POLEN | CAPITAL

POLEN INTERNATIONAL GROWTH STRATEGY

Key Takeaways

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- During the fourth quarter of 2017, the Polen International Growth Composite Portfolio (the "Portfolio") returned 3.89% gross of fees. The MSCI All Country World Index (ex-USA) (the "Index") returned 5.01%.

- Since inception at the beginning of the year, the Portfolio returned 35.06% versus 27.19% for the Index.

- Our holdings in the information technology and healthcare sectors contributed most to Portfolio returns in the fourth quarter and for the full year.

Commentary

During the fourth quarter of 2017, the Polen International Growth Portfolio ("the Portfolio") returned 3.89% gross of fees. The MSCI All Country World Index (ex-USA) (the "Index") returned 5.01%. For the full year, the Portfolio returned 35.06% versus the Index's return of 27.19%.

International markets delivered strong returns in the fourth quarter and full year as economic growth perked up around the world. The healthier growth trend appears to have legs as we enter 2018. In Europe, a region in which the Portfolio is overweight, healthy growth trends appear to be gaining momentum as the 2011-2012 crisis fades from view. We believe improving economic growth should benefit our competitively advantaged companies. Please note we are not making a macro call. We agree with John Kenneth Galbraith's view that "The only function of economic forecasting is to make astrology look respectable." Instead, our position remains that a concentrated portfolio of high-quality businesses growing faster than the average offers potential for outperformance in the long run. Should economic growth continue improving, we are positioned to benefit. If, on the other hand, conditions weaken, the superior quality of businesses in our Portfolio could provide the horsepower to outperform – a condition that Polen Capital's Focus Growth strategy has succeeded in creating since 1989 in the United States.

We bring a long-term mindset to owning some of the best businesses in the world. When competitive advantages combine with secular tailwinds superior investment outcomes may result. As a case in point, we highlight China, a region in which the Portfolio is overweight. We like the prospects for China's emergence as a global player to continue in the decades to come. Recent political shifts in the West could now accelerate China's rise as the next global hegemony. The Portfolio holds what we believe to be three of the best positioned companies in this dynamic market, offering potential for long-term appreciation. In addition, a few of the Portfolio's multinational companies based in Europe access this fast-growing market.

The Portfolio's fourth quarter performance benefitted from information technology and healthcare holdings and was hurt by investments in the consumer discretionary category.

For the full year, IT and healthcare holdings drove Portfolio performance. Consumer discretionary holdings were positive contributors for the year, but trailed the Index's performance on a relative basis. A weak U.S. dollar added fuel to our performance in 2017. We have no view on this movement. In the long run, we expect currencies to neither help nor hurt returns. To this end, we remain stoic on the effect that currencies can have on the Portfolio in any given year.

With one year under our belts, this is a good time to reflect on why there can be such wide variations in performance between the Portfolio and the Index. Polen Capital portfolios look different from their benchmarks, a difference attributable to our active approach to investing.

We aim to build a concentrated portfolio of high-quality growth companies benefitting from competitive advantages. The Index is definitionally an average basket of more than 1,850 companies representing more than 85% of publicly listed companies outside the United States. As an average, there are some poor businesses, many average businesses and a group of high-quality businesses in the Index. By contrast, the Portfolio invests in 25-35 (currently 26) differentiated companies, which we argue would fall into the high-quality portion of the Index. Our first quarter commentary delves more deeply into the tenets of our philosophy for readers who are curious about how we define quality.

As investors, we are drawn to durable growth companies that can achieve market-beating rates of earnings growth across cycles. This approach usually steers us away from cyclical businesses. In fact, there are whole sectors in the Index that Polen Capital historically avoided for 29 years in our flagship Focus Growth strategy. Companies in these sectors can be capital intensive, undifferentiated and cyclical. They also account for more than 50% of the Index.

Given these differences in composition, the performance of our Portfolio and the Index may be widely varied at times. Our belief remains that in the long run, share prices will follow earnings growth. To that end, the Portfolio is built to deliver double-digit earnings growth across cycles, a far higher level of growth than the Index has returned this century. So, it follows that building a Portfolio of quality growth companies can win in the long run.

