POLEN | CAPITAL

POLEN U.S. SMALL COMPANY GROWTH STRATEGY

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Summary

- During the third quarter of 2018, the Polen U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 9.42% gross of fees. The Russell 2000 Growth Index (the "Index") returned 5.53%. For the trailing one year, the Portfolio has returned 25.99% gross of fees versus 21.08% for the Index.

- Conviction in our Portfolio holdings remains strong and the businesses are doing very well in our view. In the latest fully reported twelve-month period, sales have grown over 18% with margin expansion driving even better pretax income growth of 24%. Return on invested capital also remains well above average at 20%, and balance sheets remain healthy with under 19% total debt/total capital, all on a weighted average basis for the portfolio. These are few of the key indicators that we look at to monitor the health of our companies and stay on top of changing trends. In our opinion, our companies remain fundamentally healthy and well positioned to sustain strong business performance in the future.

Commentary

During the third quarter of 2018, the U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 9.42% gross of fees. This compares to a return of 5.53% for the Russell 2000 Growth Index (the "Index") in the same period. For the trailing one-year period, the Portfolio returned 25.99% gross of fees, strongly outperforming the Index, which returned 21.08%. U.S. small cap stocks were strong through much of the quarter, with a slight pullback in September. The strength has widely been attributed to strong earnings reports and high levels of confidence in the strength of the U.S. economy. The on-going strength in U.S. markets continues to be remarkable, as this was the eleventh straight quarter of positive returns for the benchmark. We believe this is largely due to investors' confidence in the economic backdrop, which is the best in quite some time, as well as the enthusiasm from the strength of the growth in earnings from U.S. companies. We were quite pleased with the performance of the businesses in the Portfolio, as many continued to show 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, the benefits of the recent tax reform, and solid execution by the management teams for our holdings.

The overall health of the Portfolio companies remains outstanding. In the latest fully reported twelve-month period, sales have grown over 18% on a weighted average basis, with margin expansion driving even stronger pretax income growth of 24%, also on a weighted average basis. It is our view that pretax income is a better measure to look at today to capture profit growth because of the tax-related changes that have had a large impact on net income and year-over-year comparisons in the past year, which includes the tax impact from share-based payment accounting that began at the end of 2016 and the 2018 reduction in the corporate tax rate. Free cash flow conversion and growth remain excellent as well, and we are happy to see our management teams reinvesting back into their respective businesses in the form of research & development and capital expenditures, each of which have kept pace with pretax income growth in the latest fully reported twelve-month period. This is of great importance to us, as we believe it will be a key driver of future growth, returns, and profitability for our Portfolio companies.

In the small cap universe, style can have an impact on short to intermediate term returns relative to the benchmark. As such, we plan to keep investors updated on what we are seeing in overall market returns and its impact on our Portfolio's relative returns. We measure a handful of factors, sorted by quintiles of benchmark holdings. Our style tilt is toward companies that we believe are higher quality. Namely, we are more heavily weighted in companies with high levels of return on invested capital (ROIC) and low levels of financial leverage. Regarding performance of these factors in the quarter, our commitment to only owning companies with low levels of financial leverage (as defined by total debt/total capital) had a positive allocation impact on performance during the period. In the quarter, companies with lower levels of financial leverage were clearly favored in the Index, with the strongest performance coming from companies with less leverage and the weakest performance coming from companies with the most leverage. We also benefitted from completely avoiding the lowest ROIC companies in the Index, where Index performance was the weakest. Regarding ROIC specifically, performance by Index quintile was mixed, although this quarter represented less of a style headwind for us than in the trailing twelve-month period. This is because the weakest ROIC quintile, where we have no exposure, began to show relative weakness and the top quintile, where we have most of our exposure, was strong. This represents a change from the last twelve months in aggregate when the weakest two ROIC quintiles meaningfully outperformed the strongest ROIC quintiles in the index. That being said, there still seems to be appetite for risk taking, as represented by the strength in the second lowest ROIC quintile this quarter, which is mostly made up of negative return on invested capital businesses.

