Polen U.S. Small Company Growth

Portfolio Manager Commentary – December 2023

Summary

- During the fourth quarter, the U.S. Small Company Growth Composite Portfolio (the "Portfolio") trailed the Russell 2000 Growth Index (the "Index").

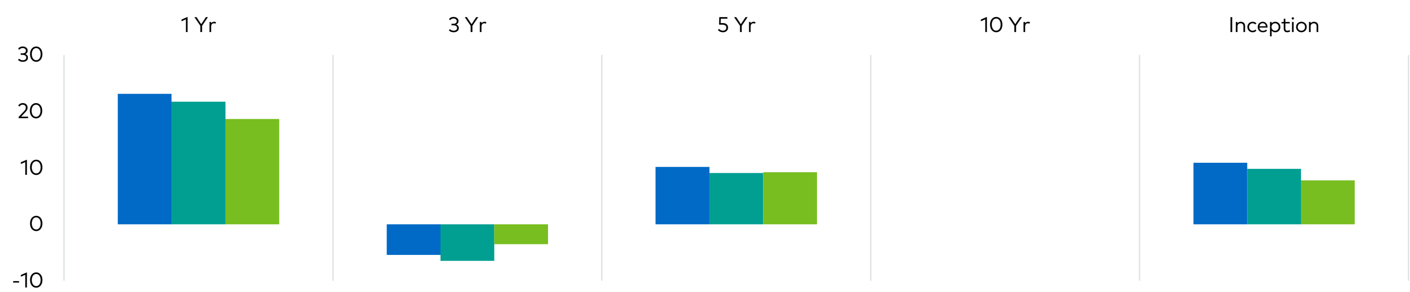
- The market experienced yet another drastic shift into the end of the year with growing evidence the rate hike cycle was nearing an end, and a growing consensus expectation for easing financial conditions in 2024.

- Since the most recent low in October the Russell 2000 Growth has outperformed the broader market[1] by over 8% and small cap stocks remain historically cheap relative to history and to large cap peers.

- Transaction activity this quarter included six new positions—Core & Main, Medpace, Generac, LGI Homes, Topgolf Callaway Brands, and Bowman Consulting Group—along with modest additions and trims to existing holdings. We exited one position—Five Below—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
U.S. Small Company Growth (Gross)	10.46	23.13	23.13	-5.42	10.18	-	10.92
U.S. Small Company Growth (Net)	10.22	21.72	21.72	-6.46	9.08	-	9.82
Russell 2000 Growth	12.75	18.66	18.66	-3.51	9.23	-	7.78

[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. Small Company Growth Composite Portfolio "the Portfolio" returned 10.46% gross and 10.22% net of fees compared to a 12.75% return for the Russell 2000 Growth Index. In many ways, we believe 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 small 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, small 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 small 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 2000 Growth has outperformed the broader market by nearly 8% and small cap 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.

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

Portfolio Performance & Attribution

The top contributors to the Portfolio's relative performance in the fourth quarter were **Wingstop, Hamilton Lane,** and **Qualys.** In turn, the top absolute contributors were **Wingstop, Hamilton Lane,** and **Globant.**

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.

Hamilton Lane, a private markets advisory and funds business for institutional investors, has showcased resiliency in 2023 amidst a highly uncertain macro and fundraising environment. Specialized funds continue to be an area of strength, particularly as the company has success scaling its efforts with high-net-worth clients in the wirehouse channels. This has been an underappreciated growth driver. While Generally Accepted Accounting Principles (GAAP) earnings fluctuate due to performance fees, we value the company based on its core fee earnings, which have been remarkably consistent and have been durable through cycles.

Qualys, a cloud-based IT security solutions company focused on vulnerability management software, delivered better-than-expected top and bottom-line growth and raised full-year guidance for 2023—particularly encouraging given the challenging macro environment. We continue to believe Qualys is very well positioned to benefit from the secular trend of growing cybersecurity demand, and that the company is uniquely positioned thanks to its platform approach and disciplined balance of profitability and growth.

The most significant detractors from the Portfolio's relative and absolute performance in the quarter were **Fox Factory Holdings, CCC Intelligent Solutions,** and **XPEL.**

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.

