Polen U.S. SMID Company Growth

Portfolio Manager Commentary – December 2023

Summary

- During the fourth quarter, the U.S. SMID Company Growth Composite Portfolio (the "Portfolio") outpaced the Russell 2500 Growth Index (the "Index").

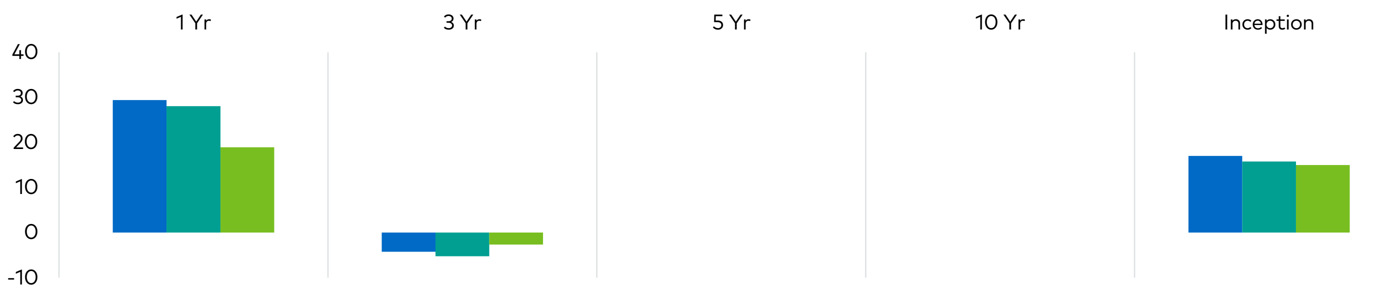
- The market experienced another drastic shift into the year's end with growing evidence that the rate hike cycle was nearing an end and a growing consensus expectation for easing financial conditions in 2024.

- Since the most recent low in October, the Russell 2500 Growth has outperformed the broader market[1] by over 6%, and SMID cap stocks remain historically cheap relative to history and large cap peers.

- Transaction activity this quarter included six new positions—Medpace, Core & Main, Pool Corp., Bio-Techne, Generac, and MarketAxess—along with modest additions and trims to existing holdings. We exited one position—The Trade Desk— during the quarter.

- We favor businesses with robust free cash flow, persistent growth, and high returns on capital, and we always seek to own companies that we believe are undervalued relative to their long-term compounding potential. As always, we believe that maintaining our focus on high-quality growth companies that are well-positioned to drive cash flow and earnings growth over the next five years will generate long-term performance.

Seeks Growth & Capital Preservation (Performance (%) as of 12-31-2023)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen US SMID Company Growth (Gross)	14.98	29.39	29.39	-4.25	-	-	16.99
Polen US SMID Company Growth (Net)	14.65	28.05	28.05	-5.26	-	-	15.77
Russell 2500 Growth	12.59	18.93	18.93	-2.68	-	-	14.96

[1] Broad U.S. equity market as measured by the S&P 500 Index. The performance data quoted represents **past performance and does not guarantee future results.** Current performance may be lower or higher. Periods over one-year are annualized. Performance figures are presented gross and net of fees and have been calculated after the deduction of all transaction costs and commissions, and include the reinvestment of all income. Please reference the GIPS Report which accompanies this commentary. The commentary is not intended as a guarantee of profitable outcomes. Any forward-looking statements are based on certain expectations and assumptions that are susceptible to changes in circumstances. Opinions and views expressed constitute the judgment of Polen Capital as of the date herein, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change. Contribution to relative return is a measure of a securities contribution to the relative return of a portfolio versus its benchmark index. The calculation can be approximated by the below formula, taking into account purchases and sales of the security over the measurement period. Please note this calculation does not take into account transactional costs and dividends of the benchmark, as it does for the portfolio. Contribution to relative return of Stock A = (Stock A portfolio weight (%) - Stock A benchmark weight (%)) x (Stock A return (%) – Aggregate benchmark return (%)).

All company-specific information has been sourced from company financials as of the relevant period discussed.

