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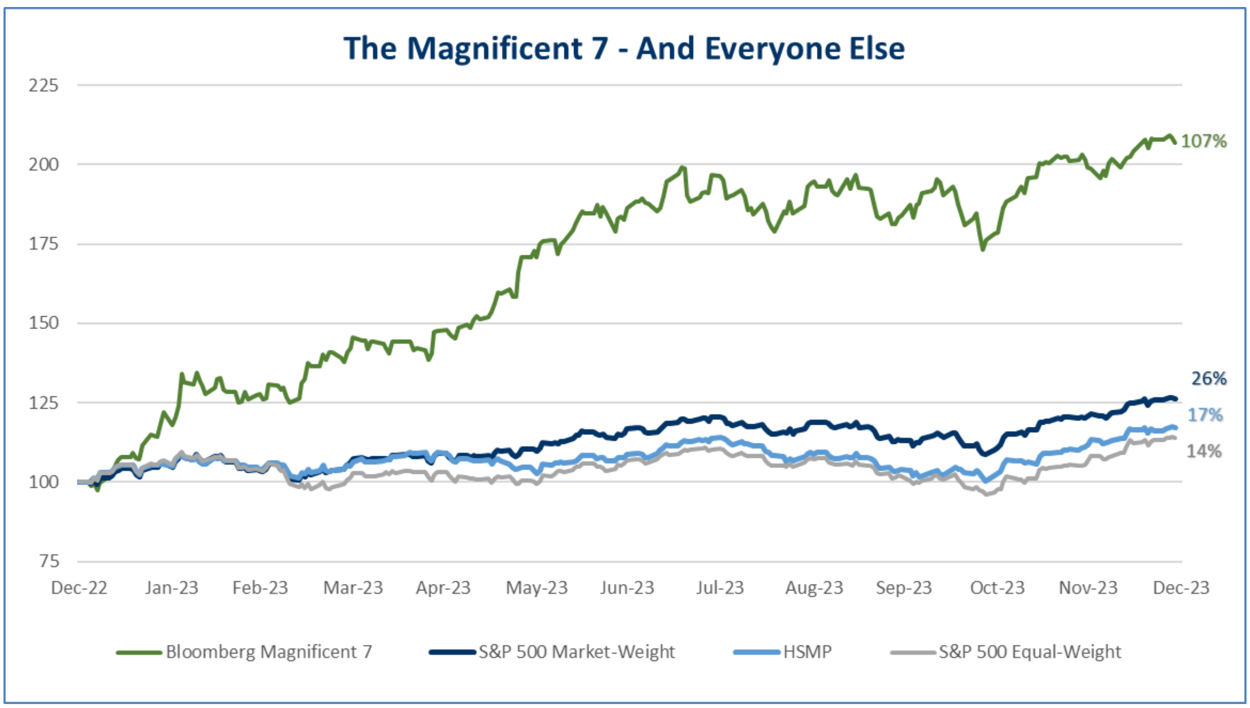
January 17, 2024

Investment Perspective

Thanks to a robust final quarter, the HS Management Partners Composite increased 17.1% in 2023. 2023 was a year of recovery, and the Composite is back within striking distance (4%) of portfolio values prior to 2022's bear market. While absolute returns – our primary investment objective – were strong, relative returns fell short of the S&P 500's 26.3% gain in 2023. 2023 was a year marked by outsized gains from a narrow component of the S&P 500 Index, specifically, seven stocks dubbed the Magnificent 7. Note that these seven stocks advanced 107% – lifting up the S&P 500 Index average — while the other stocks in the S&P 500 Index had an average increase of 14% last year.



Source: HSMP compiled chart using data from Bloomberg. The Magnificent Seven stocks include: AAPL, AMZN, GOOG, META, MSFT, NVDA and TSLA. Performance returns include the period from 12/31/22 through 12/31/23. Performance returns for the Magnificent Seven (gross-of-fees) and HSMP Composite (net-of-fees) include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. Please refer to the 1, 5, 10 Year Performance table on page 6 and pages 6-8 for important information.

2023 also marked the best year for the tech-heavy Nasdaq 100 Index (+54%) since Prince *partied like it's 1999* (+102%). The 8% advance for "dividend aristocrats" — that is S&P 500 Index companies that have increased their dividend in each of the past 25 years — also represented the worst relative year for these companies since the height of the dot-com bubble in 1999. You get the picture.

