

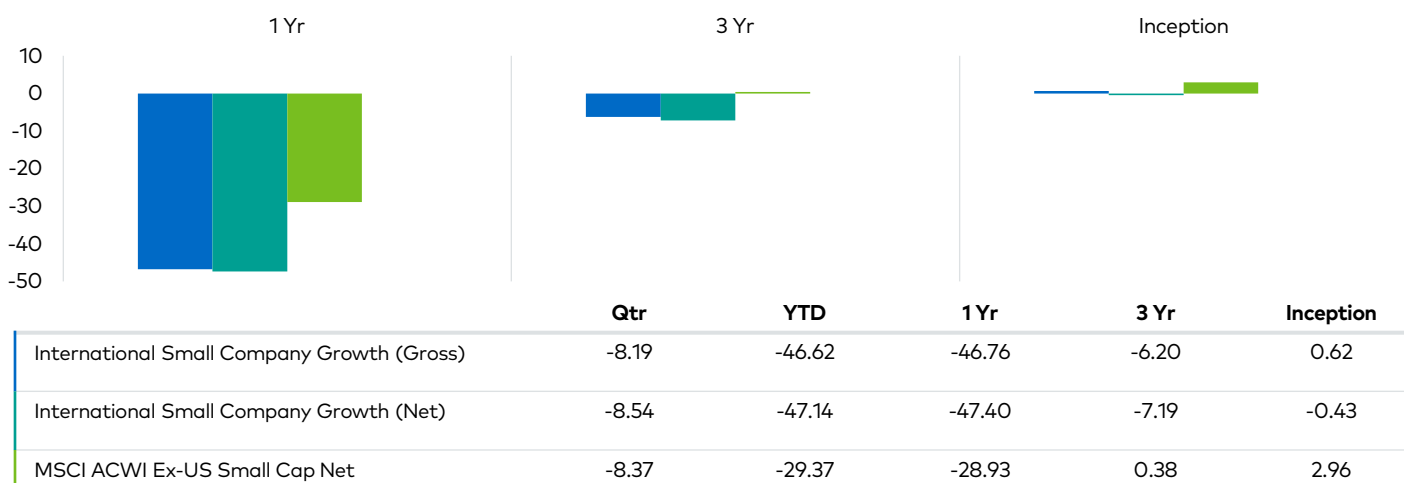
# Polen International Small Company Growth

Portfolio Manager Commentary – September 2022

## Summary

- Over the third quarter, the Polen International Small Company Growth Composite Portfolio (the "Portfolio") returned -8.19% gross and -8.54% net of fees, respectively, versus the -8.37% return for the MSCI ACWI ex USA Small Cap Index.
- Heightened geopolitical uncertainty, persistently higher inflation, rising rates, U.S. dollar strength, and concerns about slower global growth continued to be the main sources of volatility.
- The top absolute contributors to the Portfolio's performance over the third quarter included GB Group, Mytheresa, and Tecan Group. The most significant absolute detractors from performance included Fevertree Drinks, Netcompany, and Euronext.
- We initiated a position in Temenos, while exiting positions in Temple & Webster and Cellavision. Additionally, we used the volatility to opportunistically adjust some positions.
- We remain focused on the long-term value propositions, competitive advantages, growth opportunities, and potential earnings power of our Portfolio companies.
- We continue to research and own companies where we believe our flywheel framework is intact and risk-adjusted returns are compelling.

## Seeks Growth & Capital Preservation (Performance (%) as of 9-30-2022)



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. Performance figures are presented gross and net of fees and have been calculated after the deduction of all transaction costs and commissions, and include the reinvestment of all income. 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. Opinions and views expressed constitute the judgment of Polen Capital as of the date herein, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change.

All company-specific information has been sourced from company financials as of the relevant period discussed.

## Commentary

The third quarter of 2022 echoed themes that started earlier this year. Our Portfolio companies' fundamentals continue to do well. However, high inflation, rising interest rates, and a general "risk-off" mentality have created difficulty for our investing style. In response to surging inflation, the U.S. Federal Reserve Board (the "Fed") continued to tighten interest rates, trying to curtail rising prices while avoiding the risk of tipping the economy into a recession. Whether the Fed's strategy proves successful remains to be seen. In the meantime, concerns seem to continue to rise around continued inflation and a potential recession are getting louder.

Among other macro developments, the ongoing Ukraine-Russia conflict as well as China's Zero COVID policy contributed to persistent inflation and rising energy prices. Investor sentiment has become increasingly negative as a result and while broad multiple compression has slowed, companies have started to revise earnings expectations in anticipation of growing recessionary pressures.

Certain market segments, including consumer discretionary, are under more acute selling pressure given fears about consumer weakness in recessionary periods, however some of these more cyclical areas have also experienced modest bear market bounces. This is also reflected in the fact that small caps outperformed large caps over the quarter. Another notable feature of the investment backdrop has been the outperformance of lower quality cyclical sectors, energy being the best example. With our focus on what we believe to be high-quality compounders over the long term, companies in this space tend not to fit our investment criteria.

