

Polen Global Growth

Portfolio Manager Commentary – September 2020

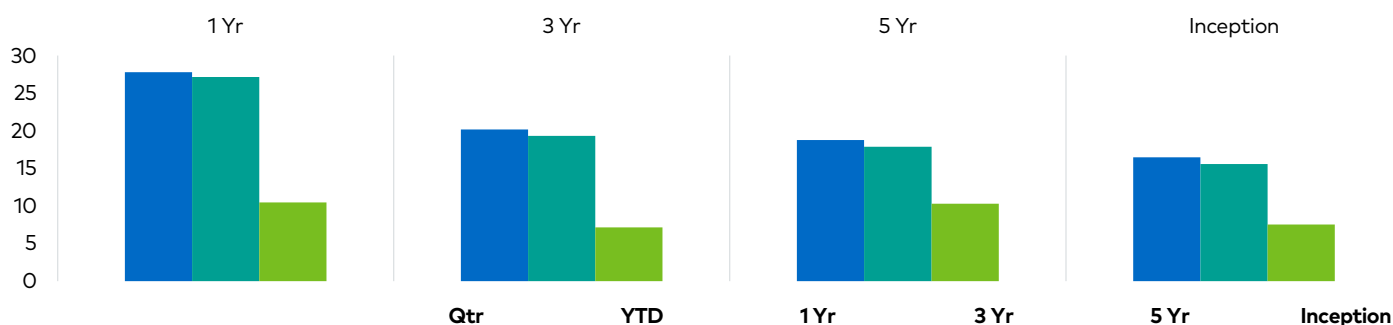
Summary

- During the third quarter of 2020 and year to date, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 9.09% and 14.86% gross of fees, respectively, outperforming the MSCI ACWI (the "Index") returns of 8.14% and 1.38% during those same periods.
- Since inception on January 1, 2015, the Portfolio has delivered an annualized investment result of 16.49% gross of fees compared to a 7.52% annualized return from the Index. Thus, the Portfolio has outperformed the Index by approximately 900 basis points per year on average. Cumulative returns since inception are 140.49% for the Portfolio gross of fees vs. 51.81% for the Index.
- After the dramatic first quarter market decline and the strong second quarter recovery, global equities have continued to rise during the third quarter.

Notably, not all companies, sectors, and geographies have recovered equally.

- There have been disproportionate winners and losers this year with a relatively narrow group of companies driving market performance. Fortunately, we own our fair share of strong performers and have concentrated our investments where we see value.
- The strong ongoing earnings per share growth and larger weightings in our information technology and communication services businesses have largely offset the earnings headwinds from our highly discretionary businesses this year. We expect the Portfolio's overall earnings to be roughly flat in 2020. This is an outcome that we believe will prove much more resilient than the Index, where earnings are expected to decline nearly 20%.

Seeks Growth & Capital Preservation (Performance (%) as of 9-30-2020)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen Global Growth (Gross)	9.09	14.86	27.80	20.19	18.79	16.49
Polen Global Growth (Net)	9.01	14.52	27.17	19.34	17.88	15.58
MSCI ACWI	8.14	1.38	10.45	7.13	10.30	7.52

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 supplemental information to the composite performance 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

During the third quarter of 2020 and year to date, the Polen Global Growth Composite Portfolio (the "Portfolio") returned 9.09% and 14.86% gross of fees, respectively, outperforming the MSCI ACWI returns of 8.14% and 1.38% during those same periods. Since inception on January 1, 2015, the Portfolio has delivered an annualized investment result of 16.49% compared to a 7.52% annualized return from the Index. Thus, the Portfolio has outperformed the Index by approximately 900 basis points per year on average. Cumulative returns since inception are 140.49% for the Portfolio vs. 51.81% for the Index.

This has been an interesting year. After the dramatic first quarter market decline and the strong second quarter recovery, global equities have continued to rise during the third quarter. Notably, not all companies, sectors, and geographies have recovered equally. In fact, there have been disproportionate winners and losers.

The dramatic shift to a work-from-home and stay-at-home environment challenged many businesses. It also bolstered others and highlighted the strength of certain business models. Most digital businesses have thrived as the current environment has forced a shift in consumer habits and accelerated the secular shift from offline to online that has been in motion for several years. Even as economies are reopening, the shift to online is persistent. The relative stability of subscription and recurring business models has also been recognized. These highly recurring revenues contrast favorably with the severe disruptions that many brick-and-mortar and more discretionary businesses experienced, at least temporarily.