We continue to stick to our knitting and remain focused on our investment goal of delivering "positive absolute returns over a market cycle with stock appreciation complemented by a growing dividend stream while being keenly mindful of risk."

For us, it is about having a sole methodology based on quality, growth, and value. It is about going across the growth spectrum and moving up and down the market cap scale. It is about having a concentrated portfolio – capped at 25 names — and making hard decisions, as well as active management as we view our client's capital as scarce capital.

We don't neatly fit into a style box. To generalize our approach as solely "U.S. large cap growth" does not fully capture our valuation discipline, willingness to go down the market cap scale, or ownership of non-U.S. domiciled stocks. The chart below highlights this:

3-Year Rolling Style Map

Source: eVestment investment style chart for the HSMP Composite Portfolio (from Inception Q2-2007 to Q3-2023) 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 6-8 for important information.

The blue diamonds above represent rolling three-year periods, with the larger diamonds reflecting the more recent quarter-end periods. Our bottom-up benchmark-agnostic philosophy is about the quality of the business, our view of fundamental growth prospects, and our valuation methodology. It is about reward and risk.

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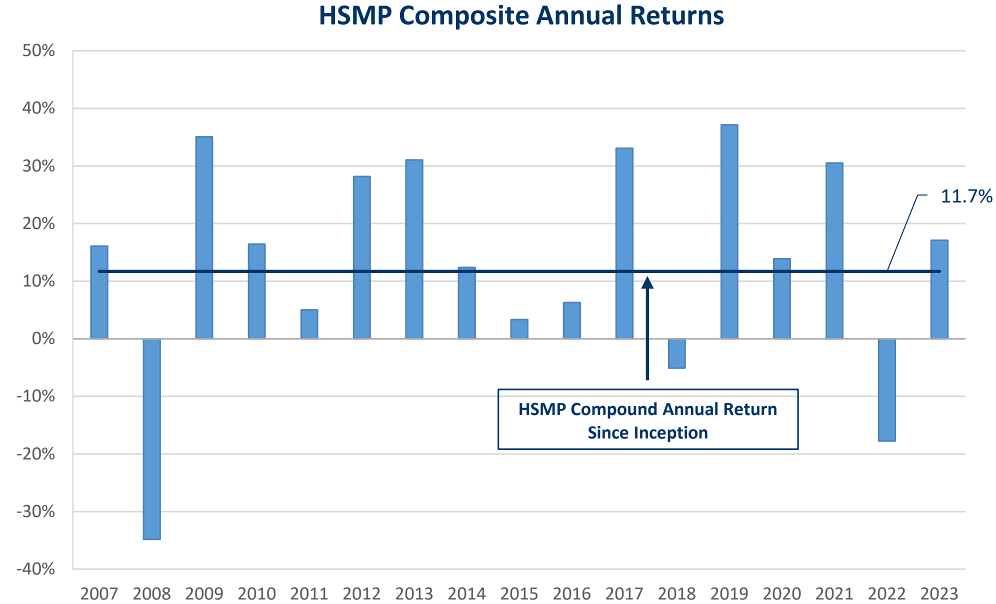
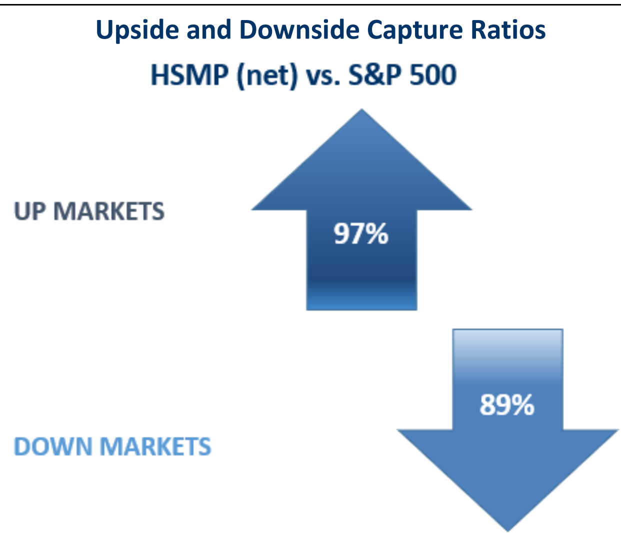
Over time, adhering to our investment approach has yielded attractive absolute returns and this past year's advance bumped up our compound annual returns since our inception (16 ¾ years ago) to 11.7% post-fee.



