POLEN | CAPITAL

POLEN GLOBAL GROWTH STRATEGY

Key Takeaways

Julian Pick, CFA
*Global Growth Portfolio Manager & Analyst**

- During the third quarter of 2017, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 4.61% gross of fees. The MSCI All-Country World Index (the "Index") returned 5.22%.

- Annualized investment performance since inception is 12.58%, which compares to 7.99% for the Index.

- The pattern was broadly similar to the first half of 2017, with most sectors performing well and led by energy, materials, technology and financials. Most regions also provided positive returns and Asia and Europe once again performed ahead of the United States.

Jeff Mueller
Global Growth Portfolio Manager & Analyst

Investment Performance Commentary

The Polen Global Growth Composite Portfolio (the "Portfolio") returned 4.61% before fees in the third quarter of 2017, compared to 5.22% for the Portfolio's formal benchmark, the MSCI All-Country World Index (the "Index").

For global stock markets, the pattern was broadly similar to the first half of 2017, with most sectors performing well and led by energy, materials, technology and financials. Most regions also provided positive returns and Asia and Europe once again performed ahead of the United States. Some of this relative performance reflects a change in the fortunes of the U.S. dollar compared to the last few years, as the dollar has depreciated about 9% compared to major currencies so far in 2017.

For the Portfolio, holdings in the technology and health care sectors contributed most to performance. Overall, investment performance was satisfactory, though less broadly based than earlier in the year, with holdings in both consumer discretion and consumer staples generating slightly negative returns. Our holdings based in Europe also lagged performance of the Index, which partly reflects our lack of participation in more cyclical sectors. Given the balance we have in the Portfolio, recent U.S. dollar weakness has had little if any impact on investment returns.

Year to date in 2017, the Portfolio has returned 24.33% before fees, compared to 17.30% for the Index.

Annualized investment performance since inception is 12.58%, which compares to 7.99% for the Index.

Overview of the Portfolio

The Portfolio continues to invest very selectively in relatively few high-quality businesses with the competitive advantages we believe can sustain above-average growth in earnings and cash flows. The Portfolio typically holds between 25 and 35 investments and it held 27 as of 30 September. Some of our holdings compound faster and some slower, but the Portfolio is managed to generate at least low-teens earnings per share growth for several years. Holdings

Effective 11/03/2017, Damon Ficklin is Global Growth Lead Portfolio Manager. Jeff Mueller remains Global Growth Co-Portfolio Manager.

are limited to high-conviction investments in companies that we expect to hold for at least five years. The average holding has more net cash than debt and currently generates free cash flow of more than 115% of GAAP earnings. Average return on capital employed is more than 30%. Most of our companies operate in several countries, and often benefit from natural or financial hedges that help to alleviate policy, country and currency risk. Holdings are also concentrated in sectors where we find the highest-quality earnings and more sustainable growth including technology, consumer and healthcare. Companies in these sectors make up approximately 85% of assets. Geographic exposure depends on where we find the highest quality: of 27 holdings, 14 are based in the United States and 13 in other countries. Several countries, including those in 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, approximately 40% of revenues come from the United States and 55% come from a range of countries, while less than 5% is the residual cash holding.

Performance Attribution

The strongest individual contributors to performance included **Tencent Holdings Ltd., Align Technology, Inc.** and **Alibaba Group Holdings Ltd.**, all of which were also strong contributors last quarter. All three holdings are seeing particularly strong business trends this year, as we discussed in some detail in last quarter's commentary. The detractors from performance included **NIKE, Inc., Regeneron Pharmaceuticals, Inc.** and **Starbucks Corporation.** Both NIKE and Starbucks have faced growth headwinds in North America this year, NIKE because of a changing pattern of sales as online shopping continues to disrupt offline shopping and because of some loss of market share to its revitalized competitor, **adidas AG.** The holding in NIKE was reduced in the quarter, with proceeds used to increase the weight in adidas, as discussed below. Some weakness in Regeneron's share price might be best viewed as part of the inevitable ebb and flow of share prices, following strong performance in the prior quarter.