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Commentary

In 2023, the Polen Capital U.S. SMID Company Growth Composite Portfolio "the Portfolio" returned 14.98% gross and 14.65% net of fees, compared to an 12.59% return for the Russell 2500 Growth Index. In many ways, it served as a testament to the resilience of our investment strategy amidst constant and severe market fluctuations.

Most of the year was challenging for SMID cap stocks broadly given the universe tends to be lower quality in nature, populated with many unprofitable and/or highly leveraged businesses prone to the economic cycle.

With the Silicon Valley Bank (SVB) bank failure in March and rising interest rates through most of the year, SMID cap equities underperformed their large cap counterparts, which benefitted from a small subset of companies that have come to be known as the "Magnificent Seven[2]."

While the SMID cap category was challenged, our portfolio remained fundamentally robust. Guided by our flywheel, we purpose-built our portfolio for financial resiliency—owning only what our research suggests to be the highest quality companies in our asset class and only companies that have the financial and balance sheet strength to self-fund their own growth.

As we progressed through the fourth quarter, the market experienced yet another drastic shift with growing evidence the rate hike cycle was nearing an end, and a growing consensus expectation for easing financial conditions in 2024.

Since the most recent low in October the Russell 2500 Growth has outperformed the broader market by over 6%, and SMID stocks remain historically cheap relative to history and to large cap peers.

This makes us cautiously optimistic. While speculating on the pace of interest rate cuts does not influence our approach to investing, as we've noted in our prior letters, we believe the portfolio is well positioned for a recovery. This has been our goal all year, to remain balanced by owning what we believe to be high-quality businesses with resilient financial models that are greatly undervalued relative to the long term.

Navigating volatile markets is undoubtedly challenging, and it poses risks for less consistent investors who find themselves on the wrong side of the previous year's winning bets. In this context, our steadfast long-term approach provides stability and resilience in an ever-changing investment landscape.

Portfolio Performance & Attribution

The top contributors to the Portfolio's relative and absolute performance in the fourth quarter were **Wingstop, Trex**, and **Five Below.**

Wingstop is the largest fast casual chicken wing-focused restaurant chain in the world with roughly 2,000 locations as of 2023. Over the course of this year, the company has continued to exceed expectations, delivering double-digit same store sales growth while expanding into new regions internationally. We continue to be excited about Wingstop's long runway to open new stores coupled with a franchise business model that results in solid unit economics.

Trex is the world's largest high-performance, low-maintenance wood-alternative decking and railing manufacturer. Along with other consumer discretionary businesses, the stock—up nearly 50% throughout November and December—benefitted from a growing sense of optimism that the economy would achieve a soft landing and that interest rates were likely to stabilize, if not decline in the coming quarters. While we welcome the positive sentiment and what it might mean for the broader industry, our thesis over the long term is unchanged. This remains a very high-quality business with deep competitive advantages around its manufacturing process and brand strength, and the opportunity to continue taking share from wood decking remains vast.

Five Below is a discount retailer selling toys, games, and merchandise targeting teens, tweens, kids, and their parents. Consumer spending has proven resilient through the holiday season, and discount retailers such as Five Below are very well positioned for consumers increasingly finding ways to seek value. This has materialized through same-store solid sales growth over the year. Stepping back, Five Below has been a remarkably consistent company over many years and still has a compelling opportunity to more than double its store count over time.

The most significant detractors of the Portfolio's relative performance in the quarter were **Fox Factory Holdings, Paycom Software,** and **Goosehead Insurance.** In turn, the most significant absolute detractors were **Fox Factory Holdings, Paycom Software,** and **The Trade Desk.**

Fox Factory Holdings is a maker of high-performance suspension products used in power vehicles and specialty sports products (mountain bikes, etc.) The stock experienced some headwinds in the quarter related to a reset in the bicycle shocks business following above-average demand and supply constraints during COVID, production shutdowns from the UAW strike, and the announcement of a $572 million acquisition that was met with some skepticism from investors.

[2] Magnificent Seven:
Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla, Meta.

