POLEN | CAPITAL

POLEN U.S. SMALL COMPANY GROWTH STRATEGY

Summary

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- During the first quarter of 2018, the Polen U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 2.66% gross of fees. The Russell 2000 Growth Index (the "Index") returned 2.30%. For the trailing one year, the Portfolio returned 21.39% versus 18.63% for the Index.

- In 2017, our Portfolio realized 23% growth in earnings per share. This exceeded the growth rate of 19% for the Index.

- We continue to expect the Portfolio to have mid-teens or higher earnings per share growth in 2018.

Performance Commentary

During the first quarter of 2018, the U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 2.66% gross of fees. This compares with a return of 2.30% for the Russell 2000 Growth Index (the "Index") in the same period. Global markets were strong throughout the first two months of the quarter. In the month of March, volatility increased as investors became increasingly concerned about Federal Reserve tightening and international trade wars. Even with the increase in downside volatility in March, this was the ninth straight quarter of positive returns for the Index. This, by most accounts, is a remarkable streak, and we believe this reflects not only the strength of current global macroeconomic conditions, but also investors' confidence in its sustainably. For the most part, we were pleased with the performance of the businesses in the Portfolio, as many showed results that were higher than their expected long-term growth rates. We believe this can be attributed to the continuation of a strong global economic backdrop, as well as solid execution by most of the management teams for our holdings.

The positive absolute returns in the Portfolio were closely aligned with the companies that reported solid to above-trend earnings results in the period. We continue to expect the Portfolio to have mid-teens or higher earnings per share growth in 2018. For our Portfolio, this is a level that we target consistently. In 2017, our Portfolio realized 23% growth in earnings per share. This exceeded the growth rate of 19% for the Index. For our Portfolio and the Index, this growth level can vary depending on the current state of the economic cycle. Right now, the overall backdrop is strong, which means that many companies will likely be enjoying a tailwind in their businesses, especially those with a heavy cyclical component. This is especially relevant with regard to our Index, which has more cyclical exposure than our Portfolio does. We believe the companies we own tend to be less cyclical and have the ability to deliver more consistent growth across the economic cycle.

In terms of sectors, the Index was led by the technology, healthcare, and financial services sectors during the first quarter. The sectors with the worst returns for the benchmark in the period were energy, utilities, real estate, and consumer staples. The sectors that benefitted the Portfolio the most were consumer discretionary, real estate, energy, and consumer staples. This was mostly due to the poor relative returns in the benchmark in these sectors coupled with our lack of exposure. Our consumer discretionary holdings in aggregate did have the highest total effect on performance, as three of our top contributors came from this sector in the period. Technology, healthcare, and industrials were underperforming sectors. In the case of industrials, it was due to underperformance of the individual holdings. As for technology and healthcare, the underperformance of the sector was largely due to strong relative performance of what we did not own, with biotechnology being the most relevant example.

With regard to factors, it is worth noting that the performance in our benchmark during the quarter came mostly from the 4th and 5th ROIC quintiles, where we have no exposure given our commitment to owning consistently profitable, high-ROIC businesses. We are pleased with our ability to outperform in the quarter despite this low-quality headwind. Owning high-quality companies, meaning those with strong margin profiles, high returns on invested capital, and strong free cash flow, is one of the hallmarks of our investment philosophy.

Portfolio Attribution - First Quarter

In normal markets, we would expect the growth in earnings to drive positive absolute and relative returns for the Portfolio. This past quarter, the average growth in earnings was 18% for the Portfolio companies, which slightly outperformed our expected mid-teens annual earnings growth expectation.

Our top five contributors in the quarter were largely driven by strength in earnings and fundamentals:

Paycom Corp was the strongest performer in the period, up 34%. The provider of human capital management (HCM) software reported another very good quarterly result for their December quarter. The company has continued to grow at a rapid pace with high profitability and returns on capital. We remain excited about Paycom given its limited penetration and large market opportunity. We believe there are multiple drivers of growth including opening new territories, deepening penetration in existing territories and with existing customers, improving sales productivity, and adding new products that are developed through internal R&D or through small bolt-on acquisitions. Just as important, clients remain dissatisfied with incumbent payroll providers and appreciate Paycom for its strong customer service, SaaS delivery model, and lower total cost of ownership. The company's persistently strong performance, and especially its high growth and profitability, in our view, sets it apart from many software vendors in our small cap universe, many of whom are growing revenue quickly but have negative earnings.

