

POINT OF VIEW

When a Theme Becomes Investable: Electrification in Practice

A theme is not the risk. How you interpret it, and when you act on it, is.

When does a theme actually become investable? The answer is rarely obvious in real time.

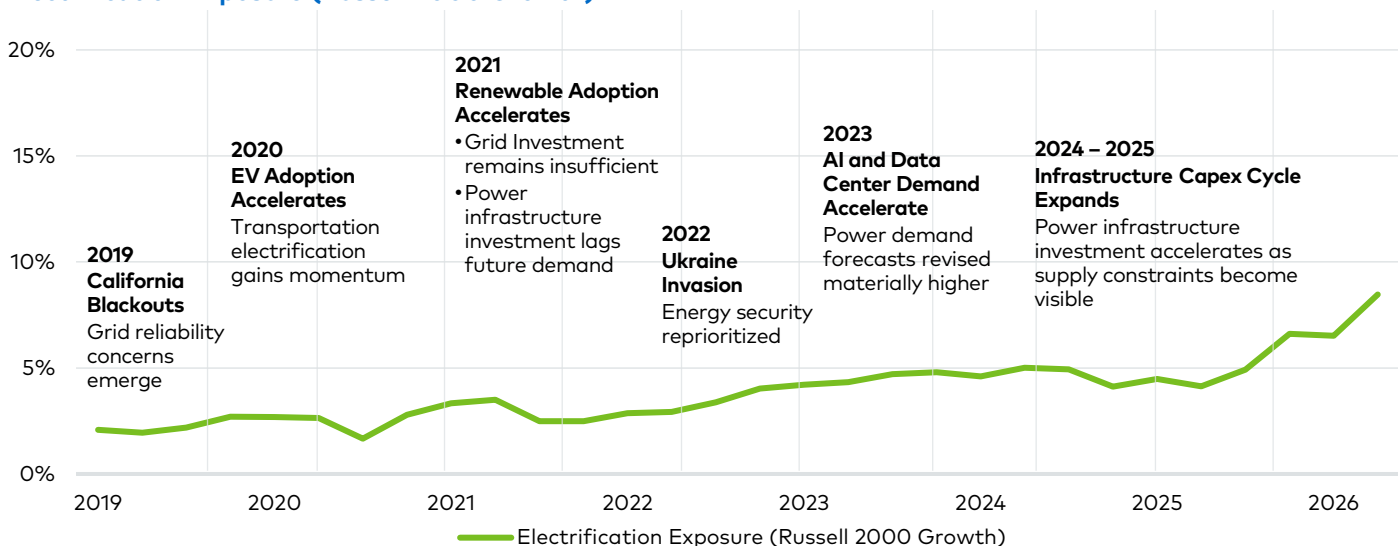
In this paper, we use electrification as a practical example of how a theme evolves from idea to investment opportunity. We begin with the story most of the world saw: how electrification moved from a policy-driven transition to a constraint-driven reality. What was once defined by a long-term shift toward cleaner energy is now shaped by a more immediate challenge: meeting rapidly rising electricity demand with limited supply. We then look behind the curtain to examine how the 5Perspectives Growth team interpreted those developments and adjusted positioning as the evidence evolved.

What the world saw

To understand why electrification became investable, we must first understand what the market saw—and what it missed. Understanding a theme conceptually and translating that understanding into compelling investment ideas are entirely different.

While the 5Perspectives Growth team had been plugged into the theme long before the period discussed here, we focus on the more recent developments that transformed electrification from an interesting idea into an increasingly investable opportunity for us. As depicted in the early years of Figure 1, electrification lacked a critical ingredient: urgency. Demand was developing gradually, supply remained sufficient, and the opportunity was still largely dependent on policy rather than economics. While the theme was compelling, it was not yet a consistent driver of earnings growth.

