POLEN | CAPITAL

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October 18, 2016

Polen Focus Growth
3rd Quarter 2016 Commentary

Summary

- *During the third quarter of 2016, the Polen Focus Growth Composite Portfolio (the "Portfolio") returned 4.90% gross of fees. The Russell 1000 Growth and S&P 500 indices (the "Indices") returned 4.58% and 3.85%, respectively.*

- *Market returns have been fairly muted during the past year and a half with the S&P 500 only marginally higher than in early 2015. The below average returns are actually better than one would expect given that aggregate earnings have declined during this period.*

- *The Fed's decision to once again postpone any interest rate hikes has helped to set off yet another wave of yield seeking from investors. Higher dividend-yielding sectors such as Utilities and Telecoms have been among the best performing groups thus far in 2016.*

- *In contrast to the market, the fundamentals of our Portfolio companies remain very strong with the weighted average earnings per share growth of the Portfolio continuing to advance at a mid-teens rate.*

- *The leading Portfolio contributors during the quarter include Alphabet, Priceline and Visa. Our holdings in the consumer discretionary sector were among the leading detractors during the quarter as slower retail spending weighed on the sector.*

Commentary

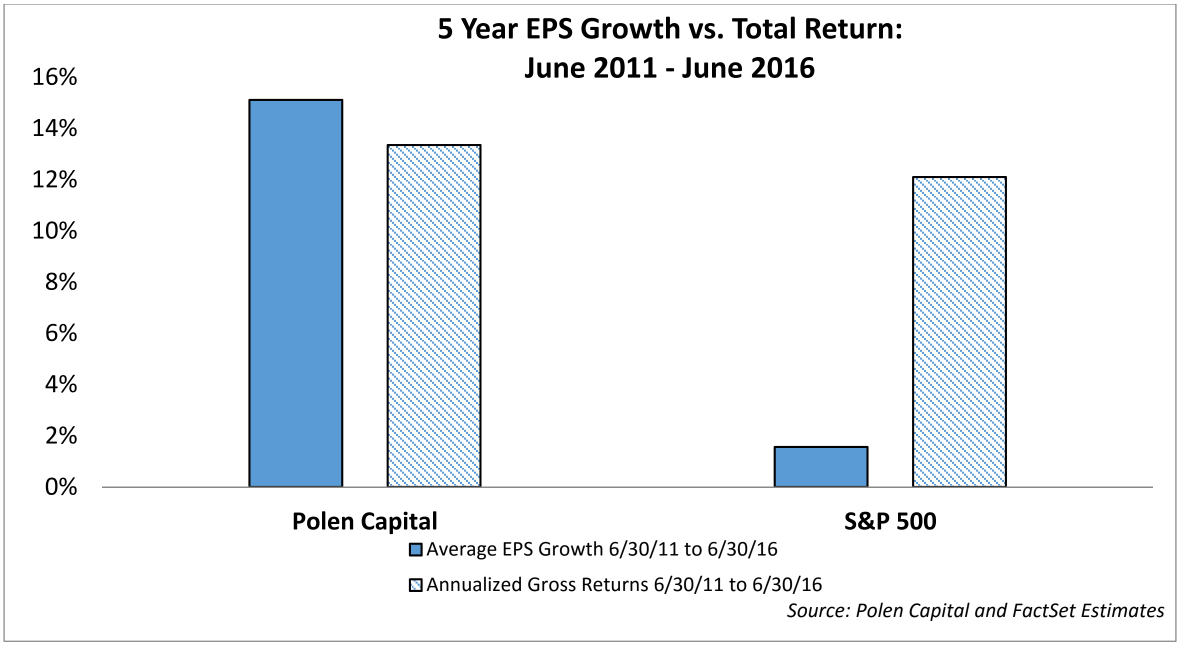
During the third quarter of 2016, our Portfolio returned 4.90% gross of fees. The Russell 1000 Growth and S&P 500 indices returned 4.58% and 3.85%, respectively. While our Portfolio continues to deliver strong underlying growth, it seems counterintuitive that the indices have risen sharply during the quarter since there has been little underlying growth or sign of improvement in most parts of the world. The United States is a relative pillar of strength, but progress towards stronger growth has been limited in the United States as well during the past few months. Earnings growth expectations deteriorated for the broader market as the quarter progressed and, according to FactSet, S&P 500 earnings are now projected to decline for the sixth quarter in a row, the longest such streak since FactSet began tracking this data in the third quarter of 2008.

