POLEN | CAPITAL

POLEN GLOBAL GROWTH STRATEGY

Summary

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- During the third quarter of 2018, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 5.69% gross of fees versus 4.29% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 140 basis points during the quarter. Year to date, the Portfolio returned 17.03% gross of fees versus 3.83% for the Index.

- Since inception on January 1, 2015, the Portfolio has delivered an annualized investment return of 15.74% compared to 8.46% annualized return from the Index. Thus, the portfolio has on average outperformed the Index by 728 basis points per year since inception.

- From a geographic perspective, significant outperformance in North America was the biggest contributor to our absolute and relative returns during the quarter. From a sector perspective, our consumer discretionary holdings delivered the most favorable results. Our information technology holdings were also a significant driver of our overall returns given our heavy exposure to the sector.

- Emerging markets remained under pressure as a result of central bank activity and a strengthening U.S. dollar. China, in particular, experienced significant pressure as a result of increasing trade tensions with the United States. Our investments in Alibaba Group Holdings Inc. and Tencent Holdings Ltd., both domiciled in China, were among our worst performers during the quarter.

- At the end of the third quarter, "Communication Services" was introduced as a new index sector. This significantly reduced the Portfolio's information technology sector weight from slightly more than 50% to approximately 35%.

Commentary

During the third quarter of 2018, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 5.69% gross of fees versus 4.29% for the MSCI All Country World Index (the "Index"), outperforming the benchmark by 140 basis points during the quarter. Since inception on January 1, 2015, the Portfolio has delivered an annualized investment return of 15.74% compared to 8.46% annualized return from the Index. Thus, the portfolio has on average outperformed the Index by 728 basis points per year since inception.

From a geographic perspective, North America had the strongest performance among super regions for the Index, led by the United States. Our higher weighting and significant outperformance within the region helped drive our performance. We outperformed in Europe as well, where returns were up modestly, while Emerging Markets remained under pressure as a result of central bank activity and a strengthening U.S. dollar. The MSCI Emerging Market Index returned -7.5% year to date and the U.S. dollar strengthened nearly 7% against major global currencies in the last nine months.

China, in particular, experienced significant pressure as a result of increasing political rhetoric and the tariffs recently placed on over $200 billion worth of goods. The China Shenzhen A Share and Hang Seng indices have returned -24% and -9% year to date, respectively. Although we have modest direct exposure to emerging markets, our investments in **Alibaba Group Holdings Inc.** and **Tencent Holdings Ltd.** were among our worst performers during the quarter and drove our underperformance within Asia. Alibaba's founder, Jack Ma, offered poignant comments on the brewing trade war between the United States and China during the company's investor day this year. Asserting that it's the natural evolution of competition between two global powers and that it will likely not be short lived, he referenced Ronald Reagan, one of America's strongest proponents of free trade, who in 1987 initiated a trade war against Japan, which was at the time the world's second largest economy behind the United States. Today, roughly 40 years later, China is now the second largest economy in the world and history seems to be repeating itself. While we do not take a view on the merits of the policy actions behind the tariffs, we do recognize that this trade tension could last for some time. Importantly, the Portfolio is intended to withstand such global stressors by being balanced across sectors and geographies, and by concentrating in companies that we believe can deliver durable earnings growth.

From a sector perspective, our consumer discretionary holdings delivered the most favorable results during the quarter. We are overweight in the sector and outperformed given the strong performance of **O'Reilly Automotive, Inc.**, **Starbucks Corporation**, and **adidas AG**. Our consumer staples holdings also outperformed. Our information technology holdings were a significant driver of our overall returns as well, given our heavy exposure to the sector. While absolute returns were healthy during the quarter, they trailed on a relative basis given the share price declines in **Facebook, Inc.**, Alibaba and Tencent. Our healthcare returns also trailed the sector returns, but were quite strong, providing a strong contribution to absolute returns.

It is worth noting that at the end of the third quarter, the S&P Global Industry Classification Standard (GICS), which determines sector classifications, introduced "Communications Services" as a new sector for indices. This has no effect on our investment process, as we are purely a fundamental and bottom-up manager, but it does significantly reduce the Portfolio's information technology sector weight from slightly more than 50% to approximately 35%. **Alphabet, Inc.**, Facebook and Tencent Holdings, Ltd. have been reclassified to the new communications services sector, which now comprises a little less than 15% of our Portfolio. Alibaba Holdings, Inc. was also moved from information technology to consumer discretionary as part of the adjustment. While we believe our portfolio has been well balanced from a fundamental perspective all along, it now appears more balanced according to the GICS classifications as well.

