Fourth Quarter 2024 Investment Perspective

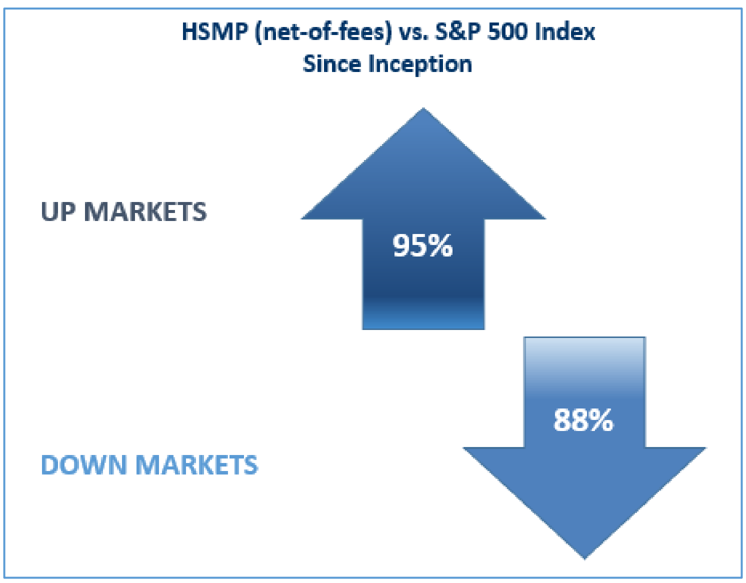
Concentrated Growth: Quality & Value.
Seeking Meaningful Gains. Managing Risk.

January 15, 2025

Investment Review

HS Management Partners prioritizes achieving positive absolute returns over time, emphasizing long-term performance over short-term market comparisons. We strive for meaningful gains and to limit downside risk. Since inception in 2007, HSMP has generated an 11.9% annualized return after fees. This performance reflects our historical ability to capture market upside while more effectively preserving capital during challenging market conditions. The chart below shows our upside/ downside capture ratios over the 213 months of our existence:

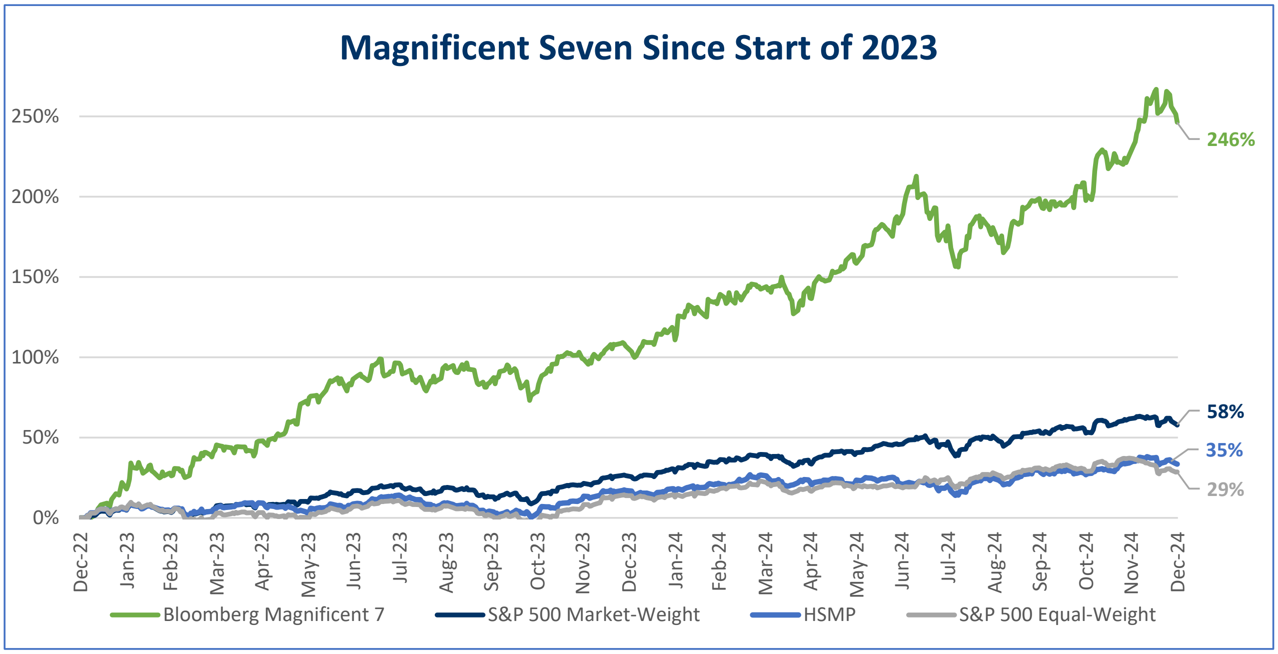
Upside and Downside Capture Ratios



Composite Performance (As of 12/31/2024)	1 Year	5 Years *Annualized*	10 Years *Annualized*	*Since Inception 4/1/07 Annualized*
HSMP Composite (net-of-fees)	14.0%	10.3%	12.0%	11.9%
S&P 500® Index	25.0%	14.5%	13.1%	10.5%

Performance results are net-of-fees and include the reinvestment of dividends and other earnings. Past performance is not indicative of future results. The upside (downside) capture ratio table is an analysis of monthly Composite performance returns (net-of-fees) since inception (4/1/07) through 12/31/24, 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 S&P 500 Index for those same months. Please refer to pages 6-8 for important information and disclosures.

In 2024, our Composite delivered a 14% net-of-fee return, lagging the S&P 500 Index which advanced 25%. While relative performance improved in the second half of the year, overall results from 2024 remain well below the benchmark. Market gains were largely driven by artificial intelligence (AI) enthusiasm, the dominance of the Magnificent Seven, and an increased concentration among S&P 500 Index leaders.



HSMP compiled chart using data provided by Bloomberg.

The Magnificent Seven stocks include: AAPL, AMZN, GOOG, META, MSFT, NVDA and TSLA. Performance returns include the two-year period from 12/31/22 through 12/31/24. 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 refer to pages 6-8 for important information.

As the chart above shows, the outsized performance of the Magnificent Seven has driven returns for the market capitalization weighted S&P 500 Index. Our returns since 2023 are in excess of but closer to those of the equal-weighted S&P 500 Index (+35% for HSMP vs +29% for the equal-weighted index).

The next chart illustrates the extreme concentration of the top ten market capitalization stocks within the S&P 500 Index. These ten companies now represent a staggering 39% of the S&P 500 Index.

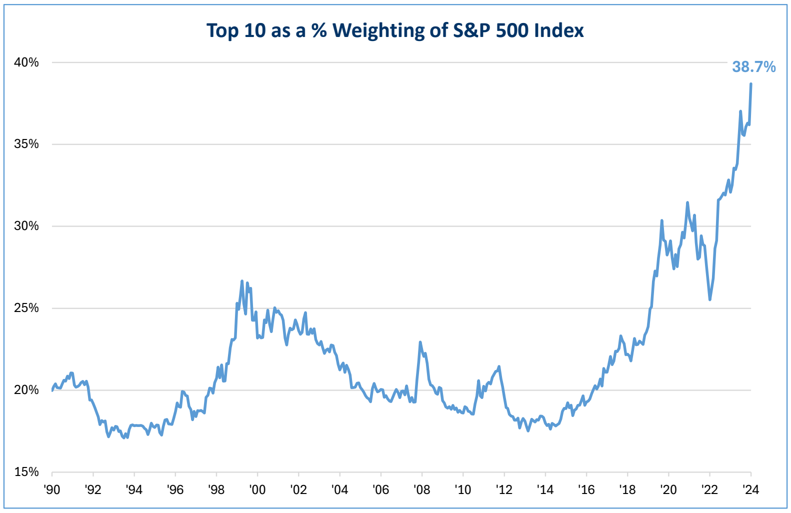
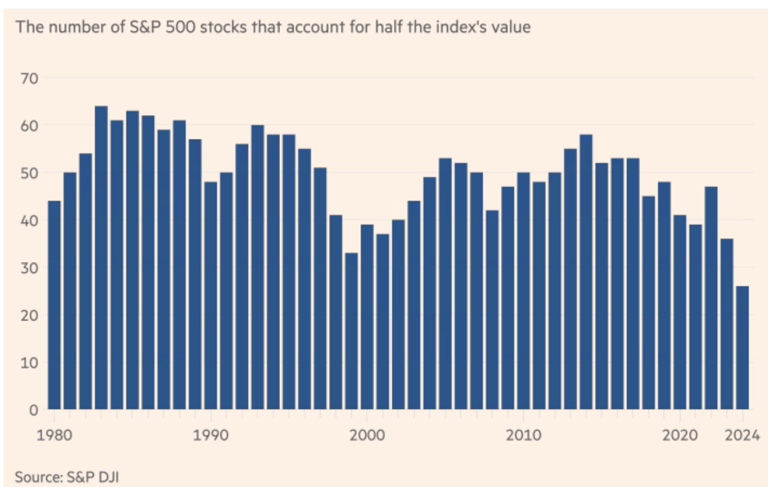


