

MUTUAL FUND PROFILE

Ahead of The Digital Curve

The following has been excerpted

By Sarah Max

In March, when many of their industry peers were suddenly adjusting to working from home, Damon Ficklin, Jeff Mueller, and their colleagues at Polen Capital found the transition relatively seamless.

Before the pandemic, “it was common for half of our team to not be physically present in our weekly investment meetings,” says Ficklin, who along with other senior people at the firm, spearheaded a change in culture nearly a decade ago. The Boca Raton, Fla., firm adheres to a philosophy of results-oriented work, which allows for flexible schedules and remote work arrangements. It also offers annual stipends for professional and personal development, and uses personality tests to help people better understand how they communicate.

What didn't change was the firm's high conviction, low turnover strategy developed three decades ago by its late founder David Polen.

Launched in 2015, the \$441 million Polen Global Growth fund (ticker: PGIRX) applies the same discipline to a global stage. Over the last three years the fund has returned an average of 19.6% a year, better than 97% of its world large stock peers.

In another departure from the typical fund shop, Polen Capital doesn't require poten-



Damon Ficklin, left, and Jeff Mueller manage the Polen Global Growth fund. Photographs by Alfonso Duran

tial employees to have traditional investment experience. “We found that it's more productive and less risky to hire very talented, smart, passionate people and grow them from the ground up,” says Ficklin, 46. He was an international tax consultant turned Morningstar analyst when he joined the firm in 2003.

Mueller, 42, took an even more circuitous route. A collegiate tennis player, he was gearing up to play professionally when the Sept. 11, 2001 terrorist attacks spurred him to enlist in the U.S. Marine Corps. While in Iraq, where he flew F/A-18s, he found a copy of Ben

Graham's *The Intelligent Investor*, read it cover-to-cover and decided his next move would be business school. “I entered Columbia University as a real Ben Graham fanboy,” says Mueller, who was part of the school's lauded Value Investing Program. But he eventually arrived at a different conclusion: “The better way to invest was to compound wealth over time by investing in high-quality, growing businesses.”

That philosophy is the basis of all investment decisions at Polen Capital. With 25 to 30 holdings, the global fund has a wide mandate, but every company needs to meet five criteria:

a cash-rich balance sheet with little debt, strong free cash flow to make acquisitions or return capital to shareholders, sustainable return on capital of at least 20%, steady or increasing profit margins, and revenue growth that is independent of economic or industry cycles.

A common theme across the portfolio is digital transformation. Like many funds that were early to this theme, the fund has benefited as the Covid-19 pandemic has accelerated consumer and industry adoption of all things digital.

One beneficiary of this trend is PayPal Holdings (PYPL), which the fund has owned

(over please)

Polen Global Growth

| | Total Return | | |
|---|--------------|-------|-------|
| | 1-Yr | 3-Yr | 5-Yr |
| PGIRX | 28.9% | 19.6% | 18.1% |
| MSCI ACWI | 17.3 | 8.9 | 10.7 |
| Top 10 Holdings | | | |
| Company / Ticker | % of Assets | | |
| Microsoft / MSFT | 8.8% | | |
| Adobe / ADBE | 6.3 | | |
| Alphabet / GOOGL | 5.8 | | |
| Tencent Holdings / 700.Hong Kong | 5.5 | | |
| Alibaba Group Holding / BABA | 5.3 | | |
| Mastercard / MA | 5.3 | | |
| SAP / SAP | 5.0 | | |
| Facebook / FB | 4.9 | | |
| Visa / V | 4.4 | | |
| Autodesk / ADSK | 4.4 | | |

Total **55.5%**
 Note: Holdings as of June 30. Returns through August 24; three- and five-year returns are annualized.
 Sources: Morningstar; Polen Capital

since this spring. PayPal is ubiquitous in the world of digital payments and is a direct beneficiary of the recent surge in e-commerce. It is used by 70% of the world's top 1,000 merchants. They pay a fee to PayPal, but the upshot is less friction at checkout and higher conversion rates. Because cus-

tomers don't have to enter credit card information, they are more likely to go through with a purchase. PayPal stock has doubled since March, but Ficklin and Mueller say it still has plenty of open road to attract more customers—including older users—and take market share from cash and checks.

Many companies in the portfolio are revamping their business models from one-time software purchases to subscriptions to cloud-based services. Ficklin and Mueller have seen that same pattern play out with one of the fund's top holdings, Adobe (ADBE). "When we bought Adobe its margins were in the low 20s, and now they're in the 40s," Ficklin says.

The managers expect Autodesk (ADSK) to follow a similar trajectory. In March, they made the call to sell shares in O'Reilly Automotive (ORLY) and buy Autodesk. Founded in 1982, the company first made its mark with computer-aided design software and, like Adobe, has since expanded and taken a leading share in other industries and services, such as architecture, engineering, and construction and manufacturing, Mueller says.