Year to date through the end of the third quarter, the Portfolio is up more than 17% while the Index is up 3.83%. Volatile global headlines have made for a volatile year for the Index, which has been negative for much of the time. We continue to focus on finding and owning a portfolio of high-quality businesses that can grow earnings faster than market indices. We believe it is the durability of these high-quality businesses and our discipline in sticking with a time-tested philosophy and process that has delivered these results for our clients. Our discipline will remain unchanged and, as a result, we expect that the resilience of our Portfolio will persist well into the future.

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 over the long term. 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 long-term 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. Fifteen of our holdings are currently based in the United States and thirteen 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 the 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 leading contributors to third quarter performance were O'Reilly Automotive, Inc (0.86%), **Visa Inc.** (0.82%) and **Adobe Systems, Inc.** (0.71%).

O'Reilly Automotive gained more than 26% during the quarter on the back of improving comparable store sales growth. Year to date the shares are up more than 40% and more than 60% during the past 12 months, providing a nice reward for our patience during the preceding year. During the spring of 2017, the entire industry was posting weaker comparable store sales. With many attributing the lackluster results to competition from Amazon, share prices declined meaningfully. While Amazon is certainly a formidable competitor in the do-it-yourself (DIY) side of O'Reilly's business, its presence in the industry was not new. Further, our research and data analysis showed another more tangible cause of O'Reilly's softening performance. O'Reilly's end market can be thought of as not just drivers, but the actual cars that require repairs and replacement parts as a result of damage and/or general wear and tear from age and miles driven. To that end, the company's most profitable cohort of vehicles have historically been within a certain age range. We view this cohort as the industry's sweet spot. To better understand the source of our patience last year, we need to revisit the last recession. The damage wrought by the Global Financial Crisis did not spare new vehicle sales. In the United States, they fell from roughly 17 million new vehicles sold per year in 2006 and 2007 to nearly 10 million and 12 million respectively in 2009 and 2010. This reduction of sales from the recession translated to roughly 25 million, or 20% fewer vehicles in the sweet spot in 2017 relative to only two years before. We believed, and continue to believe, that the reduction in O'Reilly's most profitable cohort of vehicles was the primary cause of the company's slowing comparable sales growth. With the trough now behind us, we expect O'Reilly's fundamentals to continue to improve going forward.

Visa and Adobe generated continuous strong fundamental performance and are two of our highest conviction investments. Although they operate in different industries, they are similar in that they enjoy high returns on invested capital, operate in underpenetrated and expanding addressable markets, and have what we believe is a long runway to deploy free cash flow into their respective markets at incrementally-high returns on each dollar invested. These attributes are common within the Portfolio, as they are pillars that support companies able to compound over the long term. Adobe recently announced its intent to acquire Marketo, which is the company's largest acquisition to date. Marketo is the leader in business to business digital marketing, and we believe it will make Adobe even more formidable within this fast-growing industry. Companies the world over are realizing that to thrive, and to a certain extent survive, they must interact with their customers differently and Marketo will help Adobe benefit even more from this global shift.

The three largest detractors in the third quarter were Tencent (-1.1%), Facebook (-0.63%) and Alibaba (-0.32%).

Tencent and Alibaba are experiencing similar stock pressures from heavy reinvestment and United States/China trade tensions while their businesses remain very strong. Both companies continue to invest heavily to strengthen their core businesses and extend into promising new areas. Further, given the strength of the ecosystems, both have become advantaged acquirers with a unique ability to integrate businesses into their platforms in ways no other company can. A recent example is Alibaba's investment in food delivery company Ele.me. Alibaba can use its immense well of consumer data, coupled with Ele.me's delivery capabilities, and move into grocery, flower and other types of deliveries during times outside Ele.me's peak periods, which typically occur during lunch and dinner. There are low marginal costs to taking advantage of delivery personnel downtime as Ele.me's fixed costs are already in place. Both Alibaba and Tencent have numerous examples of this type of capability. Alibaba and Tencent are growing revenue in excess of 50% and 40%, respectively, and we believe both are well positioned to generate roughly 25% earnings per share growth over the next 3-5 years. Moreover, both companies should be direct beneficiaries of China's middle class continuing its expansion from 300 million people today to 500 million over the next 5-10 years. While the trade war may slow this middle-income growth, it is unlikely to stop it. Notably, neither Tencent nor Alibaba face direct impacts from tariffs.

