POLEN | CAPITAL

Polen Focus Growth
1st Quarter 2015 Portfolio Commentary

April 13, 2015

Summary

- *For the first quarter of 2015, our Focus Growth Composite Portfolio (the "Portfolio" and formerly referred to as our Large Cap Growth Portfolio) returned 3.70% versus 3.84% and 0.95% for the Russell 1000 Growth and S&P 500 indices, respectively.*
- *The recent decline in energy prices and a strong U.S. dollar (relative to just about every other currency in the world) are likely to sap dollar-denominated earnings growth in 2015, reversing the trend of modest corporate earnings growth improvements in the second half of 2014.*
- *Despite currency headwinds, we expect our Portfolio to deliver low- to mid-teens earnings per share growth in 2015. This is considerably stronger than the low single-digit earnings growth expected from the broader market this year.*
- *We made a few adjustments to the Portfolio during the first quarter. We sold our position in Allergan prior to its takeover by Actavis and trimmed our position in FactSet. With FactSet shares rising about 50% in the past year, we felt that valuation was becoming a little stretched.*
- *We added to our position in Fastenal, taking advantage of recent share price weakness, and initiated a new position in Adobe Systems, the long-time dominant provider of software for creative professionals and also a leader in the fast-growing digital marketing market.*

Commentary

During the first quarter of 2015, our Focus Growth Composite Portfolio (the "Portfolio" and formerly referred to as our Large Cap Growth Portfolio) returned 3.70% gross of fees. This was roughly in line with the Russell 1000 Growth Index return of 3.84% and well above the S&P 500 return of 0.95%. While we try to incorporate comments on any broad themes that are affecting the Portfolio, such as how leveraged companies have been consistently favored in the low interest rate environment during the past several years, there were no strong "macro" themes to highlight during the first quarter of 2015. As in recent years, the market seems to be consistently optimistic driving an upward bias in share prices despite mixed underlying fundamentals.

There was some improvement in underlying earnings growth in the U.S. during the second half of 2014, but the recent decline in energy prices and a strong U.S. dollar (relative to just about every other currency in the world) are likely to sap dollar-denominated earnings growth in 2015. While the reported earnings growth of several of our multi-national holdings will also be impacted by the strong dollar, our companies continue to deliver strong constant currency results, which is what we believe is most important over the long term. Abbott and Nike, for example, both guided to stronger-than-expected constant currency growth in 2015, which is offsetting some of the expected currency headwinds. Moreover, despite currency headwinds, we expect our Portfolio to deliver low- to mid-teens earnings per share growth in 2015. This is considerably stronger than the low single-digit earnings growth expected from the broader market this year.

There were also no clear sector or industry themes affecting our relative performance during the first quarter. Starbucks and Apple, two long-time holdings, were leading contributors to our returns due to strong ongoing business performance. Two of our more recent additions, Regeneron and O'Reilly Automotive, also contributed nicely to first quarter returns. The share price of each of these holdings is roughly 40% higher than our average cost base in a relatively short period of time and we believe both businesses are executing well and positioned to drive strong earnings growth for many years to come.

Leading detractors during the first quarter were Fastenal, Oracle and W.W. Grainger. Fastenal and W.W. Grainger have been relative laggards for the past couple of years. The multiple of each company has compressed as sales and earnings growth has been below their historical averages. We believe the below-average growth is largely a function of a challenging industrial market backdrop and that both businesses possess meaningful competitive advantages that support continued market share gains and solid long-term earnings growth potential.

We made a few adjustments to the Portfolio during the first quarter. We sold our position in Allergan prior to its takeover by Actavis and trimmed our position in FactSet. We initiated a new position in Adobe Systems and added to our position in Fastenal, taking advantage of recent share price weakness. While we typically do not trade around small relative share price moves in our holdings, a review of recent actions (last year and into the first quarter of 2015) reveals that we have been adding to relative laggards that we remain confident in for the long-term. Fastenal certainly fits that bill.

Fastenal has had slightly below-average growth and some gross margin pressure recently. This has weighed on its share price, making Fastenal shares as attractively valued today as they have ever been. While we do not have any special insight into how the near-term economic backdrop will evolve, which could affect the business, we are happy for Fastenal management to trade off slightly lower gross margins for stronger sales growth and higher operating margins. Management has added more "selling energy" (read "people") into the business during the past year or so and has been transparent in explaining that it is growing sales with larger clients (at lower gross margin) faster than its smaller clients. This is driving overall operating leveraging for the business and that was apparent during the fourth quarter of 2014. While the recent decline in energy prices and a strong U.S. dollar are likely to pressure the near-term growth of a small slice of Fastenal's customers, we think it is very positive that investing in more selling energy has led to stronger sales growth, which should drive overall operating leverage. Industrial distribution remains a highly fragmented industry and Fastenal continues to leverage its considerable competitive advantages to grow revenues and earnings at a solid double-digit pace, gaining market share. We continue to believe that Fastenal can be multiples of its current size over time.

