POLEN | CAPITAL

POLEN GLOBAL GROWTH STRATEGY

Summary

Damon Ficklin
Portfolio Manager & Analyst

Jeff Mueller
Portfolio Manager & Analyst

- During the first quarter of 2019, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 16.26% gross of fees versus 12.18% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 408 basis points during the quarter.

- Since inception on January 1, 2015, the Portfolio has delivered an annualized investment return of 14.41% compared to a 6.88% annualized return from the Index. Thus, the Portfolio has on average outperformed the Index by 753 basis points per year since inception. The Portfolio's cumulative return since inception is 77.21% compared to a 32.68% cumulative return from the Index.

- The first quarter of 2019 saw a reversal of the broad-based selloff that occurred during the fourth quarter of 2018, with broad-based appreciation that cut across all geographies and industries. Concerns prevalent in the previous quarter around slowing growth in China, tepid to slowing growth in Europe, and the view that growth would decelerate in the U.S. seemed to give way to revived optimism spurred by the abrupt change in U.S. Federal Reserve policy direction and the expectation of a U.S.-China trade deal.

- Our higher weighting in the Information Technology and Consumer Discretionary sectors, as well as our outperformance within those sectors, drove overall performance. While investments in the Industrials and Consumer Staples sectors contributed to positive performance, they trailed their respective sectors. The Portfolio's underlying earnings growth – the focus of our fundamental research – remained strong.

Commentary

During the first quarter of 2019, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 16.26% gross of fees versus 12.18% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 408 basis points during the quarter.

The first quarter of 2019 saw a reversal of the broad-based selloff that occurred during the fourth quarter of 2018, with broad-based appreciation that cut across all geographies and industries. Concerns so prevalent in the previous quarter around slowing growth in China, tepid to slowing growth in Europe, and the view that growth would decelerate in the United States seemed to give way to revived optimism spurred by the abrupt change in U.S. Federal Reserve policy direction and the expectation of a U.S.-China trade deal. It is interesting how quickly perceptions can change. The contrast between the past two quarters provides yet another example of why we focus on fundamentals and investing only in what we believe are the best businesses rather than engaging in speculation or macro-economic forecasting.

From a geographic perspective, North America had the strongest performance among super regions, led by the U.S. Our slightly higher weighting and strong outperformance within the region was a key contributor. In the Asia Pacific region, China turned in the strongest results, recovering sharply from the second half of 2018. Our positions in **Alibaba Group Holding Ltd.**

and **Tencent Holdings Ltd.**, a combined weighting of roughly ten percent, led to significant outperformance in both the Asia Pacific region and China, and also contributed to the Portfolio's overall outperformance. While both positions have been heavily influenced by the "tea leaf reading" of trade talks and the overall Chinese markets, their underlying earnings and the competitive advantages supporting those earnings remain strong. We outperformed in Europe as well, delivering excess returns in almost every country in which we invest. The United Kingdom and France were the only exceptions as we trailed local market returns due to investments in **Reckitt Benckiser Group Plc.** and **EssilorLuxottica SA**, respectively. Both businesses are discussed in this letter.

From a sector perspective, our above-average exposure to Information Technology, as well as our outperformance within the sector, delivered the largest positive contribution to returns during the quarter. Most of our highest conviction positions like **Adobe Inc**, **Mastercard Incorporated**, **Microsoft Corporation**, **Visa Inc.** and **Accenture Plc**, businesses that we believe have superior competitive advantages, continued to deliver outsized growth. We also outperformed within the Consumer Discretionary sector, led by our positions in Alibaba, **adidas AG**, **Starbucks Corporation** and **O'Reilly Automotive, Inc.** Our holdings in the Industrials and Consumer Staples sectors, while positive, underperformed their respective sectors in the Index. Regardless of whether one looks at it from a geographic or sector perspective, our performance during the quarter was driven by strong stock selection. In the most basic terms, we owned the right businesses. We feel this, again, demonstrates the power of concentrating in only the highest quality businesses.

Portfolio Overview

The Portfolio is a high-conviction portfolio that typically invests 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 durable above-average earnings and free cash flow growth over many years. While we expect some of the Portfolio's holdings to compound faster, and some slower, we aim 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 for many years. Most of the companies we own operate in several countries and often benefit from natural or financial hedges that help 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 a byproduct of where we find the highest quality. Currently, fourteen holdings are based in the United States and fourteen are based in various countries around the world. The revenue breakdown based on 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 frontier markets and expect to have limited direct investment in most emerging markets, today we have nearly 30% emerging market exposure through 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 leading contributors for the first quarter were Alibaba (1.32%), Mastercard (1.23%) and Adobe (1.19%).

