

Form ADV Part 2A

Firm Brochure for:

HS Management Partners, LLC

598 Madison Avenue
14th Floor
New York, N.Y. 10022
(212) 888-0060
(212) 888-0066 (fax)
Website: HSManage.com

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This brochure provides information about the qualifications and business practices of **HS Management Partners, LLC** (known prior to February 2, 2009 as Agility Asset Management, LLC and hereinafter referred to in this document as “HSMP”). If you have any questions about the contents of this brochure, please contact Ronald R. Staib, Chief Compliance Officer of HSMP at (212) 888-0060. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about HSMP is available on the Internet at www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx. You can search this site by a unique identifying number, known as a CRD number. The CRD number for HSMP is 145480.

Summary of Material Changes since Last Annual Update

This section discusses only material changes since the last annual update of this brochure, which occurred on 03/15/2013.

Item 4 (Advisory Business - *Non-Discretionary (Unsupervised) Assets*) of this Brochure clarifies HSMP's policy regarding non-discretionary (unsupervised) assets.

Item 4 (Advisory Business - *Assets Under Management and Non-Discretionary (Unsupervised) Assets*) of this Brochure has been updated to reflect HSMP's assets under management and non-discretionary (unsupervised) assets in our clients' HSMP investment accounts at their respective custodians as of December 31, 2013.

Item 5 (Fees and Compensation) of this Brochure has been changed to convey our new standard fee schedule effective January 1, 2014, and our policies regarding fees and compensation.

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Item #4: Advisory Business*Description of Firm*

HSMP is an SEC-registered investment adviser under the Investment Advisers Act of 1940 (please note that SEC registration does not imply any certain level of skill or training).

Harry Segalas is the Managing Partner & Chief Investment Officer of HSMP. Mr. Segalas founded the Firm in 2007. David Altman, CFA, is Partner & Director of Research at HSMP. Mr. Segalas and Mr. Altman are principal owners of the Firm. Gregory Nejme, CFA, is Partner & President of HSMP. Barton Buxbaum is Partner & Director of Client Development. Mr. Altman, Mr. Nejme and Mr. Buxbaum joined the Firm in 2007. These four gentlemen contributed 100% of the capital of the Firm.

Advisory Services: Discretionary Assets

HSMP manages investment advisory accounts exclusively, primarily on a fully discretionary basis in accordance with the methods described in Item 8 (Investment Strategies, Methods of Analysis and Risk of Loss).

Non-Discretionary (Unsupervised) Assets

Generally, HSMP does not accept non-discretionary (unsupervised) assets, although it reserves the right to do so at its sole discretion to accommodate a client's request. HSMP does not manage, supervise or make any suitability determination with regards to these assets, and may only sell them in accordance with the client's instructions. Furthermore, HSMP does not charge an advisory fee for these assets nor combine them with those managed on a fully discretionary basis when calculating the account's performance and market value, or when applying to the account the corresponding fee schedule.

If a non-discretionary asset is sold, the client must notify HSMP in writing if the client desires that the sale proceeds continue to be treated as non-discretionary assets and/or requests these

proceeds be disbursed. Otherwise, the proceeds from such sale will be invested on a discretionary basis in accordance with the client's investment objectives as detailed in the client's Investment Advisory Agreement with HSMP.

Client Imposed Restrictions

HSMP clients may impose restrictions on investing in certain securities or types of securities. These restrictions must be submitted in writing to HSMP as part of its Investment Advisory Agreement. Please note that client restrictions may be detrimental to HSMP's ability to perform its stated investment style and, therefore, your investment performance may deviate from other clients managed in accordance with our strategy.

Wrap Fee Programs

Under wrap fee programs, advisory clients pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in the client's account.

HSMP does not participate in any wrap fee programs.

Assets Under Management and Non-Discretionary (Unsupervised) Assets

As of December 31, 2013, HSMP manages \$2.392 billion on a discretionary basis. In addition, as of December 31, 2013, \$2.841 million of non-discretionary (unsupervised) assets are on deposit in our clients' HSMP investment accounts at their respective custodians.

