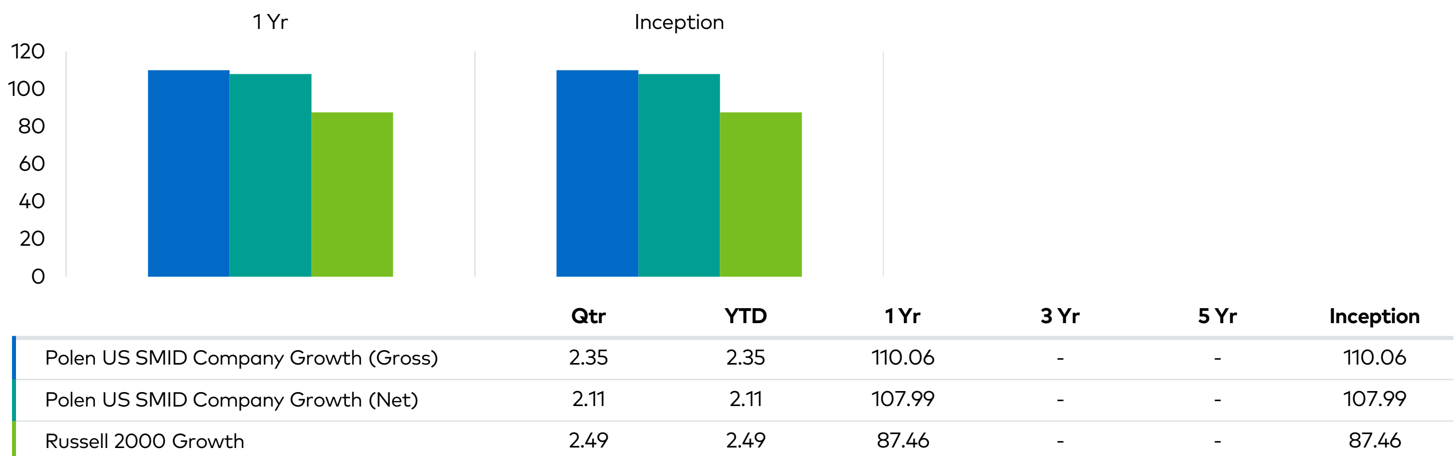
Polen U.S. SMID Company Growth

Portfolio Manager Commentary – March 2021

Summary

- The Polen U.S. SMID Company Growth Composite Portfolio (the "Portfolio") returned 2.35% gross of fees during the first quarter 2021, roughly in line with the Russell 2500 Growth Index (the "Index") return of 2.49%.
- The Portfolio has delivered a 110.06% return gross of fees since inception, compared to 87.46% for the Index.
- The end of the first quarter 2021 marks the one-year anniversary of Polen U.S. SMID Company Growth strategy. Throughout this period, market leadership seems to have alternated between speculative companies, highly cyclical companies, COVID-depressed companies and the higher quality growth companies that we seek.
- In the first quarter 2021, the consumer discretionary sector was the most notable contributor to the Portfolio. The healthcare sector also contributed positively to performance. Our biggest headwind for the first quarter came from information technology.
- During the quarter, we initiated positions in Duck Creek Technologies, Progyny, and The Trade Desk. We exited our positions in Pool Corporation, WD-40 Company, and LendingTree.
- We remain very excited about the results the Portfolio companies continue to deliver and continue to focus on companies that we believe can compound their intrinsic value over the long term.

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



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen US SMID Company Growth (Gross)	2.35	2.35	110.06	-	-	110.06
Polen US SMID Company Growth (Net)	2.11	2.11	107.99	-	-	107.99
Russell 2000 Growth	2.49	2.49	87.46	-	-	87.46

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

The end of the first quarter 2021 marks the first full year for the Polen U.S. SMID Company Growth strategy. It has been a remarkable year. Since the strategy's launch during the pandemic lows, it has gone on to enjoy two of the strongest quarters in the context of market history. The Polen U.S. SMID Company Growth Composite Portfolio (the "Portfolio") has delivered a 110.06% return gross of fees since inception, compared to 87.46% for the Russell 2500 Growth Index (the "Index"). While much of the alpha generation came in the inception quarter, we have been able to hold on to our strong performance throughout the past 12 months, even when our style of investing fell out of favor. This was the case in the first quarter of 2021. We lagged at the start of the quarter but closed the gap with the Index in February and March despite the style headwinds. The Portfolio returned 2.35% gross of fees, roughly in line with the Index's return of 2.49%.