During the first quarter of 2019, Alibaba shares recovered swiftly from the price declines in 2018. While not much has changed with the business in the past few months, expectations for a U.S.-China trade deal have improved. We added to our position late last year, given the attractive valuation and strong ongoing business results. The company continues to reinforce its ecosystem, and thus its dominance in China and Southeast Asia. Despite its retail marketplaces already boasting over 600 million users, the business continues to attract more. Further, Alibaba is reinvesting high levels of free cash flow to strengthen its competitive advantages and to further penetrate adjacent areas. AliCloud now controls about half of China's cloud-computing market. The firm's "New Retail" initiative has expanded its addressable market from $1 trillion to $5 trillion and is showing signs of increased productivity¬. Freshippo, which integrates an online and offline retail experience, has sales per square meter that is 3-5x higher than solely offline stores. Payments is another adjacent business where Alibaba is gaining ground. The company is enabling China and Southeast Asian countries to lift meaningful amounts of people out of poverty. The Organization for Economic Cooperation and Development (OECD) projects that China's middle class will grow from roughly 300 million today to 850 million by the year 2030. We think that Alibaba should be a direct beneficiary and enabler of this growth. The company's roughly 3.5% take rate, its revenues as a percent of the gross merchandise value sold through its platform, pales in comparison to Amazon's nearly 13% take rate, and the opportunity to better monetize the third party sales platform is large. We believe the long-term future is bright for Alibaba.

Mastercard and Visa continue to benefit from having strong competitive advantages and a large addressable market, driven by the global shift from cash and check to credit and electronic payments. We view the combined weighting of roughly 10% as one position. Surprising to many, cash and check still represent over 80% of total transactions today in the world. Mastercard and Visa benefit from the combination of growth in personal consumption expenditure (PCE), estimated at 4-5% per year for the next five years or more, further penetration of card transactions and ongoing share gains. Additionally, online transactions have twice the card usage as offline, and e-commerce, which represents less than 10% of global consumption, is growing 3-4x the rate of total purchases. During the last reported quarter, Mastercard's revenue and earnings per share grew 17% and 21%, respectively. Gross dollar volume reached $1.5 trillion, growing 14% year over year. A recent Wall Street Journal article on Visa and Mastercard was aptly titled: "Meet the New Payment Champions, Same as the Old Ones." We believe both companies will continue to enjoy strong sales and earnings growth, and we expect to benefit from the compounding of these businesses for many years to come.

As described in our Fourth Quarter 2018 Global Growth Commentary, Adobe's competitive advantages and value proposition continue to strengthen. We provided our thoughts on the recent acquisitions of Magento, a business that provides e-commerce capabilities, and Marketo, which enables business-to-business digital marketing capabilities. We believe both provide Adobe with a full suite offering within digital experience management, a fast-growing market. This past quarter Adobe produced similar results with Digital Media and Digital Experience revenues growing 22% and 34% respectively. Moreover, Adobe is becoming the enterprise system of record for the entire digital marketing industry. Essentially, Adobe is setting and publishing the standard data structure for the industry, which should allow everyone to integrate more seamlessly and reduce friction. Adobe has a long history of creating digital standards with products like PDF, and we believe the business has a high probability of succeeding within digital marketing. Adobe is currently our largest position within Global Growth and we think the company is well positioned to continue to compound earnings in excess of 20%.

The three worst performing positions during the first quarter were EssilorLuxottica (-0.29%), **Siemens Healthineers AG** (0.03%) and Reckitt Benckiser Group (0.16%).

EssilorLuxottica is the product of the recent merger between Essilor, which we have owned for many years, and Luxottica, which we did not previously own. We believe the merger has the potential to create one of the most competitively advantaged businesses available. Essilor is the industry leader in the manufacturing and distribution of eye-glass lenses, and Luxottica is the leading manufacturer of eye-glass frames and largest retailer of both prescription and sun glasses, with over 7,000 stores worldwide. Together, the two are positioned to create a fully integrated business with €16 billion in revenues and approximately ~35-40% market share across the entire industry supply chain. During a recent visit with management, they said the two companies would be run as separate entities until 2021 as they progressively identify synergies and best practices in preparation for the full integration. We are happy to bet on the "tortoise approach" given the magnitude of the merger and the size of the opportunity. However, shortly after our meeting, Leonardo Del Vecchio, founder and Chairman of Luxottica and largest shareholder in the combined company, filed a legal arbitration request alleging the group's executive chairman violated their 2017 merger agreement. Del Vecchio, 83 years old, is widely known to be an aggressive businessman – a risk that we acknowledged as merger talks developed years ago. This pre-identified risk, which appears to be playing out, is part of the reason our position size in the combined entity is smaller than average. We think it is fair to say that the integration is not going smoothly so far, which pressured the share price during the quarter. Despite this friction, we believe the individual companies are advantaged and the combined assets are valuable. We continue to monitor and evaluate the situation closely.

