POLEN | CAPITAL

POLEN GLOBAL GROWTH STRATEGY

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Summary

- *During the second quarter of 2017, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 7.69% gross of fees. The MSCI All-Country World Index (the "Index") returned 4.27%, a difference of 3.42%.*

- *Annualized investment performance since inception is 11.91%, which compares to 6.65% for the Index, a difference of 5.26%.*

- *Investment performance was strong across the board for the Portfolio, with almost all holdings making positive contributions and technology, healthcare and financial sectors contributing most to performance.*

Investment Performance Commentary

The Polen Global Growth Portfolio returned 7.69% before fees in the second quarter of 2017, compared to 4.27% for the Portfolio's formal benchmark, the MSCI All-Country World Index, a difference of 3.42%.

For global stocks, the pattern was similar to the first quarter, as almost all sectors performed well, with the notable exception of energy. Most regions also provided positive returns and, as in the first quarter, Asia and Europe performed ahead of the United States. Some of this relative performance reflects a change in the fortunes of the U.S. dollar, which has depreciated about 7% compared to major currencies so far in 2017.

For the Portfolio, investment performance was strong across the board with almost all holdings making a positive contribution. Following the recovery in the valuations of high-quality growth businesses we saw in the first quarter, portfolio holdings continued to perform well, with consistent earnings growth leading share prices higher. Businesses in the technology, health care and financials sectors contributed most to performance. Performance was also broadly-based by geography, with all major regions contributing to investment returns, and most – about two-thirds – of the Portfolio's absolute returns coming from outside the United States.

Annualized investment performance over the two and a half years since inception is 11.91%, which compares to 6.65% for MSCI ACWI, a difference of 5.26%.

Overview of the Portfolio

The Portfolio continues to invest very selectively in relatively few high-quality businesses with the competitive advantages we expect to sustain above-average growth in earnings and cash flows. The Portfolio typically holds between 25 and

35 investments and it held 27 as of March 31, 2017. Some of our holdings compound faster and some slower, but the Portfolio is managed to generate at least low-teens earning growth for several years. Holdings are limited to high-conviction investments in businesses with a demonstrable margin of safety that we expect to hold for at least five years. One indication of margin of safety is the financial strength and flexibility of each business in the Portfolio; the average holding has more cash and cash equivalents than debt and is generating free cash flow of more than 115% of GAAP earnings. Average return on capital employed is more than 30%, which is one sign of the competitive strengths of the businesses we hold. Most of our businesses operate in several countries, and benefit from natural or financial hedges that help to alleviate policy, country and currency risk.

Holdings are concentrated in sectors where we find the highest-quality earnings and more sustainable growth including technology, consumer, retail, services and healthcare. Companies in these sectors make up more than 85% of assets. Geographic exposure also depends on where we find the highest quality. Of the Portfolio's 27 holdings, 16 are based in the United States and 11 in other countries. Several countries, including all frontier markets and most, but not all, emerging markets, are unlikely to be represented among our holdings. The breakdown of revenues is the way we like to look at geographic exposure, and on this basis, revenues are divided almost 50:50 between the United States and other countries.

Performance Attribution

The majority of holdings again contributed to positive investment performance last quarter. One reason for this is that business fundamentals remain strong across the Portfolio and, as we move through the year, we are seeing earnings growth come through better than our long-term expectations. Still, over short periods of time there are always a few outliers. The strongest individual contributors to investment performance included some of the faster-growing and most scalable businesses we hold, such as **Tencent Holdings Ltd., Align Technology, Inc., Regeneron Pharmaceuticals, Inc.** and **Alibaba Group Holding Ltd**. A total of three holdings detracted from investment performance, including **O'Reilly Automotive, Inc.**

While a few holdings have come close (including **Alphabet Inc., Facebook, Inc.** and **Priceline Group Inc.**), Tencent has become the first investment we have made that has doubled in value. We like those kinds of milestones, but what matters far more is the share price has appreciated in-line with growth in earnings estimates over our holding period of two and a half years so far. The holding contributed to investment performance once again last quarter, as a strong earnings release provided a snapshot of the rapid growth rates Tencent is sustaining across its main offerings. Because most smartphone users in China are already active on Tencent's smartphone apps we are now witnessing little or no growth in numbers of users. However, we are seeing additional confirmation that the company is achieving very strong engagement with more than 800 million active smartphone users. Our research has shown the company has consistently put user experience and stickiness ahead of making money, while investing significantly in offering more content and better services. We can see a glimpse of this in a handful of indicators such as the number of users paying for the mobile games they play (an estimated 11% of total), the ad load on some of Tencent's most popular services (perhaps 2-3 ads per day) or the number of users paying for content subscription (approximately 120 million out of more than 800 million users). We appreciate the measured approach. Current trends suggest some acceleration in earnings per share this year, and earnings growth of more than 30%. Along with **Adobe Systems Incorporated**, Tencent is an especially strong holding in terms of cash conversion, with free cash flow averaging more than 115% of GAAP earnings in the last few years. This is a measure we follow closely for all our companies; in Tencent's case our current thinking is that free cash flow may see a healthy acceleration, well ahead of earnings growth this year.