Ollies Bargain Outlet Holdings was next strongest, after reporting another strong quarter of year-over-year growth. This unique, fast-growing value retailer reported its ninth-straight quarter of greater than 25% earnings growth and continues to open highly profitable new stores, with plenty of growth potential ahead. Ollie's currently operates about 270 stores currently but could have as many as 950 at maturity, which means they can grow new stores at 15% per year for many years to come. We believe there are few retailers with this kind of runway, especially with the challenges that bricks-and-mortar retailers face as ecommerce takes share. We really like retail concepts like this where the shopping experience provides entertainment value to customers that is hard to replace with online shopping. We are also excited about the current closeout environment that management describes as having never been better. Ollie's is likely benefitting from product lifecycles getting shorter and other retailers and manufacturers' challenges in moving inventory.

Pool Corporation, was the next highest contributor, up 13% in the first quarter. The world's largest wholesale distributor of swimming pool supplies, equipment and related leisure products posted another solid quarterly earnings result with stronger than expected base business growth driven by favorable weather in seasonal markets, hurricane cleanup, and general end market strength. This business has been remarkably consistent over time, and the management team has rewarded long-term holders with solid growth and returns on capital. With consumer confidence high and a strong residential real estate market, we expect consumers will continue to invest in their homes, especially outdoor spaces. We believe that Pool Corp. will continue to be a big beneficiary of this spending.

Aspen Technology was a positive contributor to returns in the period, up 16%. The provider of software solutions to the energy and materials verticals saw a bit of a lift in activity from its end customers as energy prices rebounded. The company also demonstrated solid traction with its new TAM-expanding APM suite. As we will discuss later, we decided to exit our position intra-quarter partly due to the market capitalization and partly due to some questions we have about the long-term growth of the business.

Our largest detractors in the quarter showed weakness in fundamental factors:

Nutrisystem, our largest detractor, was weak after company management reported that its 2018 growth would fall short of expectations due to a slower than anticipated start to diet season in its core Nutrisystem brand. Management attributed this to a failure in the creative campaign as well as a departure from their usual media buying strategy. This was a disappointment after the company had shown four years of extraordinary growth driven by a winning marketing and advertising strategy. After analyzing the situation, we view it as a temporary setback and have confidence that Nutrisystem should be able to recover in the 2019 diet season. We especially remain excited about the company's successful launch and expansion of the South Beach Diet brand, a second concept for Nutrisystem, which continues to perform very well and will be a significant contributor to the company's growth going forward.

Healthcare Services Group, our next largest detractor was weak on fear of declining credit quality among its skilled nursing operator client base after the company reported weaker days sales outstanding in the latest quarter. There is also some concern about weakening margins as the mix of the business changes to include more dining business. While we are aware of the rise in accounts receivable and its effect on cash flow, we currently do not think it represents a systemic problem in the business. As for the margin compression, we remain excited about the company's ability to sell dining and nutrition services to new and existing clients and appreciate that we could see margins temporarily depressed during periods like this where it adds significant new business. We believe the growth opportunity that lies ahead for Healthcare Services Group is quite large as it benefits from the aging population and the healthcare industry's effort to contain costs

Another detractor was **Prestige Brands**. The stock has been weak after the company reported an underwhelming quarter with both growth and margins below expectations. The key issues the company is experiencing are retailer inventory destocking and rising freight and logistics costs. There are also looming concerns among investors that the shift to ecommerce will negatively affect Prestige's business despite the fact that 99% of Prestige's products are still purchased in store. We will continue to monitor these issues on a going forward basis to assess whether any of them represents a structural change in the business but the work we have done to date suggests that the company will be able to overcome these issues. Underlying consumption trends for Prestige's products are tracking well and there has been little shift to ecommerce for the company's products as most consumers buy its products when they have an acute illness that they need to treat right away. Furthermore, Prestige's brands have great representation online in their respective categories, which should provide shelter should buying behavior move online.

