Polen International Growth

Portfolio Manager Commentary – December 2020

Summary

- During the fourth quarter of 2020, the Polen International Growth Composite Portfolio (the "Portfolio") returned 4.79% gross of fees. The MSCI All Country World Index (ex-US) (the "Index") returned 17.02%. For the full year of 2020, the Portfolio returned 12.75% versus 10.65% for the Index. For the full year of 2020, the Portfolio outperformed the Index by a 2.10% margin.

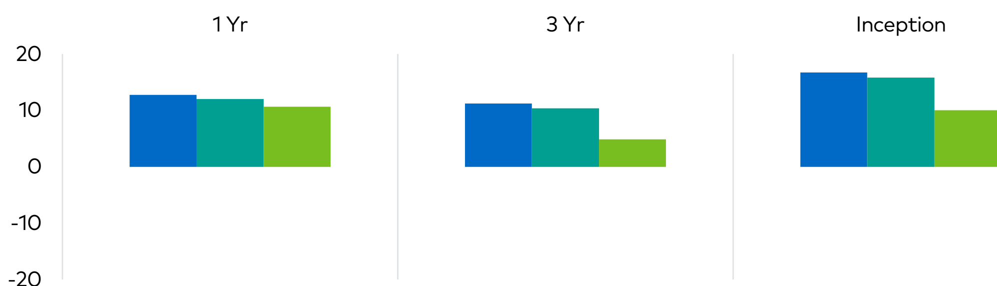
- After outperforming in the first quarter, tracking in the second, and outpacing in the third quarter, the Portfolio's fourth quarter relative performance shortfall stemmed from stock-specific headwinds and strong Index performance driven by industry groups we do not hold.

- During the fourth quarter, Index constituents with top quartile quality factors, like return on equity, return on invested capital, and gross profit margin—qualities we seek in our investments—all experienced negative double-digit relative performance.

- Beginning in November, investor favor seemed to shift toward cyclical industries like banks, semiconductors, technology hardware, autos, energy, materials, and industrials. The timing of this shift followed the announcement that a viable coronavirus vaccine was slated for fast-tracked approval and rollout.

- During the quarter, we exited our investment in RELX and initiated a new position in Temenos. We added to our investments in Alibaba Group and Sage Group, and we trimmed our positions in Accenture and Dassault Systemes.

Seeks Growth & Capital Preservation (Performance (%) as of 12-31-2020)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen International Growth (Gross)	4.79	12.75	12.75	11.21	-	16.75
Polen International Growth (Net)	4.76	12.02	12.02	10.34	-	15.82
MSCI ACWI ex-USA	17.02	10.65	10.65	4.88	-	10.05

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.

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Commentary

During the fourth quarter of 2020, the Polen International Growth Portfolio ("the Portfolio") returned 4.79% gross of fees, and the MSCI All Country World Index (ex-US) (the "Index") returned 17.02%. For the full year, the Portfolio returned 12.75% versus the Index's return of 10.65%. The Portfolio underperformed the Index in the fourth quarter, while over the full year of 2020, it outperformed the Index by a 2.10% margin. The year featured extremes, from a rapid first quarter decline to a sharp recovery. The Portfolio held up well in the first quarter, supported by its defensive characteristics, then gained ground throughout the remainder of 2020 as markets recovered.

From an absolute return standpoint, the Portfolio's 12.75% full-year result is something we might expect in an average-growth year but belies the last 12 month's volatility. Portfolio outperformance versus the Index throughout the first three quarters reversed in the fourth quarter. Given the widely differentiated relative performance in 2020's final quarter, we will focus this letter on understanding the underlying drivers of the Portfolio's performance gap. In-depth details about the Portfolio's relative performance over the first three quarters are available in our first, second, and third quarter letters, which can be accessed on our website.

After outperforming in the first quarter, tracking in the second, and outpacing in the third quarter, we were out of step with the market in the fourth quarter. The Portfolio's swing to fourth quarter relative underperformance stemmed from contributions by two constituencies: companies we own lagging and companies we do not own surging. Optimism about an economic recovery, perhaps with expectations for lasting inflationary pressures, boosted cyclical shares in the quarter.