Item 5 – Fees and Compensation

HSMP charges its clients an investment advisory fee based on a percentage of an account's assets under management. Fees are structured with tiered rates (applying different rates to different

portions of the account's assets), so that both the effective annual blended and actual fee rates decrease (increase) as assets in the account increase (decrease).

Investment Advisory Fees

The following standard fee schedule will be effective January 1, 2014 (accounts managed by HSMP prior to January 1, 2014, will continue to be billed at their already agreed-upon fee rates):

Standard Fee Schedule* (\$10 million minimum account size)	
Account's Assets Under Management	Annual Percentage
First \$25 million	0.90%
Next \$25 million	0.70%
Additional amounts over \$50 million	0.50%
<p>* This fee schedule applies to accounts that meet HSMP's minimum account size of \$10 million. Although HSMP's minimum account size is \$10 million, HSMP may, in its sole discretion, accept accounts below this minimum. The annual advisory fee for accounts below \$10 million is the greater of 1% of the account's assets under management or \$10,000. Therefore, an account with \$1 million in assets under management would pay an annual fee of 1% and an account with less than \$1 million would pay an annual fee higher than 1%, given the imposition of the \$10,000 minimum fee. For your information, annual fees exceeding 2% are higher than that normally charged in the industry by other advisers that provide the same or similar services.</p>	

Generally, HSMP will not negotiate fees and will adhere to the above stated standard fee schedule; however, HSMP reserves the right to negotiate fees at its sole discretion. In those cases where HSMP negotiates its fees, it may consider several factors such as the client's level of assets under management, type, servicing requirements, historical ties and overall relationship with HSMP. Under certain circumstances in which a single client has multiple accounts managed by HSMP, HSMP may

decide to aggregate the client's assets across accounts so that they benefit from a lower fee tier. It should be noted that similar client accounts may be billed different fees as a result of HSMP honoring fee schedules already in place prior to January 1, 2014, or through the aggregation of a client's assets across accounts, or through fee negotiation with a client.

Investment Advisory Fees with Respect to Non-Discretionary (Unsupervised) Assets

Under certain circumstances, HSMP may accept an account that includes non-discretionary (unsupervised) assets. HSMP does not charge an advisory fee for these assets, and does not combine them with those managed on a fully discretionary basis when calculating the account's performance and market value or when applying to the account the corresponding fee schedule. HSMP will only dispose of such non-discretionary assets at the direction of the client. Generally, the proceeds from the sale of non-discretionary assets will be treated as discretionary assets, including for fee calculation, unless the client notifies HSMP in writing to continue to treat said proceeds as non-discretionary assets and/or requests these proceeds be disbursed.

Payment of Investment Advisory Fees

Advisory fees are billed quarterly in arrears. For purposes of fee calculation, unless agreed otherwise, the market value of an account's assets under management is determined on the last business day of each calendar quarter or on the date an account is terminated, as valued in our internal portfolio accounting system (this valuation may differ from a client's custodian valuation). HSMP may consent to accommodate clients who prefer a different method of calculating their account value for billing purposes.

Fees are adjusted and/or prorated, as applicable. For example, fees may be adjusted and/or prorated for a client's deposits and/or withdrawals during the billing period. Fees may also be adjusted and/or prorated for accounts opened or closed during the corresponding quarter, in the event a client initiates or

terminates the investment advisory agreement with HSMP after the beginning or prior to the end of the quarter.

Clients may elect to either be billed directly for advisory fees or to authorize HSMP to directly debit the fees from their accounts if operationally possible by the account custodian. Should direct debit be authorized by a client, HSMP will send the client, only at the client's request, a copy of the fee invoice showing the amount deducted, which will also be reflected on the custodian's account statements. Should direct debit not be authorized by a client, HSMP will send the client or the party designated by the client (such as the account custodian) a fee invoice generally due within twenty calendar days upon receipt. HSMP's fee invoices indicate the account's assets under management, the annual fee percentage applied, any adjustment or proration applicable for the corresponding billing period and the total amount of fees due or deducted, as applicable.

