Polen Global Growth

Portfolio Manager Commentary – March 2021

Summary

- During the first quarter of 2021, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 1.39% gross of fees. The MSCI All-Country World Index (the "Index") returned 4.58% during the same period. Thus, the Portfolio trailed the Index on a relative basis by 3.19%.

- Since its inception on January 1, 2015, the Portfolio has delivered an annualized return of 16.71% gross of fees compared to a 10.07% annualized return for the Index.

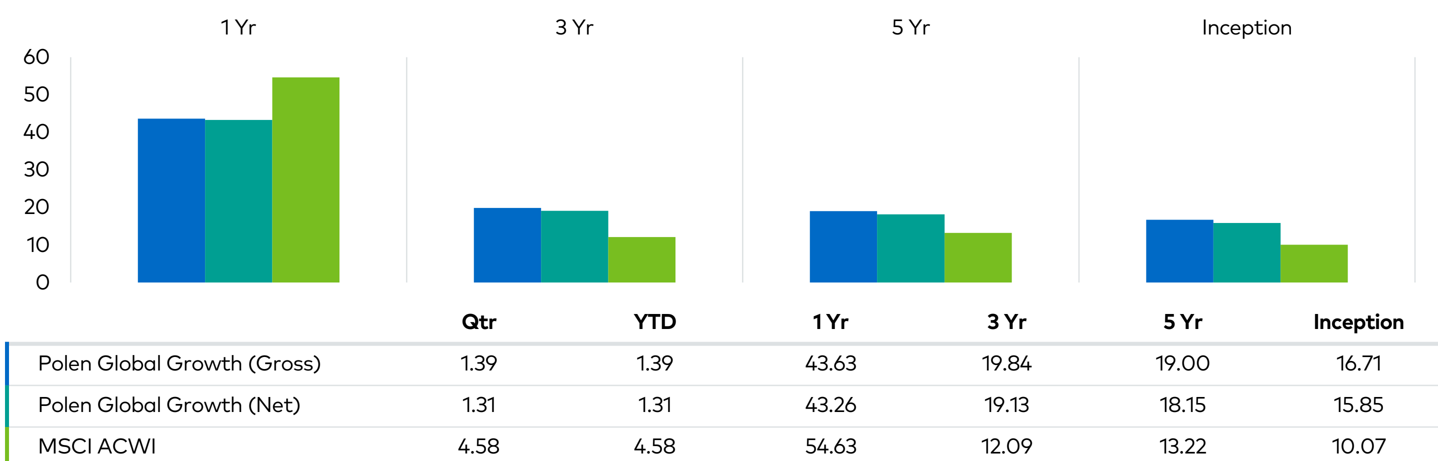
- The market favored more cyclical and earnings-depressed businesses and businesses with higher levels of debt and lower levels of profitability during the last three months. This contrasts with the types of businesses we seek to own.

- The Portfolio's leading contributors were a result of strong underlying business performance, while the leading detractors during the quarter were indicative of the market rotation.

- Turnover was modest during the quarter. We purchased Amazon, added to Alibaba, and trimmed ADP, PayPal, and Align Technology.

- Looking at the last six months, we have seen a rather notable rotation to "value" stocks. We, however, see strong and disruptive secular forces at play today, and we feel confident that our concentrated high-quality growth portfolio remains well-positioned for the coming years.

Seeks Growth & Capital Preservation (Performance (%) as of 03-31-2021)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen Global Growth (Gross)	1.39	1.39	43.63	19.84	19.00	16.71
Polen Global Growth (Net)	1.31	1.31	43.26	19.13	18.15	15.85
MSCI ACWI	4.58	4.58	54.63	12.09	13.22	10.07

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.

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Commentary

During the first quarter of 2021, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 1.39% gross of fees. The MSCI All-Country World Index (the "Index") returned 4.58% during the same period. Thus, the Portfolio trailed the Index on a relative basis by 3.19%.