Composite annual performance (net-of-fees) and Composite compound annual return since inception (net-of-fees). The shown annual performance for 2007 is only since inception (4/1/07) through 12/30/07. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. Please refer to the 1, 5, 10 Year Performance table on page 6 and pages 6-8 for important information.

Our annualized returns since inception are 200 basis points above the S&P 500 Index, notwithstanding a more go-go momentum-oriented environment in the past decade than a "growth and value joined at the hip manager" would typically favor. Our upside/downside capture ratios since inception — which include anomalous periods around the Pandemic — also paint a picture.



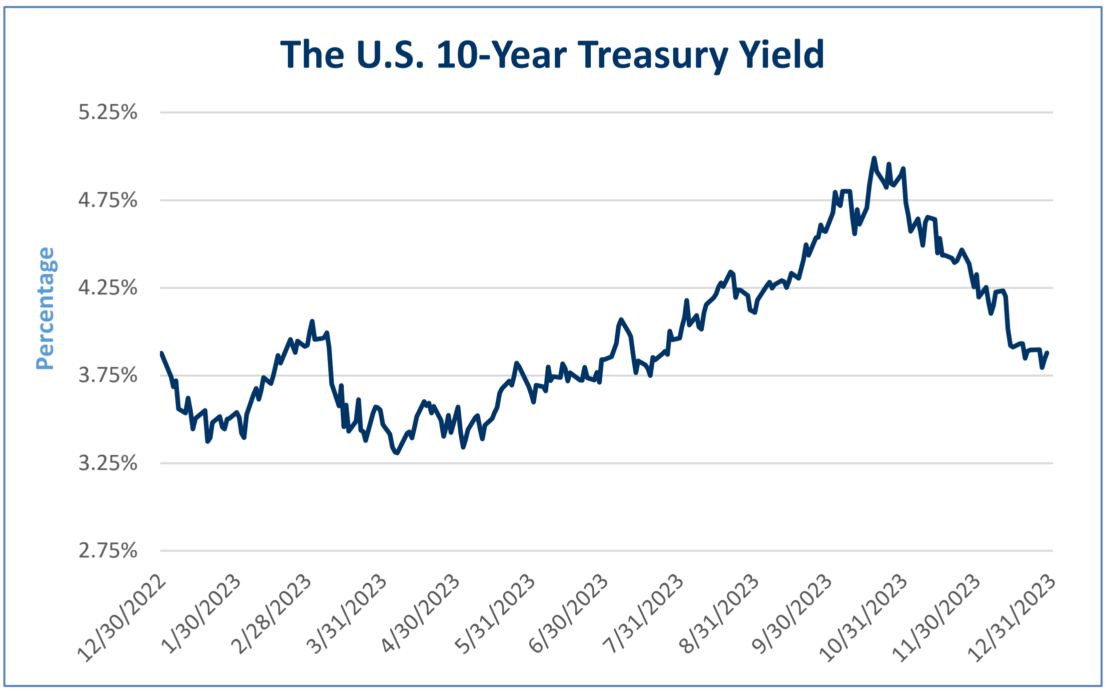
Analysis of monthly Composite performance returns (net-of-fees) since inception (4/1/07) through 12/31/23. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. The upside [downside] capture ratios shown were computed by dividing 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 for those same months. Please refer to the 1, 5, 10 Year Performance table on page 6 and pages 6-8 for important information.

My own sense is that this phenomena is a function of the type of companies we buy ("yes" to strong balance sheets; "no" to speculative companies) and our valuation discipline, which acts as a brake during the fast times but also keeps us from going off the road. Over longer market cycles, the math of capturing much of the upside and less of the downside has contributed to attractive relative returns in the past, and we believe it will be supportive of relative returns in the future as well.