Payment of Investment Advisory Fees upon Termination of the Advisory Relationship

HSMP or the client may terminate the investment advisory agreement at any time upon thirty days prior written notice. Given that HSMP charges its investment advisory fees quarterly in arrears, any earned but unpaid fees will generally be billed at the time the account is closed and will generally be due within twenty calendar days of receipt of the invoice. Upon termination, fees are based on the account's market value on the termination date as valued in our internal portfolio accounting system (this valuation may differ from a client's custodian valuation), unless HSMP agrees with a client on a different methodology for determining the final account valuation. Fees are pro-rated for deposits and/or withdrawals during the billing period and are adjusted to reflect the number of days in the quarter that the account was under HSMP's management.

Other Fees and Expenses

In connection with HSMP's advisory services, clients will incur and are responsible for the commissions and other transaction

expenses charged by broker-dealers. In addition, clients may incur and are responsible for the fees and expenses charged by custodians, money market mutual funds and other third parties. HSMP derives no remuneration from these sources other than soft-dollars used to procure research and brokerage products and/or services as described in Item 12.

HSMP's advisory fees are exclusive of and in addition to any fees and expenses charged by broker-dealers, custodians, money market mutual funds and other third parties. The following are general examples of such fees and expenses (these examples are not exhaustive and are provided for purposes of illustration only):

Broker-dealers charge brokerage commissions based on trades and may also charge other transaction fees or expenses. Item 12 describes HSMP's brokerage practices, including brokerage commissions and the use of soft-dollars.

Custodians may charge custody, transaction, duplicate statement, confirmation, electronic data feed and report fees among other expenses. Clients negotiate the terms of the relationship, including fees and expenses, directly with their custodians.

Cash remaining in an account at the end of the day is usually "swept" by the custodian into money market mutual funds or another cash management vehicle selected by the client. Clients are responsible for determining directly with their custodians cash management procedures, fees and expenses. Fees and expenses related to the use of money market mutual funds are generally described in each fund's prospectus and usually include management and distribution fees, and other fund expenses that are borne by clients as shareholders of the fund.

Financial consultants, sometimes hired by clients as intermediaries, may charge financial adviser/consulting fees. Clients independently determine the need for these financial consultants and negotiate their expenses directly with them.

Other than investment advisory fees and the soft-dollar benefits described in Item 12, HSMP and its supervised persons do not receive compensation for the sale of securities or other investment products, including asset-based sales charges and distribution or service fees from the sale of mutual funds.

Item #6: Performance Fees and Side-By-Side Management

HSMP and its supervised persons do not receive performance based fees. Fees are not calculated on the basis of a share of capital gains on or capital appreciation of the funds (or any portion of the funds) of an investment advisory client. The advisory fee charged by HSMP is calculated as described in Section 5.

Item #7: Types of Clients

HS Management Partners primarily manages advisory accounts on a fully discretionary basis for charitable organizations, endowments, foundations, pensions and ultra-high net worth individuals. The Firm is also retained by other investment management firms to act as sub-adviser with respect to certain clients.

Item #8: Investment Strategy, Methods of Analysis and Risk of Loss

Investment Strategy

HSMP's goal is to deliver superior returns by attaching client assets to a growing stream of high-quality earnings while employing discipline with targeted research and proven valuation tools.

HSMP specializes in concentrated quality growth equity portfolio management. We invest client capital in a portfolio of generally between 20 to 25 quality growth equities. We take a multi-dimensional approach to portfolio construction, and have

demonstrated a willingness to go across the growth continuum (from established growth franchises to those with higher growth potential), up and down the market capitalization scale, and around the globe.

HSMP takes a fundamental, company specific approach to identifying quality business franchises with criteria that include:

- strong management teams;
- superior business models;
- sound balance sheets;
- high free cash flow characteristics;
- recurring revenue streams; pricing power;
- global platforms;
- new market opportunities;
- wide and defensible moats; and
- strong, albeit reasonably attainable, earnings prospects.

Our willingness to own businesses across the growth continuum, up and down the cap scale, and around the world (including non-U.S. domiciled equities provided our quality criteria are met) highlights our flexible investment approach.

HSMP's investment philosophy is fundamentally grounded and pragmatic in nature; we take a common sense approach to the management of client assets.

Methods of Analysis and Sources of Information

The primary methods of analysis or main sources of information that HSMP uses to implement investment strategies and provide advice to clients include:

- financial newspapers and magazines;
- company press releases;
- various industry research materials;
- corporate rating services; and
- annual reports, filings with the Securities and Exchange Commission.