Investors have digested everything from mixed economic data and rising treasury yields to the potential impact of government stimulus on growth and inflation and the state of the pandemic. We have observed substantial volatility in the market with investors moving in herds, gravitating to whichever bucket of public equities might be near-term outperformers. Market leadership seems to have been alternating between speculative companies, highly cyclical companies, companies that have been most depressed by the pandemic, and the higher quality growth companies that we seek. This behavior has not surprised us. Through our experience with past crises, we have observed similar market trends, especially more speculative behavior and an emphasis on reversion-to-the-mean investing.

Fickle investor behavior and the gyrations in market leadership have no bearing on what we do. Our high quality focus and long-term holding strategy are supported by a belief that short-term fluctuations in investor preferences and prices may, at times, be a headwind for our specific style of investing. Still, we think that long-term returns will match the growth of cash flow and earnings for the companies that we seek.

We are steadfast in our long-term focus on finding high quality compounders that fit our flywheel framework.

To us, these are companies that can each be 2-5 times the size that they are today and can deliver above-average growth in earnings and cash flow for the next 5-10 years, no matter the backdrop for interest rates, inflation, government stimulus, or the pandemic. Our exclusive focus on finding companies like these positions us well to deliver favorable and repeatable outcomes for our clients for the long-term, in our view. We think this approach has driven great outcomes since inception and will do so over time.

One year after the onset of the pandemic, we remain very excited about the results the Portfolio companies continue to deliver. We believe these companies are positioned to emerge from the pandemic even stronger because of their flexibility and agility, long-term thinking, and the customer connections they have nurtured throughout the crisis. Most importantly, we think the management teams of the Portfolio companies continue to behave strategically. They consider what may change in the future and make disciplined decisions that we expect will position them well to deliver long-term value for all their stakeholders.

Portfolio Performance & Attribution

During the first quarter of 2021, our sector allocation was a positive contributor to performance. The Portfolio's performance in the consumer discretionary sector was the most notable due to our overweight relative to the Index. Favorable stock selection also contributed. Our consumer discretionary holdings were up over 12% during the quarter, mostly driven by the strong performance of **RH**, **Fox Factory**, and **Etsy**.

The healthcare sector, where we are significantly underweight relative to the Index, also contributed positively to performance. **Medpace**, one of the two healthcare companies we do own, performed well compared to the negative returns in the broader sector.

Our biggest headwind for the first quarter came from information technology, which was one of the weakest sectors during the quarter overall and where we are considerably overweight. We believe that this broad-based sector weakness was tied mostly to profit-taking and sector rotation after a successful 2020. Technology companies have generally been viewed as beneficiaries of the pandemic, and now investors seemed to have moved on to companies that were most depressed by the pandemic. We view this as a manifestation of the market trend referenced earlier.

From a style perspective, our biggest headwind for the first quarter was lower-profit companies that outperformed in the SMID universe. Our heavy growth exposure was also a modest detractor, given the underlying market rotation to more cyclically and COVID-depressed companies. We were able to keep pace with the benchmark despite these headwinds due to our stock selection and our sector and industry exposure.

Our top contributors in the first quarter were **Generac Holdings**, **RH**, and **Etsy**, each of which has experienced increased demand over the past year.

Generac Holdings, which is a global provider of power generation equipment and solutions, was a top contributor during the quarter. Generac has a leading brand, dominant distribution network, and superior technology and solutions, according to our research.

Generac has dominant market share (~80%) in the home standby generator category, which remains underpenetrated at ~5% of U.S. households, despite record levels of demand over the past year. Demand for Generac's products has been primarily driven by a rise in the frequency and severity of power outages in the U.S., growing demand for clean alternative energy sources, and increasing dependence on energy security from both residential and commercial customers.