Investment Outlook

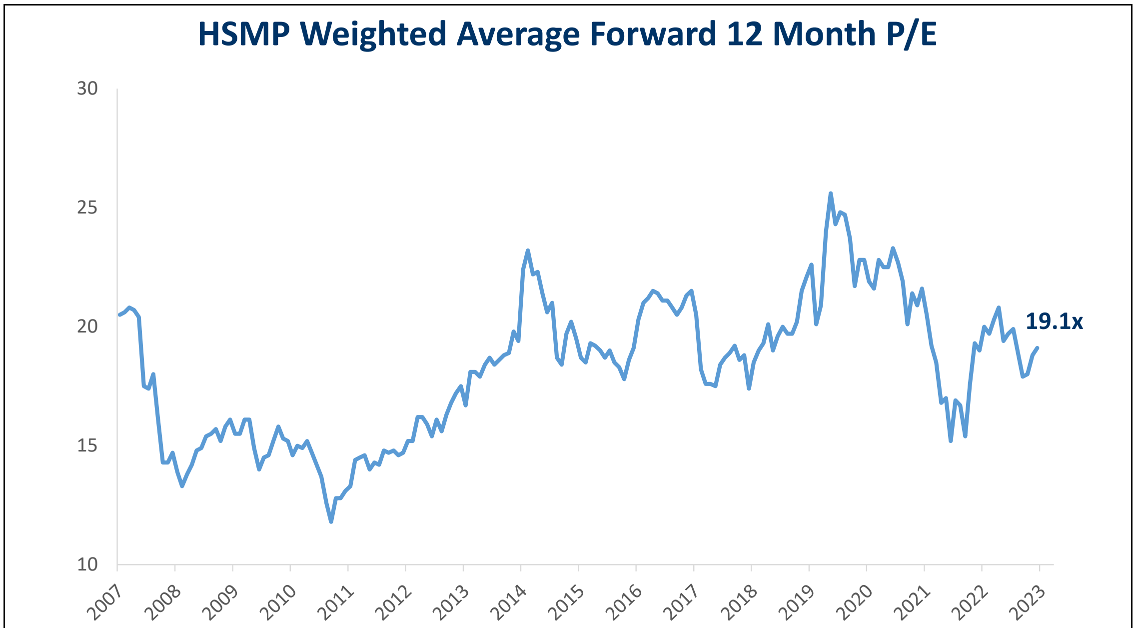
So where to from here? We believe portfolio earnings and cash flows will prove resilient in the years ahead. We continue to estimate that portfolio earnings could advance roughly 10% going forward, even in the face of an economic slowdown.

From a valuation perspective, the U.S. 10-year Treasury bond yield retreated meaningfully in the fourth quarter, which boosted price/earnings ratios for our portfolio and the market at large.



HSMP compiled charts using data provided by Bloomberg. Please refer to pages 6-8 for important information.

That said, we believe our forward 12-month estimated price/earnings ratio — at 19X remains reasonable and stands below where it stood when we began this investment journey almost 17 years ago. Moreover, as an investor in long-duration quality assets, we are currently receiving a 5.2% estimated earnings yield in roughly a 4% 10-year Treasury bond yield world. This earnings yield/bond yield ratio is historically attractive. If earnings compound at about a 10% pace, the $5.20 in earnings we receive for every $100 invested will grow to more than $8 five years out and more than $13 ten years from now. The growth in earnings — along with the dividends accumulated over that time — puts upward pressure on the portfolio and is what drives absolute returns.



Based on HSMP estimates since inception (4/1/07) through 12/31/23. Please refer to pages 6-8 for important information.

With the emergence of AI, we are living in exciting times, reminiscent of the period that emerged after the creation of the Internet. We are also entering an election year for over two billion people in more than 50 countries. It is also, as I noted before, a time of international strife. This translates into a time of change — both positive and potentially disruptive – and heightened uncertainty. Now more than ever, we think our commitment to our investment approach — focusing on the fundamentals and valuation — and not changing styles or getting caught up in hype or manias – will pay dividends (figuratively and literally). We remain committed to unearthing names across the growth spectrum — from dominant durable companies with duration to more rapid top-line growers, so long as the fundamentals are good, and the valuation is attractive.

We will soon reach the 17-year mark of our Composite track record and are excited to move toward the 20-year mark. We have an experienced, seasoned, and cohesive investment firm that we have begun to complement with newer team members. The Firm is investing in people and capabilities on our clients' behalf, and we are looking to offer our time-tested investment methodology to more clients and for many years to come. Thanks as always for your confidence, and trust in us, we appreciate your support.

I wish all a healthy, happy, and prosperous 2024.

