POLEN | CAPITAL

POLEN GLOBAL GROWTH STRATEGY

Summary

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- During the fourth quarter of 2018, the Polen Global Growth Composite (the "Portfolio") returned -11.87% gross of fees versus -12.75% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 88 basis points during the quarter. For the full year, the Portfolio returned 3.14% gross of fees versus -9.41% for the Index, outperforming the benchmark by 1,255 basis points.

- Since inception on January 1, 2015, the Portfolio has delivered an annualized investment return of 11.11% compared to a 4.29% annualized return from the Index. Thus, the Portfolio has on average outperformed the Index by 682 basis points per year since inception.

- The fourth quarter consisted of a broad-based sell-off that cut across all geographies and industries. During this period, future growth expectations were tempered by slowing growth in China, tepid to slowing growth in Europe, and the view that growth in the United States would decelerate as one-time tax reform benefits fade.

- For the full year, our concentration in the Consumer Discretionary, Healthcare and Technology sectors, together with outperformance within each of those sectors, drove our overall outperformance. We would also highlight the strong underlying earnings growth of our Portfolio for the year.

- Since inception, the Portfolio has now protected capital on two occasions by over 1,200 basis points during years when the Index was negative. We believe this is results from our disciplined approach to owning a concentrated portfolio of only the best growth companies.

Commentary

During the fourth quarter of 2018, the Polen Global Growth Composite (the "Portfolio") returned -11.87% gross of fees versus -12.75% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 88 basis points during the quarter. For the full year, the Portfolio returned 3.14% gross of fees versus -9.41% for the Index, outperforming the benchmark by 1,255 basis points. Since inception on January 1, 2015, the Portfolio has delivered an annualized investment return of 11.11% compared to a 4.29% annualized return from the Index. Thus, the Portfolio has on average outperformed the Index by 682 basis points per year since inception.

At the start of 2018, we were in the midst of a synchronized acceleration across global markets that drove very strong returns during 2017 and most of 2018. But 2018 ended up being one of the toughest years in recent history, with negative returns across all asset classes. It is interesting how quickly things can change. After a sharp fourth quarter sell-off erased the gains from earlier in the year, all the global and regional equity indices throughout the world ended the year in the red. There was literally no place for investors to hide. During this period, future growth expectations were tempered by slowing growth in China, tepid to slowing growth in Europe, and the view that growth in the United States would decelerate as one-time tax reform benefits fade. There also seems to be growing concern that monetary policy moving from easing to tightening, particularly in the United States, could pressure growth further. Many fear a policy-driven recession, which has often been the cause of recessions in post-World War II history. Trade tensions between the United States and China are certainly not helping investor sentiment either.

Despite the challenging environment, our Portfolio delivered positive returns for the year and ranked in the top 1% of all global portfolios in the Morningstar World Stock category. Nearly all other global managers posted losses for the year, some of which were quite significant. While we did have negative returns during the fourth quarter, our Portfolio went down less than the Index and, given our outperformance throughout the year, we believe we protected capital exceptionally well during the full year. Consistent with the Portfolio's history and congruent with Polen Capital's 30 years of experience executing our investment philosophy and process, we captured a lot less of the downside. Since inception, our Portfolio's downside capture ranks in the top decile of our peer group.

We are neither surprised by the undiscerning sell-off in the fourth quarter nor by the outperformance that we delivered during a challenging year. Our recently published white paper *Outperformance in the Next Bear Market?* highlighted the fact that it is difficult to escape the downside during certain periods and under certain market conditions. We noted our concerns about the current market structure while also providing a more comprehensive historical look at how our investment strategy (as reflected in the long history of our Focus Growth portfolio) has consistently provided downside protection when looking through an appropriately wide lens. Each correction, recession or crisis plays out a little differently – quality separates sometimes before, sometimes during and sometimes after, but the market eventually weighs businesses appropriately.

This year was the second time since its inception on January 1, 2015 that the Global Growth portfolio has demonstrated its resilience in a challenging market. As highlighted in our more detailed account of the first three years of the Portfolio's performance in our Fourth Quarter & Full-Year 2017 Global Growth Commentary, the Portfolio was up about 10% in 2015 while the Index was down more than 2%, outperforming by roughly 1,200 basis points. The Portfolio outperformed by an even greater magnitude this year, in an even more challenging market. In fact, each of our Large Company Growth portfolios, all of which are managed with the same investment philosophy and process, outperformed by a similar magnitude this year, protecting client capital. We think this is a very powerful illustration of our investment discipline, our consistency in execution and the congruency across our portfolios.