In the first group of constituents, the Portfolio saw weak performance from shares of three companies, **Alibaba Group**, **SAP**, and **Sage Group**, which we will detail further in the letter's Portfolio Performance section. Against a rising Index, the impact of these three stocks on the Portfolio was significant. Polen Capital relies on concentrated portfolios to drive long-term performance. With focused portfolios comes a reality that there will be periods when the Portfolio zigs and the market zags.

Our investment focus continues to be on maintaining a Portfolio of companies we believe are poised to deliver faster full-cycle earnings growth than the Index. Though the Index appreciated far faster than the Portfolio in the fourth quarter, our long-term mindset drives our conviction that concentrated investments in quality growth companies offer more attractive performance potential over longer periods. This longer time horizon enabled us to look beyond short-term headwinds, and for the three companies negatively impacted in our Portfolio, we added to our positions in two. In total, for the quarter, lagging share price appreciation from companies we held in the Portfolio accounted for roughly half of the relative performance shortfall.

Outperformance among companies we do not own also drove the Portfolio's relative underperformance. Here we must be careful to delineate two groups of companies falling into separate cohorts.

The first cohort was industry groups that we view broadly as cyclical. This group of industries contributed roughly 9% of the Index's 17% appreciation for the quarter. Technology hardware, banks, semiconductors, auto manufacturers and their suppliers, energy, materials, and diversified financials all saw above-Index returns during the quarter. In aggregate, these industry groups represent more than a third of the Index, and we presently have no allocation to them. Shares of companies in these industries moved most aggressively in November as vaccine headlines seemingly drove investors to traditionally inflation-sensitive, cyclical-upturn beneficiaries. Though we share optimism on the vaccine news and look forward to the global economy recovering, we do not believe investing in cyclical businesses will provide the path to the investment results we seek—double-digit returns with a lower level of risk. We have occasionally invested in some of the industries mentioned here, but the Portfolio will likely remain underweight versus the Index's exposure to this group over time.

The second cohort that contributed to Index returns were companies with high revenue growth rates and low or negative profit margins.

We generally have a bias to quality companies that produce high returns on capital. Such companies possess the ability to fund growth investments with internally generated cash flows.

Some high growth companies that we do not own have been issuing stock regularly in recent years. We think this stock issuance is an interesting signal about investor appetite and company management views of the equity market values assigned to early-stage companies. Our investment criteria may keep us from high growth companies early in their lifecycle since those companies may fail to turn a profit. During the fourth quarter, Index constituents with top quartile quality factors, like return on equity, return on invested capital, and gross profit margin, all experienced negative double-digit relative performance. Essentially, market appreciation did not include the types of highly profitable companies we prefer.

The fourth quarter's performance gap, though not in size but direction, is consistent with what we have said since the Portfolio's inception. We seek investments in high-return-generating companies that we think have long-term earnings growth potential. Shorter periods where other corners of the market enjoy investor favor may make us look out of touch. But in the long run, we feel the Portfolio is well-positioned to deliver above-Index levels of full market cycle earnings-per-share growth. Over Polen Capital's 32 years of managing client assets, we have experienced similar market environments.

We maintain an upbeat outlook for the coming five-year horizon and note that, over the sweep of 2020, we exited three slower-growing investments and added three above-average growth companies to the Portfolio. We believe this positions the Portfolio well for future appreciation.

Portfolio Performance & Attribution

During the fourth quarter, the leading contributors to performance were **New Oriental Education & Technology Group**, **LVMH Moet Hennessy Louis Vuitton**, and **Accenture**. For the full year, **Tencent Holdings**, New Oriental Education, and Accenture were the leading contributors.

New Oriental Education & Technology Group, one of China's largest afterschool tutoring and education companies, performed well during the quarter. Though the pandemic momentarily disrupted the company's physical tutoring center operations at the start of the year, the company quickly transitioned all those students over to online or hybrid classes. Now, thanks to China's extreme measures to combat COVID, the virus appears to be contained, and New Oriental has reopened almost all of its schools. In the wake of the pandemic, New Oriental gained market share from weaker competitors who either went out of business or could not provide continuous classes via online solutions. This outperformance against competitors became even more apparent during the fourth quarter of 2020, driving the share price appreciation.

