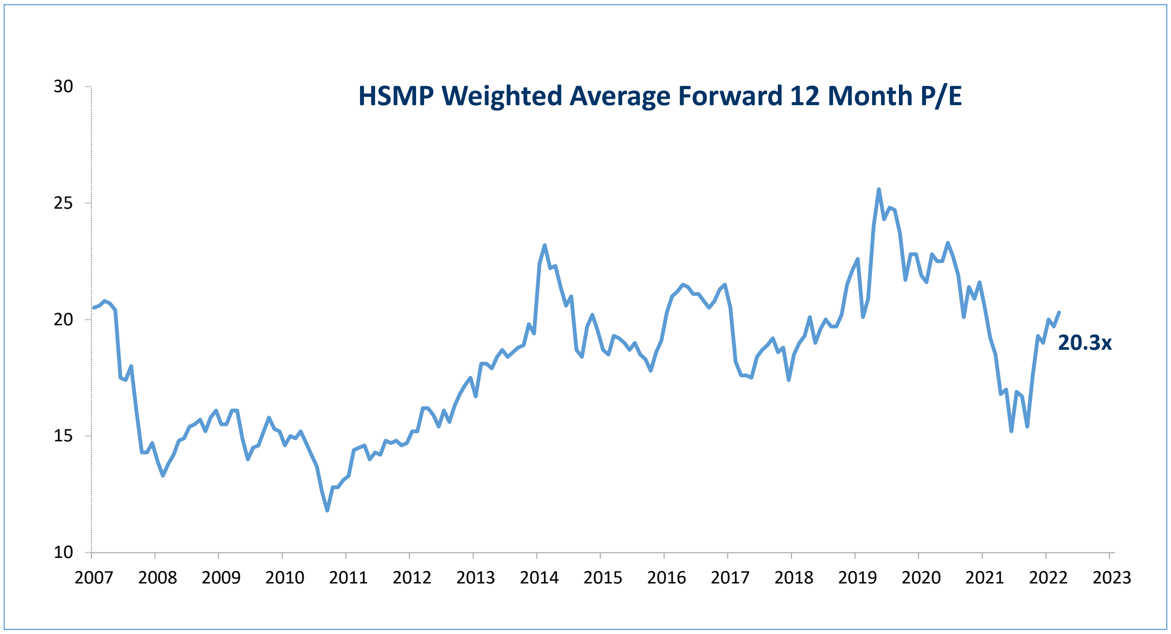
More than anything, this graph illustrates the power of compounding at work. Seemingly small differences in annualized returns add up to big dollars cumulatively over time.

Our goal since day one has been straightforward: Deliver positive absolute returns over time by owning high-quality businesses, growing the earnings and cash flow stream yearly, and attaching ourselves to this stream at an attractive valuation. We then look for a growing dividend stream to enhance total returns.

As we go forward, we like what we own and are focused on navigating a pending economic and earnings slowdown as well as leaning into balance sheet strength.

H S MANAGEMENT PARTNERS, LLC

In our minds, valuations look reasonable. The chart below highlights the historical price/earnings ratio for our portfolio for perspective:



Based on HSMP estimates since inception (4/1/07) through 3/31/23. Please refer to pages 5-7 for important information.

We are encouraged that the earnings yield of the portfolio, at almost 5%, is nicely in excess of the current ten-year bond yield of roughly 3.5%. We are looking for earnings and dividends to drive the portfolio over time and are not counting on multiple expansion.

As always, we appreciate the confidence you have shown in us. Rest assured that we remain intensely focused on our Concentrated Quality Growth Equity methodology and working tirelessly on your behalf. We look forward to doing so for many years to come.