In addition, HSMP attends company presentations and research conferences. The information collected from these sources complements HSMP's own in-depth research of investment opportunities for its clients.

Risk of Loss

Investment in equity securities involves the risk of capital loss that clients must be prepared to bear. For example, equity securities can be affected by macro-economic and other factors that affect the stock market in general such as changes in overall investor sentiment or global political issues. The value of a client's portfolio can also be adversely affected by changes in a particular company's financial condition and unfavorable or unanticipated poor performance of a particular issuer.

Item #9

Disciplinary Action

HSMP and its management personnel are not currently, nor have they ever been, a part to any legal or disciplinary action.

Item #10

Other Financial Industry Activities and Affiliations

HSMP and its management personnel are not affiliated with any other financial institution including banks and broker-dealers.

To the extent clients do not have existing custodial arrangements, the Firm has arranged, as an accommodation, the option of opening a custody account with Charles Schwab & Co. In these circumstances, Schwab would be serving as the client's custodian. Clients who seek to use this option will enter into a separate custodial agreement with Schwab.

HSMP is retained by other investment management firms to act as a sub-adviser with respect to certain clients. This relationship

does not create a material conflict of interest with non sub-advisory clients.

HSMP does not recommend or select other investment advisors for its clients.

Item #11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

HSMP has adopted a Code of Ethics as required under Rule 204A-1 of the Investment Advisers Act of 1940. In it, HSMP sets forth high ethical standards of business conduct that it requires of its employees, including compliance with applicable federal securities laws. HSMP's Code is updated periodically to insure that it maintains compliance with applicable laws and regulations and meets the needs of our clients. All members of the Firm attest to an understanding of the Code whenever it is amended but no less than annually.

A copy of HSMP's Code of Ethics is available to HSMP clients and prospective clients upon request to the Chief Compliance Officer at HSMP's principal office address.

Participation or Interest in Client Transactions

Employees and other individuals associated with HSMP are permitted to maintain managed accounts at HSMP. These accounts are managed by HSMP pursuant to the same strategy and policies used for other clients. Therefore, the employee accounts will normally buy or sell securities identical to those bought or sold for accounts of other HSMP clients. As a result, an employee or other person associated with HSMP may, in their account held at HSMP, have an interest or position in securities that may also be purchased or sold for a client. Furthermore, in the absence of client directed brokerage and as described below, such employee accounts will also participate along with other HSMP clients in aggregated brokerage orders.

For more information on client directed brokerage, please see Item 12 (Brokerage Practices).

HSMP believes that such activity will not normally present any conflict of interest because the employee accounts will be buying or selling the same securities and participating in brokerage transactions on a pro rata basis with other clients, based on account size, at the same time and at the same price and brokerage cost. The securities in which HSMP accounts invest are generally highly liquid and the participation of employee accounts in an order is unlikely to affect the price or availability of the security for other clients.

Nevertheless, to ensure transparency and to guard against any conflict, or the appearance of a conflict of interest, HSMP has established the following restrictions in order to ensure its fiduciary responsibilities:

- no member of HSMP shall prefer his or her own interest to that of the advisory client;
- members of HSMP (and their households) are prohibited from purchasing securities appearing on HSMP's Focus List in brokerage accounts residing away from HSMP (the Focus List is comprised of securities HSMP is following as potential investments for our managed accounts);
- members of HSMP (and their households) are prohibited from purchasing or selling securities appearing on HSMP's Restricted List in brokerage accounts residing away from HSMP without the prior written authorization of HSMP's Chief Compliance Officer and the President of HSMP;
- HSMP requires that all individuals associated with the Firm must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices (any individual not in observance of the above may be subject to termination); and