New Oriental's core K-12 business returned to high single-digit growth during the last reported quarter while profitability rebounded back into the mid-teens. As guidance for the fourth quarter suggests, the core business likely continued to strengthen back toward a normalized 25%+ growth rate, far outpacing the industry's single-digit growth. New Oriental's business should also gain from the vaccine rollout and eventual relaxing of COVID restrictions. We expect this will boost demand for both its domestic classes and its business, which helps Chinese students prepare for and get accepted into foreign universities. If these recovery trends continue, we estimate earnings growth of approximately 25% in the coming five years.

French luxury leader **LVMH Moet Hennessy Louis Vuitton** (LVMH) was another standout in the quarter. As the world's largest luxury conglomerate, LVMH has been a beneficiary of the strong rebound in demand for luxury goods. Like most other consumer branded goods, luxury goods initially suffered from a demand shock at the beginning of the pandemic. Unlike many other discretionary items, though, luxury has rebounded quickly. This pace of rebound has been even swifter at the largest, most established brands like LVMH's. In the most recent quarter, the Fashion & Leather division, the company's largest, returned to +12% organic growth driven by strong growth at brands like Louis Vuitton and Christian Dior.

The strength of LVMH's recovery can, at least in part, be attributed to robust demand domestically in China. Chinese consumers have been the largest buyers of luxury goods for several years, but demand shifted abruptly amid the pandemic from traveling shoppers to onshore. Large brands like LVMH's were at an advantage because they were already well known in China and had established store operations. Brands like Louis Vuitton have also outspent competitors on advertising and new store openings, helping it to take advantage of the recovery in Chinese demand. As the COVID pandemic eventually subsides, we expect continued robust, low double-digit total return growth in the coming five years.

Ireland-based information technology consulting firm **Accenture** was a leading contributor to the Portfolio for the year. We think Accenture is a well-oiled machine, enabling its global customer base to better utilize technology. With more than 500,000 employees, Accenture serves clients in many corners of the world. Its deeply embedded client relationships are a source of competitive advantage and can create a connection point that fosters new business opportunities with existing clients. More than 70% of business is sole-sourced, meaning Accenture is the only bidder on a contract.

Services businesses generate high returns on capital and consistent cash flows. Accenture management thoughtfully allocates the cash produced to shareholder returns via dividends and share repurchases and a steady diet of acquisitions. With a broad range of interests in the tech world, Accenture casts a wide net for acquisition targets, which bring new technology, talent, and client relations to the firm. Targets tend to be small. In 2020, Accenture acquired more than 30 companies. In aggregate, though, these acquisitions do add up and contribute a few percentage points of growth to Accenture's roughly $45 billion in annual revenue.

Intelligent capital allocation practices are an important aspect of compounding shareholder value, in our view, and we think Accenture's have delivered well for the Portfolio over its first four years.

An asset-light business model, exceptional talent delivering consistent results for clients, and skilled management at the helm give us confidence in our belief that Accenture can continue to compound total returns at a steady double-digit rate for the next five years.

The leading detractors from the fourth quarter's performance were **Alibaba Group**, **SAP**, and **Sage Group**. **Compass Group**, **Amadeus IT Group**, and Sage Group were the leading detractors for the full year. Given the fourth quarter performance described earlier in the letter, we will focus our comments on Portfolio laggards in the year's final quarter.

During the fourth quarter, two significant news events impacted shares of **Alibaba Group**, China's largest e-commerce company. First, in early November, the Chinese government intervened to derail Ant Group's IPO, of which Alibaba owns 33%. Ant Group's "Alipay" application facilitates financing and payments around the Alibaba ecosystem. Second, China's State Administration for Market Regulation announced an investigation into anti-competitive behavior by Alibaba under the nation's Anti-Monopoly Law.

We believe the two-sided network effect driving Alibaba's business, where most of China's consumers and merchants meet to transact, is unlikely to be altered by ongoing regulatory reviews.

Alibaba holds 70% market share of e-commerce in China and should continue to garner similar levels of market share going forward. In our view, new regulations are unlikely to impact the value that Alibaba brings to customers through its scale, vast selection, attractive prices, and consistently timely deliveries. Core commerce is a juggernaut business for Alibaba, and ancillary operations like Cainiao Logistics, which handles shipping of goods sold, and Alicloud, which leads China's cloud computing market, are on the brink of positive cash generation. Alibaba shares are cheap based on its Core commerce operations, without even considering Ant Group's value or its other non-core businesses. We think Alibaba should grow to $100bn in sales this fiscal year with $30bn in annual free cash flow. We also feel it has some of the strongest competitive advantages we have seen. Despite the uncertainty, we believe Alibaba remains one of the most advantaged businesses in the world. Our research indicates that it is currently on track to continue growing sales and profits at rates greater than 20% despite its size. We took advantage of share price weakness to add to our position at the end of the quarter.