In contrast, we trimmed our position in FactSet during the first quarter because the stock has had a very strong run—rising about 50% during the past year—and we felt that the valuation was becoming a little stretched. The business has been accelerating modestly during the past few quarters, which has likely driven much of the share price strength. Unfortunately, we think only modest improvement after many years of very strong equity market returns (usually conducive to more investment from FactSet's customers) is somewhat indicative of the fact that it is just difficult for FactSet to meaningfully accelerate growth. While FactSet's differentiated products and excellent customer service continue to drive market share gains, it is becoming more of a street fight to keep growing at its historic pace. The fact that all three of FactSet's top executives are transitioning out of their leadership roles in the near-term also seems to confirm this belief. The business remains competitively advantaged with good, steady growth potential and over 95% recurring revenue, and we do not think recent leadership changes indicate any deeper issues. That being said, we feel more comfortable with a smaller position at the current valuation.

We also sold our remaining position in Allergan during the first quarter. We discussed Allergan extensively in our **4th Quarter and Full-Year Portfolio Commentary** and will be releasing a white paper on our investment in Allergan soon, so we will not rehash all of the details here. Suffice it to say, Allergan was a big winner for Polen Capital and a great example of how we invest. Following management's agreement to be acquired by Actavis, we felt that most of Allergan's value was being recognized in its share price and that it no longer warranted a super-sized position in the Portfolio, so we trimmed the position in half in December 2014. We maintained a 5.0% position because we still believed that Allergan was reasonably valued and that the shares would rise as the deal spread closed. We also thought it was likely that Actavis's share price would rise into the deal close, lifting the equity component of the buyout price. We exited the position in the first quarter as both of these things occurred. We were not interested in maintaining an investment in the newly combined Actavis/Allergan (renamed Allergan) given its significant financial leverage and some other suboptimal qualities.

Finally, we took an initial position in Adobe Systems during the first quarter. Adobe has long been the dominant provider of software for creative professionals and hobbyists, offering products like Photoshop and Illustrator which are industry standard. The various point solutions and software bundles offered through its Digital Media segment accounts for roughly 70% of Adobe's revenues. Adobe also offers Software as a Service (SaaS) marketing solutions to enterprises through its Digital Marketing segment, which accounts for the other 30% of revenues. Digital marketing is one of the fastest growing segments of the enterprise software market and Adobe is the leader in this business as well. It has many best-of-breed point solutions and, importantly, the broadest and most integrated suite of digital marketing products. Adobe's marketing software is also being integrated with its creative software, which is a unique advantage given that it is the only company that provides both sets of tools. Adobe is now a few years into its transition from a license model to a subscription model, which drives higher recurring revenues and enables more direct customer relationships. This transition initially depressed revenues and profits, but Adobe's rapidly growing base of subscribers is now driving strong revenue growth and expanding profit margins. We expect profits to grow very significantly during the next few years and to grow at a healthy double-digit pace for the longer term.

Attribution

The top three contributors (Portfolio average weight multiplied by return) for the first quarter of 2015 were Starbucks (0.80%), Apple (0.62%), and Regeneron (0.43%). The three largest detractors were Fastenal (-0.37%), Oracle (-0.23%), and W.W. Grainger (-0.22%).

Thank you for your interest in Polen Capital and please feel free to contact us with any questions or comments.

Sincerely,

Dan Davidowitz & Damon Ficklin

Historical Performance

Polen Capital Focus Growth Performance Update - March 31, 2015				
	PCM (Gross)	PCM (Net)	R1000G	S&P 500
1Q-15	3.70%	3.55%	3.84%	0.95%
1 Year	21.16%	20.50%	16.09%	12.73%
3 Years	13.42%	12.78%	16.34%	16.11%
5 Years	15.72%	14.98%	15.63%	14.47%
7 Years	12.92%	12.12%	10.68%	8.95%
10 Years	10.86%	10.03%	9.36%	8.01%
15 Years	7.56%	6.69%	1.99%	4.15%
20 Years	13.07%	12.08%	8.75%	9.39%
Since Inception (1/1/89)	14.55%	13.48%	10.08%	10.33%

*Returns are trailing through 3/31/15. Annualized returns are presented for periods greater than 1 year.

Please reference the supplemental information to the composite performance which accompanies this commentary.