The Portfolio is invested mostly across the three main growth sectors: technology, health care and consumer discretionary. These sectors made up nearly 87% of the Portfolio and nearly 59% of the Russell 2000 Growth Index weights, based on the average percentage weights during the period. This quarter, the sectors that had the most positive impact on the Portfolio were consumer discretionary and information technology. In consumer discretionary, the Portfolio benefitted entirely from strong stock selection as our overweight allocation to the sector was a slight detractor to overall performance. In information technology, we benefitted from being overweight relative to the Index, with better than index performance from the information technology companies we own. The only sector that detracted from performance was healthcare. In this instance, it was mostly stock specific, due to the collective underperformance of multiple holdings, which we will address in this letter. Our underweight in the biotechnology industry relative to the index helped to partially offset this weakness in healthcare stock selection. We did not experience a drag from biotechnology this quarter, which has been a headwind for us for the past few quarters. As we have detailed several times, we keep an eye out for companies in the biotech sector that meet our strict guardrails, but very few make the cut due to their lack of profits, extensive use of cash, and reliance on the capital markets to continue their growth and to keep their pipeline going. As such, our lower exposure to this industry can swing relative results in the short term. This quarter it helped us modestly.

Portfolio Performance & Activity

In the third quarter, many of our Portfolio companies continued to show superior execution. In a few cases, near-term results were very strong, and their stocks were rewarded with outsized returns. This can have some variability over the short term, especially quarter by quarter. Top contributors (Portfolio average weight multiplied by return) for the quarter include:

Fox Factory Holding Corp. was again our strongest performer, up over 50% in the period, after reporting another quarter of solid growth. This manufacturer of ride dynamics products that are used on high-end bicycles, side-by-side vehicles, and on-road vehicles used for off-road activities, has grown revenue greater than 17% compounded over the last five years, and the management has produced steady margin leverage that has enabled them to increase EBIT at a nearly 20% compounded growth rate during this time. In addition, the company has continued to deliver solid returns on invested capital, with ROIC approaching 20% in the fully reported last twelve-month period. We believe the company can continue to increase its market share due to the high quality of their products and the measured way that management runs the business. The brand that the company has built over several years' time has given them a competitive advantage, enabling them to expand into potentially large adjacent areas such as on-road vehicles that can go off-road.

Paycom Software, Inc. was next best, up 57% in the period, after reporting second quarter re-acceleration in revenue and continued operating leverage. Last quarter, this HR software-as-a-service provider (SAAS) was one of our weakest performing holdings after reporting first quarter results that showed revenue growth deceleration and less upside versus previous quarters. It's a good example of why we remain focused on longer-term time frames to assess the health of a business, and do not let slight changes from quarter to quarter distract us from our long-term view.

We remain impressed by Paycom's consistent sales execution at both existing and new offices. Paycom is in an excellent position with it's SAAS-based model to take share from incumbent providers who do not offer a software-based solution. We also really like the SAAS-based model they have, due to its high recurring revenue. This selling structure has been executed with extremely high margin levels, allowing the company to compound tremendous value for shareholders. We believe this balanced approach of strong but repeatable growth through gradual geographic sales expansion, while doing it very profitability, should continue to position this company well going forward.

Ollies Bargain Outlet Holdings Inc was third best, up 32% in the period, after reporting another strong quarter of year-over-year growth. Most notable in the quarter was the 4.4% same-store sales growth, which was well ahead of what management had guided to and led to stronger than expected top-line results. Comp store sales can move around a bit from quarter to quarter, but the execution by company management has been outstanding and very consistent. We believe the market opportunity is still very strong as the company takes advantage of selling low-priced merchandise to a price-conscious customer base in areas of the country that are not well served by other discount retailers. Outstanding new store economics and other value-added initiatives like the Ollie's Army loyalty program make the growth we have seen so far repeatable in our view. We remain excited by Ollie's ability to deliver strong growth driven by mid-teens square footage growth and low single-digit same store sales performance.