The net result of these divergent forces is that a relatively narrow group of companies have been driving market performance this year. Fortunately, we own our fair share of strong performers. Year to date, the Index is up less than 2%, with the top 30 holdings contributing nearly 8% to the Index return. This means that the remaining roughly 3,000 holdings in the Index detracted more than 6% from its return year to date. Furthermore, the top five holdings from the Index accounted for nearly two-thirds of the contribution from its top 30 holdings.

While narrow market leadership can present a relative challenge and create bubbles at extremes, managing a concentrated portfolio is a big advantage, in our opinion.

It allows us to pick our spots and to take significant positions where we see value.

A challenge in the current environment is that the relative winners appear clear, and the narrative is strong. Being a digital or online business or having highly recurring revenues is a notable advantage. So the valuation of these businesses rose swiftly, even as many other businesses have languished. Netflix and Apple have

appreciated more than 50% year to date, Amazon more than 70%, and Zoom and Shopify shares have each increased more than 150%. These are enormous increases in value, considering the already sizeable market cap of these businesses earlier in the year. For various reasons, we do not own any of these businesses. We would agree that these businesses are increasing in value, but for us there is a question of degree and valuation. How much of the appreciation is being driven by improving fundamentals, and how much of it is being driven by higher expectations and multiple expansion? These are the fundamental questions that we are constantly evaluating. We believe our investment discipline helps us strike a good balance.

We concentrate the Portfolio in the quality growth businesses where we believe the fundamentals best support value.

Our strong performance this year demonstrates to us that we are currently, by and large, invested in the right areas and the right businesses. While our highly discretionary businesses will see a significant short-term impact on earnings in 2020, we expect this group's earnings to rebound in 2021 and deliver growth from 2019 to 2021 on a portfolio weighted basis. With adding both **LVMH** and **Estée Lauder** to the Portfolio, selling **EssilorLuxottica** and rebalancing our weights in **Nike** and **Adidas**, this highly discretionary group accounted for less than 15% of the Portfolio at quarter end.

The strong ongoing earnings per share growth and larger weightings in our information technology and communication services businesses* have largely offset this year's earnings headwinds from our highly discretionary businesses. We expect this group of businesses to deliver low-teens earnings per share growth in 2020 on a portfolio weighted basis. Additionally, with a greater than 55% weighting in our Portfolio, these businesses are holding the Portfolio's overall earnings roughly flat in 2020—an outcome that we believe will prove much more resilient than the Index, where earnings are expected to decline nearly 20% in 2020.

We believe the Portfolio can deliver double-digit earnings per share growth on a two-year basis. We expect strong ongoing earnings growth from information technology and communication services and a strong recovery in our discretionary businesses in 2021. While this would be lower than the mid-teens earnings per share growth that we target and have delivered in prior years, we would consider this to be a strong result in the current environment.

Given our strong year-to-date returns and an expectation for roughly flat earnings per share in 2020, the Portfolio's price-to-earnings multiple has increased slightly this year. This is largely due to near-term pressures that we expect to subside. Considering the two-year earnings growth expectation noted earlier, the multiple expansion is quite modest. This is not the case for the broader market or many of the leading performers noted above.

*We excluded Visa and Mastercard, which we do not consider IT holdings.

Moreover, we believe a modest increase in the Portfolio's multiple is supported by several factors that are largely driven by fundamentals. First, some of our businesses have become stronger and are growing faster due to the current environment. Second, there is a slightly higher premium for certainty and stability in this uncertain environment.

On balance, we think we are overweight certainty and stability.

Finally, with the actions we have taken year to date, we believe we have upgraded the long-term growth and strength of the Portfolio on the margin.

Overview of the Portfolio

The Portfolio is a high-conviction portfolio that is typically invested in 25 to 35 of what we believe to be the best businesses in the world. We only invest in businesses that we believe have sustainable competitive advantages and that 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 in the long term.

We take a long-term approach to investing and typically expect to hold our investments in companies for many years. Most of the companies that we invest in operate in several countries, and often benefit from natural or financial hedges that we feel help to alleviate policy, country, and currency risk. We also typically concentrate the Portfolio in sectors such as technology, consumer, and healthcare where we think we find the highest-quality earnings and more sustainable growth. Currently, the companies in these sectors make up approximately 80% of the Portfolio. The geographic exposure of the Portfolio is based on where we find the highest quality. As of September 30, 2020, fourteen of our holdings are based in the United States, and twelve of our holdings are in various countries around the world. The revenue breakdown, which is the way we like to look at geographic exposure, reveals that roughly 40% of revenues come from the United States and about 60% is from a range of countries. While we are unlikely to invest in companies domiciled in frontier markets and expect to have limited direct investment in most emerging markets, we are able to gain meaningful emerging market exposure through the revenues that our multinational holdings derive from these markets. We believe this is often a more prudent way to gain such exposure.