Portfolio Performance

Leading contributors to performance for the full year were **Tencent Holdings Ltd.**, **Alibaba Group Holdings Ltd.**, and **Unilever Plc**. In full year commentaries we tend to focus on the contributors for the twelve month period, however, each of these contributors were discussed in commentaries during the year, so in the interest of discussing something new, we'll focus our attention here on the fourth quarter's leading contributors. During the fourth quarter, the leading contributors to the Portfolio were Tencent, **Sage Group Plc**, and **Accenture Plc**. To read further about our thoughts on Tencent, Alibaba or Unilever, please see our past commentaries (1st Quarter, Second Quarter, Third Quarter).

Tencent's business performance continues to impress us, but we've discussed the company in each letter written this year so we won't revisit it again here. We'll simply note that Tencent's Weixin platform has remarkable scale and reach, captivating users with connections to other users while also enabling various services – all from inside its application on the user's smartphone. We think Tencent can grow earnings greater than 25% per year over the next three to five years despite heavy investments in future growth initiatives.

UK-based Sage Group is a leading provider of software that entrepreneurs use to efficiently run their operations. Sage Group's software spans accounting, payroll and payment offerings and typically replaces pad and paper or Excel files that entrepreneurs often use to launch a business. Sage Group's software helps businesses be more efficient, a proposition that makes Sage Group's products very hard to replace. We invested in Sage Group because the company resonated with investment experiences we've had in the United States in enterprise software serving small businesses, and cloud business model transitions. A few years ago, Sage Group embarked on an ambitious multiyear plan to consolidate its back-end operations, which were spread across the globe. The savings from this program were applied to product innovation and an evolutionary step to offer software over the internet in a move known as a cloud transition. Finally, recent sales force additions give the company more heft in offering its wares to new customers. We think these changes position the company, whose software was already highly effective, well for a future featuring faster growth and expanding profitability. We added to our investment Sage Group in the second quarter and believe the company may see an acceleration in 2018. Sage Group could deliver low- to mid-teens earnings growth for the next three to five years.

Ireland-based information technology consulting firm Accenture is a compounding machine. Accenture is the largest independent consulting outfit in the world offering unbiased advice to customers in a large variety of industries. As a sign of dominance, more than 70% of Accenture's business is sole sourced, meaning contracts won without a competitive bid. This figure is up from 60% sole-sourced contracts a few years ago. Accenture is also uniquely agile for a company of its scale. As a leading consultant on all manner of technologies globally, Accenture must keep a sharp focus on what will be tomorrow's leading-edge technologies. To accomplish this, Accenture uses its unparalleled access to the technology world, maintains cutting edge innovation labs to cultivate nascent technologies and forges innovative partnerships with customers who see the value of embracing the next big thing. As a case in point, today's success at Accenture is driven by digital, cloud and information security initiatives, a basket the company calls "the new." "The new" accounts for roughly 55% of sales. Accenture's offerings in "the new" resulted from concerted investment over a number of years. We're impressed by Accenture's consistency as a business. By keeping an eye on the future, Accenture remains relevant and even sees its business accelerating from here. Accenture has delivered mid-teens total returns to shareholders for ten years and we believe the business should continue that trajectory for the next three to five years.

The three bottom contributors for the year were **Bunzl Plc**, **Industria de Diseno Textil, S.A. (Inditex)**, and **Medtronic Plc**. It should be noted that all companies in the Portfolio except Medtronic, which was only held for the final trading day of the year, contributed positive performance to the Portfolio. During the fourth quarter, the three leading detractors from performance were **adidas AG**, **Check Point Software Technologies**, and **Baidu, Inc.**

U.K.-based Bunzl is a one-stop distribution and outsourcing company with operations in 30 countries around the world. Bunzl supplies its customers with items that are critical for operating their business, but which are not actually sold to end customers. Examples include grocery consumables like Styrofoam trays, plastic wrap and bags, pizza boxes for Domino's, or coffee cups for Costa. The company has lasting scale and an impressive track record of expansion through sharp capital allocation. In the fourth quarter and for the full year, Bunzl was a laggard, as fears of competition from Amazon.com cropped up. However, one of Bunzl's differentiating advantages is its ability to consolidate large orders of bulky items and fulfill those orders with its own truck fleet within 24 hours. This delivers working capital and operational efficiency for Bunzl's customers, a compelling value proposition. Bunzl's truck fleet brings a variety of advantages from consolidating order fulfillment, to full control of last mile and backhaul of emptied boxes that Amazon.com presently cannot offer clients. Furthermore, roughly half of Bunzl's revenues come from supplying businesses in direct competition with Amazon.com, so we question why those customers would leave Bunzl to work with a competitor. We will continue monitoring Bunzl's organic growth and watching Amazon.com's efforts to broaden its control over delivery. Bunzl remains a steady compounder based on a durable demand profile and consistent capital allocation. We think the company can deliver consistent low-double-digit growth in earnings for the next three to five years.