Alarm.com Holdings, Inc. was up 42% in the period. The home security solutions company reported strong quarterly results, with software-as-a-service (SAAS) license revenue up 20% in the period. This growth rate was higher than past periods and may fluctuate a bit, albeit at strong levels. The company has continued to grow in a competitive market by executing its unique selling strategy through the service provider (professional installer) channel. The interactive home security market has evolved over the last few years, with a significant portion of the market being serviced by these local providers. Interactive security and the interactive home are taking increasing share of security and home management. Alarm.com is well positioned to take advantage of this growth by providing an integrated software solution. Management is growing the company with high levels of profitability, which is rare in the SAAS segment that they serve. In addition, they are doing what we want to see out of strong management teams that look to compound shareholder value, they are thoughtfully reinvesting back into the business. They have taken some of the excess cash from the Federal tax reduction to invest in marketing in collaboration with their service provider partners, as well as investing in new adjacent areas like the commercial security market. We believe that this formula positions the company well to compound earnings and cash flow growth going forward.

Our largest detractors (Portfolio average weight multiplied by return) in the quarter showed relative price weakness mostly due to idiosyncratic factors. We did not make any changes to these positions in the quarter.

Littelfuse, Inc., a leading supplier of circuit-protection devices and sensors to electronic OEMs across a broad spectrum of end markets, declined 13% in the period despite a strong second quarter performance. Management's next quarter outlook was not quite as strong, mostly due to foreign exchange headwinds, tough comparisons, and a typical seasonal decline from second quarter to third quarter. In our view, the business appears to be performing well. The performance of the business over the past year has been outstanding, with nearly 22% growth in operating income and over 29% growth in free cash flow for the trailing twelve-month period ending June 30, 2018. The balance sheet-based metrics we use to track operating efficiency are all within normal ranges. We are also impressed with the performance and integration of the Ixys acquisition, which was closed in January. The company remains the market leader in fuses, with over 40% market share, and continues to post solid results with best-in-class operating margins. The company remains on track to achieve its 5-year financial goals of double-digit sales (10-14% annually with an even mix from organic growth and M&A) and double-digit earnings growth as presented by management in 2016.

Stamps.com Inc., a leading provider of Internet-based postage services, declined nearly 11% in the period after disclosing that the United States Postal Service (USPS) provided a notice requiring the renegotiation of one of their important financial compensation arrangements. We acknowledge that this is a risk but feel comfortable that the relationship between the USPS and Stamps.com is a favorable one and that private partnerships like this are an economic positive for the USPS, as it can modernize its offering to meet the changing communication and delivery needs of its customers without bearing a strong financial burden. We continue to be impressed with Stamps.com's outstanding performance, especially its 89% free cash flow growth for the trailing twelve-month period ending June 30, 2018 and the company's near 42% Cash Flow Return on Invested Capital for the same period. In our view, Stamps.com's business remains very healthy.

Neogen Corporation, a leader in the development and marketing of food and animal safety solutions, declined nearly 11% in the period after reporting weaker than expected top-line growth, mostly due to channel disruption issues, customer buying disruptions related to tariffs, and an oversupply of animal protein in the market. We believe this slowdown is temporary. With growing end-market demand as the worldwide population increases, a growing middle class in emerging economies, and heightened food safety regulatory environments around the globe, we have confidence that Neogen can return to low double-digit revenue growth driven by organic growth and supplemented with strategic acquisitions.

Medidata Solutions Inc., a leading technology platform provider to life sciences companies, declined 9% in the period after reporting second quarter results where subscription revenue fell shy of expectations by a small amount. We believe the company continues to perform very well and were satisfied with the 15% subscription growth. The performance this quarter is a function of investors looking through a lens that, in our opinion, is too short-term focused and not well aligned with the nature of how life science companies make purchases like this, which is not always linear. Subscription-revenue growth has been a metric that has bounced around a bit in the past relative to expectations and we are not at all concerned that the results this quarter signify a material change in the business. We believe that Medidata remains well positioned in what appears to be a $15 billion market that is deeply underpenetrated. We believe that the company can continue to grow at 15% annually with considerable room to grow its margins, which are already very strong on a gross margin basis, but where there is a lot of operating leverage to be realized in the future.