Portfolio Performance & Attribution

The Portfolio delivered attractive absolute and relative results during the quarter. The consumer discretionary and information technology sectors outperformed the broader market, with our overweight in those sectors providing a relative benefit.

While information technology has been a steady outperformer all year, the consumer discretionary sector saw a strong recovery in the third quarter as economies have reopened and businesses have started to recover. Our outperformance in the consumer discretionary sector also bolstered our results as the share prices of **Nike**, **Adidas**, and **Starbucks** rebounded.

From a geographic perspective, our higher exposure to and outperformance within China and the U.S. were the main drivers of outperformance. Our slightly higher exposure to Europe was a relative drag as performance lagged in the region. Nevertheless, we outperformed in Europe, delivering solid results. Year-to-date attribution for the Portfolio reflects the same themes. China has been the standout with the most rapid recovery from COVID-19 and is likely to be the only major economy to achieve positive real GDP growth this year.

Selection effect has accounted for nearly all excess returns from a geographic perspective, while allocation effect has been the predominant driver from a sector perspective. These results reflect the disparity between the winners and losers this year and that the divide is largely along industry and sector lines, as highlighted in our commentary. Of note, our concentrated portfolio has the freedom to own the best businesses wherever they reside in the world and in whatever industries we find most attractive. We have had favorable exposure across nearly all dimensions and avoided most unfavorable exposures such as financials, industrials, energy, and materials that have been laggards this year. We believe this highlights that, on balance, we've been successful at identifying and concentrating the Portfolio in some of the best businesses around the world. From an individual company perspective, the leading contributors during the third quarter were **Alibaba**, **Adobe** and **Abbott Laboratories**.

Alibaba reported strong results for the quarter ended June 2020 with revenue growth accelerating to ~34% in contrast to ~22% in the prior quarter, as COVID-19 cases remain well contained in China. As previously noted, China has seen a strong recovery overall. Alipay, owner of Ant Group, in which Alibaba has a ~33% interest, also filed to go public during the quarter. A better appreciation of Ant Group's potential value may have contributed to Alibaba's share price performance as well. **Adobe** has continued to deliver consistently strong results, and **Abbott Laboratories** has also shown resilience. Abbott's consumer-facing businesses collectively grew almost 10% in the first half of the year. Its Medical Devices business has also recovered swiftly with procedure volumes returning to 90% of pre-COVID levels in the quarter, and the company has been a leader in the development of various COVID-19 diagnostic tests.

The leading detractors, and the only stocks in the Portfolio that declined during the quarter, were **ADP**, **Siemens Healthineers**, and **Autodesk**.

While **ADP** is typically a very steady business, the decline in employment levels—particularly among small businesses—and lower interest rates will likely negatively affect near-term profitability. Management guided to a larger than expected decline in profits for the fiscal year ended June 30, 2021. The decline in employment for ADP’s customers, what it calls “pays per control,” has a high decremental margin impact. Highly profitable revenues are lost, but most of ADP’s costs of serving the client remain. While the opposite is also true, and adding these employees back to payrolls will provide high incremental margins, a full recovery in employment may take some time.

Siemens Healthineers had a decent quarter overall with its core Imaging businesses showing resilience despite some impacts from COVID-19. Overshadowing their financial results, however, was the announcement that it would be acquiring Varian Medical Systems, the world’s leading radiotherapy equipment provider, for ~\$16B. While the deal’s price and timing—in the middle of a pandemic that may pressure hospital capital equipment purchases—may have given investors some pause, we think Varian is a highly advantaged business and that the deal makes sense. We think the companies’ leadership in x-ray imaging and radiotherapy, respectively, are complementary and that the combined company will be in a strong position to extend its dominance. Finally, **Autodesk** had a solid quarter and we believe it remains on a strong trajectory. The company’s shares took a pause this quarter after rising more than 50% since we initially added Autodesk to the Portfolio in March.

Portfolio Activity

In keeping with our long-term orientation, portfolio turnover was low during the third quarter. While we made a handful of adjustments, most were relatively small adds or trims. We added to our positions in **Abbott Laboratories** and **PayPal** during the quarter, bringing each up to above-average weightings, while trimming **MasterCard** and **Facebook**. We continue to have high conviction in **MasterCard** and Visa, which we trimmed last quarter, and chose to rebalance our weights as we added to our position in **PayPal**. PayPal’s value proposition to merchants and consumers continues to expand in the current environment, and we believe this will have a lasting positive impact on the business. At the end of the quarter, our collective position in Visa, MasterCard, and PayPal was more than 13%, an increase in our aggregate weight from the start of the year.