Siemens Healthineers generated positive returns during the quarter, despite being a relative laggard. We have been satisfied with its performance since initiating our position in November 2018. Imaging Equipment, which comprises roughly 65% of the company's profits, continues to perform well. Despite its subdued growth on a difficult comparable in the previous quarter, the order book remains strong, and, when looking through the quarterly lumpiness, Siemens has been consistently gaining share. Diagnostics, which represents approximately 25% of profits, also had slower-than-expected earnings growth during the quarter, but this seems to us to be a short-term negative, long-term positive situation. The firm shipped 370 of its new Atellica machines, bringing the total cumulative placements to ~1,360, which is in line with our expectations. The challenge is that a lot of these sales have been large orders to large companies with complex environments and difficult integrations. The more challenging integrations are leading to longer implementation times, higher costs, and delayed revenues from reagent sales, which typically account for 90% of the diagnostics' business revenue. While this creates a near-term headwind to growth, we think the large sales and complex integrations are a very positive indicator that validates Atellica's quality and capabilities. We believe Siemens Healthineers has a trusted brand and should compound earnings at a low double-digit rate for many years to come.

Reckitt Benckiser also produced positive returns during the quarter, despite weighing on relative performance. The company's management has admirably navigated the rapidly unfolding channel shift in consumer-packaged goods, and is also separating its business into two entities– Health and Hygiene Home. In the past two years, the business has undergone major transformations, including the purchase of Mead Johnson, the sale its food business, and a substantial reorganization. It has also faced significant difficulties, including a cyber-attack and manufacturing issues. Despite a difficult couple of years, both business segments grew like-for-like sales by 3% in 2018. Reckitt Benckiser spent 2017 investing in business lines more protected from e-commerce and divesting segments less protected from e-commerce. The company spent 2018 separating nearly all aspects of Consumer Health and Hygiene Home to include its enterprise resource planning (ERP) system, legal, human resources, etc. We suspect Reckitt Benckiser will sell the less advantaged Hygiene Home segment within the next few years. We have been patient with the company, given the strength of its culture and business model, but have maintained a below-average weight as the business works through these challenges.

Trading activity was light during the first quarter of 2019, which is consistent with our philosophy of holding companies for extended periods of time. During the quarter, we added to our position in Microsoft and trimmed O'Reilly and Starbucks.

We trimmed our positions in O'Reilly and Starbucks for similar reasons. Both appreciated significantly during 2018, growing to above-average weights. We felt it was prudent to trim them back down to average weights. O'Reilly's shares were up more than 40% last year and Starbucks shares rose 25% after we added to the positions in August 2018 on weakness. We maintain conviction in both companies and feel they are now at more appropriate weightings within the Portfolio.

We added to Microsoft to bring the position to a higher conviction weighting. We think the company is very well positioned in cloud computing and is benefited nicely from the shift to a subscription-based model with Microsoft 365. The transition to the cloud is unfolding well and allowing the company to add on and upsell products like Teams, OneDrive and Yammer, which are gaining in popularity. The business is growing revenue in excess of 10% and we believe it has a significant runway to drive topline growth while also expanding margins. Microsoft is now our second largest position.

In summary, the markets are off to a strong start in 2019, rebounding sharply from the selloff in the fourth quarter of 2018. While performance was strong across almost all geographies and sectors, our Portfolio managed to outperform across almost all dimensions this quarter, driven primarily by strong stock selection. Importantly, we feel good about the underlying performance of our portfolio holdings, and we continue to believe that concentrating in only the highest-quality growth companies will be a big advantage for us 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

POLEN | CAPITAL

1825 Corporate Blvd NW #300, Boca Raton, FL 33431

+ 1-800-358-1887 | www.polencapital.com

Historical Performance

Global Growth SMA Composite as of Mar-31-2019			
	Polen (Gross)	**Polen (Net)**	**ACWI Net**
Mar-19	3.52	3.52	1.26
3 Month	16.26	16.05	12.18
YTD	16.26	16.05	12.18
1 Year	16.13	15.24	2.61
3 Year	17.21	16.22	10.67
Since Inception (1/1/15)	14.41	13.44	6.88

Returns are trailing through: Mar-31-2019

Annualized returns are presented for periods greater than 1 year.

Source: Archer

GIPS Disclosure

Polen Capital Management
Global Growth Composite-Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation	
Year End	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Composite Gross	Composite Net	MSCI ACWI	Composite Dispersion	Polen Gross	MSCI ACWI
2018	20,591	7,862	12,729	4.77	2	3.14%	2.22%	-9.41%	0.3%	11.66	10.62
2017	17,422	6,957	10,466	4.16	2	32.66%	31.55%	23.96%	N/A	10.27	10.51
2016	11,251	4,697	6,554	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 or 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 June 30, 2018. 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