While it is hard to say what drives the markets during any short period of time, from our point of view recent market strength seems connected to the same theme that has been playing out for much of the post-financial crisis era: Fundamentals remain weak and there is no sign of inflation, so the Fed is expected to remain more accommodative, keeping interest rates lower for longer. The Fed has been slower to raise rates than expected this year and the projected path of additional rate hikes has moderated as well.

While it is hard to ascertain the impact this is having on the real economy, it has certainly been stimulating asset values. This has also led many to seek dividend yield as a substitute for lower bond yields and/or take on more risk to achieve higher yield in other ways. This "risk on" trade is perhaps most evident outside the United States with emerging market equity indices leading all indices higher year to date despite the fact that most emerging market economies are still struggling. In the United States, Utilities, Energy and Telecom companies are three of the best performing sectors despite the fact that the companies within these sectors have delivered some of the weakest fundamental performances year to date – a clear sign that the higher dividend yields these companies have offered were driving investment decisions. In our view, these businesses are not the most attractive long-term investments. In fact, we have never invested within these sectors because very few of these businesses meet our strict investment criteria that aim to avoid financial leverage and low returns on invested capital (among other things).

While this might provide some context to what we believe is happening in the broader market this quarter and year to date, it is much more important to remind you that we work from the bottom up, investing in one great business at a time. We believe earnings growth drives long-term shareholder returns and, from this perspective, we continue to be very pleased with how the Portfolio is performing. Despite the fact that earnings are still *declining* for the broader market, our Portfolio has continued to deliver mid-teens earnings per share growth. This level of growth is right in line with our long-term objective and has been no easy feat given the current environment. While our relative performance can ebb and flow with moods of the market, we are quite confident that we remain well positioned to outperform over time.

The chart below illustrates that our Portfolio's mid-teens earnings per share growth has greatly outperformed the earnings growth of the S&P 500 during the past five years and has fully supported our Portfolio's annualized returns (appreciation). The substantial gap between the S&P 500 earnings growth and its annualized returns over this same period also shows that equity market returns can diverge quite meaningfully from the fundamentals for years. We've witnessed the same trend so far in 2016. The S&P 500 forward earnings multiple has expanded this year despite the fact that the index's aggregate earnings have declined year to date and consensus earnings estimates for 2016 have dropped approximately 12% since the beginning of the year. Meanwhile, the forward earnings multiple of our Portfolio has contracted slightly despite strong fundamental performance from our underlying businesses. We know from history that these trends are exactly that, trends, and they do not persist. Over the long term, the market weighs earnings growth appropriately, which eventually allows a company's underlying earnings growth to pull its share price higher.



Portfolio Performance & Activity

As highlighted above, our Portfolio companies continue to deliver solid fundamental results, particularly given the sluggish environment, and we remain quite confident in our companies' long-term growth prospects. The only adjustments that we made to the Portfolio during the quarter were that we sold our position in **Fastenal Company** and we added a new position in **Dollar General Corporation**.

While we continue to believe that Fastenal has a competitively advantaged business model and will continue to gain share of the highly fragmented industrial distribution market over time, the business is even more sensitive to the global macro environment than we anticipated and is clearly running into the wind. The decline in the price of oil and the strengthening of the U.S. dollar more than a year ago both had a meaningful impact on Fastenal's multinational customers. We looked through the obvious near-term impact those factors had on Fastenal's reported growth during the ensuing year because we thought management was doing all of the right things for the long-term (investing in selling capacity, increasing wallet share with large national accounts and augmenting its vending and onsite businesses) and because we thought growth would improve as these headwinds abated. Unfortunately, stronger growth has not materialized despite easier comparisons. While the price of oil and the strength of the U.S. dollar are no longer as much of an issue on a year-over-year basis, they both remain absolute overhangs. In particular, the company's multinational customers continue to sell their products abroad at a still relatively expensive price given U.S. dollar strength. This is depressing demand and therefore the need for fasteners and other Fastenal products, and it is not at all clear that this is going to change anytime soon. At the end of the day, this predominantly U.S. business is simply more impacted by ongoing weakness outside the United States than we expected, and we think there are easier paths forward.

We added a new position in Dollar General during the quarter. Dollar General is one of the largest discount retailers in the United States with nearly 13,000 stores. It offers customers roughly 10,000 core stock keeping units (much fewer than supermarkets or drug stores), which are mostly everyday consumables like paper and cleaning products, packaged food, snacks, and health and beauty products.