Given the consistent protection of capital across portfolios and across time, it is worth highlighting some of the reasons that we believe our portfolios tend to capture less of the downside. Most importantly, owning a concentrated portfolio of only the best growth companies has allowed us to consistently deliver strong earnings growth even in the toughest periods. So, while our holdings can and do decline at times, when they do it's usually due to a falling price, rather than due to declining earnings or the combination of falling prices and earnings. Mathematically, strong earnings growth provides ballast on both an absolute basis and relative to the broader market. Stated plainly, we believe that what one owns is key and concentrating in the right businesses is a big advantage.

Just as important as what we do own, however, is what we do not own. Our investment guardrails steer us away from leveraged or commoditized businesses, and we raise the bar considerably on businesses that come with additional currency, country or policy risks. While we have license to invest the Global Growth portfolio wherever we find the best opportunities, our direct emerging market exposure has been quite modest. Overall, we have very little exposure to the types of businesses that typically see the most downside during turbulence. It is not so much that we construct the portfolio to protect on the downside; it is that our guardrails keep us focused on only the highest quality growth businesses and we execute with great discipline. In much the same way that sticking to the right personal principles can keep one from the edges and lead to a high-quality life, we believe that seeking the best growth companies while consistently adhering to each of our investment guardrails will continue to lead us to a high-quality investment outcome. It may not be obvious how a simple set of principles will make a difference at any point in time, but we expect the difference to reveal itself over time if such principles are consistently executed. The overall success of our strategy over the past thirty years only serves to reinforce our discipline.

Portfolio Overview

The Portfolio is a high-conviction portfolio that is typically invested in 25 to 35 of what we believe are the best businesses in the world. We only invest in businesses that we believe have sustainable competitive advantages and can deliver above-average earnings and free cash flow growth on a sustained basis. While we expect some of our holdings to compound faster, and some slower, we aim for the Portfolio to generate mid-teens earnings per share growth in the long term. We take a business owner's approach to investing and typically expect to hold our investments in companies for many years. Most of the companies that we invest in operate in several countries, and often benefit from natural or financial hedges that help to alleviate policy, country and currency risk. The Portfolio also tends to be concentrated in sectors such as Technology, Consumer and Healthcare, where we believe we find the highest-quality earnings and more sustainable growth. The geographic exposure of the Portfolio is based on where we find the highest quality. Fourteen of our holdings are currently based in the United States and 14 in various countries around the world. The revenue breakdown, which is the way we like to look at geographic exposure, reveals that roughly 40% of revenues come from the United States currently, about 55% from a wide range of other countries, and the balance is a residual cash holding. While we are unlikely to invest in companies domiciled in any frontier markets and expect to have limited direct investment in most emerging markets, we currently have nearly 30% emerging market exposure through the revenues that our multinational holdings derive from these markets. We believe this is often a more prudent way to gain such exposure.

Portfolio Performance & Activity

The Portfolio outperformed the Index during both the fourth quarter and full year. With that said, the fourth quarter consisted of a broad-based sell-off that cut across all geographies and industries. The attribution for the fourth quarter was not particularly telling, as there were no clear themes to draw out. There was not a particularly wide spread between the performance of the sectors in which we are invested—they were all down meaningfully—and the same could be said by geography. The only area where our Portfolio's performance diverged in a noteworthy way was our outperformance within the consumer discretionary sector. But that was driven by the performance of two specific holdings, O'Reilly Automotive and Starbucks, rather than anything we felt to be more notable. O'Reilly, which is covered in depth below, continued its strong recovery from 2017, and Starbucks showed improvements after a well-timed addition to the position in the third quarter of this year. While there was slightly more variation in the performance of individual holdings, the only point that we would highlight is that a number of our largest detractors for the quarter were our best contributors for the year, and vice versa. Stocks that had the strongest returns earlier in the year, tended to correct a little more during the fourth quarter market drawdown.

The leading contributors for the full year were **Adobe Inc.** (1.48%), **O'Reilly Automotive, Inc.** (1.15%) and **Align Technology, Inc.** (1.14%). While we have written on each extensively throughout the year, it is worth reviewing their respective competitive advantages and business fundamentals.

Adobe's competitive advantages and value proposition strengthened throughout the year and we expect that to continue. Digital Media, comprising 70% of total revenue and Adobe's most profitable business, accelerated to 26% revenue growth during the year as demand for digital content creation continued to increase. Digital Experience, comprising roughly 30% of total revenue, grew 27% during 2018. Adobe also made two acquisitions during the year, buying Magento and Marketo. We think both make a lot of strategic sense. Magento provides e-commerce capabilities and Marketo enables business-to-business digital marketing capabilities. When combined with its current businesses, Adobe now has a full suite offering within digital experience management, a fast-growing market. As we have learned from a long history of investing in software businesses, the company with the full suite offering typically wins out over companies that sell best-of-breed point solutions. In our view, what makes Adobe's value proposition particularly potent is that their point solutions within the full suite are typically best-of-breed as well. We believe Adobe continues to be well positioned for where the world is going. For 2018, revenue and earnings grew 24% and 57%, respectively, more than supporting the 29% stock price appreciation for the year.

