

## Investment Review

### Investment Viewpoint

Markets and investors broadly currently confront challenging times. Geopolitical tensions are running high, leading to a war in the Middle East which brings along higher oil and energy prices worldwide. This adds to lingering tariff pressures and a growing uncertainty around job growth and business disintermediation due to the rollout of AI.

This is a brew for lower consumer confidence, business uncertainty, and growing fears over stagflation. It is not the stagflation of the 1970s with rampant inflation and sky-high rates, but more of a "stagflation-lite" scenario — things are slowing, but prices are going up.

At the same time, we still see pockets of speculation rampant around us. This is a brave new world of cryptocurrencies, widespread betting, and a surge in prediction markets. We also see growing unrest in private markets, both on the equity and credit side. These markets skillfully drew in enormous institutional and high-net-worth assets — the retail investor is slated as the next target — but are facing growing liquidity concerns, especially as investors move to the exits at the same time.

But stepping away, what we do see is a clear break-up of the post-World War II U.S.-led global order. Allies are now seen as adversaries and strongmen are moving up in prominence. Trade relationships are being reworked, and the U.S. has adopted a more “going it alone” strategy economically and militarily. It is hard to know how lasting these changes will be, but there will be some effect simply because the changes happened at all.

As I noted in my early March note to clients, we have seen a lot in our 40+ years in the business and 30+ years of managing client assets. We have maintained our concentrated quality growth discipline through the many twists and turns since then. While companies and industries face constant change, we are not inclined to move away from our approach. In the end, we think there is great value in owning first-rate businesses with attractive models that generate hefty cash flows.

There is also great value — in our minds — to attaching ourselves to a group of these businesses that have growing earnings and free cash flow streams. We have always thought this as a way to put upward pressure on the portfolio and have consistently believed that a valuation discipline pays off over time. We are not momentum investors; in our view, growth and value are joined at the hip. If we pay a reasonable price going in, we can then benefit from the growth in earnings and the collection of a steady dividend stream over time.

To be sure, these have not been glory days for our approach. Since the start of 2023 and the commencement of the AI infrastructure buildout, our portfolio continued to advance through mid-2025, but at a pace far below the market at large. Suddenly last summer, relative weakness was joined by a stagnation in values in the back half of 2025 and a decline so far in 2026.

There is a myriad of reasons we can point to, including a market that became highly concentrated away from us, the biggest winners being the AI semiconductor chip names that we did not own, a post-pandemic inflation hangover for many consumer staples, and tariff turmoil hurting discretionary holdings. But there are no excuses. Instead, we look to learn from mistakes and capitalize on opportunities created as the market broadly weakens.

### **Portfolio Changes**

Seeing it in that light helps put recent portfolio moves in an even greater context. For example, in the back half of last year, we had a chance to upgrade quality and growth by buying a faster secular growth company on weakness post-earnings and then leaned in aggressively over uncertainty. In the first quarter of this year, that playbook was also in evidence when we took stakes in companies that the market sold off on fears of AI disintermediation and rising oil costs.

Our concentrated quality growth methodology utilizes a multi-dimensional approach. We are as equally attracted to defensive quality businesses with long-term duration as we are to those with more rapid earnings growth. The companies added this quarter highlight that spectrum: a defensive anchor; a company with attractive growth at a reasonable price; and a company with an opportunity for more rapid growth. By capitalizing on pullbacks in these new holdings, we believe we have captured attractive opportunities across the entire growth curve.

As noted in our March letter to clients, we have actively used recent volatility as an opportunity to upgrade the quality of the portfolio. In this process, we exited a few companies, where fundamentals proved disappointing, and rotated that capital into businesses where we have higher conviction. While we are utilizing tax-loss harvesting in taxable accounts to offset gains elsewhere, our primary focus remains high-grading our holdings during market weakness. We enjoy speaking with clients and their financial consultants and are available to provide further details on each of our holdings and portfolio updates.