GIPS Disclosure

Polen Capital Management
Large Capitalization Equity Composite-Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation**		
Year End	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Composite Gross	Composite Net	S&P 500	Russell 1000 Growth	Composite Dispersion	PCM Gross	S&P 500	Russell 1000 Growth
2015*	5,875	1,521	4,354	2,263	276	3.70%	3.55%	0.95%	3.84%	0.0%	10.34	9.59	9.87
2014	5,366	1,374	3,992	2,054	271	17.59%	16.95%	13.69%	13.05%	0.2%	10.66	9.73	9.10
2013	5,017	1,197	3,820	1,901	261	23.77%	23.04%	32.39%	33.48%	0.3%	11.91	12.11	12.35
2012	4,522	891	3,631	1,581	358	12.43%	11.75%	16.00%	15.26%	0.1%	16.01	15.30	15.88
2011	2,366	562	1,804	596	185	9.02%	8.23%	2.11%	2.64%	0.2%	15.97	18.97	18.01
2010	1,185	322	863	337	129	15.65%	14.69%	15.06%	16.71%	0.2%	20.16	22.16	22.42
2009	624	131	493	235	127	39.73%	38.49%	26.46%	37.21%	0.3%	16.99	19.91	20.01
2008	266	10	256	152	121	-27.84%	-28.44%	-37.00%	-38.44%	0.2%	15.26	15.29	16.63
2007	682	-	682	504	152	10.73%	9.82%	5.49%	11.81%	0.2%	8.36	7.79	8.66
2006	730	-	730	533	224	15.07%	14.12%	15.80%	9.07%	0.1%	7.27	6.92	8.43
2005	1,849	-	1,849	986	430	-0.51%	-1.42%	4.91%	5.26%	0.2%	8.10	9.17	9.67
2004	2,017	-	2,017	1,160	693	8.76%	7.78%	10.88%	6.30%	0.2%	10.09	15.07	15.66
2003	1,617	-	1,617	969	570	17.72%	16.67%	28.68%	29.75%	0.6%	12.98	18.32	22.98
2002	970	-	970	544	420	-6.69%	-7.54%	-22.06%	-27.88%	0.4%	13.15	18.81	25.58
2001	703	-	703	417	305	-4.61%	-5.50%	-11.93%	-20.42%	0.6%	13.58	16.94	25.56
2000	622	-	622	363	239	-3.50%	-4.45%	-9.10%	-22.42%	0.5%	16.52	17.67	23.11
1999	640	-	640	385	233	23.89%	22.63%	21.04%	33.16%	0.6%	18.27	16.76	19.27
1998	418	-	418	266	205	31.61%	30.20%	28.58%	38.71%	0.7%	17.95	16.23	18.15
1997	252	-	252	147	160	37.14%	35.64%	33.36%	30.49%	0.9%	13.17	11.30	12.80
1996	140	-	140	94	125	31.95%	30.43%	22.96%	23.12%	0.7%	10.16	9.72	10.49
1995	70	-	70	46	63	48.08%	46.34%	37.58%	37.18%	1.1%	9.72	8.34	9.26
1994	32	-	32	18	28	10.11%	8.94%	1.32%	2.62%	1.6%			
1993	24	-	24	16	27	13.07%	11.85%	10.08%	2.87%	2.9%			
1992	16	-	16	11	24								

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
**Performance disclosures are located on the following page.*

GIPS Disclosure

**Performance represents partial period (January 1, 2015 through March 31, 2015), assets and accounts are as of 3/31/15. ** 2015 3 Year Standard Deviation is as of 3/31/15.*

The Large Capitalization Equity Composite created on January 1, 2006 contains fully discretionary large cap equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the S&P 500 and the Russell 1000 Growth indices. Polen Capital invests exclusively in a portfolio of high quality large cap and liquid companies.

Polen Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Management has been independently verified by Ashland Partners & Company LLP for the periods April 1, 1992 through September 30, 2014.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Large Capitalization Equity Composite has been examined for the periods April 1, 1992 through September 30, 2014. The verification and performance examination reports are available upon request.
Polen Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. In July 2007, the firm was reorganized from an S-corporation into an LLC and changed names from Polen Capital Management, Inc. to Polen Capital Management, LLC.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. As of July 1, 2002, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash outflow of 10% or greater of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the first full month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results.
The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows:
Institutional: Per annum fees for managing accounts are 75 basis points (.75%) on the first $50 Million and 55 basis points (.55%) on all assets above $50 Million of assets under management. HNW: Per annum fees for managing accounts are 150 basis points (1.5%) of the first $500,000 of assets under management and 100 basis points (1.0%) of amounts above $500,000 of assets under management. Actual investment advisory fees incurred by clients may vary.

Past performance is not necessarily indicative of future results and future accuracy and profitable results cannot be guaranteed. Performance figures are presented gross of management fees and have been calculated after the deduction of all transaction costs and commissions. Polen Capital is a SEC registered investment advisor and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce client's returns. The chart below depicts the effect of a 1% management fee on the growth of one dollar over a 10 year period at 10% (9% after fees) and 20% (19% after fees) assumed rates of return.

The S&P 500® Index is a widely recognized, unmanaged index of 500 common stocks which are generally representative of the U.S. stock market as a whole.
The Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

Return	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
10%	1.1	1.21	1.33	1.46	1.61	1.71	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.3	1.41	1.54	1.68	1.83	1.99	2.17	2.39
20%	1.2	1.44	1.73	2.07	2.49	2.99	3.58	4.3	5.16	6.19
19%	1.19	1.42	1.69	2.01	2.39	2.84	3.38	4.02	4.79	5.69