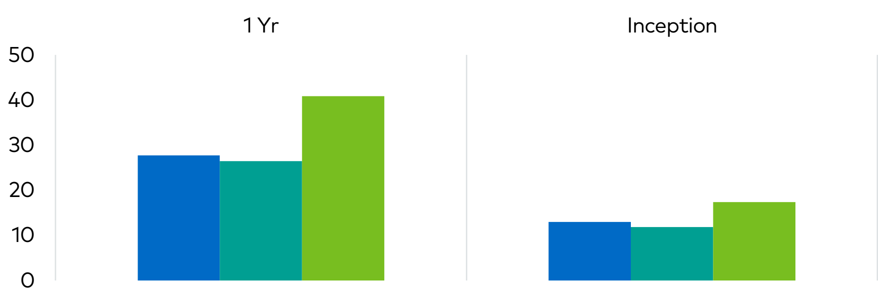
Polen Global Emerging Markets Growth

Portfolio Manager Commentary – June 2021

Summary

- The Polen Global Emerging Markets Growth Composite Portfolio (the "Portfolio") grew by 3.26% gross of fees during the second quarter, underperforming the MSCI Emerging Markets Index (the "Index"), which increased by 5.05%. Underperformance was primarily driven by allocation effects.
- Communication services and health care were the primary headwinds to relative performance, while the consumer discretionary and staples sectors contributed to returns.
- Cyclical sectors such as energy, materials, and industrials performed well during the quarter. Thus, our significant underweight in these sectors weighed on returns.
- Despite contrasting experiences with COVID across emerging markets, a recent World Bank publication forecasts 2021 GDP growth in the emerging world at 6%, led by China and India.
- We continue to expect our businesses to grow their earnings per share by more than 35% in 2021, accelerating from 7% recorded in 2020.
- Thinking ahead about the potential for inflation risk, we assess that our Portfolio of asset-light, high ROIC companies, should be well-placed to navigate a higher inflationary environment.

Seeks Growth & Capital Preservation (Performance (%) as of 06-30-2021)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen Emerging Markets Growth (Gross)	3.26	3.43	27.71	-	-	12.96
Polen Emerging Markets Growth (Net)	3.00	2.93	26.48	-	-	11.85
MSCI Emerging Market (Net)	5.05	7.45	40.91	-	-	17.36

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. 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.

Commentary

Across most of the emerging world, there has been somewhat of a setback to the reopening theme. New virus variants and the relative lag in the rollout of vaccinations in some countries have prompted many governments to re-impose activity restrictions. Many countries are currently experiencing new record case numbers, including those countries that were able to control the virus for most of 2020, such as Taiwan and Vietnam. Governments are, again, facing difficult choices as they seek to balance both economic and health costs. China is a notable exception that has, paradoxically, probably had the smoothest experience containing COVID of all countries worldwide. Cases in China remain close to zero, and a wide-reaching vaccine program has already administered more than 1.3 billion doses.

These contrasting experiences with COVID are, of course, impacting the economies of emerging market countries. Although economic growth estimates are being adjusted down, a recent World Bank publication still put GDP growth forecasts for the group of developing economies countries at 6%, with India and China leading the way.

At a Portfolio level, we do not see material adjustments to the expectations for our companies' growth prospects.

> **We continue to expect our businesses to grow their earnings per share by more than 35% in 2021, accelerating from the 7% growth recorded in 2020.**

That implies compound earnings per share growth of 21% across the two-year period, which is in line with the long-term rates we expect our Portfolio to deliver. So, from a fundamental perspective, our companies are performing as we would expect, despite the material economic shock inflicted by the pandemic. Over time, we expect the share prices of our holdings to reflect these strong underlying fundamentals.

Thinking Ahead About Inflation Risk

Much market chatter has centered around the issue of inflation—will it return? And if so, will it prove to be structural or transitory? While in the West, inflation has been somewhat of a forgotten force, it is nothing new for emerging markets, where inflation rates of 5% and above have been something of the norm for much of the last 20 years. Nevertheless, should inflation return to developed economies, it is likely that it also flows through to emerging market countries, leading to elevated inflation rates versus their history.