Chart refers to the percentage weighting of the top ten companies in the S&P 500 Index (market-cap weighted). HSMP compiled chart using data provided by Strategas Research Partners as of 12/31/24. Please refer to pages 6-8 for important information.

Another way to think about how top-heavy the U.S. Equity market appears now, is that just 26 companies account for over half of the S&P 500 Index value, a record low. The chart below showcases this risk.



Source: Financial Times, January 10, 2025

Markets shifted dramatically from fear in 2022 to exuberance in 2023 and 2024, fueled by AI excitement and investment, as well as expectations around a Federal Reserve easing cycle. FOMO (fear of missing out) prevailed, speculation increased, and market return expectations soared. Passive investment surged, with market capitalization driving capital flows, overshadowing valuation considerations, which became elevated. Our "growth and value" approach was less favored in the current momentum-driven market. We prioritize investing in high-quality businesses with sustainable growth, and our rigorous valuation discipline is crucial to our investment process. We focus on long-term value creation, not short-term relative performance, seeking meaningful long-term gains while managing risk.

While relative performance has been subpar lately, we believe that our history of achieving absolute returns across differing market cycles suggests that relative outperformance is poised to return.

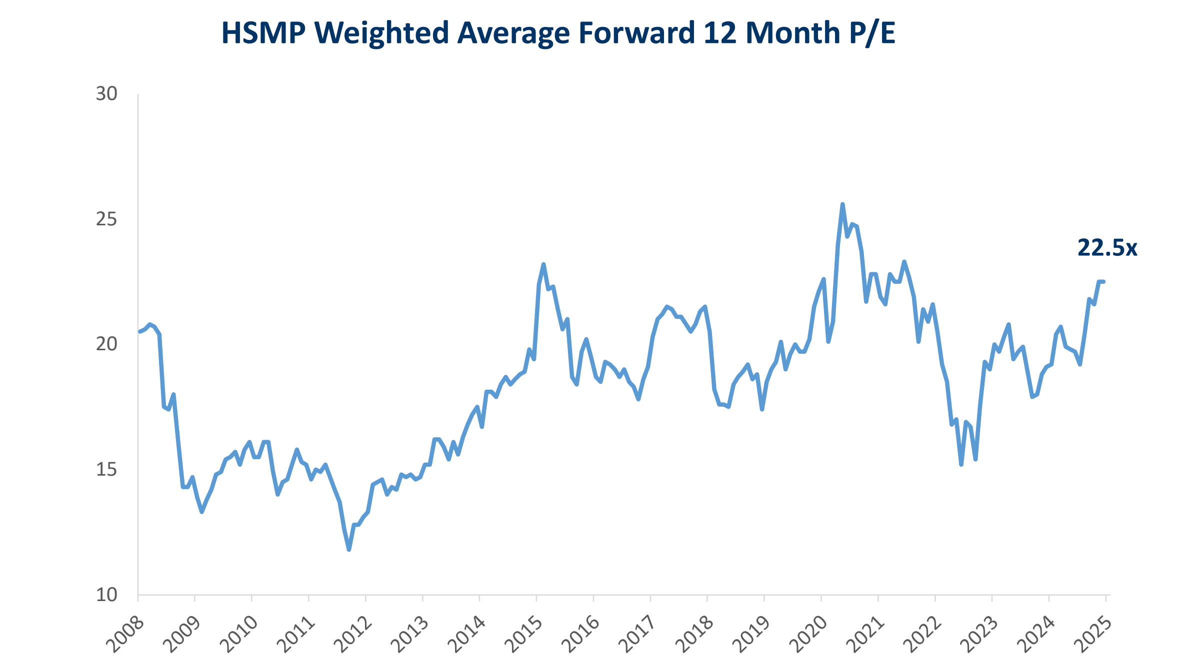
HS MANAGEMENT PARTNERS, LLC

Portfolio Review

No new holdings were added in the fourth quarter 2024. However, portfolio adjustments throughout the year contributed to returns, and we think have positioned us favorably for sturdy future returns. We expect to grow earnings and cash flows at an above-average pace while maintaining our disciplined valuation approach.