They sell these products at everyday low prices that are on par with pricing from mass merchants like Wal-Mart and 20-40% cheaper than drug stores, convenience stores and supermarkets. Most merchandise is from nationally advertised consumer brands like Proctor & Gamble, Pepsi, Coca-Cola, Nestle, etc. as well as Dollar General's own private label brands. We believe Dollar General has competitive advantages due to its scale (it is a top 10 purchaser from nearly all of the largest consumer products companies globally), its low cost operating structure, and repeat shopper captivity from its unique combination of best prices and best convenience. Despite the fact that Dollar General already has nearly 13,000 stores, we believe the company will be able to continue to grow its square footage at a 4-8% rate. With the added annual benefit of 2-4% comparable store sales growth, we expect the company to grow revenue at a high single-digit rate going forward. We think modest ongoing margin improvements and share buybacks will produce low double-digit earnings per share growth with little variability or cyclicality for many years to come.

The leading contributors during the quarter were **Alphabet Inc.**, **Priceline Group Inc.** and **Visa Inc**. The shares of each of these companies were up double-digits during the quarter and our above average weightings for each further boosted the contribution to returns. Steady, strong underlying business performance was the primary driver for each companies' shares. Alphabet reported that overall revenues and operating profits were up 25% in constant currency for its most recently reported quarter. Google websites revenue grew even faster with website paid clicks up 37%. U.S. revenue growth accelerated to 25%, the highest growth in nearly five years, and growth remained strong in the rest of the world as well. With the shares trading for less than 20 times 2017 estimated earnings per share (without even backing out more than $70 billion of cash on its balance sheet), we think Alphabet's shares are attractively valued. While the company's earnings growth alone should provide a strong investment return over the coming years, we think Alphabet's earnings multiple may rise as well.

Priceline also delivered another strong quarter. Despite multiple terrorist attacks in Europe, tepid ongoing global growth and the United Kingdom voting to leave the European Union, the company reported 24% hotel room night growth for the second quarter and guided for an only slightly less robust third quarter result. The factors noted above seemed to have a greater impact on the company's competitors, so Priceline's strong absolute results were even stronger on a relative basis. While the travel industry remains a very competitive market and margins are likely to see some ongoing pressure from higher online advertising spending (which is good for Alphabet), we believe there is still a long runway of growth for the company.

There were some moving pieces in Visa's most recently reported quarter due to the closing of the Visa Europe acquisition and higher rebates paid upfront as they onboarded Costco and USAA as new clients. Other expenses were managed frugally to still deliver low-teens earnings per share growth in constant currency. More importantly, underlying payment volumes and transactions processed grew at a healthy double-digit rate and management is calling for an acceleration in earnings per share growth for the balance of the year and into 2017. Revenues are expected to grow 7-8% in the core business and with 2-3 points of earnings accretion from Visa Europe deal in 2017, the company should deliver mid-teens earnings per share growth without any improvement in the global macro. Accretion is expected to rise significantly during the next few years, which will lift earnings per share growth even further. This is a world class franchise that we believe is set to deliver very strong growth at a very reasonable valuation.

Dollar General Corporation, **Gartner, Inc.** and **Starbucks Corporation** were the leading detractors during the quarter. We described above the reasons that we added Dollar General to the Portfolio. While the share price decline during the quarter was unexpected, our long-term view of the business has not changed. Second quarter comparable store sales and traffic were slightly below expectations with the main culprits being food deflation and a reduction in Supplemental Nutrition Assistance Program (SNAP) benefits across many states, most of which are core markets for Dollar General. Food deflation may persist for a while, but it will not be permanent and the SNAP benefit changes should be more one time in nature. While it will take some time to lap the SNAP benefit change impact and we may see some margin pressure near-term due to the pricing initiatives that management has implemented to stimulate traffic, we believe Dollar General is well positioned to continue to deliver steady, double-digit earnings per share growth over the long-term. We took advantage of the recent share price decline by adding to our position after the quarter end.

Starbucks' share price modestly underperformed during the quarter after the company reported fiscal Q3 comp store sales that were slightly below expectations. The miss in comp store sales was primarily due to some temporary factors, namely a change in the company's loyalty program from a frequency-based model to a spend-based model that was implemented around the same time as the company's annual Frappuccino Happy Hour promotion. The timing of the two initiatives caused some disruption with customers that, in turn, mildly affected store traffic. We believe this is a short-term issue and still have tremendous confidence in the long-term growth potential of the Starbucks franchise.