In each instance, we believe these to be temporary issues that have resulted in an unwarranted outsized negative reaction in the share price in the near-term. The reset in the bike business—while happening faster than anticipated—has been well-telegraphed by management and does not change our long-term view on that segment. The UAW strike is now over, and production has resumed. And finally, on the Marucci acquisition, we had the opportunity to discuss this in detail with management and now have a deeper understanding of the strategic rationale in the broader context of the company's growth strategy. Our conviction is unchanged as it relates to the company's long-term strategic vision, ability to navigate and overcome short-term challenges, and the expected positive trajectory once these temporary headwinds subside.

Paycom, a leading provider of cloud-based human capital management software for small and mid-sized businesses, was another top detractor during the period. The stock sold off nearly 40% on earnings as investors expressed concerns about near-term revenue cannibalization associated with the continued rollout of its Better Employee Transaction Interface ("BETI") platform and the uncertainty of when those headwinds might abate. In our view, while we will continue to monitor developments closely, we feel these are short-term issues that are likely to lead to better competitive positioning over the long term and which may even have the potential to be highly margin accretive.

Goosehead Insurance operates as a personal line insurance brokerage, pioneering a disruptive business model and swiftly seizing market share from conventional independent and captive broker models. Underperformance during the period was not fundamentally driven. Still, it was a giveback of some of the solid performance the company had delivered through three quarters, up more than 115% on the year. The company continues to deliver results ahead of expectations, underpinned by compelling pricing, enhanced agent productivity, and improved margins. We are particularly impressed by the company's adept execution and its capacity to achieve substantial cost efficiencies, which we believe are sustainable in the long term.

Portfolio Activity

During the quarter, we started positions in six new investments: **Medpace, Core & Main, Pool Corp., Bio-Techne, Generac,** and **MarketAxess.** Additionally, we both added to and trimmed several existing positions and exited our position in **The Trade Desk.**

Medpace is a mid-sized contract research organization (CRO) that services smaller biotech companies with venture/P.E. backing. Specifically, Medpace handles these companies' clinical trial-related R&D, and their business model is built upon being a full-service-only solution. Given our quality orientation, buying pharma and biotech companies is particularly challenging due to their earnings losses and FDA risk. The company's impressive track record of robust financial performance— emphasizing stability, robust profitability, and well-above-average growth—offers us broad-based exposure to this industry. Medpace's business model is designed to minimize the binary risks associated with single-company FDA concerns or unprofitability, making it an optimal choice as we seek exposure to the groundbreaking innovation that comes with the biotech industry.

Core & Main is an industrial distributor specializing in waterworks and fire protection markets, distributing an extensive range of over 200,000 products, including pipes, valves, fittings, water meters, storm drainage, and fire protection equipment. As one of the two largest players in a fragmented industry, the company has a proven track record of capital allocation skills that will serve them well as they consolidate the industry through disciplined acquisitions. We view Core & Main as a high-quality business currently undervalued by the market, given the structural tailwinds around an urgent need to repair and replace aging municipal water infrastructure. This positions the company for potential earnings surprises and multiple expansion, making it a compelling investment opportunity with an estimated mid-teens earnings growth over the long term.

Pool Corp. is a leading distributor of swimming pools and related backyard products, and it is a company we previously owned in both US SCG and US SMID. Our decision to sell our position in 2021 was influenced by the perception that the business was overearning and valuation was stretched. After two years of patiently monitoring the business, thoroughly analyzing market conditions, and carefully considering the challenges posed by the post-COVID landscape over the past two years, we believe earnings are now bottoming and are excited to add POOL back to the Portfolio. The company boasts a remarkable performance history spanning more than two decades, including consistently high double-digit earnings growth and mid-teens cash flow return on invested capital. We do not believe the industry dynamics have meaningfully changed, only that conditions are beginning to normalize after a volatile four years.