- HSMP may aggregate trades for its employees with trades for other clients, providing the following conditions are met:
 - HSMP's policy regarding the aggregation of transactions is fully disclosed in its Form ADV;
 - HSMP will not aggregate transactions if it believes that aggregation is inconsistent with its fiduciary duty (which includes the duty to seek best execution for its clients) or is inconsistent with the terms of HSMP's Investment Advisory Agreement with each client for which trades are being aggregated;
 - no advisory client will be favored over any other client;
 - generally, each client that participates in an aggregated order will participate at the average price for orders in a given security on a given day with any given broker (please see Item #12; *Allocation of Orders* for additional information);
 - transaction costs will be shared pro-rata based on each client's participation in the transactions (except for cases where an additional transaction fee for trade clearance is charged by the custodian for specific clients);
 - orders placed by HSMP will specify in writing the identity of the client and the allocation method to each respective client prior to an aggregated order being entered;
 - orders filled in their entirety will be allocated among clients in accordance with the specifications contained in the order at the time of order placement, as explained above;
 - partially filled orders will be allocated on a pro rata basis (notwithstanding the foregoing, the order may be

allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained in writing and is approved by HSMP's Chief Compliance Officer);

- HSMP's books reflect, for each client's account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement; and
- HSMP will receive no additional compensation or remuneration of any kind as a result of the aggregation.

Personal Transactions

HSMP's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. HSMP maintains records of all securities holdings and trading activity in accounts held both at and away from HSMP for all members of the Firm. These holdings and activity are reviewed on a regular basis by HSMP's Chief Compliance Officer.

Among other things, HSMP's Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Prior to the formation of the Firm, several of the Firm's access persons participated in private placements and currently hold interests in various unregistered entities. Principal executive officers of

HSMP may also act as a director to one or more of these entities.

It is HSMP's express policy that no client will be solicited to invest in any limited offering made by entities in which the HSMP's supervised persons or other related persons have an ownership stake and/or for which one or more access persons serve as a director. Further, it is HSMP's policy that the Firm may not purchase interests in any such entity for client portfolios pursuant to the Firm's discretionary authority.

The Firm's Code provides for oversight, enforcement and recordkeeping provisions.

Item #12: Brokerage Practices

IPOs

In the event HSMP participates in any new issues (IPOs), HSMP will allocate shares on a pro-rata basis for all advisory clients eligible to participate in the IPO. HSMP's procedure is designed not to advantage any Firm, personal or related account and not to favor or disfavor any client, or group of clients, over any other.

Research and Other Soft-Dollar Benefits

HSMP may execute client trades among a select group of broker-dealers. In return for the commissions paid, the broker-dealer may provide valuable services to HSMP that benefit our clients. This is known as paying for such services with "soft dollars."

HSMP will work to select those broker-dealers which provide the maximum benefit to all the Firm's clients at the lowest overall cost. HSMP will consider the following factors when selecting a broker-dealer for client transactions and for determining the amount of compensation:

- the quality of their research and attendance at investor conferences;

- the quality of their trade executions;
- their commission rates; and
- their services available to assist in completing securities transactions (including settlement, custody and clearance).

As HSMP is working to obtain the greatest overall benefit to all our clients, we may use a broker-dealer who provides useful research and securities transaction services even though a lower commission may be charged by a broker-dealer who offers no research services and minimal securities transaction assistance.

In addition to obtaining research produced by the broker-dealer (known as proprietary research), HSMP will also utilize client commissions to obtain research from third-parties. In these circumstances, HSMP will arrange for a portion of the commissions paid to a broker-dealer for trade execution to be paid to the third-party research provider.

Research services may be useful in servicing some or all of the Firm's clients and not all such research may be useful for an account for which a particular transaction was effected. HSMP does not seek to allocate soft-dollar benefits to client accounts proportionately to the soft-dollar credits the accounts generate.

Overall, HSMP's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advisory clients to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities.

HSMP performs quarterly reviews (or more frequently, as conditions warrant) to assess the quality of the broker-dealer's execution based on the above criteria. This review is performed by HSMP's Best Execution Committee. The Committee consists of HSMP's President, Director of Research, Chief Compliance Officer, Senior VP of Investments and Vice

President of Trading. Together, based on empirical evidence and observation, the Committee determines:

- whether to include or exclude a particular broker-dealer from the Firm's list of approved broker-dealers;
- the appropriate ranking of each broker-dealer on the Firm's list; and
- the distribution of orders that will maximize benefit to the Firm's clients.