With this possibility in mind, we have spent some time this quarter thinking about how a higher inflation environment might impact our Portfolio. Our overriding view is that our Portfolio of quality growth businesses, with their highly competitive market positioning and pricing power, should be well placed to navigate a higher inflationary environment.

When thinking about inflation, we think the experience of the U.S. in the 1970s and 1980s provides an excellent case study. We have spent some time analyzing this period, and our analysis suggests conclusions that might be contrary to what one might expect. Most notably, our study suggests that asset-light companies actually tend to be better protectors of value than those traditionally considered to be inflation safeguards—that is, fixed-asset-heavy industrial businesses.

This hypothesis is supported by Warren Buffett, who, in the Berkshire Hathaway 1983 letter to shareholders, wrote:

> Any unleveraged business that requires some net tangible assets to operate (and almost all do) is hurt by inflation. Businesses needing little in the way of tangible assets simply are hurt the least.
>
> And that fact, of course, has been hard for many people to grasp. For years the traditional wisdom—long on tradition, short on wisdom—held that inflation protection was best provided by businesses laden with natural resources, plants, and machinery, or other tangible assets ("In Goods We Trust").
>
> It doesn't work that way. Asset-heavy businesses generally earn low rates of return—rates that often barely provide enough capital to fund the inflationary needs of the existing business, with nothing left over for real growth, for distribution to owners, or for acquisition of new businesses.

We shall see how the next decade plays out in terms of inflation. Should it return in a meaningful and enduring way, we believe that our Portfolio of asset-light, high ROIC companies should be well-positioned, particularly compared to a benchmark that still has significantly higher exposure to fixed-asset-intensive sectors like technology hardware, materials, industrials, utilities, and real estate. On an aggregate level the MSCI Emerging Markets Index has 38% exposure to these sectors versus 0% exposure in our Portfolio.

Portfolio Performance & Attribution

The strategy grew by 3.26% gross of fees during the quarter, underperforming the Index, which increased by 5.05%. Underperformance was primarily driven by allocation effects. From a sector perspective, communication services and health care were the primary headwinds to relative performance, while the consumer discretionary and staples sectors contributed to returns. Cyclical sectors such as energy, material, and industrials—areas where we typically do not invest—performed well during the quarter and contributed to underperformance. From a geographic perspective, Central Asia, specifically India, added relative value while Western Europe, specifically our position in **Prosus**, detracted. Currency factors were also a headwind.

The top absolute contributors during the second quarter were **Anta Sports**, **Mobile World**, and **NetEase**.

Anta Sports continued to deliver solid profit growth, supported by a rebound in demand from 2020 levels and increased scale across its brand portfolio. Results have also been helped by increased wellness trends and increased preference for national brands. **Mobile World**, Vietnam's largest retailer, has been able to navigate the pandemic, and we think it is set to capitalize on the economic recovery from a position of strength. **NetEase**, a Chinese internet company specializing in online gaming, continued to see strong demand for its services. The company recently announced it would spin off its music streaming service Cloud Village and expects to see a rapid expansion of this business segment.

The top absolute detractors during were **Prosus**, **Tencent Music**, and **Autohome**.

Prosus is one of the largest technology investors in the world, with a significant stake in Tencent. Tencent's shares pulled back upon increased regulatory concerns, which have recently impacted the performance of many Chinese technology companies and consequently the shares of Prosus and **Tencent Music**. **Autohome**, a leading online auto listing and aftermarket service company in China, reported earnings that only slightly missed expectations. Within the industry, we have seen increasing competition through the pandemic as a response to car manufacturers shifting more of their advertising budgets to online. That said, we believe Autohome continues to make strategic decisions to drive ongoing growth.

Portfolio Activity

We purchased shares in **Karooooo** as part of its recent U.S. listing. Karooooo, formally known as Cartrack, has traded on the Johannesburg Stock Exchange since 2014, but the company has now elected to move its listing to the NASDAQ as part of a plan to improve liquidity and reduce the firm's cost of capital. We have been following Cartrack for some time. However, we did not purchase shares primarily because the liquidity of the stock did not meet our minimum Average Daily Trading Volume threshold for investment while listed in South Africa. With a listing on the higher-profile NASDAQ, we expect the company's liquidity to dramatically improve, particularly given the popularity of fast-growing SaaS companies like Karooooo on the exchange.