Bio-Techne is a protein sciences/proteomics company that sells instruments and manufactures hundreds of thousands of proteins. Proteins and antibodies are used in research and increasingly in clinical settings for a wide range of therapies. Bio-Techne's customers are small and large biopharma companies, academic research institutes, clinical labs, and in vitro diagnostics manufacturers. The business stands out for its positive track record over the past decade with increased product differentiation, accelerating organic revenue growth, and 20%+ cash flow return on invested capital (CFROIC). More recently, the business was negatively impacted by the post-COVID destocking trend and weakness in China—both of which have affected the broader life sciences industry—but we believe this presented a unique opportunity to invest in an high-quality flywheel company that we expect to potentially deliver mid-to-high teens earnings growth over the long term. As with Medpace, we believe the company is well-positioned to benefit from some of the most significant growth markets in emerging biopharma without the risk of a biotech business model with binary outcomes or zero cash flow.

Generac is the leading brand for a wide range of power equipment, including standby home generators and backup power for commercial and industrial markets. Generac is uniquely positioned due to its scale–it's the largest manufacturer in the U.S. It also has the largest dealer/distributor network with a 75% market share in the residential business and a very high market share in commercial/industrial, depending on the end market. Generac was previously held in US SMID before exiting the position in 2021 due to concerns around the supply chain and a more comprehensive range of potential outcomes given a surge in demand through the pandemic. Since then, earnings have declined as the pandemic era pull-forward demand normalized, and the valuation is far more attractive. We believe long-term EPS growth is in the mid to high teens but that EPS will grow significantly faster over the next two years as margins inflect post-COVID reset—something we are already observing in the business fundamentals.

MarketAxess operates one of the leading electronic trading platforms for fixed income securities, with over 2,000 institutional investors and broker-dealers using their trading solutions. In our opinion, the company only has 2-3 legitimate global e-trading competitors in a high barrier-to-entry market. Over the past five years, the share price has been roughly flat as the previously elevated multiple compressed due to the rollout of new competitive protocols that cut into their monopoly position in U.S. credit as well as due to a shift in macro conditions (i.e., rising rates impact on fixed income). We believe the shares now trade at a far more reasonable multiple, and the company has invested heavily in new technology, product categories, and geographies to level with their capable competitors. As the company begins to lap these near-term difficult macro conditions, we believe EPS can potentially compound at a mid-teens rate (or higher) as this outstanding, highly cash-generative business returns to form.

During the quarter, we trimmed our exposure in several existing holdings and eliminated our position in **The Trade Desk**. As a reminder, we have been using The Trade Desk, a leading programmatic advertising platform, as a source of funds over the past several months, mainly due to the high market capitalization and significant stock price appreciation, reducing our expected return outlook for the stock.

Outlook

2023 was a volatile year that ended on a high note for SMID cap equities. It was also a highly differentiated year for our strategy. Throughout 2023, the market sentiment seemed to shift drastically quarter-by-quarter, creating many potential traps for those with a short-term orientation, often driving reactionary decision-making. While market sentiment has improved recently, and we are cautiously optimistic about stabilizing interest rates, the reality is that uncertainty persists. This underscores why we stay focused on the long-term and on competitively advantaged, financially flexible businesses.

We believe that always owning businesses with robust balance sheets and the ability to reinvest in any environment trumps short-term temptations to own lower-quality businesses driven by interest rates, commodity prices, or leverage.

Looking ahead to 2024 and beyond, we see significant asset class opportunities, particularly for our investing style. In our opinion, high-quality SMID cap companies have more significant latent potential for growth relative to more mature businesses. The best-of-the-best SMID cap companies will take advantage of solid balance sheets and continued reinvestment to advance their competitive position, tackle adjacencies, and have a better potential opportunity for value-added acquisitions.

Of course, many companies do not meet this high hurdle, which is why we hold a concentrated portfolio of companies that do not just offer growth and high potential returns but also durability, robust financial models, the ability to self-fund growth, and what we believe to be superior management teams.

We believe great investing requires a clear and proven philosophy, a disciplined process, and conviction. It also requires great humility and a willingness to change your view when the evidence demands it—something we are always prepared to do. We look forward to keeping you updated on our views in future commentary.

Thank you for your interest in Polen Capital and the U.S. SMID Company Growth Portfolio. Please contact us with any questions.