As described in our Third Quarter 2018 Global Growth Commentary, O'Reilly Automotive's business continued to improve throughout 2018. During the spring of 2017, the aftermarket auto parts industry was posting weaker comparable store sales. Many attributed the weakness to competition from Amazon, and, as a result, O'Reilly's share price declined meaningfully. Although Amazon is a formidable competitor in the do-it-yourself (DIY) side of O'Reilly's business, its presence in the industry is not new. Further, our research showed that due to new vehicle sales declines in the United States during the financial crisis of 2008, O'Reilly's most profitable cohort of vehicles--those that are seven years or older-- had fallen by roughly 20% in 2017 from their levels two years prior. We believed, and continue to believe, that this reduction in the company's most profitable cohort of vehicles was the primary cause for the company's slowing comparable store sales. Analyzing this data and applying critical thought led us to the decision to not sell any shares during the price decline in 2017. As expected, this year's comparable store sales growth improved significantly. Our diligence and patience was rewarded with the stock appreciating 43% during the year.

Align Technology shares were down for the year, but it was a top performer for the Portfolio because of our management of the position. During the year, Align's stock reached a valuation that we believed would make it more difficult to achieve a double-digit investment return, so we trimmed the position on two separate occasions. While we think it is an exceptional business, the stock had become dearly valued. Shortly after our last trim, management reported disappointing quarterly results. A poorly executed promotional program created some unexpected pressure on average sales prices at the same time new competitors were entering the lowest end of the market. Given the high valuation and concern about these developments, the stock fell by roughly

50%. After meeting with management and revisiting our investment case, we concluded that the business remains in a strong position and that the valuation was reasonable again, so we took advantage of the opportunity to add back to our position at a better price. We believe Align remains competitively advantaged, dominates the market for clear aligners and still possesses only 10% of its addressable market. We believe clear aligners will make braces obsolete over time.

The three largest detractors during the full year were **Tencent Holdings Ltd.** (-1.28), **Facebook, Inc.** (-0.87) and **Alibaba Group Holding Ltd.** (-0.67). Each of these companies have been detractors throughout the year, so we have written extensively about them in previous commentaries as well. While our comments here may be repetitive, we briefly review the headwinds that each business faced during 2018 and reiterate why we believe they remain well positioned for the long term.

Both Tencent and Alibaba continued to make heavy investments in their businesses, which weighed on earnings growth during the year. Add concerns about a slowing Chinese economy and United States/China trade tensions, and the result was lower share prices. Tencent also had some company-specific challenges. As noted previously, the Chinese government temporarily halted game approvals for monetization. While the government is now loosening its grip on the approval process for video game publication and monetization, which should benefit 2019 and beyond, this was a headwind to growth in 2018.

Importantly, we believe the core of each business remains incredibly strong. Tencent's WeChat platform has more than 1 billion engaged users now, while Alibaba boasts more than 600 million annual active consumers. We think both companies continue to strengthen their ecosystems, enabling them to become advantaged acquirers and providing them with a seemingly unique ability to integrate many businesses into their platforms in ways no other company can. Alibaba, for example, has leveraged its immense well of consumer data to use a recently acquired food delivery company to deliver other types of goods, like groceries or flowers, outside of peak food delivery times. Both Alibaba and Tencent have numerous examples of this type of capability. Each is dominant in electronic payments as well, reducing friction for transactions ranging from buying groceries to public transportation. We believe this far-reaching dominance can be seen in both companies' fundamentals. Alibaba and Tencent are growing revenue in excess of 50% and 20%, respectively, and we believe both are well positioned to generate roughly 25% earnings per share growth over the next 3-5 years. Despite trade pressures, we expect both companies to be direct beneficiaries of the continued expansion of China's middle class, estimated to increase from 300 million to 500 million people over the next 5-10 years. With both companies' shares declining more than 20% during the year while earnings increased, their valuations are much more attractive now.

Facebook reset profitability expectations with new guidance during the third quarter of 2018, stating it expected operating margins to decline meaningfully over the next several years due to heavy investment in security to protect the integrity of the platform, and in emerging technologies like artificial intelligence and augmented and virtual reality. We applaud both. Protecting core Facebook, security and the integrity of the platform is a defensive investment that is critical for the health of the business and, thus, the investment case. Investing in innovation is offensive and important to continue to expand its addressable markets and capabilities over the next decade and beyond. We appreciate investments intended to make a business more difficult to compete with and extend the duration of strong growth. Facebook continued to grow revenue in excess of 40% in 2018 with over 2.2 billion monthly active users and nearly 1.5 billion using Facebook every day. Further, 2.5 billion people, or 40% of the world's population outside of China, use at least one of Facebook's products like WhatsApp, Instagram or Facebook Messenger every month. As we articulated during our third quarter 2018 commentary, when one studies the history of emerging technologies like the telegraph, radio, television and the internet, as these technologies progress habits progress, and once habits change they rarely revert. We maintain conviction in Facebook despite its self-inflicted setbacks in 2018.