Karooooo (or Cartrack as we have long known it) is South Africa's (and increasingly Southeast Asia's) leading supplier of telematics software solutions.

> **Karooooo helps its customers dramatically improve the efficiency of their logistics capabilities through highly precise vehicle tracking services.**

These services enable clients to make material profit-enhancing adjustments to their operations through improved asset utilization, reduced fuel consumption, and enhanced safety outcomes, to name a few.

The origins of Karooooo's business lie in its home market of South Africa. It has rapidly expanded out of its home base and now has a major presence in Singapore, where it is now headquartered, and across other ASEAN markets. The worldwide telematics market is growing rapidly, but it remains highly fragmented. Karooooo is one of a dozen or more international players competing in this burgeoning market. It arguably looks to be the most likely candidate to emerge as a global champion because of its strong growth trajectory and track record of execution. Despite this potential upside, the core of our investment case rests primarily on Karooooo's ability to continue to grow steadily within its core African and Asian markets, for which we see a long runway of attractive double-digit growth for many years. Even if its wider international ambitions come to nothing, we still believe that continuing its success in Asia and South Africa will underwrite a successful investment case over the next five to ten years.

To finance this acquisition, we completely sold our position in Philippine snack foods provider **Universal Robina**. Universal Robina (URC) remains a strong company with dominant positions in traditionally exciting consumer markets (confectionery, soft drinks, packaged food). However, in our recent whitepaper "Seeking Growth in Emerging Markets: Exploring Consumer Trends," we discuss changing patterns of emerging market consumers.

> **Our analysis details that, in recent years, consumer patterns have shifted away from traditional staples products in favor of more experiential outcomes.**

Accordingly, we have lowered our long-term expectations for URC's growth to mid-single-digit rates.

Furthermore, the Philippines has endured one of the most challenging pandemic outbreaks across Asia, struggling to contain transmission levels. Subsequently, the country has been in some form of lockdown for most of the last 15 months. The Philippines was one of the rising stars of emerging markets, but sadly the pandemic has probably set the country's economy back several years. URC recently announced the new hiring of CEO Irwin Lee, and we are enthusiastic about his vision for the company and his early successes. But, in our opinion, he will be doing well just keeping the company standing still given the deteriorating environment. Given the rich opportunity set across emerging markets, we prefer to allocate our capital elsewhere to companies that we see as having more wind in their sails.

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Outlook

Though the impact of the pandemic and inflation concerns loom over emerging markets, we continue to believe growth prospects for select emerging market companies remain attractive over the long term. We believe many of the companies we own have and continue to skillfully navigate the pandemic due to their sound fundamentals and profitability. We continue to be excited about the long-term structural investment opportunities we are finding and believe the Portfolio remains well-positioned to take advantage of the ongoing rise of the emerging market consumer.

Thank you for your interest in Polen Capital and the Global Emerging Markets Growth strategy. Please feel free to contact us with any questions.

Sincerely,

Damian Bird and Dafydd Lewis

Damian Bird, CFA
Head of Team, Portfolio Manager & Analyst
12 years of experience

Dafydd Lewis, CFA
Portfolio Manager & Analyst
16 years of experience

GIPS Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation[1]	
Year End	Total ($Millions)	Assets ($Millions)	Assets ($Millions)	U.S. Dollars ($Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI Emerging Markets (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI Emerging Markets (%)
2020	59,161	20,662	38,499	2.51	1	16.05	14.90	18.33	N/A	N/A	N/A

[1]A 3 Year Standard Deviation is not available for 2020 due to 36 monthly returns are not available.
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 Global Emerging Markets Growth Composite created and incepted on January 1, 2020 contains fully discretionary emerging markets growth equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the MSCI Emerging Markets Index. The accounts are highly concentrated and unconstrained with regard to the number of the highest-conviction positions (i.e., positions of greater than 5%) comprising the portfolios. 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 for the periods April 1, 1992 through June 30, 2020. 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. 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.

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 using returns presented gross of management fees calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating investments, and preparing GIPS Reports 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 MSCI Emerging Markets Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and captures large- and mid-cap representation across 27 emerging markets countries. The MSCI Emerging Markets Index is maintained by Morgan Stanley Capital International. 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