Since some of the products or services provided by broker-dealers used by HSMP could be considered to provide a benefit to HSMP and because the soft dollars used to acquire them are client assets, HSMP could be considered to have a conflict of interest in allocating client brokerage business. Specifically, HSMP could receive benefits by selecting a particular broker-dealer over another whose transactions compensation might be lower. Theoretically, HSMP could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products or services.

To alleviate this potential conflict and as required by Section 28(e), HSMP will make a good faith determination that the amount of commissions or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker-dealer, HSMP will generally determine (through our best execution analysis described above) that the compensation paid to that broker-dealer or third-party research provider is reasonable in relation to the value of all the brokerage and research services provided by that broker-dealer or third-party research provider. In making this determination, HSMP typically considers a) the particular transaction (or transactions), b) the value of those brokerage and research services to a particular client and c) the value of those brokerage and research services to HSMP clients overall.

HSMP does not utilize client commissions to pay for any services related to the administration of the Firm.

Brokerage for Client Referrals

Broker-dealers selected by HSMP to execute transactions may, from time to time, refer clients to HSMP. A potential conflict of interest may arise between the client's interest in obtaining best price and execution and HSMP's interest in receiving future referrals. To alleviate this conflict, HSMP will not make commitments to any broker-dealer to compensate that broker-dealer through brokerage transactions for client referrals.

Block Trading

Where possible and when advantageous to clients, HSMP will combine assets from multiple client accounts and trade in aggregate blocks of securities so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows HSMP to execute equity trades in a more timely and equitable manner while reducing overall commission charges to clients.

Allocation of Orders

Ordinarily, all clients will participate in each order on a pro-rata basis. In the case of new accounts, clients requesting partial or complete account liquidation, clients requesting directed brokerage, or other appropriate circumstances, orders may be allocated on a non pro-rata basis to such accounts.

Directed Brokerage

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker-dealer and will instruct HSMP to execute some or all of their transactions through that broker-dealer. There may also be clients who instruct HSMP to execute some or all of their transactions through their prime broker .

In the event that a client directs HSMP to use a particular broker-dealer, it should be understood that, under those circumstances, the client may not receive certain benefits afforded clients for whom HSMP does exercise discretion in the selection of broker-dealers. Specifically, HSMP will not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. In addition, the client may not receive potential efficiencies in execution, clearance and settlement resulting from, among other things, the aggregating of orders for various clients. The client may not obtain as favorable a transaction price or commission rate as HSMP might otherwise be able to obtain, as well (see “Block Trading” above). Furthermore, these orders will be initiated after the aggregated orders for non-directed brokerage accounts. In an effort not to favor one client over another, a weekly trade order rotation method will be used for broker-dealers selected by clients with directed brokerage agreements.

Under these circumstances, a disparity in commission charges may exist between the commissions charged to other clients and those clients directing brokerage may pay a higher commission. Furthermore, if HSMP believes that the use of that broker-dealer would hinder HSMP in meeting its fiduciary obligations, HSMP may not be able to accept the account.

Errors

As a fiduciary, HSMP has the responsibility to effect orders correctly, promptly and in the best interests of the Firm's clients. In the event any error occurs in the handling of any client transactions, due to HSMP actions, or inaction, or actions of others, HSMP's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefitting HSMP in any way.

Other Fees

To the extent permitted by our investment guidelines and/or client restrictions, HSMP may choose to transact certain foreign securities in either their foreign market as Ordinary (ORD)

shares or in the United States as American Depositary Receipts (ADRs). In an effort to obtain best execution for our clients, HSMP may chose to convert between ORD shares and American Depositary Receipts (ADRs) to obtain greater liquidity or accommodate the settlement requirements of client custodians. In these cases, the broker may charge our client a fee of up to 5 cents per share for the conversion.

Item #13: Review of Accounts

While the underlying securities within portfolio management services accounts are continuously monitored, these accounts are reviewed at least monthly by the Managing Member of HSMP or another designated principal. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

In addition to the monthly statements that portfolio management services clients receive from their custodians, HSMP will provide quarterly written reports summarizing account performance, balances and holdings for all non-employee related accounts.

Item #14: Payment for Client Referrals and Other Compensation

HSMP does not have any arrangements, whether oral or written, to compensate any person directly or indirectly for client referrals.