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.

CCC Intelligent Solutions provides software and tools to the automotive insurance ecosystem. Their customers include insurance companies, repair shops, parts suppliers, medical insurance carriers, and auto manufacturers. Towards the end of the third quarter, acquisition speculation drove the stock higher. As it became clear an acquisition would not take place, the stock quickly gave back some of those earlier gains this past quarter. However, nothing has fundamentally changed with the business and we continue to believe CCC remains an attractive long-term investment from a quality, free cash flow growth, and valuation perspective.

XPEL is a leader in the automotive paint protection film ("PPF") market and a holding we initiated in the third quarter. During the period, the stock sold off sharply on news that Tesla entered the market in 2 of their 100 service centers. We believe the reaction was overblown and the combination of increasing attach rates, adjacent categories (for instance, new markets like architectural and Marine), and geographic expansion provide a long runway of growth for XPEL. Of note, we recently visited the company's corporate headquarters in San Antonio and came away with renewed confidence in the strength of the management team to execute against their strategic priorities and deliver profitable growth over the long-term.

Portfolio Activity

During the quarter, we started positions in six new investments: **Core & Main, Medpace, Generac, LGI Homes, Topgolf Callaway Brands,** and **Bowman Consulting Group.** Additionally, we added to several existing positions.

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 solid track record of capital allocation skill that will serve them well as they continue to consolidate the industry through disciplined acquisitions. We view CNM as a high-quality business that is currently undervalued by the market given the structural tailwinds around an urgent need to repair and replace aging municipal water infrastructure. In our view, this positions the company for potential earnings surprises and multiple expansion, making it a compelling investment opportunity with an estimated IRR of approximately 20%.

Medpace is a mid-sized contract research organization (CRO) that services smaller biotech companies with venture/PE 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, it is particularly challenging to buy pharma and biotech companies due to their earnings losses and FDA risk. The company's impressive track record of robust financial performance—emphasizing stability, 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 for us as we seek exposure to the groundbreaking innovation that comes with the biotech industry.

Generac is the leading brand for a wide range of power equipment including standby generators for homes 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. and has the largest dealer/distributor network with 75% market share in the residential business and elevated market share in commercial/industrial depending on the end market. Generac was previously held in the U.S. SMID strategy prior to exiting the position in 2021 due to concerns around the supply chain and a wider range of potential outcomes given a surge in demand through the pandemic. Since then, earnings have declined as pandemic era pull-forward demand normalized and the valuation is far more attractive. We believe long-term earnings per share (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 re-set—something we are already observing in the business fundamentals.

LGI Homes is a homebuilder primarily concentrated in the southeast and Texas. To some, the addition of a homebuilder may come as a surprise given the industry has not typically been associated with quality, having been among the worst performers during the Global Financial Crisis ("GFC") of 2008-2009. However, over the past 15 years the industry has evolved significantly (for the better). Drawing on lessons from the GFC, many of the leading homebuilders today are deploying asset-light strategies and carefully building behind demand which in turn has led to better returns, stronger balance sheets, and more disciplined capital allocation. Beyond this, another long-term driver for the industry comes from the structural undersupply that has been in place since the GFC. LGI Homes is focused on building entry-level homes in the 'exurbs' about 40 minutes outside of a major metropolitan area. The company has a unique operating model to profitably build affordable homes for first time homebuyers, positioning them to serve what we believe is the part of the market (first-time homebuyers) with the biggest supply/demand shortfall long-term.

Importantly, LGI has a founder-led management team that has proven capital allocation skill over time, best demonstrated by the fact that they remained profitable through the GFC. Looking ahead, we expect a low 20's internal rate of return (IRR) through the cycle with a relatively wider range of potential outcomes, which is reflected in the position size.