WageWorks, Inc. was also a large detractor. WageWorks' stock came under pressure when it didn't file its 10-K on time. Management has since released an 8-K disclosing the estimated restatement to 2016 operating results as well as executive management changes. The restatement is relatively small, reducing 2016 revenue by 2-3% and 2016 EBITDA by 6-8% with no impact on 2017. WageWorks management has not disclosed much detail relative to the drivers for the restatement but we suspect it is limited to a single government contract with the Office of Personnel Management (OPM) that the company has referenced before. We are awaiting the 10-K filing to further review this development.

Portfolio Positioning

The Portfolio invests in high-quality growth companies in growth industries. The companies are competitively advantaged and we believe each can sustain above-average earnings growth for many years. Currently, all 28 holdings in the Portfolio are U.S. companies that report positive earnings. We believe this high-quality bias affords the Portfolio downside protection while capturing appreciation from the strong earnings growth of the holdings. The Portfolio is invested mostly across the three main growth sectors: technology, health care and consumer discretionary. These sectors make up 78% of the Portfolio and 63% of the Index weights.

Changes to the Portfolio

We made a few changes to the Portfolio in the first quarter.

Purchases:

Nutrisystem

We added to our position in Nutrisystem, taking advantage of the large pullback in the stock last quarter. As we detailed earlier in this letter, the company reported that it would likely show no revenue growth in 2018 due to issues with the creative marketing and a deviation of its normal television ad buying strategy that left it little flexibility. After speaking with management and doing our own analysis, our expectation is that this should be a temporary issue and we believe that management can get the business back on track to grow 15% plus over the next several years. The valuation of the stock is very compelling at this level, and we feel it is a good time to increase the position.

LeMaitre Vascular

We believe that **LeMaitre Vascular, Inc.** will be a solid investment for the SCG portfolios for the next 3-5 years. The company has a defendable niche that it can grow in the high-single-digits organically each year and it provides a good foundation to augment growth with acquisitions. This has produced about 10% revenue growth over the last ten years. The company is committed to improving margins, something it has proven it is able to do, which will likely produce bottom line growth in more of the 15-20% range. This can be done with little economic cyclicality risk, making it a steady grower. The valuation is in-line to slightly cheaper than its relevant peer group, making the investment even more compelling in our view. LeMaitre Vascular is a global provider of medical devices and human tissue cryopreservation services for the treatment of peripheral vascular disease. The company develops, manufactures, and markets its vascular devices to vascular surgeons, mostly directly to the hospital. The company has a product portfolio of 15 product lines, most of which are designed for use in open vascular surgery. The company enjoys two competitive advantages today. First, its expertise in addressing niche markets effectively by targeting vascular surgeons directly in the hospital. This focus has led to consistent organic revenue growth and stable gross margins. The company's gross margins seem to prove out the quality of the devices as well as its positioning in these niches. Second is the company's track record in acquiring and integrating product lines and businesses. The management team has made acquisitions and we expect will continue to acquire additional product lines and businesses that are complementary to the current product offerings or refine the current product lines. The company has stockpiled a large amount of cash that can be used to make acquisitions, and while it did not do one in 2017, we expect to see one or more in the coming 18 months. As for current position, the company does a very effective job at serving the vascular surgeons and protecting its niche status. The segment is littered with large competitors, but due to the smaller sizes of the procedures served, we believe its position is a sound one and has been for many years. The valuation of the stock is largely in-line with a peer group of vascular and other medical equipment and supply companies. Over the next three years, we would expect the bottom line to grow in the 20% range, a slight deceleration from the three-year trend and in-line with the company stated goals. Over the following years, we would expect the bottom line to grow at more like 12-15% as it bumps up against industry-high margins, making further leverage tougher. Over our time horizon, we would expect a solid return assuming a stable valuation level. This includes the modest 1% dividend that we expect the company to continue with. The initial position size was 2.5%, which is in the range for initial investments.

