First Quarter 2024 Investment Perspective

HS MANAGEMENT PARTNERS, LLC

investment styles ebb and flow . . . fundamentals never go out of favor

Celebrating 17 Years 2007 2024

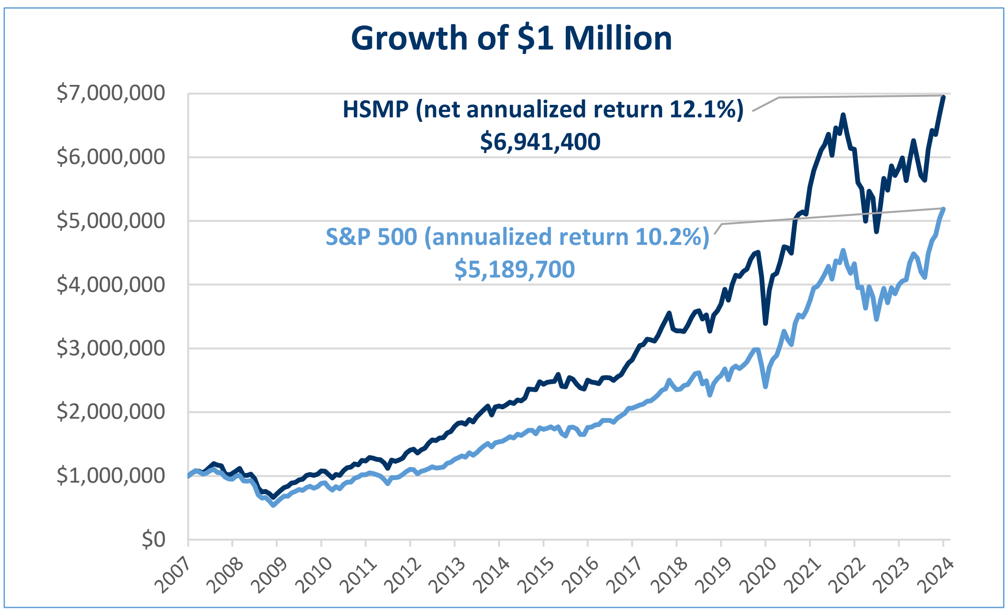
April 10, 2024

17 Years and Counting

A good absolute start to the year for our portfolio caps off the 17-year mark for our Composite performance. Absolute performance returns amounted to 594% (net-of-fees) compared with a 419% gain in the S&P 500 Index during this 17-year period.

We all feel tremendous gratitude to our clients over the many years. Thanks to our HSMP team members for their support and efforts behind reaching this milestone.

Now onto the rest of 2024 and our drive to the 20-year performance anniversary just three years ahead.



Composite Performance (As of 3/31/2024)	1 Year	5 Years *Annualized*	10 Years *Annualized*	*Since Inception 4/1/07 Annualized*
HSMP Composite (net-of-fees)	19.1%	13.5%	12.7%	12.1%
S&P 500® Index	29.9%	15.1%	13.0%	10.2%

Based on HSMP Concentrated Quality Growth Composite performance returns (net-of-fees) since inception 4/1/07 through 3/31/2024 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 6 and refer to pages 6-8 for important information.

HS MANAGEMENT PARTNERS, LLC

Investment Review

This year's strong start is on the heels of last year's robust finish. At the end of the day, performance is driven by earnings and valuation. Portfolio earnings have been advancing steadily, aided in part by a resilient U.S. economy.

A recovery in price/earnings ratios since October 2023's lows is what has boosted gains. A drop in the U.S. 10-year Treasury bond towards the end of last year was the fuel that got it started. And though the 10-year Treasury bond yield has moved higher in 2024, multiples have advanced further for your portfolio and the market at large.