Since its inception on January 1, 2015, the Portfolio has delivered an annualized return of 16.71% gross of fees compared to a 10.07% annualized return for the Index. Thus, the Portfolio has outperformed the Index by more than 664 basis points per year on average. On a cumulative basis since inception, the Portfolio has returned 162.62% gross of fees versus 82.08% for the Index.

We believe the Portfolio performed well during the quarter on a fundamental basis.

However, the market favored more cyclical businesses and businesses with higher levels of debt and lower levels of profitability during the last three months. Given our focus on secular growth businesses with fortified balance sheets and strong profitability, we are not surprised that our returns lagged the benchmark this quarter.

The ebullient recovery speculation that began in the fourth quarter 2020 continued in the first quarter 2021. In 2020's final quarter, vaccine hopes appeared to fuel investments in more speculative growth stocks (the highest quartile of growth based on valuation) while also spurring a recovery in more cyclical segments. Then, the more speculative growth stocks that had performed so well during 2020 seemed to cool off during the first quarter of 2021 while the more cyclical and value-oriented investments seemed to continue to recover.

Whether it was naturally cyclical businesses or simply stocks that had lagged in early 2020 due to relatively weak underlying business performance, one might broadly characterize most of these business as "value" investments. Looking at the last six months, we have seen a rather notable rotation to "value" stocks. This often leads to questions about whether "value"—after more than a decade of generally underperforming "growth" stocks—is set to lead going forward.

In our experience, cyclical businesses and earnings-depressed companies can often rebound substantially following a recessionary period. However, if this rebound is driven more by a recovery cycle rather than underlying business strength, we would not expect this value rotation to last. Growth from these companies may look strong relative to a very challenging 2020.

However, as the earnings and valuations of these businesses normalize, we believe their long-term growth prospects will likely remain uninspiring. We think this is particularly true for companies that face ongoing structural headwinds.

We examine this dynamic more closely through a hypothetical example.[1] Let us pretend that shares of our hypothetical company "Cash, Inc." are among those that will bounce back in 2021. Cash, Inc. is similar to Visa and Mastercard except that it makes money on every cash transaction globally rather than on credit, debit, and digital transactions.

Today, cash (and check) transactions account for more than half of total transactions worldwide. But, growth in cash transactions has slowed and has been declining as a percent of total transactions for more than a decade. Furthermore, that trend seems likely to continue over time as cash is replaced by credit and debit, digital payment applications like PayPal, and even digital currencies.

Some may find appeal in buying out-of-favor businesses or timing value rotations. But we think that remaining invested in what we believe are reasonably valued, competitively advantaged businesses with attractive secular growth prospects will ultimately be more rewarding.

We see strong and disruptive secular forces at play today, and we greatly prefer to own the businesses that are disrupting rather than those being disrupted.

Ultimately, we feel confident that our concentrated, high-quality growth portfolio remains well-positioned for the coming years.

Overview of the Portfolio

The Portfolio is a high conviction portfolio that typically invests in what we believe to be the 25 to 35 best businesses in the world. We only invest in businesses that we believe have sustainable competitive advantages and can deliver above-average earnings and free cash flow growth over the long term. While we expect some of our holdings to compound faster and some slower, we aim for the Portfolio to generate mid-teens earnings per share growth over the long term. We take a long-term approach to investing and typically expect to hold our investments for many years. Most of the companies we own operate in several countries and often benefit from natural or financial hedges that we feel help alleviate policy, country, and currency risk.

[1] This hypothetical example is for illustrative purposes only and has been prepared based on assumptions believed to be reasonable; however, there is no guarantee that any forecasts made will come to pass. There may be several unexpected developments and market factors which may affect these scenarios, potentially adversely. Hypothetical examples have certain inherent limitations. No representation is being made that any investment will or is likely to achieve future results similar to those shown.

We also tend to concentrate the Portfolio in technology (including communications services), consumer, and healthcare, where we feel we find the highest-quality earnings and more sustainable growth. Companies in these sectors make up approximately 93% of the Portfolio currently.