Sincerely,

Rayna Lesser Hannaway, CFA & Whitney Young Crawford

Experience in High Quality Growth Investing

Rayna Lesser Hannaway, CFA
Head of Team, Portfolio Manager & Analyst
27 years of experience

Whitney Young Crawford
Portfolio Manager & Analyst
16 years of experience

GIPS Report

Polen Capital Management
U.S. SMID Company Growth Composite—GIPS Composite Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation[2]	
Year End	**Total ($Millions)**	**Assets ($Millions)**	**Assets ($Millions)**	**U.S. Dollars ($Millions)**	**Number of Accounts**	**Composite Gross (%)**	**Composite Net (%)**	**Russell 2500 Growth (%)**	**Composite Dispersion (%)**	**Polen Gross (%)**	**Russell 2500 Growth (%)**
2022	48,143	18,053	30,090	22.57	10	-44.40	-44.95	-26.21	0.1	N/A	N/A
2021	82,789	28,884	53,905	4.95	7	22.03	20.64	5.05	0.0	N/A	N/A
2020[1]	59,161	20,662	38,499	0.51	1	105.23	103.70	82.91	N/A	N/A	N/A

Performance % as of 12-31-2023:
(Annualized returns are presented for periods greater than one year)

	1 Yr	5 Yr	10 Yr	Inception
Polen US SMID Company Growth (Gross)	29.39	-	-	16.99
Polen US SMID Company Growth (Net)	28.05	-	-	15.77
Russell 2500 Growth	18.93	-	-	14.96

[1]Performance represents partial period (April 1, 2020 through December 31, 2020), assets and accounts are as of December 31, 2020.
[2]A 3 Year Standard Deviation is not available for 2020, 2021 and 2022 due to 36 monthly returns are not available.
Some versions of this GIPS Report previously included assets of the Firm's wholly-owned subsidiary in the 2022 Firm Assets figure, in error. The figure above has been corrected to no longer count assets at the subsidiary level.
N/A - There are five or fewer accounts in the composite the entire year. Total assets and UMA assets are supplemental information to the GIPS Composite Report.
While pitch books are updated quarterly to include composite performance through the most recent quarter, we use the GIPS Report that includes annual returns only. To minimize the risk of error we update the GIPS Report annually. This is typically updated by the end of the first quarter.

GIPS Report

The U.S. SMID Company Growth Composite created and incepted on April 1, 2020 contains fully discretionary small and mid-cap company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the Russell 2500 Growth Index. Effective January 2022, fully discretionary SMID company equity accounts managed as part of our U.S. SMID Company Growth strategy that adhere to the rules and regulations applicable to registered investment companies subject to the U.S. Investment Company Act of 1940 were included into the U.S. SMID Company Growth Composite. The accounts comprising the portfolios are highly concentrated and are not constrained by EU diversification regulations.

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 for the periods April 1, 1992 through December 31, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Polen Capital Management is an independent registered investment adviser. Polen Capital Management maintains related entities which together invest exclusively in equity portfolios consisting of high-quality companies. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, 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.

Effective January 1, 2022, composite policy requires the temporary removal of any portfolio incurring a client initiated significant net cash inflow or outflow of 10% or greater of portfolio assets, provided, however, if invoking this policy would result in all accounts being removed for a month, this policy shall not apply for that month. 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 either actual management fees or highest fees for fund structures. The annual composite dispersion presented is an asset-weighted standard deviation using returns presented gross of management fees calculated for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The separate account 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.

The per annum fee schedule for managing the Polen U.S. SMID Company Growth Fund, which is included in the U.S. SMID Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 130 basis points (1.30%). As of 9/1/2023, the mutual fund expense ratio goes up to 1.30%. This figure may vary from year to year.

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 2500® Growth Index is a market capitalization weighted index that measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes Russell 2500® companies with higher price-to-book ratios and higher forecasted growth values. The index is maintained by the FTSE Russell, a subsidiary of the London Stock Exchange Group.

The volatility and other material characteristics of the indices referenced may be materially different from the performance achieved. In addition, the composite's holdings may be materially different from those within the index. Indices are unmanaged and one cannot invest directly in an index.

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%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.30	1.41	1.54	1.68	1.83	1.99	2.17	2.37
20%	1.20	1.44	1.73	2.07	2.49	2.99	3.58	4.30	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