Gartner shares also saw weakness during the quarter following the company's Q2 earnings results. While the business remains quite strong (revenues grew 12% during the quarter in constant currency), management noted that some multinational clients are seeing their spending slightly affected by weaker macroeconomic trends. Additionally, the company is lapping some difficult comparisons in new bookings growth. As with Starbucks, there is no change in our long-term confidence in Gartner's business prospects.

Attribution

The top three contributors (Portfolio average weight multiplied by return) for the third quarter of 2016 were Alphabet Inc. Class A & C (1.31%), Priceline Group Inc. (0.91%) and Visa Inc. Class A (0.84%). The three largest detractors were Dollar General Corporation (-0.50%), Gartner, Inc. (-0.32%) and Starbucks Corporation (-0.29%).

Our main focus has and always will be on the fundamental performance of our Portfolio companies. In that regard, we continue to be pleased with the underlying earnings per share growth of these businesses that collectively are growing at a solid double digit rate. In the near-term we expect the market to continue its normal ebb and flow in what remains a challenging macroeconomic backdrop. The disparity, however, between our Portfolio's earnings growth and that of the overall market remains wide and over the long-term we believe this delta will be properly reflected in the superior share price performance of our businesses versus the indices.

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 Focus Growth Performance - September 30, 2016				
	Polen (Gross)	Polen (Net)	R1000G	S&P 500
3Q2016	4.90%	4.77%	4.58%	3.85%
YTD	2.17%	1.78%	6.00%	7.84%
1 Year	10.45%	9.89%	13.76%	15.43%
3 Years	15.81%	15.19%	11.83%	11.16%
5 Years	16.50%	15.85%	16.60%	16.37%
7 Years	15.36%	14.63%	14.11%	13.17%
10 Years	11.40%	10.62%	8.85%	7.24%
15 Years	9.86%	9.02%	7.35%	7.15%
20 Years	11.14%	10.22%	7.14%	7.91%
25 Years	13.20%	12.19%	8.63%	9.34%
Since Inception (1/1/89)	14.26%	13.21%	9.81%	10.06%

*Returns are trailing through 09/30/16. Annualized returns are presented for periods greater than 1 year.

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
2016*	10,306	3,530	6,777	3,172	440	2.17%	1.78%	7.84%	6.00%	0.1%	11.47	10.83	11.44
2015	7,451	2,125	5,326	2,469	352	15.88%	15.26%	1.38%	5.67%	0.1%	10.92	10.62	10.85
2014	5,366	1,374	3,992	2,019	257	17.58%	16.95%	13.69%	13.05%	0.2%	10.66	9.10	9.73
2013	5,017	1,197	3,820	1,887	256	23.77%	23.05%	32.39%	33.48%	0.3%	11.91	12.11	12.35
2012	4,522	891	3,631	1,571	357	12.43%	11.75%	16.00%	15.26%	0.1%	16.01	15.30	15.88
2011	2,366	562	1,804	596	185	9.03%	8.24%	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	-27.82%	-28.43%	-37.00%	-38.44%	0.2%	15.26	15.29	16.63
2007	682	-	682	504	152	10.78%	9.87%	5.49%	11.81%	0.2%	8.36	7.79	8.66
2006	730	-	730	533	224	15.00%	14.05%	15.80%	9.07%	0.1%	7.27	6.92	8.43
2005	1,849	-	1,849	986	430	-0.53%	-1.43%	4.91%	5.26%	0.2%	8.10	9.17	9.67
2004	2,017	-	2,017	1,160	693	8.73%	7.76%	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 represents partial period (January 1, 2016 through September 30, 2016), assets and accounts are as of 9/30/16. ** 3Q16 3 Year Standard Deviation is as of 9/30/16.*

GIPS Disclosure

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 December 31, 2015.

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 December 31, 2015. 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. From July 1, 2002 through April 30, 2016, composite policy required 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 occurred at the beginning of the month in which the significant cash flow occurred and the account re-entered the composite the first full month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. For the year 2015, the number of accounts in the Large Capitalization Equity Composite was updated from 257 to 352 to properly reflect the number of accounts in the composite at December 31, 2015.

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 does not guarantee future results and future accuracy and profitable results cannot be guaranteed. Performance figures are presented gross and net 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