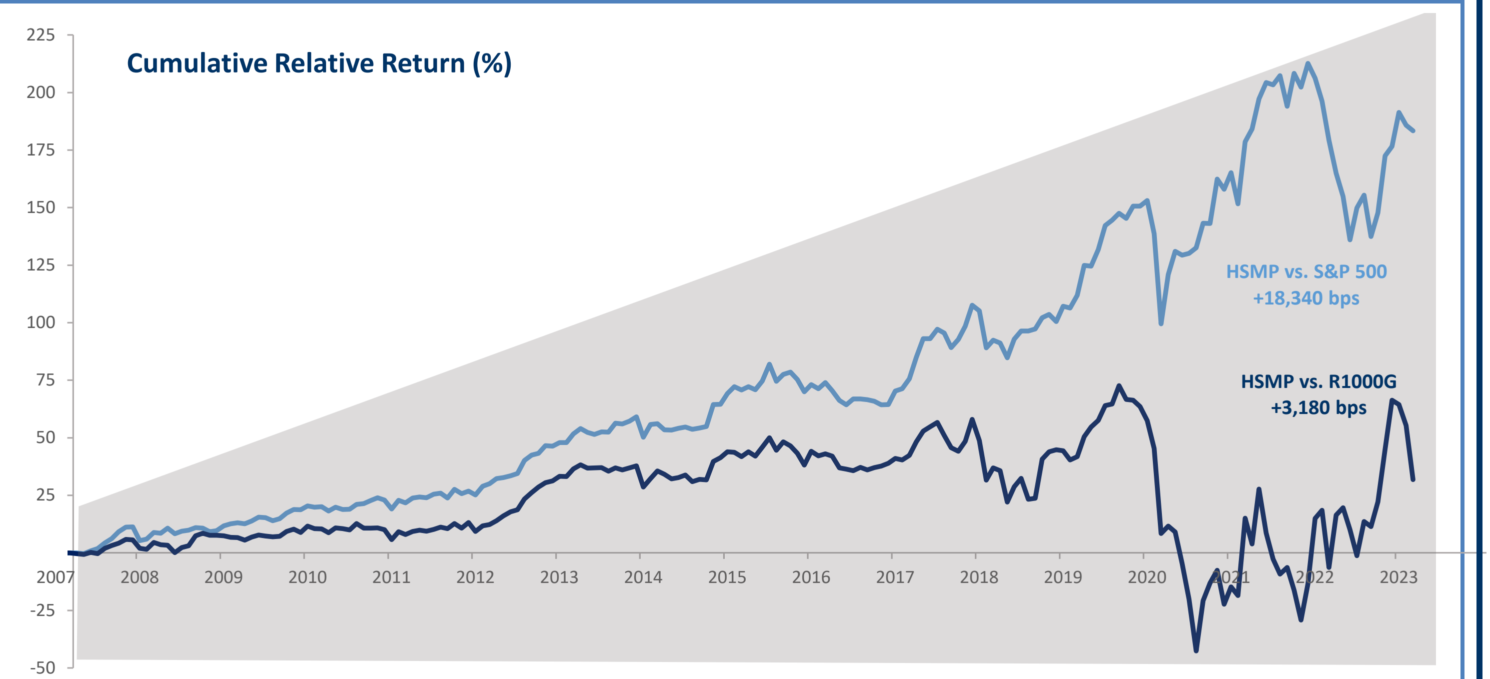
Sincerely,

Harry W. Segalas

Portfolio Profile (3/31/23)

HSMP Composite Performance as of 3/31/23	1Q23	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)	6.3%	-4.8%	19.8%	12.2%	12.6%	11.7%	483.0%
S&P 500® Index	7.5%	-7.7%	18.6%	11.2%	12.2%	9.0%	299.6%
Russell 1000® Growth Index	14.4%	-10.9%	18.6%	13.7%	14.6%	11.3%	451.2%

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.



Composite monthly performance (net-of-fees) since inception (4/01/07) through 3/31/23. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. Please refer to pages 6-7 for important information.

IMPORTANT DISCLOSURES

This piece represents our opinion as of 04/14/23 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. 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).

The price-earnings (P/E) ratio and earnings 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).

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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