Figure 1: Electrification: From Possibility to Necessity
Electrification Exposure (Russell 2000 Growth)



As of 03-31-2026. **Sources:** Polen Capital, Bloomberg. Electrification-related companies were identified using Polen Capital's internal research framework and include businesses where Polen believes their products, services, or revenues are materially linked to the generation, transmission, distribution, management, or consumption of electricity. Exposure is calculated as the aggregate weight of these companies within the Russell 2000® Growth Index. Company classifications are subject to change and may differ from those used by other investors or index providers.

We do not invest in themes simply because they represent compelling stories. Themes become investable when we think structural change begins to shape economic conditions, setting the stage for a potential earnings inflection before it is fully recognized. As that process unfolds, early market signals often begin to confirm the shift. Recognizing a theme is only the starting point. We believe successful investing requires identifying the inflection point, expressing conviction as the opportunity develops, and adjusting exposure as the evidence changes. The challenge is recognizing when that evolution justifies a different portfolio response.

Before examining how the 5Perspectives team interpreted electrification, it is useful to understand how the opportunity evolved from the market's perspective. Figure 1 uses the Russell 2000 Growth Index (the "Index") as a proxy for the investable universe most relevant to the Polen 5Perspectives Small Growth strategy. By tracking the Index's exposure to electrification-related companies alongside the developments shaping the theme, the chart provides a lens through which to view how electrification became increasingly important over time.

The early years were characterized by growing awareness rather than urgency. Events such as the California blackouts highlighted vulnerabilities in grid reliability, while accelerating electric vehicle adoption pointed to a future increase in electricity demand. These developments brought greater attention to the theme, yet the broader system remained relatively stable and demand growth was gradual.

As the timeline progressed, the Index's allocation to electrification-related companies trended upward. Structural imbalances began to

emerge as years of underinvestment left the grid less prepared to meet future demand. At the same time, transportation electrification continued to expand, increasing the need for generation, transmission, and distribution capacity. The invasion of Ukraine further intensified energy security concerns, increasing the focus on reliable domestic power generation.

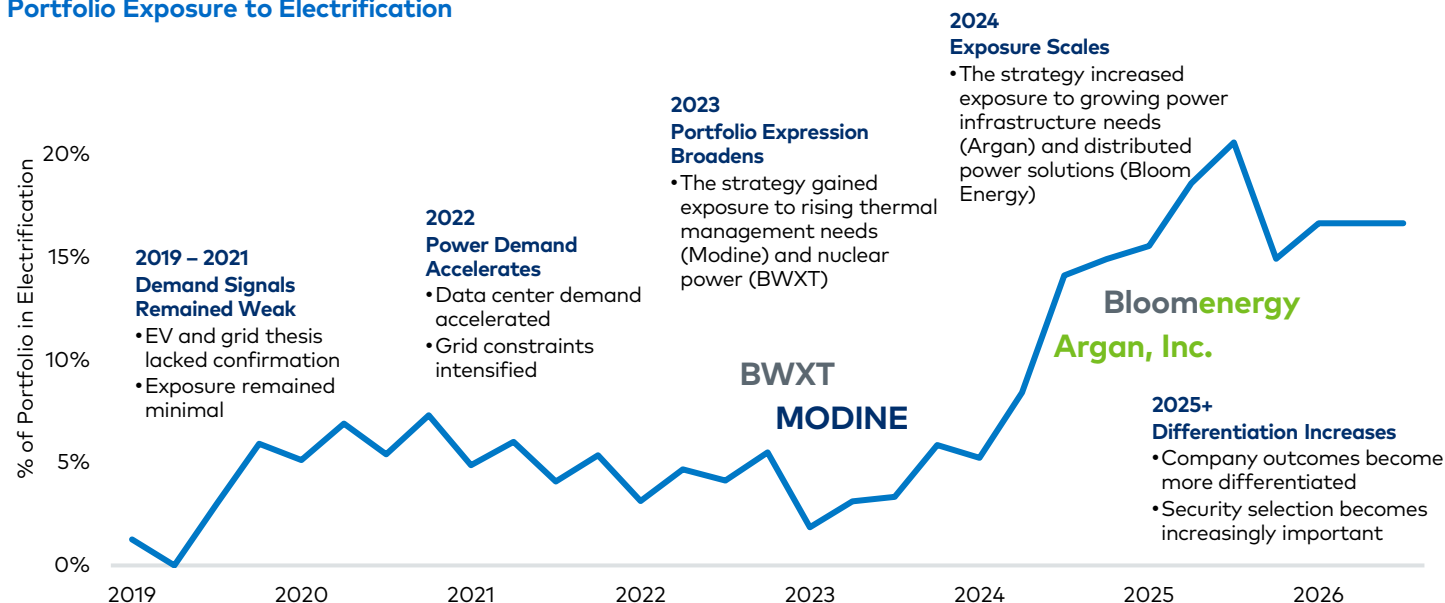
A more significant shift occurred as data center investment accelerated and new sources of electricity demand emerged. As hyperscale cloud infrastructure was being aggressively built out in the late 2010s and early 2020s, demand increased meaningfully through enterprise cloud migrations, streaming video content, and growing e-commerce activity. EV adoption continued to expand, increasing the need for generation, transmission, and distribution capacity. Supply chain fragility and energy security concerns increased the push toward domestic manufacturing, another meaningful source of electricity demand. Then, with the emergence of Generative AI, data centers added yet another source of demand, exposing a more structural imbalance between supply and demand. The progression shown in Figure 1 is not driven by any single event or source of demand. Rather, it reflects the accumulation of forces that steadily increased the importance of electrification within the investable universe. What we find in this analysis is that what began as a long-term possibility increasingly became a material economic consideration.