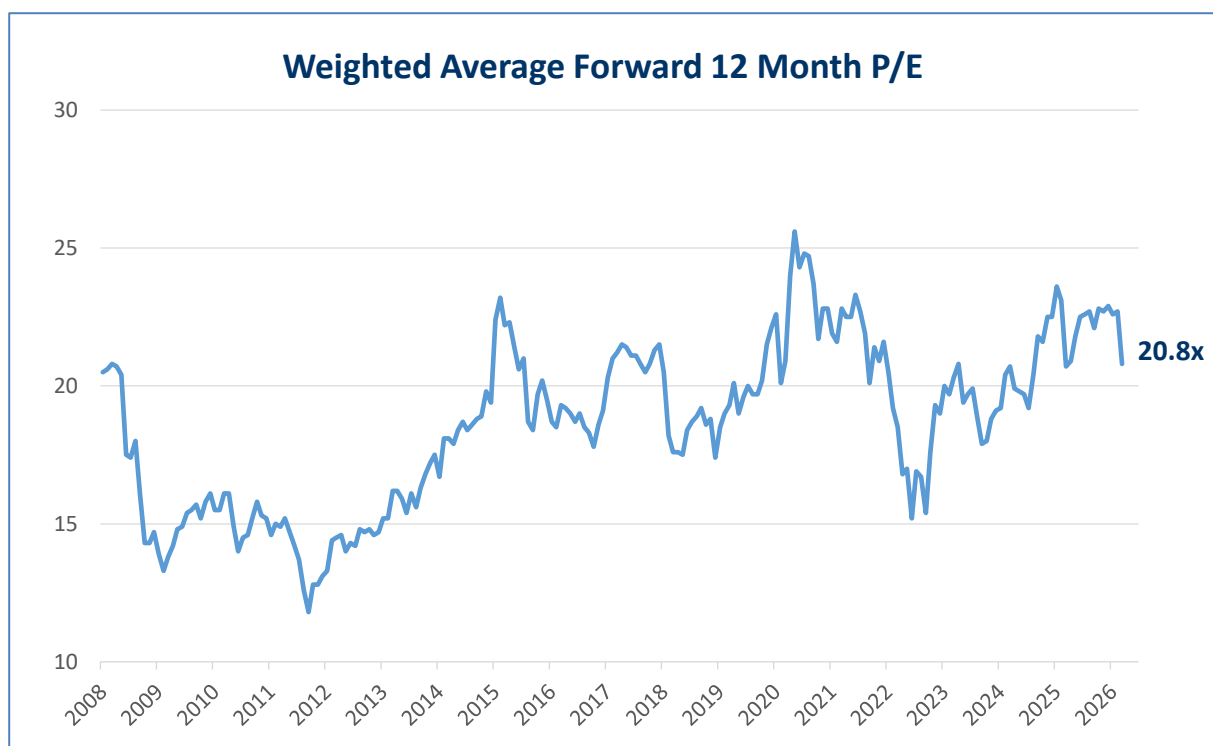
### **Investment Outlook**

Last Friday, the University of Michigan reported that preliminary April consumer sentiment slumped to a record low. Inflation expectations for the year ahead have jumped a full percentage point to 4.8%, driven by war concerns and gasoline prices that sit well above \$4 a gallon.

This report reinforces the importance of perspective, the most critical tool we can offer after 40 years in this business. We are mindful that there is often a stark disconnect between what consumers say in these sentiment surveys and what they actually do, and we believe the economy is fundamentally resilient. That said, tariffs, turmoil, and higher energy costs will likely lead to some diminution in consumer spending and business activity relative to what it could have been. Overall, we expect a moderation in earnings growth,

and we do not believe valuation multiples are likely to expand in an environment of possible upward pressure on interest rates, increasing strife, and less visibility on the global order going forward. However, in our view, a sober perspective is not a pessimistic one; it is still a constructive one for quality growth equities, in our estimation.

The greatest insight we can offer is that investing is not about playing the markets or betting in prediction markets; it is about owning high-quality assets that produce future cash flows. Since we began 19 years ago, compound annual appreciation has largely been driven by earnings growth. From here, the building blocks for future appreciation are not dissimilar as when we began: reset multiples down to roughly 20-21X forward estimated earnings, 10% or better earnings growth, and a 1% or better dividend yield.



Based on HSMP estimates since inception (4/1/07) through 3/31/26. Please refer to pages 4-6 for important information.

We are in the boat with you, and while the waters can get choppy, we remain sanguine about the potential for future appreciation and the benefits of the long-term power of compounding. Thank you, as always, for your confidence in us. We look forward to welcoming you to our new space at Lever House this summer.