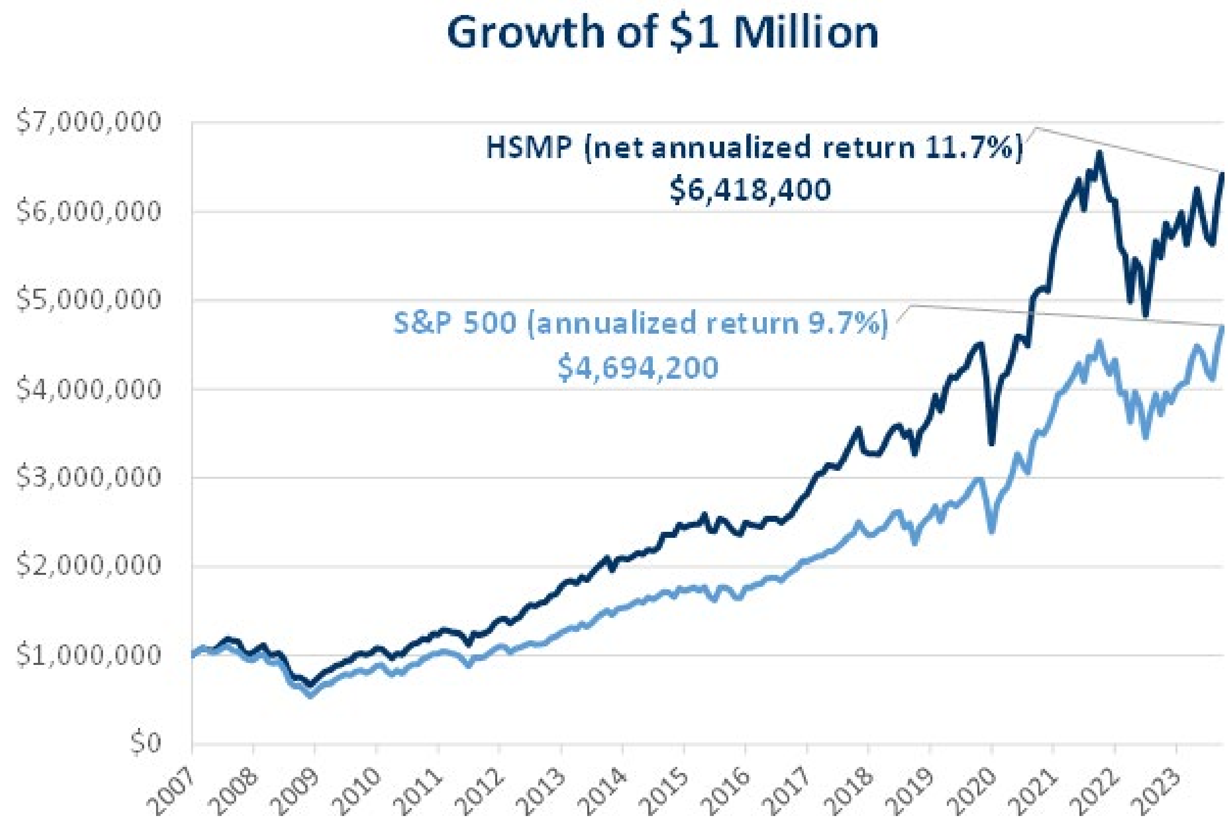
Sincerely,

Harry W. Segalas

Portfolio Profile (12/31/23)

HSMP Composite Performance as of 12/31/23	4Q23	2023 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)	12.4%	17.1%	7.9%	14.4%	11.8%	11.7%	541.8%
S&P 500® Index	11.7%	26.3%	10.0%	15.7%	12.0%	9.7%	369.4%

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.



For illustration/discussion only, based on HSMP Composite annual returns (net-of-fees). There is no assurance that the indicated return was attained by any client account or could be attained in the future. Annual performance for 2007 is since inception (4/1/07) through 12/31/07. Performance results include the reinvestment of dividends and other earnings. Past performance is not indicative of future results.

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IMPORTANT DISCLOSURES

This piece represents our opinion as of 1/17/24 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.

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 S&P 500® Index as a benchmark for market context only. The S&P 500® Index is an unmanaged market capitalization-weighted index of 500 stocks 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 the S&P 500 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 the S&P 500 Index and is much more concentrated than the S&P 500 Index in terms of companies and sectors; the average market capitalization of companies in the Composite will likely differ from the S&P500 Index; and market or economic conditions can affect positively/negatively the Composite's performance but not the S&P 500 Index to the same extent). In addition, the S&P 500 Index does not bear fees and expenses and investors cannot invest directly in the S&P 500 Index. 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).

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. The S&P 500® index used in the Magnificent 7 chart refers to the equal-weighted version of the S&P 500 Index (S&P 500 EWI). The S&P 500 EWI has the same constituents as the capitalization weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

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).

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