RH was also a top contributor during the quarter. RH is a leading luxury retailer in home furnishings, including high-end luxury furniture, home décor, lighting, textiles, etc. The company has experienced high demand for its products over the past year, despite many of its galleries and integrated restaurants being closed, at least temporarily, in 2020. We think the management team has continued to make thoughtful investments in the core business as well as other adjacencies to further meet customer needs. We believe RH has a long runway to further expand into other home furnishings categories, expand its footprint both domestically and internationally, and launch other luxury adjacent categories.

Etsy continued to be a top contributor in the Portfolio during the first quarter. Etsy experienced record levels of demand in 2020. Throughout the beginning of this year, the business has continued to see accelerated growth trends. The company's recently announced fourth quarter results provided numerous data points that highlight Etsy's success in both broadening and deepening the relationship it has with buyers and sellers on its platform. In fact, Etsy now stands as the fourth largest e-commerce site in the U.S. Repeat buyers have grown nearly 100% year-over-year, despite mask sales, which grew rapidly at the onset of the pandemic, shrinking to less than 5% of sales.

We continue to believe Etsy remains in the early stages of growing out its platform.

We remain confident in its ability to compound its value for shareholders at an attractive rate going forward.

Our top detractors in the first quarter were **Alarm.com**, **Goosehead Insurance**, and **Paycom**. These companies were outperformers in 2020. As previously mentioned, we saw a rotation in the first quarter. This negatively impacted returns for some of our companies that we believe have the strongest underlying fundamentals.

While style may impact returns over the near term, we remain committed to investing in what we believe are the best, highest quality companies in our universe with the ability to compound earnings over time.

Alarm.com is the leading technology platform for smart home security systems and providers. The company continues to benefit from growth in the residential market. While this was accelerated by the pandemic, we think this performance is far from a one-time gain given the recurring nature of its revenue and high customer retention. Furthermore, we believe commercial and international business will improve as the pandemic subsides.

Goosehead Insurance is a revolutionary business model and technology platform for the insurance industry. It operates as a franchise business model, which generates prolific free cash flow that management reinvests to strengthen its competitive position, customer experience, employee training, and core technology.

Goosehead continues to experience among the fastest and most profitable growth in the Portfolio since our purchase in the third quarter of 2020.

It grew revenue by 50% in the fourth quarter of 2020. In short, we continue to be excited about the long-term prospects of this flywheel company.

Paycom is a cloud-based SaaS provider for human capital management. Its simple yet innovative single-instance software initially targeted small and mid-size businesses, and it is being adopted widely. The company has a highly repeatable sales process driven by more than 90% customer retention and a solid track record for selling more to existing customers while acquiring new users. We also like Paycom's founder/CEO and his impressive track record for value-creating reinvestment. Despite the challenges created by the pandemic, revenue grew 14% in the fourth quarter and for 2020. Additionally, we believe Paycom is well-positioned to benefit from digital transformation as more corporate functions move to the cloud.

Portfolio Activity

During the quarter, we initiated positions in **Duck Creek Technologies**, **Progyny**, and **The Trade Desk**. We added to our positions in **Tyler Technologies** and **Aspen Technology**. We exited our positions in **Pool Corporation**, **WD-40 Company**, and **LendingTree**. We trimmed our position in **Etsy**.

Duck Creek Technologies is a leading SaaS provider of core systems software to the Property & Casualty insurance industry. Core systems software, including policy, billings, and claims power the carriers' most critical operations. These operations include the fundamental insurance product structure, the ability to generate underwriting data, and managing the entire claims lifecycle.

Duck Creek, as an innovative SaaS provider, has few real competitors, in our view. The mission-critical nature of this service can drive high customer retention and the ability to sell more to existing customers by constantly adding more value-added services over time.

We believe we are in the early stages of a multi-decade adoption cycle of Duck Creek's solutions in an enormous global market.

Customer churn is effectively non-existent; and world-class unit economics could lead to a long runway for revenue and earnings growth. We think the company is led by a high-quality founder who, early on, positioned Duck Creek to be a leader in the insurance industry's migration from legacy, on-premise systems to the cloud. The company is well-capitalized, has no debt, and is primed for growth in our opinion.