The revenue breakdown, which is the way we like to look at geographic exposure, reveals that roughly 40% of revenues come from the U.S. currently, while 60% comes from a range of countries. The rest is a residual cash holding.

We are unlikely to invest in companies domiciled in frontier markets and expect to have limited direct investment in most emerging markets. That said, we believe we can gain meaningful emerging market exposure through the revenues that our multinational holdings derive from these markets. For the Portfolio and its investment objectives, we believe this is often a more prudent way to gain such exposure.

Portfolio Performance & Attribution

The Portfolio's leading contributors were a result of strong underlying business performance, while the leading detractors during the quarter were indicative of the market rotation.

For our top contributors, each generated strong returns for different, but fundamentally based reasons, in our opinion. **Alphabet** saw renewed strength recently as advertisers generally resumed spending after a short pause during the pandemic. We think **Abbott Laboratories** continues to be well-positioned to drive significant value for the world with its suite of COVID tests that have boosted already strong revenue growth. **Microsoft** continues to dominate as the work-from-home environment has only accelerated demand for its products and services.

The detractors—specifically **Adobe** and **Autodesk**—were prime examples of the broader rotation that we saw during the quarter. We were not surprised to see their stocks cool after such robust performances in 2020. In the case of **Adidas**, it was simply a tough year to sell anything through brick-and-mortar stores globally. For our purposes as long-term shareholders, however, we believe each of these businesses remain dominant in their respective industries and structurally sound. We plan on holding them for many more years.

Alphabet experienced some challenging quarters in 2020 as many companies paused their advertising spend. But, the business bounced back recently, spurring a strong recovery in the company's share price. Even during such a challenging period, the company still compounded revenue at 14% in constant currency for 2020.

This is partly due to Alphabet's multiple growth engines. For example, while its search business was negative one quarter and only grew by 6% during another, YouTube ads and Google Cloud Platform (GCP) grew at over 30% and 46% during the quarter, respectively. YouTube and GCP combined now contribute over 50% of the company's growth, which we believe is a testament to a strong culture of innovation, a long-term mindset, and prudent capital allocation. With search bouncing back this most recent quarter–growing 17% –we believe that Alphabet continues to be well-positioned to durably compound earnings at or above 15% for many years to come. It remains one of our largest positions.

Abbott Laboratories developed and commercialized multiple COVID tests during 2020, delivering a double-digit performance in what could have otherwise been a very challenging year. Management expects earnings per share to grow more than 30% in 2021. We believe it is poised to sustainably deliver double-digit earnings per share growth even as COVID testing sales decline from an expected $6.5-7.5 billion in the fiscal year 2021 to potentially as low as $300-$500 million several years from now.

We have always been believers in Abbott management's capital allocation prowess, and we think they continue to invest prudently.

Management is taking advantage of the COVID test profits to invest roughly $2 billion into R&D and marketing to bolster growth in the core business as it recovers from the pandemic. We think there could even be a durable increase in the longer-term growth rates of both the diagnostics and medical device segments, given investments in product development and direct-to-consumer (DTC) capabilities. Testing sales created a windfall for Abbott in the near term, and management is exploiting it with what we view as sound capital allocation.

We believe the company continues to be fairly valued despite being rewarded for such favorable business momentum during the quarter.

We have written extensively about **Microsoft** in recent commentaries. It was our leading contributor last year and one of our largest weightings within the Portfolio. It continues to experience business momentum through several dominant, essential, and competitively advantaged businesses, like Office 365 and Azure. The markets it competes for are enormous, which gives the company the ability to compound at scale. In the past quarter alone, the company generated over $40 billion in revenue, representing a 17% growth rate. The inherent operating leverage in Microsoft's business model continues and led to 34% earnings growth this past quarter. Despite the broad rotation we saw in the first quarter and Microsoft's robust performance in 2020, we think its business fundamentals continue to exhibit strength, and the stock continues to reflect the fundamentals.