To be sure, while we are taking the (not so) slow and steady approach to winning the race, the S&P 500 Index at large has been advancing at a torrid pace. Two phenomena emerged last year: Artificial Intelligence (AI) and Glucagon-like peptide-1 (GLP-1) weight-loss drugs. This has led to great excitement – mostly away from us and, if anything, the expansion of GLP-1 drugs cast a cloud on several consumer goods companies. In this environment, certain attributes that we prized – such as strong cash flows and dividends – took a back seat. Overall, it also became a more concentrated market (especially last year).

Our investment mantra at all times is straightforward: we stick to our knitting. We look to own first-rate businesses, grow the earnings and cash flow stream, and attach our clients' assets to this stream at what we believe are attractive prices. In other words, having a valuation discipline and a mindset that growth and value are joined at the hip. We are bottom up and benchmark agnostic in our approach and are not momentum investors. We are always curious, learning and adjusting to changing business models. We continuously pursue new opportunities while seeking a margin of safety and staying within our circle of competence.

Moreover, we bring a collaborative, collegial approach to our process, built on a cohesive seven-person investment team that has worked together closely over many years and with a combined 212 years of investment experience. Adding in our client service and operations team members, HSMP has 17 professionals dedicated to our one methodology and your investment success.

Now coming up on 42 years in the business, I firmly believe that there is both an art and a science to investing. The science is really the math of it. What are the earnings? How fast are they growing? What is the future earnings power? What is the price/earnings (P/E) ratio? What is the free cash flow yield? What is the equity risk premium? What is the appraised present value?

The art of investing takes many forms and is really the liberal arts side of the equation. How do you find new names? How do you conceptualize new names? What are the pressure points that need to be understood and researched? What is the length of the ride? What is the view of management and the board? What constitutes a quality business model? What is the best use of our client's capital?

There is also a behavioral aspect of investing that is more art than science too. There is anchoring of expectations to be mindful of. There is the awareness that the fear of loss can be twice as powerful as the pleasure of gain. There is recency bias. There is the crowd and sometimes it's madness. There is FOMO (fear of missing out).

Looking at the art and science of investing today, we see the following:

We continue to find attractive new names, have conviction in our holdings and believe we are being adequately compensated for our portfolio risk. We have allocated our client's capital to own what we consider are quality businesses, with strong business models, and first-rate management.

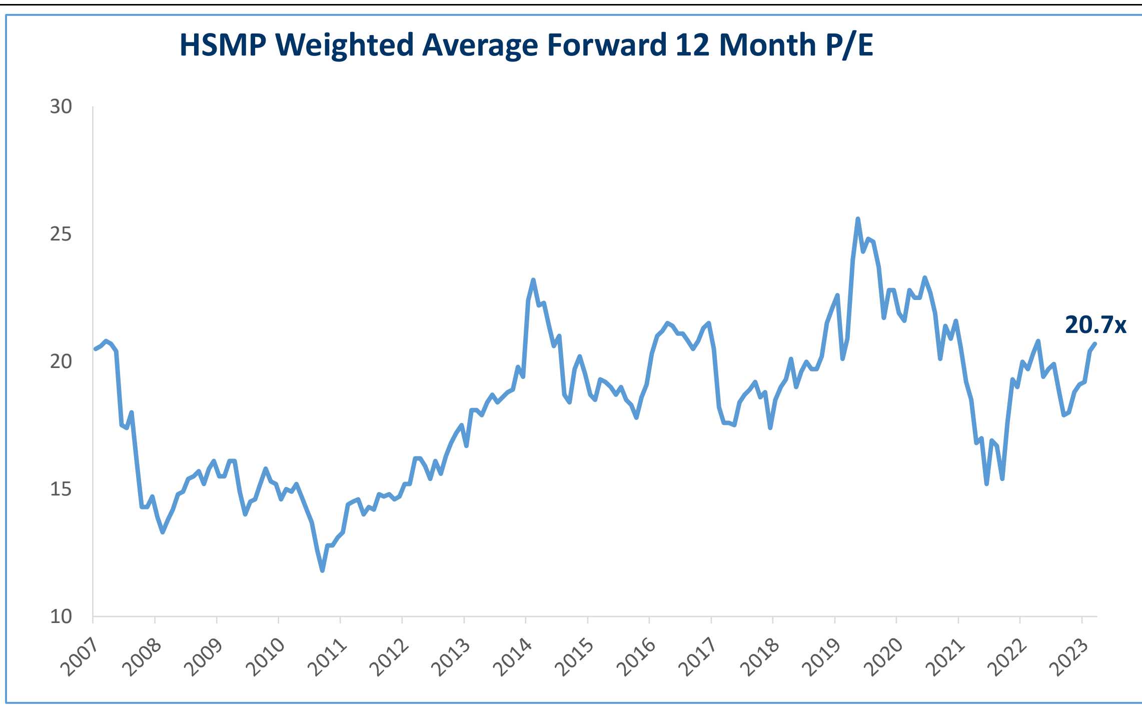
We think companies in your portfolio should grow earnings at roughly a 10% rate this year and over the next few years, notwithstanding a moderation in economic activity.