We also trimmed our positions in **Nike** and **Adidas** and sold our position in **EssilorLuxottica** as we added a new position in **Estée Lauder**. Essentially, we have spread our selections among our consumer discretionary investments, holding more modest weights in the businesses that we believe are well-positioned for the long-term. EssilorLuxottica remains a competitively advantaged business with dominant market share, but the combination of governance issues and likely ongoing headwinds led to the decision to sell the position. While the company does

have sophisticated e-commerce and omnichannel capabilities, it generates the vast majority of its revenue from brick-and-mortar stores, and we do not see that changing any time soon. The pending acquisition of GrandVision will increase the company’s store count from ~10,000 to more than 17,000, significantly increasing its brick-and-mortar exposure while most businesses are moving in the opposite direction.

While Estée Lauder also has brick-and-mortar exposure, it has been successfully shifting its business online. In the most recent quarter, online accounted for roughly 40% of sales in both the U.S. and China, with online sales growing swiftly on a large base. Estée Lauder is the global market leader in prestige beauty products, which is a large and growing market. We believe competitive advantages consist of brands and economies of scale, similar in concept and execution to Nike and Adidas. Global cosmetics companies, and Estée Lauder in particular, have been pulling away from the “also-rans” as a result of their scale, global reach, capital, and new omnichannel and social capabilities. Like Nike and Adidas, Estée Lauder successfully executes the flywheel of reinvesting billions of dollars into supporting its brands. Last year, Estée Lauder spent ~\$3.5B on advertising and promotion. This equates to ~24% of revenue, which is a hurdle consistently too high for new entrants to clear.

Outlook

While it has been a challenging year, with some of our businesses experiencing near-term profit pressures, we remain confident in the long-term prospects for each of our holdings, and we feel good about the Portfolio’s aggregate performance. Our high-conviction weighting in many of our most resilient growth businesses, some of which we think are getting stronger due to the current environment, has served us well thus far. We believe our more discretionary businesses will recover nicely in the coming years as well.

As always, we thank you for your interest in Polen Capital and the Global Growth strategy.

Sincerely,
Damon Ficklin & Jeff Mueller

Experience in High Quality Growth Investing



Damon Ficklin
Co-Head of Team, Portfolio Manager & Analyst
18 years of experience



Jeff Mueller
Portfolio Manager & Analyst
7 years of experience

Historical Performance

	Polen (Gross) (%)	Polen (Net) (%)	MSCI ACWI Index (%)
3 Months	9.09	9.01	8.14
YTD	14.86	14.52	1.38
1 Year	27.80	27.17	10.45
3 Year	20.19	19.34	7.13
5 Years	18.79	17.88	10.30
Since Inception (01-01-2015)	16.49	15.58	7.52

Returns are trailing through 9-30-2020. Annualized returns are presented for periods greater than one-year.
Source: Archer.

GIPS Disclosure

Polen Capital Management
Global Growth Composite—Annual Disclosure Presentation

Year End	UMA		Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation ¹	
	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 (%)
2019	34,784	12,681	22,104	6.50	2	37.37	36.35	26.60	N/A	12.02	11.22
2018	20,591	7,862	12,729	4.77	2	3.14	2.22	-9.41	N/A	11.48	10.47
2017	17,422	6,957	10,466	4.16	2	32.66	31.55	23.96	N/A	10.05	10.36
2016	11,251	4,697	6,554	0.33	1	1.21	0.34	7.86	N/A	-	11.21
2015	7,451	2,125	5,326	0.33	1	10.07	9.14	-2.36	N/A	-	10.94

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

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.

N/A - There are five or fewer accounts in the composite the entire year.

GIPS Disclosure

The Global Growth Composite created 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. 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 by ACA Performance Services, LLC for the periods January 1, 2016 through June 30, 2019. A verification covering the periods from April 1, 1992 through December 31, 2015 was performed by Ashland Partners & Company LLP, whose report expressed an unqualified opinion thereon. The verification reports are available upon request. Ashland Partners & Company LLP was acquired by ACA Performance Services, LLC.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Polen Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which 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. Past performance is not indicative of future results. Effective January 1, 2018, accounts must be fully invested at the market open on the first business day of the month, in order to be included in that month's composite.

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 calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 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