Our three leading detractors during the quarter were **Autodesk**, **Adobe**, and **Adidas**.

Adobe and **Autodesk** are both prime examples of the rotation that occurred during the quarter. Both are dominant businesses in their respective markets, which are experiencing structural tailwinds. Despite each business's position of strength, the stocks of cyclicals and businesses with higher leverage and lower profitability were more favored this past quarter. In stark contrast, Adobe and Autodesk both have low leverage, high levels of profitability, high recurring revenues that mitigate cyclicality, and are both capital-light business models—all attributes we appreciate as investors. Adobe and Autodesk were also two of the top three performers within the Portfolio during 2020.

Adidas had a challenging 2020 as its own stores and many brick-and-mortar retailers who sell Adidas products were closed. COVID restrictions are still in place in much of Europe, which represents about one-third of adidas's revenues.

Roughly half of the company's stores in the region were closed at the end of the year, and foot traffic was down materially. In the most recent quarter, Adidas began to see a recovery, with currency neutral revenues down 3%, but e-commerce sales up over 50%. The stock has also lagged due to China, where Nike's growth has outpaced that of Adidas. Based on our research, we do not believe there is a competitive issue between the companies. Rather, we see the delta in growth as primarily a result of Adidas's more conservative management of their wholesale inventory in China. We expect that the growth rates between the two businesses in China will return to near parity over time.

Recently, Adidas held an investor day where management laid out their new "Own the Game" business strategy. The strategy includes increasing e-commerce as a percentage of total revenues and expanding operating margins significantly, which we expect will drive high-quality double-digit earnings growth over the next five years. We maintain conviction in the brand, business model, and management at this time. We currently view Adidas, **Nike**, and **Estée Lauder** as similar in terms of business model and competitive advantages. Collectively, they comprise roughly 5.5% of the Portfolio.

Portfolio Activity

As is typical for the Portfolio, turnover was modest during the quarter. We purchased **Amazon**, added to **Alibaba**, and trimmed **ADP**, **PayPal**, and **Align Technology.**

Given its dominance and disruptive nature, **Amazon** was frequently a topic of conversation before we owned it. While it did not meet our guardrails for most of the past decade, it meets our investment criteria today. We believe it is well-positioned to continue to compound revenue at high rates while expanding margins. Ongoing heavy investments in areas such as delivery infrastructure, data center infrastructure, and shipping, which serve to strengthen its competitive advantages, are now being offset by profits from Amazon Web Services (AWS), Amazon Prime, and Advertising. AWS, Prime, and Advertising are fast-growing, profitable businesses that represent more than 100% of operating profits. It is possible, in our view, that the AWS and the Advertising businesses alone may support much of today's valuation, on top of the e-commerce business, which is experiencing strengthening tailwinds because of the global pandemic.

As AWS, Advertising, and Prime, which account for roughly 20% of revenue today, grow to be a greater percentage of total revenue over time, we expect margins to rise meaningfully and drive compound earnings growth of roughly 30% during the next five years. Provided that earnings growth comes through as we expect, Amazon could be priced at a significantly lower P/E multiple five years from now and still produce a double-digit annualized return from today's price.

In the case of **Alibaba**, two significant news events impacted the company's shares in the last few months of 2020. First, the Chinese government intervened to halt–for an undetermined period of time–Ant Group's IPO. Alibaba owns 33% of Ant Group, and Ant Group's "Alipay" application facilitates financing and payments around the Alibaba ecosystem. Second, rumors of Chinese regulatory oversight in the internet space were solidified at the end of 2020 when China's State Administration for Market Regulation announced an investigation under the nation's Anti-Monopoly Law. In combination, these events contributed to a sell-off in BABA shares that resulted in a roughly 30% decline from highs in late October 2020.

We view Alibaba as arguably one of the most dominant businesses in the world.