Shares of German software company **SAP** were another laggard for the quarter. In its October earnings announcement, SAP reduced revenue and earnings growth guidance as COVID-19 weakened demand from customers in a few hard-hit industries and accelerated broad-based demand for cloud software.

SAP is the world's leading provider of software applications that enterprises use to run their businesses. With roughly 35,000 enterprise customers, including more than 90% of the Fortune 500, we see SAP as a global power. SAP's software is generally mission critical, making the cost to switch to alternative vendors high. For the last decade, SAP built and acquired cloud software assets to serve as its next generation of offerings. COVID-19 prompted software users of all sizes to consider adopting cloud products since they shift the capital and operating burden to the cloud vendor. As such, cloud software brings lower up-front revenue to the software provider but could increase the overall number and value of products customers use. The lifetime value of a cloud customer could be higher than traditional configurations, presenting an attractive potential trade-off over time to SAP.

Cloud today is more than 30% of SAP's business. October's announcement indicates SAP could see cloud reach nearly 2/3 of revenues by 2025. Management is leaning into positioning SAP's products for broader capabilities, including deeper integration across its platform and products and more industry-specific cloud packages. This shift requires investments, which may dampen profitability in the near term. We look forward to an update on SAP's cloud go-to-market strategy in the current quarter. We believe this industry leader is still poised for double-digit long-term earnings growth but note a period of subdued results could last for the next year or more.

Shares of **Sage Group**, a UK-based small business accounting software company, lagged during the quarter as management reported slower sales growth due to COVID-19. Sluggish growth seems likely to persist for the next six months as the COVID-crisis continues, but Sage Group's management team remains committed to pivoting the business for success in the cloud. Sage's cloud transition, which management embarked on in late 2018, is progressing well. Sage already has 90% of revenues coming from recurring sources, 60% of revenues from the cloud, and is seeing 30% revenue growth in the cloud. Importantly, Sage is not throttling down its investments in new customer acquisition or research and development, despite lower than previously expected revenue growth. We believe Sage Group possesses competitive advantages in its core markets of Europe and North America, has a long runway for growth within a vast market, and honest and capable management focused on high return generating activities. We believe the company is poised to weather the current storm by focusing on long-term, high-return-enabling initiatives. Given our optimism for the long-term opportunity and the changes management has ongoing, we took advantage of Sage Group's share price weakness in the quarter to add to our position at what we feel is a compelling valuation.

Portfolio Activity

In the fourth quarter, we exited our investment in **RELX** and initiated a new position in **Temenos**. We added to our investments in **Alibaba Group** and **Sage Group**, and we trimmed our positions in **Accenture** and **Dassault Systemes**.

Our third quarter letter explained our thoughts about **RELX's** growth prospects when we first trimmed our position. In summary, headwinds like pricing pressure and funding squeezes from its university customers were areas we were monitoring. In the fourth quarter, we elected to sell our remaining investment in RELX and allocate the proceeds to a new investment in Temenos.

Switzerland-based **Temenos** is a global leader in the market for banking software. More than 3,000 banks globally, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos is a niche software company solely focusing its development capabilities on products that give banks the ability to better serve customers.

We have long favored niche software as a sticky and profitable business that enables customers to function better.

For Temenos, its software is core to modernizing a bank's operations. Most banks operate decades-old proprietary software that is clunky, antiquated, and costly to run. According to an insight paper published by Temenos[1], data collected from a portion of the company's global client base indicates that investment in IT has enabled their top-performing clients to achieve cost-income ratios of 26.8%, half the industry average, and returns on equity of 29%, three times the industry average.

[1] https://www.temenos.com/wp-content/uploads/2019/09/Temenos-Value-Benchmark-insight-paper-2019-Sep-24.pdf

These clients invest 51% of their IT budget on growth and innovation versus maintenance—this figure is double the industry average and suggests that banks' investment in Temenos software adds tangible value to their business.