Align is by far the global leader in manufacturing clear plastic braces used to straighten teeth and marketed under the Invisalign brand. Align was a notable outperformer last quarter with shares rising more than 30% following very strong first quarter results. Revenues are currently growing 30%, driven by 27% case shipment growth, including more than 40% growth outside the United States. Teen case shipments increased 32% last quarter, a clear acceleration from the roughly 20% growth over the past year. Since teens make up about 75% of orthodontic case starts (but a much smaller percentage of Invisalign volumes), we see this as a significant and positive development. Invisalign's strength was also apparent in the North American orthodontist utilization rates, which were up 20%, a clear indication that invisible aligners are taking market share from traditional braces. With Invisalign only accounting for roughly 10% share of its addressable market, we believe there is still a long runway of share gains remaining. While the company has many growth initiatives in place, we believe it has yet to hit the true inflection point.

We hold an investment in Regeneron because the Eylea franchise provides strong and predictable cash flow as the company focuses its research on ground-breaking innovations for serious diseases. This combination of franchise value and innovation is unusual in the biotech universe, where almost all businesses fail to provide anything like the consistency, business performance and margin of safety we look for. We discussed the company in the first quarter of 2016 commentary and acknowledged industry pressures and short-term headwinds faced by Regeneron at the time, but also talked about the franchise strength of Eylea, looked ahead to coming product launches, especially the launch of dupilumab for indications including severe allergic reaction, and went on to conclude that the company would overcome temporary setbacks in time. The commentary for the first quarter of this year summarized the decision to increase the Portfolio's holding and referred to dupilumab under the brand name Dupixent as potentially game-changing in the treatment of a range of allergic diseases and perhaps a pipeline in a product. This time, the update is the share price appreciation of more than 25% in the second quarter, in part due to the strong initial launch of Dupixent for atopic dermatitis. Positive phase 2 results in different indications have provided a proof of concept and suggest that Dupixent, a completely novel drug, may have success in following the same pathway to treat a range of diseases in adults and children. A phase 3 trial is currently underway for asthma, which has the potential to become a still larger indication for Dupixent.

Alibaba has also been featured in a few previous commentaries when it has been a temporary drag on investment returns. The third quarter 2015 commentary, for example, talked about the competitive moat surrounding the business and the free cash flow it was generating. It went on to summarize the case for continuing to hold the investment, despite some temporary growth headwinds and the way sentiment in the stock market was against the stock. In June of this year, a visit to China and two days spent at Alibaba's campus in the city of Hangzhou was an opportunity to refresh the investment case.

One insight we gained from this review was the observation that the original investment case we built three years ago was right on all important aspects, but still underestimated the ability of the company to scale its business. Within the core e-commerce offering, for example, Alibaba and its affiliates are now delivering an estimated 56 million packages per day (a volume of deliveries, we estimate, that may be more than twice that generated by Amazon's operations around the world). Thanks to investments made over the last few years the company is providing a richer experience to engage its more than 500 million users who are increasingly turning to Alibaba for more than e-commerce, but for content, social media, entertainment, news and financial services. In the very short-term, the additional engagement Alibaba has gained with its users is helping to accelerate revenue growth rate, despite the larger base of revenues and a growth rate of more than 40% last year. We are seeing revenue growth respond to additional offerings, and the rate of monetization increasing ahead of merchandise volume. The faster growth is affording the company additional scope to reinvest further in its technology platform and its growth opportunities outside mainland China, where Alibaba is quickly gaining a market presence. Especially in developing markets with large populations, Alibaba is emerging as an attractive partner for local internet enterprises and is well on the way becoming a formidable global competitor.

O'Reilly Automotive is one of a few leading distributors of after-market car parts in the United States, which is home to the largest fleet of used cars in the world, with some 260 million cars with an average age of more than 11 years. The business exists to meet the need for immediate and local availability of a very wide range of hard car parts. It is a needs-based business with revenues that tend to recur because most car owners depend on their vehicles and cannot afford delays before being back on the road. In other words, we think of O'Reilly as over-the-counter healthcare for cars. The company's strategy of re-investing in local availability and excellence in customer services helps explain the enviable track record of wealth creation (and, incidentally, provides a tidy case study in the power of compound growth). Because the business has been compounding at nearly 25% for more than a decade, long-term shareholders benefited from a 10-fold increase in their investment in the 11 years ending December, 2016.

After a dramatic correction in the stock price last quarter we reviewed the investment case, concluding that O'Reilly remains a strong and durable business that continues to meet all guardrails we work with. Although the company continues to take share from smaller and scaled competitors, recent tailwinds – including growth in miles driven and a struggling competitor – have been subsiding. Two mild winters plus a competitive retail environment led to disappointing comparative store sales, but we believe this is ultimately a temporary and cyclical, rather than structural, slowdown in the business. While we fully expect competition from e-commerce to affect a portion of sales in the retail channel, our assessment is most sales continue to depend on a vital service component, or do not otherwise lend themselves to the online channel.