Starbucks, meanwhile, has seen a slowing in traffic across its stores in the United States, although comparable-store sales remain strong as customers continue to spend freely on their visits to the company's stores. Starbucks has an enviable track record of double-digit revenue growth at high and increasing margins in the United States, which continues to contribute about 75% of revenues, despite the ever-increasing reach of Starbucks stores around the world. The company is, compared to other retail models, in a highly enviable position of serving 75 million customers every month in the United States. Roughly 20% of these are rewards customers who are generating about 40% of revenues that were prepaid on Starbucks's proprietary payment platform. None of this is accidental: Starbucks has been exemplary in identifying and investing ahead of changes in the retail landscape. We expect the connection Starbucks has with its loyalty and mobile customers will help define the future of the company. Despite this, Starbucks is still not immune from a more challenging, disruptive and slowing retail environment. The company continues to perform extremely well compared to other retail and restaurant models, with perhaps mid-single digit growth in comparable store sales this year. Yet the slower retail environment has held back the numbers of customers visiting stores recently and total revenue growth in the United States this year may be in the high single-digits, a few points slower than recent years – which strikes us as very strong and resilient business performance, but still a little slower than it has been. Management has been relentless in working to understand its customers, and rolling-out initiatives to drive the business forward. We expect the business to benefit from a further round of investments and innovations in the loyalty program, as well as the roll-out of a premium offering, including Reserve bars, across stores. Overall, we expect the company to sustain strong top and bottom line growth with compound growth in earnings per share in the mid-teens in years to come.

Changes to the Portfolio

Activity has stepped up from very low levels earlier this year, as holdings in adidas and **Coloplast A/S** were added to the Portfolio for the first time, and holdings in **TJX Companies Inc.** and **Fastenal Company** were eliminated. We also continued the pattern of adding to existing holdings when appropriate, adding slightly to our holdings in **CSL Limited, Reckitt Benckiser Group plc** and **SGS SA** last quarter.

A holding in adidas was added in July; we reduced the holding in NIKE around the same time and both holdings are now an average weight in the Portfolio. adidas is a global leader in the athletic footwear and apparel markets, and a company we have been following closely for a few years. Much like NIKE, adidas is benefiting from the athleisure trend, which drives the bulk of both companies' sales in our view. Athleisure is also a dynamic we believe has been playing out for decades and we expect to remain secular and long lasting.

Additionally, we see the investment in the companies as a combined holding, similar to Visa and MasterCard in the electronic payments space. This is one of those rare situations where we there are compelling reasons to invest in two leading companies within an industry. Outside the United States in particular, NIKE and adidas have established strong leadership as the largest, scaled players in the athletic footwear and apparel markets. NIKE holds the leading position in this market ahead of adidas, yet adidas still has five times the scale of the next largest competitor. Endorsing athletes and professional sports teams has become a very effective way to create demand in this industry, an area where NIKE and adidas spend more than $3 billion and €2 billion, respectively per year, making it increasingly difficult for new entrants to compete.

Historically adidas has been a Polen-like business in some ways, but has also been a less effectively managed business in our view. As a result, adidas's profitability has been roughly half the level at its rival. Effective October 1, 2016, Kasper Rorsted become the CEO of the company, and both initiated and accelerated changes the company has needed. Poorly performing businesses like TaylorMade, Adams Golf, Ashworth and CCM Hockey are being divested, Reebok is being turned around and there is renewed focus, investment, innovation and energy behind the adidas brand. Prior to adidas, Kasper spent eight years as the CEO of Henkel AG & Co., where he materially improved the company's profitability. adidas has a tight affiliation with soccer (the most popular sport in the world) and leadership in certain key emerging markets, including China, giving the brand a solid foothold for the future. Our assessment of the business strongly suggests adidas will sustain earnings per share growth at least in the high-teens over the next few years.