As discussed above in Item 12, Brokerage Practices, HSMP does have arrangements with various Brokers whereby HSMP receives an economic benefit from non-clients in connection with giving advice to clients. Please refer the Soft Dollars subsection.

Item #15: Custody

HSMP does not custody client funds or securities. We are deemed to have custody as defined by the Investment Advisers Act of 1940 only to the extent that we have authorization to deduct advisory fee directly from client accounts.

Client assets (securities and funds) are to be maintained with a “qualified” custodian (U.S.-based banks and registered broker-dealers are among those defined as qualified as custodians under the Investment Advisers Act of 1940). Your qualified custodian is required to send you a statement of your account at least quarterly. HSMP urges its clients to compare the statement they receive from their custodian with statements received from HSMP.

Custodians may offer clients the ability to write checks against their accounts. Check writing can present operational difficulties and unintended consequences. Therefore, HSMP’s Investment Advisory Agreement may contain a prohibition against clients enrolling their HSMP-managed accounts in custodian sponsored check writing.

Item #16: Investment Discretion

HSMP accepts discretionary authority to invest funds or securities on behalf of its clients. HSMP will require clients to sign an investment advisory agreement. All client-imposed limitations or restrictions on this authority must be documented within the investment advisory agreement (for example, directed brokerage, proxy voting restrictions, restrictions on particular securities).

Item #17: Voting Client Securities

Advisory clients may elect to delegate their proxy voting authority to HSMP. Alternatively, clients may elect to receive proxies related to their own accounts, in which case HSMP may

consult with clients, if requested. In such situations, clients will receive their proxies and other related material directly from their custodian or the company's proxy agent. Should HSMP receive proxies or related material for clients that wish to receive this material directly, HSMP will forward this material to the client.

When HSMP has discretion to vote proxies for a client and in absence of specific voting guidelines from the client, HSMP will vote proxies in the best interest of our clients.

HSMP's policy is to vote all proxies from a specific issuer the same way for each client absent client-provided qualifying restrictions. HSMP will generally vote in favor of routine corporate housekeeping proposals but will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, HSMP will further consider the opinion of management as well as the effect on management, the effect on shareholder value and the issuer's business practices.

Conflicts of Interest

HSMP will identify any potential conflict of interest existing between itself and its clients by determining if any HSMP partner or employee has a financial, business or personal relationship to the issuer. If a material conflict exists, HSMP's Chief Compliance Officer will determine whether it is appropriate to:

- a) disclose the conflict to the affected clients (in which case the disclosure will be made in writing and consent received from the affected clients prior to voting),
- b) give clients an opportunity to vote the proxies themselves, or
- c) address the voting issue through other objective means such as receiving an independent third-party voting recommendation.

With respect to ERISA accounts, HSMP will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

Clients are permitted to place reasonable restrictions on HSMP's voting authority in the same manner that they may place restrictions on the actual selection of securities. These restrictions must be presented to HSMP in writing.

Clients may request information on how their shares were voted. Clients may also request a complete copy of HSMP's proxy voting policies and procedures. In either case, HSMP will promptly provide such information if requested in writing to our Chief Compliance Officer at the Firm's address.

Item #18: Financial Information

HSMP has never been the subject of a bankruptcy petition. Should, at some future date, HSMP file for bankruptcy or should the partners decide to withdraw their capital, HSMP may no longer be able to meet its contractual commitments to clients.

Item #19 Other Relevant Information

Disaster Recovery

In the event of a significant business disruption, HSMP has developed a plan to secure the safety of its employees, protect client assets and information and work to continue essential business operations. Although no plan can provide absolute assurance that negative consequences will not ensue from a crisis or event, to the best of our knowledge, HSMP has created a business recovery plan consistent with contemporary industry standards. HSMP endeavors to test its disaster recovery plan twice a year and makes all necessary modifications at that time.

Privacy Policy

In order to secure and protect the personal information of our clients, HSMP has developed a comprehensive privacy policy designed to allow HSMP to comply with all State and Federal law pertaining to the security and protection of client personal

information. A copy of HSMP's Privacy Notice is provided to each new client and to all clients annually.