Sincerely,

Harry W. Segalas

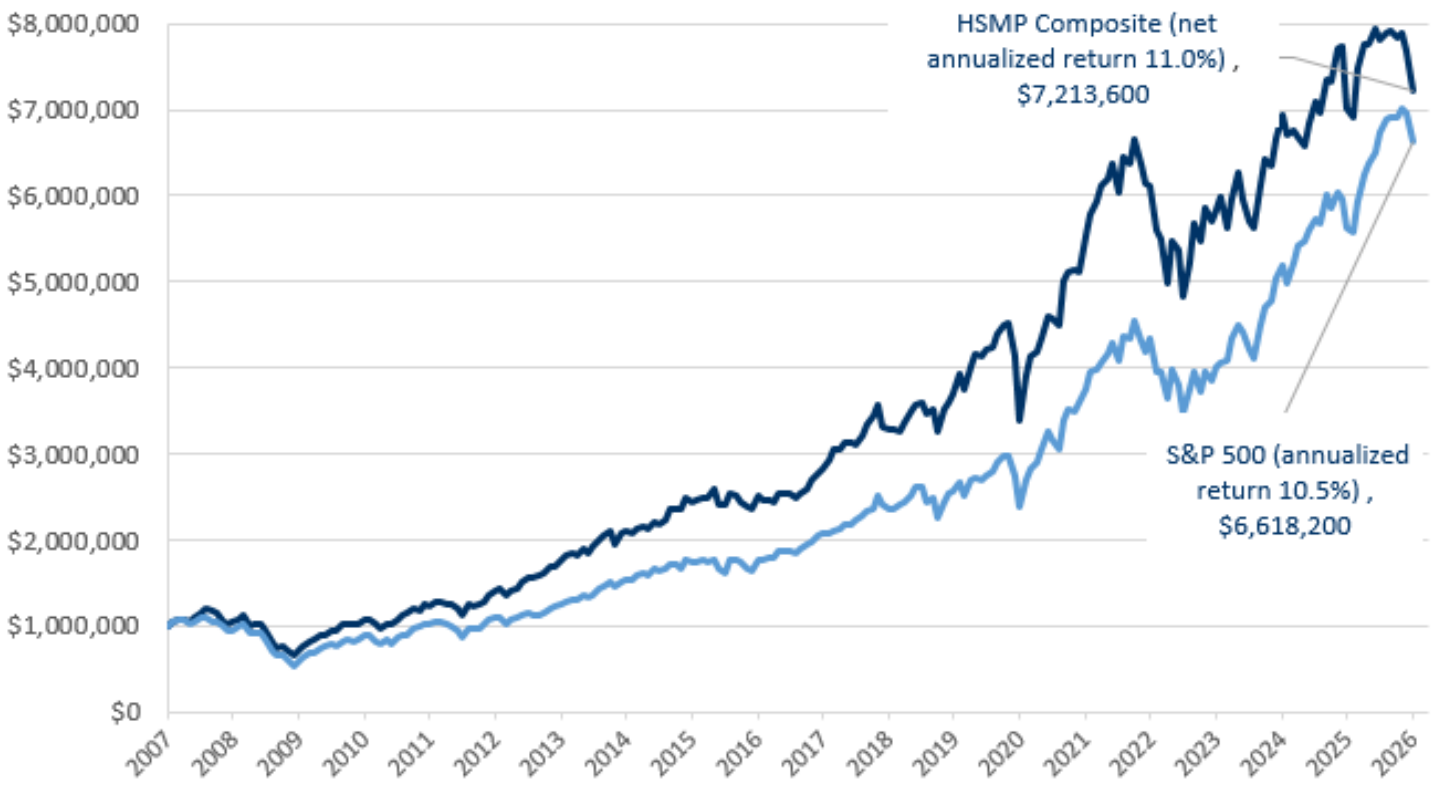
## Portfolio Profile (3/31/26)

### HSMP Concentrated Quality Growth Composite Performance as of 3/31/26

	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)	-8.1%	2.9%	7.4%	5.5%	11.2%	11.0%	621.4%
S&P 500® Index	-4.3%	17.8%	18.3%	12.1%	14.2%	10.5%	561.8%

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 4-6 for important information.

### Growth of \$1 Million



For illustration/discussion only, based on HS Management Composite annual returns (net-of-fees) as of 3/31/26. There is no assurance 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. The reader should not assume that an investment in the securities identified was or will be profitable. Please refer to pages 4-6 for important information.

Additional portfolio commentary for the first quarter (including new buys/total sales and top portfolio drivers) have been **redacted** from this online version.

Please contact us at [clientservice@hsmanage.com](mailto:clientservice@hsmanage.com) to schedule a call or to request a copy of our original full investment review that was sent to clients.

## IMPORTANT DISCLOSURES

This piece represents our opinion as of 4/14/26 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, 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 Concentrated Quality Growth Composite and when we use the portfolio/our portfolio/your portfolio(s), we mean client portfolios in general from our Composite perspective (see below regarding differences between the Composite and client portfolios/accounts). 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. The securities identified and described do not represent all the securities purchased or sold and the reader should not assume that an investment in the securities identified is, was, or will be profitable.

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 HS Management, 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 a basis for making investment decisions.

HS Management 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. HS Management Partners, LLC has been independently verified for the period January 1, 2008 through December 31, 2025. The Concentrated Quality Growth Composite has had a performance examination for the periods January 1, 2008 through December 31, 2025. 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-to-earnings (P/E) ratio compares a company's stock price to its earnings per share (EPS), telling investors how much they are paying for each dollar of the company's profit. The earnings yield shows a company's EPS relative to its share price, telling investors the return in earnings for every dollar invested. The included P/E ratio and earnings yield information 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). The holdings identified do not represent all of the securities purchased or sold for our client accounts during the shown period. Performance results are net-of-fees and include the reinvestment of dividends and other earnings. The calculation methodology and a list showing every holding's contribution to the overall representative account's performance during the period shown is available upon request by calling us at 212-888-0060.

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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**Effective June 8<sup>th</sup>, 2026**, our HS Management office is moving to The Lever House at 390 Park Avenue, 5<sup>th</sup> Floor, New York, NY 10022. In the interim, our temporary location is currently 540 Madison Avenue, 24<sup>th</sup> Floor, New York, NY 10022 (until June 7<sup>th</sup>).

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