In general, the online sales model seems far better suited to accessories and more homogenous parts and supplies than the wide range of hard at the core of O'Reilly's business. Further, our research shows that customers – both professional repair shops as well as car owners – often depend on the interaction, service and hand holding O'Reilly provides. We expect this service element will remain very hard to replicate online. Meanwhile, O'Reilly's competitive strength in the professional channel, which accounts for roughly 50% of sales, gives us additional confidence. In many instances the delivery of a critical part in less than one hour is required to win and retain professional business. We believe O'Reilly is the only business in the industry that can consistently meet these requirements. While very negative sentiment affected the stock price recently, O'Reilly remains a high conviction investment. Our fundamental research leads us to the conclusion that the competitive moat around the business remains intact and we expect the company to manage through its short-term challenges. The stock market is voting today, but we expect the strength of the business will be appropriately weighed over our investment horizon.

Changes to the Portfolio

No changes were made to holdings last quarter and, in general, portfolio turnover has remained subdued. Of the current 27 holdings, 23 have been held since inception. Annualized turnover is less than 10%, although so far in 2017 turnover is even less than usual. This is one indication of the conviction we have in the businesses we hold. We are working with a strong pipeline of investment candidates, and may again add to existing holdings, as we have done repeatedly in the last two years. Turnover may well pick-up from here although it is expected to remain less than 20% as we limit investments to businesses we expect to own for at least five years.

Outlook

Persistently low interest rates in the developed world have exaggerated risk appetite across asset classes. Across global equities, the risk-on environment is evident in the level of stock market indexes, low levels of volatility, the rate at which some companies are leveraging their balance sheets to buy back shares and, here and there, stretched valuations. Certainly, performance of global stock market indices in the last few years has been well above long-term average. However, stock markets aren't always such plain sailing. At least, we don't assume they will be. We continue to invest in relatively few, high-quality and durable growth businesses around the world with underlying financial strength and flexibility. We expect the combination of quality and compounding will always be one of the best ways to invest through uncertain times. While the short-term outlook for financial markets is always uncertain, we expect compound growth in earnings and cash flows will drive the Portfolio's investment returns over time.

Portfolio Manager Update

I could not be happier in welcoming Jeff Mueller as co-portfolio manager of the Polen Global Growth strategy. Jeff's well-earned promotion is effective July 1st and we will be writing next quarter's commentary together. Many Polen Capital clients already know Jeff very well since he joined the investment team in 2013.

But, on a personal note, I would like to add that after working with Jeff for the last three years, I am very well aware of his great strengths in business-focused research, which is the foundation for the Global Growth strategy.

I think this promotion recognizes Jeff's character, dedication and always-learning mindset as well as the work he has done as an analyst that has invariably contributed conviction and clarity to our research.

Going forward, we will be working together more closely with no change in investment philosophy, process or final decision-making authority and the same goal of protecting and growing clients' assets.

Thank you for your investment in Polen Global Growth.

Sincerely,

Julian Pick, CFA

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Historical Performance

Polen Global Growth (SMA) Composite as of 06-30-2017			
	Polen (Gross)	**Polen (Net)**	**MSCI ACWI - ND**
Q2-2017	7.69%	7.46%	4.27%
YTD	18.85%	18.35%	11.47%
1 Year	22.07%	21.04%	18.78%
Since Inception (1/1/15)	11.91%	10.96%	6.65%

Footnotes
Returns are trailing through 06-30-2017
Annualized returns are presented for periods greater than 1 year.
Source: Archer

GIPS Disclosure

Polen Capital Management
Global Growth 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		MSCI ACWI	Composite Dispersion	Polen Gross	MSCI ACWI
						Gross	Net				
1Q17*	13,145	5,412	7,733	0.37	1	10.36%	10.14%	6.91%	0.0%	-	10.79
2016	11,158	4,648	6,510	0.33	1	1.21%	0.34%	7.86%	0.0%	-	11.21
2015	7,451	2,125	5,326	0.33	1	10.07%	9.14%	-2.36%	0.0%	-	10.94

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
**Performance represents partial period (January 1, 2017 through March 31, 2017), assets and accounts are as of 03/31/17.*
***1Q2017 3 Year Standard Deviation is trailing through 03/31/17 for MSCI ACWI. 3 Year Standard Deviation is not available for the composite due to the composite's January 1, 2015 creation date.*

GIPS Disclosure

The Global Growth Composite created on January 1, 2015 contains fully discretionary global growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI. Prior to October 18, 2016, the benchmark for the Global Growth Composite was the MSCI ACWI variant with gross dividends. As of October 18, 2016, the benchmark was changed to the MSCI ACWI variant with net dividends, to more accurately reflect the Global Growth Composite's strategy. Polen Capital invests exclusively in a portfolio of high-quality 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. The verification is available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

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. 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 85 basis points (0.85%) on the first $50 Million and 65 basis points (0.65%) 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 an SEC registered investment advisor and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce clients' 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 MSCI ACWI Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

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 in 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