We strive to invest across the spectrum of high-quality growth companies, from dominant and well-established defensive leaders to faster-growing, younger enterprises and disruptors. Our core principle: strong fundamentals at attractive valuations. Our experienced team explores quality growth opportunities, including undervalued companies with smaller capitalizations overlooked by the market. Ultimately, balancing growth and value drives our decisions. We believe in active management, recognizing that client capital is scarce. We rigorously evaluate every portfolio investment and make decisive choices, maintaining a concentrated portfolio of no more than 25 holdings.

The Firm's top ten holdings at year-end represented about 51% of assets. The portfolio traded at a forward P/E of 22.5x with a 1.3% dividend yield. This is up from 19.1x at the start of the year and is toward the high end of our Firm's valuation experience as you can see in the chart below. We held four of the Magnificent Seven companies comprising 18% of the portfolio and valued at a 26x weighted P/E. This was a discount to the broader Magnificent Seven group, which had a weighted P/E of roughly 37x forward estimates (and comprised 34% of the S&P 500 Index). The remaining 82% of the portfolio traded at a less demanding 21.5x forward earnings.



Based on HSMP estimates since inception (4/1/07) through 12/31/24. Please refer to pages 6-8 for important information.

Investment Prospects

We believe our portfolio is well-positioned for long-term appreciation potential. We have confidence that our holdings exhibit strong fundamentals, robust cash flow generation, and the ability to navigate changing economic conditions and geopolitical surprises. This strong foundation of earnings and cash flow growth should be the primary driver of future appreciation. Valuations for us and especially the market at large have already moved higher, so we do not anticipate multiple expansion contributing to performance. A steady dividend stream augments future returns. On the risk side, we are especially watchful for dislocations related to tariffs, the strong U.S. dollar, demand destruction due to higher inflation, inflation's potential to lead to higher interest rates, and company-specific risks.

While absolute returns remain our primary focus, we believe the current market dynamics present an opportunity for improved relative performance. While the S&P 500 Index and many passive index funds hold excellent companies, their focus on market capitalization can lead to an overallocation of richly valued stocks, particularly in technology and in shares in which enthusiasm already reigns supreme. This concentration risk is heightened by the current environment of persistent inflation and rising long-term interest rates. We are confident that our more selective approach allows us to identify and invest in quality businesses at more attractive valuations. This focus on both quality and value should position our portfolio to generate strong absolute returns, potentially outperform the market over longer market cycles, and deliver value to our clients.

Conclusion

Our shared mission is to achieve enduring wealth creation and investment success for our clients, whether individuals or institutions. We do this through an intense focus on our one concentrated quality growth methodology that employs steady idea generation, rigorous research, and disciplined valuation-driven portfolio construction. The adherence to this methodology, which is bottom-up and benchmark agnostic in its approach, may not make us the favored game in town over the short term, but has helped us avoid a herd-like mentality, which is ultimately beneficial to sustaining portfolio values over the long run. We will face many challenges along the way but are confident in our ability to navigate changing market conditions and deliver attractive returns while effectively managing risk.

We are proud to soon reach our 18-year performance milestone, and we are already looking towards our 20th anniversary and beyond.

We wish you all a happy, healthy, and prosperous 2025.