Trading activity was light during the quarter, which is consistent with our philosophy of holding companies for extended periods of time. In addition to trimming and adding back to Align, we also trimmed **Visa Inc.**, sold **Booking Holdings Inc.** (formerly Priceline) and added **Siemens Healthineers AG** during the quarter. Trimming Visa was simply portfolio management, as it had grown to a large position size. We view Visa and Mastercard as one position, essentially, and the combined weighting is still roughly 10% after the trim; this is a healthy weight in our view and reflective of our continued conviction in these businesses. We eliminated Booking Holdings from the Portfolio in October. The company continues to be the leading online travel platform, but we think the market may be maturing as evidenced by signs of slowing room night growth. As the business continues to mature, we believe the business may become more economically sensitive as well. The combination of slightly lower expected growth, the potential for more economic sensitivity combined with our desire and decisions to add **adidas AG** and Alibaba in the prior quarter, led to its sell.

We have been studying Siemens Healthineers for some time and purchased it in November. The company is a global leader in imaging and diagnostics medical equipment, headquartered in Erlangen, Germany. It has over 100 years of history, with direct operations in over 70 countries. The business became public in March of this year. Before that date, Siemens Healthineers was a wholly-owned subsidiary of Siemens AG Group, a German engineering and industrials conglomerate. Siemens Healthineers operates three business segments. The imaging equipment segment sells high-end imaging equipment like x-rays, magnetic imaging resonance (MRI), ultrasound and molecular imaging machines to hospitals and other care providers – this business comprises the majority of the company's revenues and has over 30% share in a stable and growing market. Diagnostics, which represents a third of revenues, is the second largest player in its respective industry with roughly 15% market share that is increasing. The company has grown this business consistently throughout the years despite the fact that it did not sell a very competitive machine, which we believe illustrates the power of the company's brand and relationships. The company now has a highly competitive offering in the new Atellica diagnostics workstation, which is now one of the most automated and efficient machine on the market. We expect this machine to meaningfully contribute to Siemens' growth over the next 5-10 years. Lastly, Advanced Therapies, representing roughly 10% of total revenue, sells C-arm and angiography systems, as well as high-end imaging equipment to support hybrid operating rooms. We believe that Siemens Healthineers is a stable, dominant business with a strong brand and a number of areas of improvement that are well underway. The business is not very economically sensitive and fills a strong role as a "Safety" for the Portfolio.

In summary, 2018 was a tough year, but also a notable one for our Portfolio. While the Portfolio was only up low single digits during the year, we outperformed the benchmark by 1,255 basis points and ranked in the top 1% of all global portfolios in the Morningstar World Stock category. While we do not put too much emphasis on performance during any given year, we are proud to perform so well during such a challenging year because we think it demonstrates the strength of our investment discipline and the consistency of our execution. That strength and consistency was, in fact, apparent across all Polen Capital Large Company Growth portfolios this year. By concentrating in only the highest-quality growth businesses, our Portfolio continued to deliver robust underlying earnings growth, which helped us protect capital once again in a very challenging market. We are also confident that strong underlying earnings growth will drive strong investment returns over the long term.

Thank you for your interest in Polen Capital and the Global Growth strategy. Please feel free to contact us with any questions or comments.

Sincerely,

Damon Ficklin & Jeff Mueller

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Historical Performance

Polen Global Growth (SMA) Composite as of 12-31-2018			
	Polen (Gross)	Polen (Net)	MSCI ACWI-ND
Dec-18	-5.88	-5.88	-7.04
3 Month	-11.87	-12.06	-12.75
YTD	3.14	2.22	-9.41
1 Year	3.14	2.22	-9.41
3 Year	11.46	10.50	6.60
Since Inception (1/1/15)	11.11	10.16	4.29

Returns are trailing through: Dec-31-2018

Annualized returns are presented for periods greater than 1 year.

Source: Archer

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
2017	17,422	6,956	10,466	4.16	2	32.66%	31.55%	23.96%	N/A	10.27	10.51
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

N/A - There are five of fewer accounts in the composite the entire year.

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.

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 December 31, 2017. 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 report 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. 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 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 160 basis points (1.60%) of the first $500,000 of assets under management and 110 basis points (1.10%) 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