The P/E on your portfolio is up to almost 21X estimated forward 12-month earnings – a clear increase from October 2023 (18X) but still acceptable on an absolute and relative basis to the 10-year Treasury bond – which sits at 4.2%. This puts our earnings yield/bond yield ratio at 115%. This P/E is lower than the S&P 500 Index's estimated forward P/E of about 22X.

The dividend yield on your portfolio stands at 1.8%.

In other words, the building blocks of the past are the building blocks of the future. When we look back at our compound annual performance return over the past 17 years of 12.1% (net-of-fees), appreciation was largely driven by the earnings and cash flow growth derived from owning good businesses. Our price/earnings multiple ended up about where it started. Results were augmented with dividends.

This is our recipe to seek for absolute performance over time and achieving healthy absolute gains while not going too far out on the risk curve. This is the core of what we are trying to accomplish.

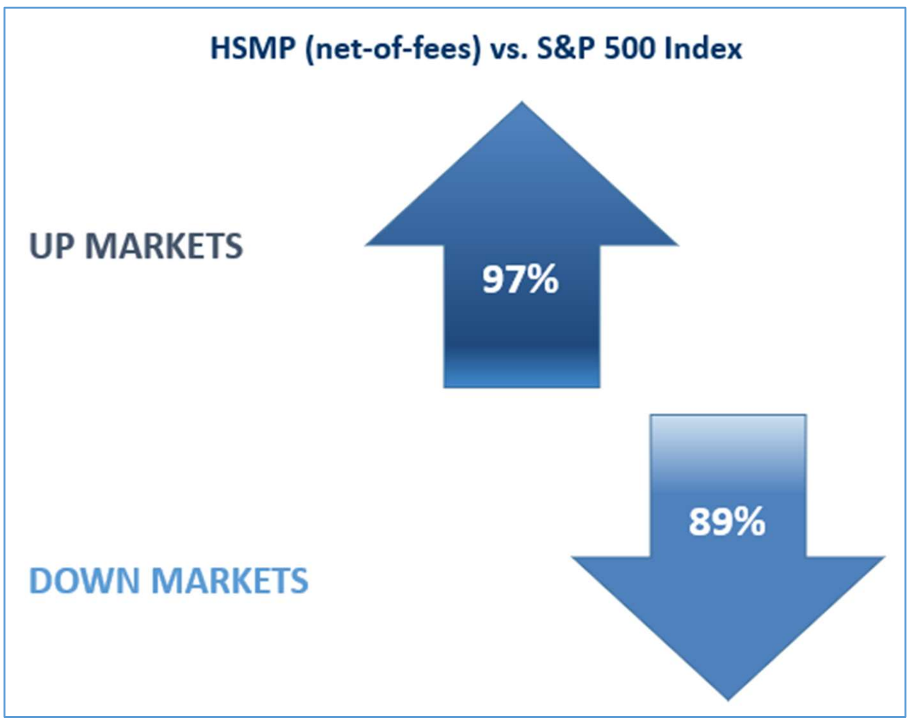


Based on HSMP estimates since inception (4/1/07) through 3/31/24. Please refer to pages 6-8 for important information.