Sales:

Aspen Technology

We sold our position in Aspen Technology. during the quarter. Aspen is a leading provider of software and services to the energy, chemicals, pharmaceuticals, and engineering/construction industries. We owned Aspen because of its leadership position in its industry, high recurring revenue business model, outstanding margins, and consistent capital return program. The stock has been a very good performer over the last several years, owing to those factors. However, we believe that the three-to-five year expected return and risk/reward profile is currently not that attractive relative to the rest of our portfolio. The tough environment in oil and gas over the past few years had put pressure on the dollar value of renewals for Aspen causing revenue growth to slow considerably over the past four years from 20-30% annually to 2% in the year ended June 2017. While we feel confident that growth is at or near a trough, we are concerned that the growth rate will not increase measurably unless there is a major change in the supply and demand dynamic in the energy sector. In addition, the company has a market capitalization of close to $6 billion. As we have discussed previously, we aim to keep the weighted average market cap around the category average. While we do not have a hard cut off for selling a higher market cap company, this is the range that we start to consider trimming or selling. When you combine that with concerns about slower growth and potentially lower expected return, we believe that this was the right time to sell.

Attribution

The top three contributors (Portfolio average weight multiplied by return) for the first quarter were Paycom Software, Inc. (1.16%), Ollie's Bargain Outlet Holdings, Inc. (0.75%), and Pool Corporation (0.74%).

The three largest detractors (Portfolio average weight multiplied by return) for the first quarter were Nutrisystem, Inc. (-1.47%), Healthcare Services Group, Inc. (-0.75%), and WageWorks, Inc. (-0.56).

Outlook

As we look to 2018, we really like the prospects for our companies and we anticipate that many, if not all of them will benefit from the recent tax break for corporations due to their high concentration in U.S. revenue and taxes. We are confident that our companies will take the excess cash from the tax reduction and utilize it well to help grow the businesses at a marginally faster rate for the next several years. By focusing on high-quality companies that generate strong cash flow, we are confident that our holdings will generate above-average growth for the foreseeable future. Many companies in our benchmark have added debt to help fund their growth prospects in the last several years due to the low cost of borrowing. If interest rates increase, their cost of borrowing will increase and make it more difficult to fund future growth. While it is not easy to predict when that might happen, we know that our companies will not face that issue due to their strong cash flow growth. Fundamentals in general are quite strong right now, as is the U.S. economy. We are seeing strong growth from many companies across the small company spectrum right now.

The Portfolio is invested in a concentrated number of high-quality businesses with strong earnings, cash flow growth and high returns on capital. Our view is investing in a concentrated portfolio is the best way to take advantage of the inefficiencies that are resident in the small cap space. We believe that the growth in earnings for the companies we own will be the primary driver of our performance going forward.

Thank you for your investment in the Portfolio. Please do not hesitate to reach out to us with your questions or comments.

Sincerely,
Tucker Walsh

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Historical Performance

Polen Small Company Growth (SMA) Composite as of 03-31-2018			
	Polen (Gross)	**Polen (Net)**	**R2000G**
Mar-18	0.96	0.96	1.35
3 Month	2.66	2.39	2.30
YTD	2.66	2.39	2.30
1 Year	21.39	20.14	18.63
Since Inception (3/9/17)	21.94	20.78	19.70

Source: Archer
Returns are trailing through: March 31, 2018
Annualized returns are presented for periods greater than 1 year.

Polen Capital Management
U.S. Small Company Growth Composite - Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation**	
						Composite					
Year End	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Gross	Net	Russell 2000 Growth	Composite Dispersion	Polen Gross	Russell 2000 Growth
2017*	17,422	6,954	10,468	5.75	5	20.75%	19.92%	18.22%	N/A	-	14.8

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
**Performance represents partial period (March 9, 2017 through December 31, 2017), assets and accounts are as of December 31, 2017.*
***The 3 Year Standard Deviation is trailing through 12/31/17 for Russell 2000 Growth. 3 Year Standard Deviation is not available for the composite due to the composite's 3/9/2017 creation date.*

GIPS Disclosure

The U.S. Small Company Growth Composite created on March 9, 2017 contains fully discretionary small company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against Russell 2000 Growth. 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. Effective January 1, 2018, accounts must be fully invested at the market open on the first business day of the month, in order to be included in that month's composite.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of fees and include the reinvestment of all income. Net of fee performance was calculated using actual 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 100 basis points (1.00%) on the first $50 Million and 85 basis points (0.85%) on all assets above $50 Million of assets under management. HNW: Per annum fees for managing accounts are 175 basis points (1.75%) of the first $500,000 of assets under management and 125 basis points (1.25%) 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 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 Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price/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 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