We believe the company is also playing an integral role in China's ambitions to reorient its economy from one that is export-driven to one that is domestically consumption-driven. Alibaba's marketplaces—TaoBao and Tmall—in combination with its logistics capabilities may well provide the most efficient way to purchase and receive goods in many of China's lower-tier cities. Important to the investment case, Alibaba's core commerce business continues to compound at high rates while enjoying low total addressable market penetration and multiple competitive advantages, not the least of which consist of two-sided network effects between merchants and consumers. At approximately 19x next twelve month's earnings, we think Alibaba will provide a favorable investment outcome even if it must pay fines or modify some business practices. We continue to expect earnings growth in excess of 20% over the next three to five years. Even if earnings growth were to fall to 15%, we think it would still result in a favorable outcome at the price at which we added to the position.

We trimmed positions in **ADP**, **Align Technology**, and **PayPal** because we felt that their respective valuations had become elevated.

An example of the benefits of investing globally, ADP was trading at 28x next twelve month's earnings compared to 19x for Alibaba. The proceeds from the ADP trim were reallocated to Alibaba. The proceeds from the Align and PayPal trims were used to fund our position in Amazon.

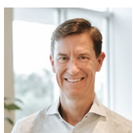
Outlook

We continue to believe that the Portfolio is well-positioned for long-term growth. The secular tailwinds that many of our businesses enjoy seem to have accelerated during the global pandemic, and we think they will persist. Among other reasons, we view their value propositions as superior. This applies to digital versus traditional marketing, e-commerce versus brick-and-mortar retailing, digital payments versus cash and checks, and even digital dentistry versus braces. We believe that we own the best businesses worldwide that are also benefitting from these trends. We are pleased with the stable competitive advantages that we think protect our businesses and the earnings growth of the Portfolio.

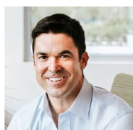
Thank you for your interest in Polen Capital and the Global Growth strategy. Please feel free to contact us with any questions.

Sincerely,
Damon Ficklin and Jeff Mueller

Experience in High Quality Growth Investing



Damon Ficklin
Head of Team, Portfolio Manager & Analyst
19 years of experience



Jeff Mueller
Portfolio Manager & Analyst
7 years of experience

GIPS Report

Polen Capital Management
Global Growth Composite—GIPS Composite 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 ACWI (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI (%)
2020	59,161	20,662	38,499	281.01	4	23.70	23.25	16.27	N/A	16.08	18.13
2019	34,784	12,681	22,104	6.50	2	37.37	36.35	26.60	N/A	12.10	11.22
2018	20,591	7,862	12,729	4.77	2	3.14	2.22	-9.41	N/A	11.50	10.47
2017	17,422	6,957	10,466	4.16	2	32.66	31.56	23.96	N/A	10.12	10.36
2016	11,251	4,697	6,554	0.33	1	1.21	0.34	7.86	N/A	N/A	N/A
2015	7,451	2,125	5,326	0.33	1	10.07	9.14	-2.36	N/A	N/A	N/A

[1]A 3 Year Standard Deviation is not available for 2015 and 2016 due to 36 monthly returns are not available.
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.

GIPS Report

The Global Growth Composite created and incepted on January 1, 2015 contains fully discretionary global growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI. Prior to October 18, 2016, the benchmark for the Global Growth Composite was the MSCI ACWI variant with gross dividends. As of October 18, 2016, the benchmark was changed retroactively to the MSCI ACWI variant with net dividends, to more accurately reflect the Global Growth Composite's strategy. 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 management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management 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 investments, calculating performance, and preparing GIPS Reports are available upon request.

The management fee schedule is as follows:
Institutional: Per annum fees for managing accounts are 85 basis points (0.85%) on the first $50 Million and 65 basis points (0.65%) on all assets above $50 Million of assets under management. HNW: Per annum fees for managing accounts are 160 basis points (1.60%) of the first $500,000 of assets under management and 110 basis points (1.10%) 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 management 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 ACWI Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets.

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

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