We also know that we are an absolute return manager in a relative return world. While our portfolio relative performance returns exceed the S&P 500 Index by almost 200 basis points (net-of-fees) since inception, an accomplishment we are proud of, more recent relative performance returns – especially on a one-year and three-year basis – have been far less favorable.

We are not market prognosticators, but my own sense is that we have gone through a well-above-average period for the market at large. Expectations away from us are steep, in some cases, in part due to newer innovations. There is a behavioral phenomenon called "habituation" which is defined as "growing accustomed to a situation or stimulus." In other words, as new advances or initiatives become more commonplace, the stimulus and excitement from these developments begins to wane. This does not mean that these advances are not real or beneficial, just that the process of habituation can lead to decreased hype, a reappraisal of risk factors as initial excitement fades, and a dampening of excessive enthusiasm (and price/earnings multiples).

The one thing we do know is that FOMO and margin of safety are not compatible bedfellows. In that vein, look for us to remain valuation sensitive growth investors, not willing to chase highfliers, and on the lookout for pullbacks of attractive businesses on setbacks.



Analysis of monthly Composite performance returns (net-of-fees) since inception (4/1/07) through 3/31/24. 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.

Final Thoughts

David, Greg and I are deeply committed to HS Management Partners, its future and performing well for our clients. Apart from the three of us, there is an experienced team that has significant responsibilities today and makes this place tick. We have also added newer, younger team members recently, who add different perspectives and fresh energy today, while being prepared for even greater duties going forward.

We want to grow. We think our methodology brings real value over time to our clients. We have ample capacity to manage increased assets, and we have made significant investments over the past few years to position ourselves for growth while maintaining the same high quality investment discipline, client service and operations expertise.

We firmly believe that staying focused on our one methodology makes great sense. At the same time, we effectively have gone to market to this point in one primary form factor – separately managed accounts. Separately managed accounts are likely to always be the cornerstone of HSMP, but we are also exploring pooled investment vehicles and working with SEI Trust Company, a subsidiary of SEI (NASDAQ: SEIC) to develop a pooled vehicle for the qualified plan market (stay tuned).

As I said earlier, the building blocks of potential future appreciation are the same as they ever were. That is owning good businesses, growing earnings and cash flows, and maintaining a valuation discipline. We fully expect markets to ebb and flow. Swings between greed and fear have not been repealed. Warren Buffet's admonition: "be fearful when others are greedy and be greedy when others are fearful" still resonates in our heads.

Thank you for your trust and confidence in us. While there is much turbulence in the world around us and an acrimonious election season lies ahead, we leave you with a quote from E.B. White "No matter what changes take place in the world, or in me, nothing ever seems to disturb the face of spring." Enjoy the warmer weather and go Yanks!

Sincerely,

Harry W. Segalas

HS MANAGEMENT PARTNERS, LLC

Portfolio Profile (3/31/24)

HSMP Composite Performance (As of 3/31/24)

	1Q24	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)	8.2%	19.1%	7.9%	13.5%	12.7%	12.1%	594.1%
S&P 500® Index	10.6%	29.9%	11.5%	15.1%	13.0%	10.2%	419.0%

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.

3-Year Rolling Style Map

eVestment investment style chart for the HSMP Composite Portfolio (from Inception Q2-2007 to Q4-2023) 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.

IMPORTANT DISCLOSURES

This piece represents our opinion as of 4/10/24 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 except for the representative portfolio used to provide the top-5/bottom-5 portfolio-drivers charts, 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).

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).

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.

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