When Electrification Became Investable

Figure 2 illustrates how our exposure to electrification changed as the underlying opportunity developed. Changes in positioning were driven by how underlying signals evolved over time. In practice, this

Figure 2: From Early Signals to Portfolio Conviction

Portfolio Exposure to Electrification



As of 03-31-2026. **Sources:** Polen Capital, Bloomberg. Electrification-related companies were identified using Polen Capital's internal research framework and include businesses where Polen believes their products, services, or revenues are materially linked to the generation, transmission, distribution, management, or consumption of electricity. Exposure is calculated as the aggregate weight of these companies within the 5Perspectives Small Growth portfolio. Company references are illustrative examples used to highlight key developments within the theme and do not represent all portfolio holdings associated with electrification.

is generally how we invest along a theme—adjusting exposure as the fundamental, thematic, and market signals that drive earnings and recognition evolve. Exposure increased, paused, and at times was reduced as the relationship between fundamentals, sentiment, and positioning shifted.

In the earlier years, the opportunity was compelling conceptually but difficult to express in the portfolio. Electric vehicle adoption and grid reliability concerns pointed to a long-term opportunity, yet earnings impact remained limited and market leadership failed to emerge. As a result, exposure remained small and short-lived.

The first meaningful shift occurred as data center investment accelerated and AI workloads emerged as a new source of electricity demand.

These developments increased pressure on an already constrained power system and began to strengthen the economic case for electrification.

The theme became more actionable as market leadership began to emerge. Positions such as Modine and BWXT highlighted the growing importance of key electrification enablers, including thermal management and nuclear power, as electricity demand expectations rose. During this period, exposure was rebuilt selectively as evidence strengthened.

The most significant increase in exposure occurred as power constraints became more widely recognized and earnings visibility improved across the value chain. The addition of companies such as Argan and Bloom reflected growing conviction in the opportunity and a broader set of investable beneficiaries. At this stage, fundamentals, thematic strength, and market recognition began to align.

As the opportunity has matured, outcomes have become more dispersed. Exposure is now being refined and reallocated as differentiation across companies increases and new opportunities emerge. Figure 2 reflects a simple reality: the theme remained intact, but the evidence changed. The differentiator was not recognizing the theme early, but by increasing conviction as conditions evolved and refining exposure as the opportunity matured.

Translating Insight into Positioning

Figure 3 brings the preceding discussion together. It shows how the electrification theme evolved, how we interpreted those changes, and how that interpretation translated into portfolio positioning. Across the periods shown, shifts in macro conditions, fundamentals, and market behavior led to corresponding changes in exposure.