Sincerely,

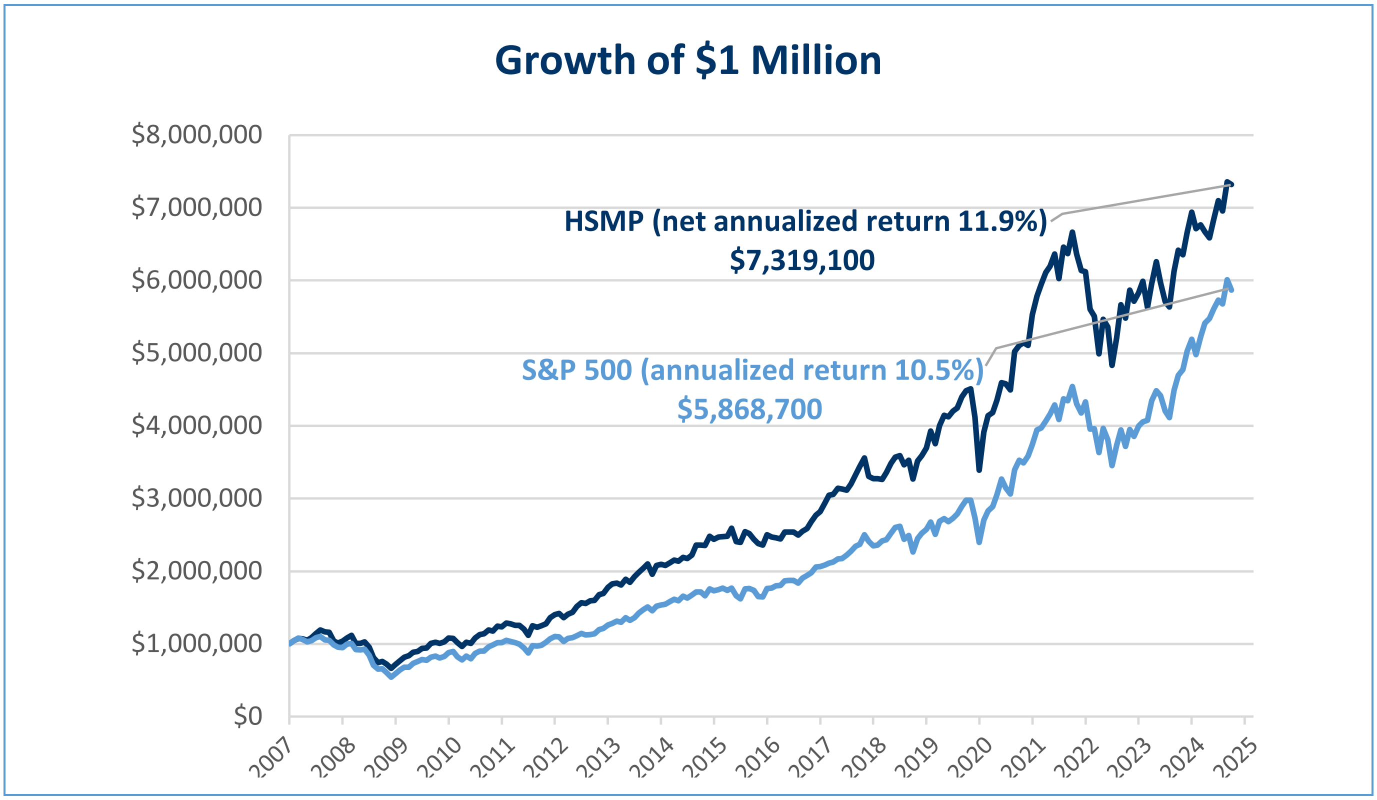
Harry W. Segalas

See pages 6 - 8 for important information & disclosures.

Portfolio Profile (12/31/24)

HSMP Composite Performance as of 12/31/24	4Q24	2024 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)	3.1%	14.0%	3.2%	10.3%	12.0%	11.9%	631.9%
S&P 500® Index	2.4%	25.0%	8.9%	14.5%	13.1%	10.5%	486.9%

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.

Note:

*Additional portfolio holdings commentary for the fourth quarter (including 2024 new buys/total sales and top portfolio drivers) have been **redacted** from this online version.*

*Please contact us at **clientservice@hsmanage.com** to schedule a call and/or request the original distributed complete version.*

H S MANAGEMENT PARTNERS, LLC

IMPORTANT DISCLOSURES

This piece represents our opinion as of 1/15/25 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 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 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 a 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-to-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). The top five/bottom five performance holdings information is based on a representative portfolio. Performance shown is net-of-fees using a 1% annual fee rate for an account with assets under management of $1 million. Client's fees may differ, please refer to the client's fee schedule for more information. The table lists securities that have an average weight of 1% for the specified period. *It does not include Uber (0.92% avg. weight, contribution -63 bps) due to average weights below 1% during the applicable period.* 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.

Some charts/data were obtained from third-party sources which we believe reliable, but we did not verify, nor do we guarantee the accuracy of this information. References to indexes are hypothetical illustrations of aggregate returns and do not reflect the performance of any actual investment. Investors cannot invest in an index and an index does not reflect the deduction of the advisor's fees or other trading expenses. 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.

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HS Management Partners, LLC ("HSMP", "HS Management Partners", or the "Firm"). For information or questions please contact us at 212-888-0060 or clientservice@hsmanage.com, or visit our website at www.hsmanage.com.