Progyny is a fertility benefits manager that works on behalf of self-insured companies and their employees to provide fertility outcomes at a lower cost. Fertility is a somewhat unique benefit in that it is rarely used and relatively expensive with extremely high tail risk cost. Additionally, providing this benefit is becoming increasingly table stakes for human-capital-centric businesses.

We think Progyny is positioned to deliver favorable outcomes because it has a fundamentally different business model. It focuses on results and customer experience rather than the singular focus on cost minimization like the traditional health plans with which Progyny competes. For example, Progyny provides a high-touch service with highly trained patient care advocates coordinating education, treatment, and prescriptions on behalf of providers, which seeks to reduce friction and obtain results.

We believe Progyny can achieve such high service levels because of its a simple pricing model and the way it leverages technology, which allows advocates to focus on patients. This patient-first approach combined with technology reduces tail risks for having twins, which seems innocuous but at times can be expensive and dangerous for the mother and child. This operating model has resulted in customer satisfaction at levels we have never observed before in this industry, as measured by Net Promoter Score at nearly unprecedented levels for the healthcare industry. In our opinion, Progyny is in the early days of penetrating a large and rapidly growing market. We believe this company can compound its value above our required mid-teens rate for the foreseeable future.

The Trade Desk (TTD) is a company that we sold recently only due to our market cap mandate, to which we are committed. With the stock having pulled back nearly 30% off its highs, which was disproportionate relative to the overall Portfolio and the Index, we decided to buy it back.

TTD operates the largest programmatic advertising platform that enables data-driven digital advertising for ad agencies and brands.

We see a massive change occurring where more and more media consumption is going digital. In addition, consumer media behavior is much more fragmented than before, and it is harder for companies to reach the right consumers in the right places. Programmatic advertising/ad-buying helps them better connect with their targeted consumers.

Digital media is bought in an automated fashion, driven by machines, and the advertiser–not the publisher–gets to choose what impressions they want to buy. This helps with reach and scale by enabling companies to reach more consumers and engage with them across different touchpoints with ads that are more relevant to them.

TTD also offers more analytics that helps customers make decisions and measure the results. We think this is the future of advertising and media. TTD, in our view, is a stand-out in the ad tech space, having potentially cracked the code to scaling this business where others before struggled. We believe management has also demonstrated skill balancing growth and profitability in the business, which is unusual to find for something growing at such a rapid rate. COVID has had an accelerating impact on TTD's business, and we think its future remains bright.

We added to **Aspen Technology** primarily because of our excitement about its competitive advantage. We view it as having the strongest competitive position in markets such as Chemicals, Energy, and Engineering & Construction. These areas exhibited some cyclical sensitivity, volatile spending, pricing and production impacts, and activity as a result of the pandemic, which could improve in the coming year. As such, Aspen Technology is participating in markets that we expect to improve in the coming months.

We added to **Tyler Technologies**, given our excitement about their announced acquisition of NIC Inc. NIC is a provider of digital solutions to public entities. The company offers a large payment processing business and compliments Tyler's existing business via servicing state and local governments. NIC is a company our team has tracked for many years. We believe that the combination of the two companies will be transformational for Tyler. Additionally, we think the acquisition will unlock many opportunities under Tyler's leadership that would have been harder to access when NIC was independent.

During the quarter, we exited our position in **Pool Corp**. to redeploy the assets in areas that we believe offer a more attractive risk/return profile. Pool Corp. was a subscale position in the strategy after underperforming over the past year. The company's results remain attractive, and the pool industry demand remains healthy as trends such as rising pool ownership, more pool usage, and investment in outdoor living have accelerated as a result of the pandemic.

That said, after reporting much better than expected results in 2020, we think 2021 could be a more challenging year for the company with the potential for changing consumer behavior as pandemic conditions improve.

We also exited our investment in **WD-40 Company**. The company tends to grow a little slower but with positive returns, which has historically driven double-digit compounding for us. The company experienced rapid growth primarily due to tailwinds from the pandemic and significant multiple expansion. In essence, people around the world took on more DIY and home improvement projects because they were spending more time at home. While we view WD-40 as an attractive company, we believe that this level of demand relative to this level of valuation puts the company at greater risk, and we have decided to deploy capital where we see a potential for higher return.