As Autodesk benefits from its transition to a cloud-delivered, subscription-based model, several trends are driving demand for its software. Offices, restaurants, and

other commercial spaces are, in many cases, being reimaged for the realities of Covid-19; Autodesk software can model everything from people movement to air quality. Its construction management software should get a boost from increased scrutiny of construction waste. "Construction generates 30% of the world's largest waste," Mueller adds. "More governments are mandating that technology like Autodesk be used to improve efficiency."

Digital disruption has even extended into the orthodontics industry. One of the global fund's early investments was Align Technology (ALGN), whose digital scanners and clear Invisalign aligners are a formidable alternative to wires and brackets.

The stock took a big hit in March, and Align's second-quarter top-line growth declined 41%, but the managers believe the company will continue to gain traction. "They can treat nearly 80% of cases in the market today but have penetrated less than 15% of the cases they can treat," says Ficklin, noting that Invisalign's benefits include fewer in-person trips to the orthodontist and better oral health. (The aligners can be removed for brushing and flossing.)

Meanwhile, the proliferation of video calls is driving demand for cosmetic procedures—and perhaps even straighter teeth.

Important Information Concerning the Barron's August 26, 2020 Article Reprint

Our Global Growth Fund objective seeks to achieve long-term growth of capital. The advisor identifies a concentrated portfolio of competitively advantaged business with the sustainable, above-average earnings growth.

Investor Share Details

| | |
|-----------------------|------------|
| Ticker | PGIRX |
| CUSIP | 360875637 |
| Inception Date | 07-06-2015 |
| Min Investment | \$3,000 |
| Expense Ratio Net | 1.35% |
| Expense Ratio Gross | 1.37% |
| AUM (as of 8-24-2020) | \$441M |

Top Ten Holdings (% of Portfolio as of 6-30-2020)

| | |
|---------------------------|-------|
| Microsoft Corp | 8.76 |
| Adobe Inc | 6.27 |
| Alphabet Inc | 5.79 |
| Tencent Holdings Ltd | 5.48 |
| Alibaba Group Holding Ltd | 5.33 |
| Mastercard Inc | 5.32 |
| SAP SE | 4.97 |
| Facebook Inc | 4.87 |
| Visa Inc | 4.36 |
| Autodesk Inc | 4.35 |
| Total | 55.50 |

Fund Performance – Polen Global Growth (PGIRX) Shares (%)

| | Quarter | YTD | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|--|---------|-------|-------|-------|-------|-----------------|
| Polen Global Growth - Investor Class | 20.54 | 4.44 | 15.45 | 16.92 | 14.61 | 14.66 |
| Morningstar World Large Stock Category | 20.06 | -5.33 | 1.83 | 5.55 | 6.04 | - |

Source: Morningstar.

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher. Performance data current to the most recent month end may be obtained by calling 1-888-678-6024. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance would have been lower without fee waivers in effect. A 2.00% redemption fee applies to shares redeemed within 60 days of purchase. This redemption fee is not reflective in the returns shown above. Data shown (%) as of 6-30-2020. Periods over one-year are annualized. Since inception results are from 07-06-2015. Gross expense ratio as of the most recent prospectus is 1.37% and net expense 1.35% for Investor Shares. Polen Capital Management has contractually agreed to reduce its fees or reimburse the Fund's operating expenses in order to limit the total annual operating expenses. Total returns would be lower had such fees and expenses not been waived and/or reimbursed. This agreement will terminate on 08-31-2021, unless the Board of Trustees approves an earlier termination.

Holdings are subject to change. The top holdings, as well as other data, are as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the securities noted will remain in a portfolio at the time you read this article. Actual holding and percentage allocation in individual client portfolios may vary and are subject to change. It should not be assumed that any of the holdings discussed were or will prove to be profitable or that the investment recommendations or decisions we make in the future will be profitable. A list of all securities held in this portfolio in the prior year is available upon request.

Important Information: There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal. The Fund is non-diversified, which means that a large portion of the Fund's assets may be invested in one or few companies or sectors. The Fund could fluctuate in value more than a diversified fund. The Fund may invest a substantial amount of its assets in issuers located in a limited number of countries. If the Fund concentrates its investments in this manner, it assumes the risk that economic, political and social conditions in those countries will have a significant impact on its investment

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Mutual fund investing involves risk, including possible loss of principal. The Fund is non-diversified, which means that a large portion of the Fund's assets may be invested in one or few companies or sectors. The Fund could fluctuate in value more than a diversified fund.

Investors should consider the investment objectives, risks, charges and expenses of the Polen Global Growth Fund carefully before investing. A prospectus with this and other information about the Fund may be obtained by calling 1-888-678-6024 or visiting the Materials tab. It should be read carefully before investing.

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