Throughout the period, the challenge was not identifying the theme, but determining when the evidence justified a different portfolio response. Early evidence pointed to a compelling long-term opportunity, yet earnings confirmation and sustained market leadership remained limited. As a result, exposure remained small and short-lived.

Conditions began to change more meaningfully as energy security concerns, data center investment, and AI increased demand for power. Electrification increasingly shifted from a policy-driven theme to a supply-and-demand problem. As the opportunity became more compelling, exposure was rebuilt selectively through positions such as Modine and BWXT.

The thesis gained further support as power constraints became widely recognized and earnings visibility improved across the value chain. Relative strength across electrification-related companies reinforced the investment case, reinforcing growing conviction in the opportunity.

Figure 3: From Theme Evolution to Portfolio Positioning

Time Period	Macro Evolution	5Perspectives Lens	Portfolio Action
2019–2021	EV adoption increased and grid reliability concerns emerged.	The opportunity was compelling conceptually but lacked earnings confirmation and sustained market leadership.	Exposure remained small and short-lived.
2022–2023	Energy security concerns, data center investment, and AI increased demand for power.	Electrification shifted from a policy-driven theme to a supply-and-demand problem.	Exposure was rebuilt through Modine and BWXT as evidence strengthened.
2024–2025	Power constraints became widely recognized and infrastructure investment accelerated.	Fundamentals and market recognition aligned, improving earnings visibility across the value chain.	Exposure expanded through Argan, Bloom, and other beneficiaries.
2026+	The opportunity matured as investment broadened across the ecosystem.	Outcomes became more dispersed and selectivity became increasingly important.	Exposure was refined toward the highest-conviction opportunities.

As conviction increased, exposure increased through companies such as Argan and Bloom, reflecting a broader set of investable beneficiaries. The theme itself did not change. What changed was the evidence.

Over time, outcomes became more dispersed and selectivity became increasingly important. Exposure is now being refined toward the highest-conviction opportunities as new opportunities emerge and the range of potential outcomes broadens.

“The goal is not to have the right idea. It is to be positioned correctly as the evidence changes.”

-Drew Cupps

Head of 5Perspectives Growth Team

This principle is reflected in how exposure evolved over time. Exposure evolved alongside the signals that informed our conviction, increasing when the opportunity broadened and becoming more selective as outcomes diverged.

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Where Themes Become Decisions

Electrification provides a clear example of how structural themes evolve and how disciplined investing navigates that evolution. While the idea was visible early, the opportunity emerged later, and the investment case strengthened only as demand, earnings, and market recognition began to align. At no point was this a single decision. It was a series of adjustments made as conditions changed.

Electrification is not just a story about a theme. It is a demonstration of how disciplined investing adapts as conditions change. Themes evolve. Opportunities emerge unevenly. Markets overreact and then recalibrate. The advantage does not come from identifying a theme early. It comes from recognizing when that theme becomes investable, expressing conviction as the opportunity develops, and adapting as the evidence changes. That is how structural change can become investment outcomes.

purchase, hold, or sell any security or sector. Portfolio holdings, exposures, and themes are subject to change and individual client portfolios and exposures may differ. There can be no assurance that the theme will remain represented in the portfolio or that investments associated with the theme will be profitable.

The Polen 5Perspectives Small Growth strategy (the “Strategy”) began in November 2000 and was managed by Cupps Capital until October 2016 at which time it was transitioned to Advisory Research Investment Management. In March 2024, it transitioned to Bosun Asset Management, and subsequently in June 2025, it transitioned to Polen Capital. Andrew Cupps has served as the portfolio manager of the Strategy since inception. Mr. Cupps has been supported in his role as portfolio manager by various individuals, including Kevin Leitner and Chris Bush. Mr. Leitner has worked on the Strategy since inception. Mr. Bush began working on the Strategy in 2007. At all times during his tenure as portfolio manager, Mr. Cupps has had ultimate decision-making authority with respect to the Strategy. Mr. Cupps, Mr. Leitner and Mr. Bush joined Polen Capital on June 30, 2025.

Past performance does not guarantee future results.

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. It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes.

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