Topgolf Callaway was created in 2021 with the merger of Callaway, a longstanding and slower-growing collection of high-quality golf brands, and Topgolf, an emerging sports and entertainment company. We spent over a year researching Topgolf Callaway as we sought to gain comfort with the level of earnings post-pandemic (golf popularity increased significantly and the Topgolf operating model. Importantly, we believe the Topgolf business model has significant room for growth both in units and in unit-level profitability. At the same time, the core Callaway brands provide ballast and cash flow to be reinvested to drive future growth. Beyond stores/units, Topgolf Callaway has invested in great brands and golf technology that we believe will create additional runways for growth. While the company is profitable, earnings have been under pressure over the past year. However, we believe they will reach an inflection point based on business mix and growth in Topgolf sometime in FY24, before growing at a consistent low-to-mid teens rate driven by store/unit expansion.

Bowman Consulting Group is an engineering consulting business that serves diverse end markets including infrastructure, energy, real estate, residential and industrial. The engineering consulting industry is fragmented. There are several large players, but their cumulative market share is relatively low given the many small players in the industry. We believe Bowman has a unique position in the market as one of the few mid-sized players that still has a long runway of growth from rolling up smaller firms. Bowman has a long track record of acquiring small firms at attractive valuations and solid return on investment—firms that are too small to be meaningful for larger players. Importantly, Bowman has consistently improved its business, diversifying its project type and industry exposure, winning larger and longer contracts, and increasing cross-sell and scope of services. Overall, we expect Bowman to grow earnings at a mid-teens rate through a combination of organic growth, acquisitions and modest margin expansion.

During the quarter, we trimmed our exposure in several existing holdings, and we exited one position, **Five Below.** Five Below is a discount retailer selling toys, games and merchandise targeting teens, tweens, kids and their parents. It has been a remarkably consistent company over many years, with the potential to double its store count over time. Five Below has been a successful investment, earning an attractive IRR over our holding period. Given the larger market capitalization, we have decided to re-deploy the proceeds towards new ideas and to add to existing holdings.

Outlook

2023 was a volatile year that ended on a high note for Small Cap equities. It was also a highly differentiated year for our strategy. Throughout 2023, market sentiment seemed to shift drastically quarter-by-quarter, creating many potential traps for those with a short-term orientation, which often drives reactionary decision making. While market sentiment has improved more 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 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 opportunity for the asset class, and particularly for our style of investing. In our opinion, high quality small cap companies have greater latent potential for growth relative to more mature businesses. The best-of-the-best small cap companies will take advantage of robust 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 requires 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. Small 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. Small 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 2000 G (%)	Composite Dispersion (%)	Polen Gross (%)	Russell 2000 G (%)
2022	48,143	18,053	30,090	89.27	40	-42.10	-42.86	-26.36	0.1	29.29	26.20
2021	82,789	28,884	53,905	83.89	156	18.67	17.69	2.83	0.6	23.54	23.08
2020	59,161	20,662	38,499	48.06	68	56.41	55.08	34.63	1.7	25.52	25.10
2019	34,784	12,681	22,104	8.28	8	22.73	21.62	28.50	0.1	N/A	N/A
2018	20,591	7,862	12,729	3.82	6	3.30	2.31	-9.29	0.0	N/A	N/A
2017[1]	17,422	6,957	10,466	5.65	4	20.74	19.82	18.22	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
U.S. Small Company Growth (Gross)	23.13	10.18	-	10.92
U.S. Small Company Growth (Net)	21.72	9.08	-	9.82
Russell 2000 Growth	18.66	9.23	-	7.78

[1]Performance represents partial period (March 9, 2017 through December 31, 2017), assets and accounts are as of December 31, 2017.
[2]A 3 Year Standard Deviation is not available for 2017, 2018 and 2019 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. Total assets and UMA assets are supplemental information to the GIPS Composite Report. N/A - There are five or fewer accounts in the composite the entire year. 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.

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GIPS Report

The U.S. Small Company Growth Composite created on July 3, 2017 with inception date 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. Effective January 2022, fully discretionary small company equity accounts managed as part of our U.S. Small 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. Small 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. A material error in the 2017 annual performance for the Russell 2000 Growth was corrected as of April 17, 2020. 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. Small Company Growth Fund, which is included in the U.S. Small Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 135 basis points (1.35%). As of 9/1/2023, the mutual fund expense ratio goes up to 1.35%. 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 2000® Growth Index is a market capitalization weighted index that measures the performance of the small-cap growth segment of the U.S. equity universe. It includes Russell 2000® Index companies with higher price/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