We also exited our position in **LendingTree**. LendingTree is a two-sided marketplace in the consumer financial services vertical that connects borrowers with lenders. The company has built a brand over more than 15 years that offers savings to borrowers by having banks compete. The company had been acquired by IAC before the financial crisis and then was spun out in the worst of the global financial crisis (GFC). The company had a resurgence following the GFC by adding value in the mortgage market. The company used the strong cash flow generation in the model to expand into adjacencies and diversify the revenue base. The product offering has expanded over the years mostly through acquisition and includes credit cards, personal loans, and insurance.

This diversified strategy had paid dividends amid demand shocks, like the decline in demand for mortgages 18 months ago and then the demand destruction caused by the pandemic. However, diversification has some downsides. While it protects the company from major demand destruction shocks, in our opinion, it has made it hard to drive consistent long-term compounding as products have come in and out of favor due to macro factors. While we think that LendingTree has solved a unique problem, we do not believe it has the same compounding potential going forward and have exited the position in accordance with our process. The sale helped fund our new position in Duck Creek, which we think has superior long-term compounding potential.

We also trimmed **Etsy** to help fund some of our new purchases. The motivation for using this as a source of funds is position size and market cap driven. Etsy continues to deliver attractive results, and all of the flywheel components for compounding remain intact in our view. It has been a successful holding for the Portfolio since inception and had risen to a position size circa 8% with a market cap of nearly $33B. We expect to continue to hold Etsy but at a smaller weight. We continue to pay close attention to the weighted average market cap of the Portfolio, and we are committed to staying within the SMID universe range.

Outlook

As digital transformation accelerates due to the pandemic, we continue to be very excited about the prospects for the small and mid-cap category. In fact, we believe it is one of the most exciting opportunities for smaller companies that we have seen in our 30 years in the business.

Some key factors drive our optimism and make us believe this is an unprecedented time for smaller companies. The broad adoption of the internet as the medium of everything—from engagement to distribution—has unlocked enormous opportunities. The first factor is the digitization of manual and labor-intensive processes. We believe this trend is still in its earliest stages of adoption and has the potential to touch almost every company in our universe. While some view digital transformation narrowly, we see opportunity just about everywhere we look. The second factor that stands out to us is that broad internet adoption evens the playing field for smaller companies. As barriers to entry are reduced, incredible brands can be built at an earlier stage and with less capital, and talent acquisition is more easily accessed by companies of all sizes. We are struck by the ability for companies to scale more quickly and efficiently, again making the playing field more even for smaller companies to participate in growth and for potentially longer periods than in the past.

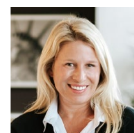
We believe the Portfolio companies are well-positioned. Over the last year, we have watched these companies navigate a very challenging environment and exhibit talented leadership, agile cultures, and resilience. The management teams who took care of all stakeholders should be commended.

> **Our focus remains on finding companies that can compound intrinsic value through the combination of growth and a high quality, sustainable business model.**

Thank you for your interest in Polen Capital and the U.S. SMID Company Growth strategy. We greatly appreciate your support and the trust you place in our team.

Sincerely,
Rayna Lesser Hannaway

Experience in High Quality Growth Investing



Rayna Lesser Hannaway
Portfolio Manager & Analyst
24 years of experience

GIPS Report

Polen Capital Management
U.S. SMID Company Growth Composite—GIPS Composite Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation[2]	
Year End	Total ($Millions)	Assets ($Millions)	Assets ($Millions)	U.S. Dollars ($Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	Russell 2500 Growth (%)	Composite Dispersion (%)	Polen Gross (%)	Russell 2500 Growth (%)
2020[1]	59,161	20,662	38,499	2.51	1	105.23	103.70	82.91	N/A	N/A	N/A

[1]Performance represents partial period (April 1, 2020 through December 31, 2020), assets and accounts are as of December 31, 2020.
[2]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 U.S. SMID Company Growth Composite created and incepted on April 1, 2020 contains fully discretionary small and mid-cap company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the Russell 2500 Growth 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 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 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 Russell 2500 Growth Index measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

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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