The COVID crisis disrupted Temenos's usually steady revenue growth and created an opportunity for us to purchase shares at a valuation lower than historical norms. Given its market leadership and the need for banks to embrace modern software architecture, we think Temenos is capable of compounding at a mid-teens rate for the next five years.

We trimmed our holdings of both **Dassault Systemes** and **Accenture**. These two companies continue to execute well despite the difficult trading environment, and their shares reflect fair valuations in our view. We allocated the proceeds of these trims to Temenos, Sage Group, and Alibaba, all of which we believe offer significant long-term growth potential at what we feel were more compelling valuations during the quarter.

Outlook

Despite the fourth quarter's performance shortfall, we remain optimistic about the Portfolio's ability to deliver attractive and faster earnings-per-share growth over the long-term. Many of the companies we own have demonstrated resilience in the face of a global pandemic and the economic aftermath. Though the vaccine-fueled optimism did not work in our favor this quarter, our bias toward what we think are financially sound, dominant growth companies served us well during the swift market drawdown in the first quarter, and just as it has since the Portfolio's inception. Exactly when the world will normalize after COVID-19 remains unclear, but we believe our commitment to investing through a disciplined and time-tested approach should continue to deliver compelling results today and after the crisis eventually abates.

Team Update

We are pleased to announce that Rana Pritanjali has joined the Polen Capital Large Company Growth team as a Research Analyst. With her addition, the Large Company Growth team grows to 11 members.

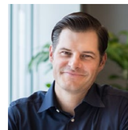
Rana brings a wealth of knowledge and diverse experience to the Large Company Growth team. Before joining Polen Capital, Rana worked as a research analyst for Causeway Capital, The Motley Fool, and Credit Suisse in Singapore. She was also a junior partner at Arkanis Capital, a boutique wealth management firm in India. Rana was born and raised in India, where she also received her B.S. in civil engineering from the Indian Institute of Technology Delhi. She received her M.B.A. from Columbia Business School.

While we are well resourced, we also believe it's important to be receptive to evaluating talent. Rana's hire was an opportunistic one. We have had the pleasure of getting to know Rana over the last few years through various professional connections. After an exhaustive interview process in 2020, it became clear that she was a strong cultural fit and extremely well aligned to the Polen Capital investment philosophy. We look forward to Rana's contributions to the team and to our clients.

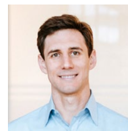
Thank you for your interest in Polen Capital and the International Growth strategy. Please feel free to contact us with any questions or comments.

Sincerely,
Todd Morris & Daniel Fields

Experience in High Quality Growth Investing



Todd Morris
Portfolio Manager & Analyst
11 years of experience



Daniel Fields, CFA
Portfolio Manager & Analyst
14 years of experience

Historical Performance

	Polen (Gross) (%)	Polen (Net) (%)	MSCI ACWI ex-USA Index (%)
3 Months	4.79	4.76	17.02
YTD	12.75	12.02	10.65
1 Year	12.75	12.02	10.65
3 Years	11.21	10.34	4.88
Since Inception (01-03-2017)	16.75	15.82	10.05

Returns are trailing through 12-31-2020. Annualized returns are presented for periods greater than one-year.
Source: Archer.

GIPS Report

Polen Capital Management
International Growth Composite—Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation	
Year End	**Total ($Millions)**	**Assets ($Millions)**	**Assets ($Millions)**	**U.S. Dollars ($Millions)**	**Number of Accounts**	**Composite Gross (%)**	**Composite Net (%)**	**MSCI ACWI ex USA (%)**	**Composite Dispersion (%)**	**Polen Gross (%)**	**MSCI ACWI ex USA (%)**
2019	34,784	12,681	22,104	0.4	1	27.88	26.81	21.50	N/A	10.92	11.34
2018	20,591	7,862	12,729	0.3	1	-4.60	-5.41	-14.19	N/A	-	11.54
2017	17,422	6,957	10,466	0.3	1	35.06	33.94	27.19	N/A	-	12.04

N/A - There are five or fewer accounts in the composite the entire year.
Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.
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 Disclosure

The International Growth Composite created and incepted on January 1, 2017 contains fully discretionary international growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI (ex-USA). 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. 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. The verification report is available upon request.

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 portfolios, 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 (ex-USA) Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world (excluding the United States). The MSCI ACWI (ex-USA) 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