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

We started a new position in **Ellie Mae, Inc**. Ellie Mae provides SAAS solutions to the mortgage origination industry. The company's Encompass digital mortgage software handles most of the functions involved in running the business of originating mortgages including: marketing; lead management; loan origination; loan processing; underwriting; preparation of mortgage applications, disclosure agreements, and closing documents; funding and closing the loan for the borrower; compliance with regulatory and investor requirements and overall enterprise management that provides one system of record for loans. The mortgage origination process has historically been a manual process that takes considerable time, is costly and inefficient. Adding to this complexity, mortgage origination is a highly-regulated industry that has undergone significant changes since the financial crisis, including many regulatory reforms and higher-quality standards and accountability for lenders. ELLI's solutions help automate the origination process which drives down costs and the time to close loans, while also addressing the statutory and regulatory changes that further complicate the mortgage origination process. The company currently works with more than 2,000 lenders and closed 2.5 million loans on its platform in 2017. We especially like the company's revenue model, where subscription-based contracted revenue currently represents 70% of total revenue. This revenue is not affected by industry volume and is highly repeatable.

With only 30% market share in a large and nascent market for digital solutions, there is a lot of runway for Ellie Mae to add additional customers, further penetrate existing customers, and upsell new solutions to drive top line growth of 20% or more per year, even in a flat mortgage market. This strong revenue growth would translate to even stronger cash flow and earnings growth as there is significant operating leverage to be realized in the business in the future, mostly coming in the form of increasing gross margins. We believe the company can double in size over the next 5 years and the stock will follow.

We added to our position in **Lemaitre Vascular, Inc**. Lemaitre Vascular is a leading global provider of innovative devices for the treatment of peripheral vascular disease. The company develops, manufactures, and markets disposable and implantable vascular devices to address the needs of vascular surgeons. They have a diversified product portfolio consisting of 16 well-known brand name products used in arteries and veins outside of the heart (#1 or #2 share in most of the product lines). They singularly focus on the vascular surgeon in niche product markets that are less interesting to the largest medical device companies. Currently, the company has products that target $800 million of the $5 billion vascular surgery product market. Each year they make acquisitions to enhance their product bag and increase their total available market (TAM). Organic growth is driven by salesforce expansion, low risk innovation, modest unit growth, average selling price (ASP) increases and is targeted to be at 10% revenue growth and 20% operating income growth. The stock came under pressure after the company reported second quarter earnings, despite strong underlying performance, that showed progress in many of the areas that will enhance their ability to drive future growth including salesforce expansion, a more streamlined Chinese distribution structure, and the announcement of a couple of potential deals in the pipeline. In our view it was a good time to opportunistically add to the position.

We also added to our position in **LendingTree, Inc.** during the period. LendingTree operates the leading online loan marketplace. The company is number one in mortgages and a leading player in personal loans, credit cards, auto loans, small business loans, and student loans. They have spent a great deal of money over the years building the leading brand in their category. In our view, this provides them with a sustainable competitive advantage. There is a massive shift underway to online comparison shopping for loans of all types, and the shift is still in the early stages. The company has an excellent management team and has posted superior growth, as well as strong profitability and cash flow. Recently there was a deceleration in growth as the core mortgage business, due to the falloff in refinancing and the tight housing market where limited inventory is holding back purchases. LendingTree's stock came under pressure in reaction to this deceleration, especially since many momentum investors held the stock. In our opinion, there have been no real surprises in the performance of the business and the fundamental outlook is actually getting stronger as the company gains more breadth in their business across loan categories and lenders. When Lending Tree reported second quarter earnings, we were especially impressed by management's ability to dial up profitability in the face of weaker growth, which illuminated their thoughtfulness and real-time ability to adjust their spending, allocating dollars to areas where there is the best near-term demand and alternatively driving profitability in areas where the near-term demand is weaker. With the stock having retreated to the levels where we initially purchased the company (after having had a considerable move up), we determined it was a good time to add to the position.