Spain-based Inditex is an innovative retail apparel business operating eight retail concepts, the most recognized of which is Zara, through a network of more than 7,500 stores in 94 countries around the world. Each of Inditex's concepts generate consistently high returns. Inditex is on pace to generate more than €25B in sales this fiscal year, but global apparel markets are huge, at greater than €1 trillion, so the company still has ample room to grow. Inditex created the fast fashion model, characterized by lean inventories supported by industry-leading turnarounds from design to manufacturing and shipment to its retail footprint. Speed is prioritized, and Inditex can move goods from design concept to storefront far faster than any competitors – a lasting structural advantage. Inditex is also embracing the omni-channel retail model as internet retail disrupts brick and mortar. Online sales offer additional growth in roughly half of the countries Inditex operates within. Online roll-outs are continuing. Inditex reported revenue growth of 10% through nine months, but growth investments and a strong Euro in 2017 drove slower profit growth for the period. Growth investments in stores, supply chain infrastructure and omni-channel roll-outs all enhance future growth potential while slowing current year results. Given the quality of its business, we believe Inditex can grow earnings at a low double-digits rate for the next three to five years.

Ireland-based Medtronic was added to the Portfolio on the last trading day of 2017. Because its shares sold off that day, Medtronic was a negative contributor to the Portfolio in 2017. All 26 of the Portfolio's other holdings appreciated in 2017. Medtronic is the world's largest medical device company. Medtronic is a leader in cardiac care, minimally invasive surgical supplies and a variety of other medical technology markets. These business lines provide Medtronic Plc a durable base of long-term growth. With roughly $28B in revenues, Medtronic can spend $2B on research and development to bring new, innovative products to market, creating incremental channels of growth. Among these new areas of growth are a budding diabetes business and new product entries into the transcatheter aortic value replacement (TAVR) and pacemaker markets. The company has been driving an efficiency program to grow profits faster than sales in recent years – a program we expect to continue. Beyond organic growth, Medtronic has a history of sound capital allocation to both acquisitions and returns to shareholders via dividends and buybacks. In combination, these drivers should enable earnings growth in the low double digits for the next three to five years.

Activity

Medtronic was added to the portfolio and we added to our position in Baidu during the quarter.

Attribution

The top three contributors (Portfolio average weight multiplied by return) for full-year 2017 were Tencent Holdings Ltd. (5.07%), Alibaba Group Holding Ltd. (2.90%) and Unilever Plc (2.30%). The bottom three contributors were Bunzl Plc (0.44%), Industria de Diseno Textil, S.A. (0.20%) and Medtronic Plc (-0.01%).

The top three contributors (Portfolio average weight multiplied by return) for the fourth quarter of 2017 were Tencent Holdings Ltd. (1.37%), Sage Group, Plc (0.68%) and Accenture Plc (0.64%). The top three detractors were adidas AG (-0.36%), Check Point Software Technologies Ltd. (-0.28%) and Baidu, Inc (-0.21%).

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

Sincerely,

Todd Morris

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Historical Performance

Polen International Growth (SMA) Composite as of 12-31-2017			
	Polen (Gross)	**Polen (Net)**	**MSCI ACWI ex-USA**
Dec-17	0.99	0.99	2.24
3 Month	3.89	3.68	5.01
YTD	35.06	33.94	27.19
Since Inception (1/3/17)	35.06	33.94	27.19

Source: Archer
Returns are trailing through: Dec-31-2017
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
International 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 (ex-USA)
						Gross	Net				
3Q17*	16,178	6,541	9,637	0.3	1	30.00%	29.19%	21.12%	N/A	-	12.25

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
**Performance represents partial period (January 1, 2017 through September 30, 2017); assets and accounts are as of 09/30/17.*
***3Q2017 3 Year Standard Deviation is trailing through 09/30/17 for MSCI ACWI. 3 Year Standard Deviation is not available for the composite due to the composite's January 3, 2017 creation date.*

GIPS Disclosure

The International Growth Composite created on January 1, 2017 contains fully discretionary international growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI (ex-USA). 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.

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 (ex-USA) Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world (excluding the United States). The MSCI ACWI (ex-USA) 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