Tencent is facing some new headwinds to its gaming business, but we believe these will be manageable. The Chinese government is reviewing its approval process of new games and has also placed restrictions on how many hours children 18 and under and 12 and under can play per day. This group comprises less than 10% of Tencent's gaming revenue though, given that the vast majority of gamers are adults. With respect to the approval process, we feel that the more onerous it becomes, the more advantaged Tencent will be relative to their smaller competitors. We also expect gaming to continue to decline as a percentage of total company revenue given the strategic investments that the company is making to diversify into other areas like advertising, digital media subscriptions, smart retail and cloud. We maintain our conviction in both Tencent and Alibaba despite the geopolitical tensions. As a note, just after quarter end we added to our position in Alibaba and now have an almost 9% combined position in the two holdings.

Facebook reset expectations with new guidance during the quarter, stating it expects 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. The company is currently growing revenue in excess of 40% with over 2.2 billion monthly active users and almost 1.5 billion using Facebook every day. It also now discloses how many people use at least one of their products like WhatsApp, Instagram or Messenger each month. That number is 2.5 billion, which represents over 40% of the world's population outside of China. Our pre-mortem since our initial investment in the company has been the unraveling of the network through users actively rejecting the application. We believe the company's heavy investment over the next several years will serve to prevent this scenario from unfolding. Facebook continues to benefit from strong network effects, lack of a direct competitor and the global shift to online advertising. During the quarter, both the price per advertisement and the number of advertisement impressions served increased. Studying the history of emerging technologies like the telegraph, radio, television and internet reveals that as the technology progresses, habits progress, and once the habits change they rarely revert. Said plainly, we believe the genie is not going back in the bottle. Social media is where humans are spending more time and thus, where companies must increasingly go to reach them. While we applaud the nature of Facebook's investment, we will be watching its impact on the network closely.

Trading activity during the quarter was light, which is consistent with our philosophy of holding companies for a long period of time. During the quarter we added to our positions in adidas AG and Starbucks. Adidas has continued to perform very well since we initially added the business to our portfolio last summer, and we have continued to increase the weighting. We expect the company to meet management's long-term guidance, which implies mid-teens earnings growth through 2020, and think there is a good chance that management will outperform that goal. The business has delivered well above its targets during the first half of this year and now has plenty of scope to invest even more to ensure long-term earnings growth.

Although Starbucks reported softer same-store sales growth in both the United States and China in recent quarters, we believe the challenges in each respective geography are very manageable and will be resolved in the coming quarters. We believe the company remains very well positioned to continue to deliver low- to mid-teens returns over the coming years. Further, we believe the valuation reflects the recent challenges and is now more attractive given our longer-term growth expectations and the quality of the business.

In summary, the Portfolio continued to deliver solid positive returns during the third quarter in excess of the Index. While we expect the Portfolio's earnings per share growth, which continues to exceed our expectations, to trend back toward our long-term, mid-teens target over time, we believe the competitive advantages that enable solid and sustained growth will continue to provide resilience during challenging periods.

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

Sincerely,

Damon Ficklin & Jeff Mueller

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Historical Performance

Polen Global Growth (SMA) Composite as of 09-30-2018			
	Polen (Gross)	**Polen (Net)**	**MSCI ACWI-ND**
Sep-18	0.29	0.29	0.44
3 Month	5.69	5.49	4.29
YTD	17.03	16.24	3.83
1 Year	24.87	23.77	9.78
3 Year	19.38	18.36	13.40
Since Inception (1/1/15)	15.74	14.75	8.46

Source: Archer

Returns are trailing through: Sep-30-2018

Annualized returns are presented for periods greater than 1 year.

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
2017	17,422	6,954	10,468	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

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, 2016. A verification covering the periods from April 1, 1992 through June 30, 2016 was performed by Ashland Partners & Company LLP, which was acquired by ACA Performance Services, LLC, whose report expressed an unqualified opinion thereon. The verification is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Polen Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. In July 2007, the firm was reorganized from an S-corporation into an LLC and changed names from Polen Capital Management, Inc. to Polen Capital Management, LLC.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. 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