We sold our remaining position in **MarketAxess Holdings Inc** after beginning to trim last quarter. This is entirely due to the high market cap of the stock, which was over $7 billion at the time of sale. The business continues to be very good, with their growth and returns on capital showing strength. As we have detailed before, we generally look to find companies to buy at initial purchase between $500 million to $3 billion in market cap. We want to own these companies and let them compound to bring us to $6 billion to $9 billion over time. When they get to that level, we will look to trim or sell and repeat the process. We used the proceeds of this sale to fund the purchase of Ellie Mae.

We also sold our position in **WageWorks** in the quarter. WageWorks is a leader in administering Consumer-Directed Benefits (CDBs) including pre-tax spending accounts, such as Health Savings Accounts (HSAs), health and dependent care Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), as well as Commuter Benefit Services, including transit and parking programs, wellness programs, COBRA, and other employee benefits. We were originally attracted to Wageworks because of its footprint as the largest national administrator with a comprehensive portfolio of consumer-directed benefit plans. We have always believed that their scale and breadth would be more attractive to large corporations looking to nationally rollout these programs to their employees to help with offsetting their increasing share of out-of-pocket healthcare costs. As we detailed in our First Quarter 2018 Portfolio Commentary, WAGE announced in March that it would not be filing its financial statements on time. They disclosed a material weakness in internal control over financial reporting and that they would be conducting an investigation of financial control for 2016 and 2017, including revenue recognition relating to a government contract in 2016. When this news was released, the stock came under a lot of pressure. We decided to be patient and hold on to our position but kept it on "watch" as we awaited more information. In the Spring, they announced a minor restatement to 2016 financials and significant management changes. Since this news, we have continued to re-assess the position and, in our opinion, too much uncertainty still remains, as the company has still not filed financial statements and may not do so until March 2019. We concluded that it was time to move on. We are uncomfortable with the near-and medium-term uncertainty and do not have a good sense for how the business is currently performing, given the headwinds from their investigation, management changes, etc. Based on our assumptions for slower growth in the future and lower margins as they improve their processes, we have determined that we have better opportunities in companies that have similar return profiles with less risk. At the time of our sale, the stock had recaptured half of what it had lost when this news first hit. Since selling, it has taken another leg down, as the problem appears to be worse than originally articulated.

Portfolio Positioning & Outlook

The Portfolio is invested in high-quality growth companies in growth sectors and industries. We believe the companies are competitively advantaged and each can sustain above-average earnings and cash flow growth for many years. Currently, all 28 holdings in the Portfolio generate operating cash flow and report positive earnings. We believe this high-quality bias affords the Portfolio downside protection while still being able to capture appreciation from the strong earnings and cash flow growth of the holdings.

As we look to the last quarter of 2018, and into next year, we really like the forward prospects for our companies. As we discussed earlier, we are very pleased with the way that the portfolio businesses are performing and are optimistic about the sustainability of the growth we have seen. We believe our holdings are well positioned in secular growth segments and are poised to produce continued growth in earnings and cash flow due to solid management execution and their prudent reinvestment of cash flow into high returning opportunities.

Thank you for your interest in our strategy. We look forward to continuing the dialogue in the future.

Sincerely,

Tucker Walsh and Rayna Lesser Hannaway

Historical Performance

Polen Small Company Growth (SMA) Composite as of 09-30-2018			
	Polen (Gross)	**Polen (Net)**	**R2000G**
Sep-18	-2.98	-2.98	-2.34
3 Month	9.42	9.18	5.53
YTD	22.33	21.47	15.77
1 Year	25.99	24.84	21.08
Since Inception (3/9/17)	28.44	27.23	22.29

Footnotes

Returns are trailing through: Sep-30-2018

Annualized returns are presented for periods greater than 1 year.

Source: Archer

GIPS Disclosure

Polen Capital Management
U.S. Small Company 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		Russell 2000 Growth	Composite Dispersion	Polen Gross	Russell 2000 Growth
						Gross	Net				
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