Coloplast is a niche medical devices business based in Denmark. While it is not exactly a glamorous business – actually, it's the least glamorous business we know – it is the global leader in disposable products used by patients recovering from serious diseases (including some forms of cancer, spinal injury and multiple sclerosis) with intimate healthcare needs (including ostomy and continence care) following surgery. We have been getting to know the business during the last 18 months and had the opportunity to meet management late last year. Since then it has been one of strongest investment candidates for the Portfolio we have prioritized. The business fits with what we look for in a number of ways and, we expect, will continue to grow steadily and profitably. One reason for this is that patients tend to use the same disposables every day for some decades or the rest of their lives, and most of these patients could benefit greatly from product innovation that is now available. More recently, we gained additional conviction that the company's multi-year investments in its direct-to-consumer channel will help sustain growth. Growth also comes from an increasing patient population in the developed world due to aging, any increase in cancer diagnosis and increasing penetration rates in emerging markets. We decided to be patient with the initial investment, given an elevated valuation, before taking advantage of a modest pull back in the share price in August, which provides a clearer path to a low-double-digit expected return.

Like most of our Portfolio companies, we held a position in TJX since the inception of the Portfolio. TJX is the leader in off-price retail in the United States, and remains a competitively advantaged business. However, a number of variables have converged that in our view make it more difficult for the company to grow at a rate going forward that we demand from our businesses. These factors include wage pressure, lower levels of operating leverage from investments in international expansion, and deceleration of new store productivity. Management does not see the situation changing in the near to medium term, and our research suggests the same.

We eliminated Fastenal from the Portfolio for similar reasons. While the company remains a competitively advantaged business, the profitability headwinds it is facing are making it increasingly difficult to achieve double-digit returns over the next 5-10 years. These headwinds are structural, and show no signs of improvement. In fact, they are likely to worsen in the future. The majority of the company's growth drivers are either margin dilutive or neutral, meaning Fastenal would have to achieve at least high-single-digit annualized revenue growth over the next five years to generate an acceptable return. In addition to the structural margin pressure, Amazon.com, Inc. continues to encroach on the industry in a more aggressive manner than just one year ago, creating both price discovery and lost sales at the margin. The company's margin challenges, and thus challenged profitability levels, illustrate the importance of one of our five guardrails, "stable to improving margins."

Outlook

Persistently low interest rates in the developed world have exaggerated risk appetite across asset classes. In global equities, the risk-on environment is evident in the record level of stock market indices reached this year, the 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. Performance of global stock market indices in the last few years has been well above the long-term average. However, stock markets aren't always such plain sailing – or at least, we don't expect them to be. Meanwhile, the end to an unprecedented era of quantitative easing is edging closer, and a normalization of interest rates is a stronger prospect than any time since the Global Financial Crisis.

We continue to invest in relatively few, high-quality and durable growth businesses around the world with underlying financial strength and flexibility. While the short-term outlook for financial markets is always uncertain, compound growth in earnings and cash flows will drive the Portfolio's investment returns over time.

Thank you for your investment in Polen Global Growth.

Sincerely,

Julian Pick, CFA and Jeff Mueller

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Historical Performance

Polen Global Growth (SMA) Composite as of 09-30-2017			
	Polen (Gross)	Polen (Net)	MSCI ACWI
Sep-17	0.59	0.59	1.93
3 Month	4.61	4.39	5.22
YTD	24.33	23.55	17.30
1 Year	19.93	18.92	18.69
Since Inception (1/1/15)	12.58	11.62	7.99

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

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 Gross	Composite Net	MSCI ACWI	Composite Dispersion	Polen Gross	MSCI ACWI
2Q17*	15,037	6,017	9,021	0.4	1	18.85%	18.35%	11.47%	N/A	-	10.78
2016	11,158	4,648	6,510	0.33	1	1.21%	0.34%	7.86%	N/A	-	11.21
2015	7,451	2,125	5,326	0.33	1	10.07%	9.14%	-2.36%	N/A	-	10.94

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
**Performance represents partial period (January 1, 2017 through June 30, 2017); assets and accounts are as of 06/30/17.*
***2Q2017 3 Year Standard Deviation is trailing through 06/30/17 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 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 ACA Performance Services, LLC for the periods January 1, 2016 through June 30, 2016. A verification covering the periods from April 1, 1992 through December 31, 2015 was performed by Ashland Partners & Company LLP, which was acquired by ACA Performance Services, LLC, whose report expressed an unqualified opinion thereon. 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