As expected, during periods of heightened volatility and a shifting economic environment, we are refining the Portfolio opportunistically.

**We are buying companies that we believe are attractive alternatives but did not previously meet our expected internal rate-of-return (IRR) hurdle.**

We are also taking profits by selling or trimming companies that have held up well that we believe have lower return expectations going forward.

### Portfolio Performance & Attribution

Over the third quarter, the Portfolio returned -8.19% gross and -8.54% net of fees, respectively, versus the -8.37% return for the Index. The Portfolio's slight outperformance (gross) was

driven primarily by positive stock selection in industrials, real estate, and consumer discretionary. Partially offsetting this positive impact was headwinds related to the Portfolio's overweight exposure to information technology, and lack of exposure to cyclicals like energy and materials. Our focus on what we believe to be high-quality, sustainable growth tends to lead us away from these cyclical segments.

**We continue to observe a disconnect between underlying fundamentals and share prices. It's our view that the market will come to appreciate the true value of these businesses over the long term.**

For the time being, the market's overwhelming focus has been around macro data points (rates, inflation, etc.), and this has resulted in a very factor driven market environment characterized by rapid shifts in investor preference.

Our most significant absolute contributors to performance over the third quarter were **GB Group, Mytheresa, and Tecan Group**.

**GB Group** is a UK-based company with a leading position in the global identity data intelligence solutions industry. During the period, the company was the subject of potential takeover news with two private equity firms expressing interest. The stock was up nearly 50% over the course of a few days on these reports.

**Mytheresa**, a German e-commerce luxury fashion company, reported very solid F4Q22 results and affirmed their full year target for 20% gross merchandise value. The stock reacted positively to this report, which highlights the health of Mytheresa's core customer despite the various macro concerns. Bigger picture, we continue to believe this is a great business given the solid secular/industry growth backdrop, robust financial model, and its ability to benefit in an inflationary environment.

**Tecan Group** is a Swiss-based healthcare technology company that makes highly precise instruments, products, and solutions for scientific research and clinical diagnostics. During the quarter, Tecan delivered robust financial results for the first half of 2022 and raised full year guidance. The company continues to execute very well in a period with difficult COVID-related comparisons and significant cost inflation pressures.

Our most significant absolute detractors from performance over the quarter were **Fevertree Drinks, Netcompany, and Euronext**.

**Fevertree Drinks** is a UK-based leading brand for premium mixers with convincing market share positions globally. The company has experienced intense demand for its products but has experienced numerous supply chain issues over the six months that have dramatically dragged down profit margins (most notably, sharp increases in the price of glass bottles). While we have no clarity on when these issues will subside, we do believe they are transitory and are very encouraged by the continued development and growth in customer demand, product innovation, on-trade and off-trade partnerships, and brand-building efforts on a global basis. We used the current depressed share price to opportunistically add to our position.

**Netcompany** is a prominent Danish IT consulting company. Netcompany continues to digest its large acquisition of Intrasoft from late last year. This, along with a variety of one-time issues (i.e., higher sick days in Norway & Denmark associated with COVID and digesting three legacy overbudget projects in Norway) resulted in second-quarter results that came in below expectations. Stepping back, we see no real change in Netcompany's competitive positioning in Denmark nor the long-term health and growth opportunities in that market, and the Intrasoft acquisition appears to be progressing well. We believe the acquisition is a big and necessary step in the right direction.

**Euronext** is a leading European exchange operator with exposure to capital markets across Europe. The stock underperformed despite posting satisfactory quarterly results amid a turbulent time for European equities. The leading European trading exchange showed durability despite the challenging market environment and promising signs that the Borsa Italiana acquisition made last year will be accretive to returns. We continue to believe they are a stellar, volumes-based business than can thrive and survive in any market environment and the shares are trading at an attractive valuation.

## Portfolio Activity

During the quarter, we initiated a position in **Temenos**, while exiting positions in **Temple & Webster** and **Cellavision**.

**Temenos** is a Switzerland-based provider of digital banking, core banking, payments, fund management, and wealth management software products. The company continues to see strong growth and development in its SaaS offerings, and we believe over time the business will continue to move from its traditional model to one with more predictability and visibility. While there is no question that a deteriorating macro environment in the short term could cause delays and disruptions in deals, we believe the current price presents a very attractive risk/reward and moreover, believe Temenos has an incredibly strong and durable competitive position in its key software solutions for banks and financial institutions.

While **Temple & Webster** remains a high-quality company, we have had growing concerns about the range of outcomes on the business given the growing uncertainty around how much the business potentially benefited from COVID and new and growing investments the company is now making to expand into the home improvement industry. As a result, we moved on from the position in favor of better alternatives elsewhere.

**CellaVision** is a Swedish-based healthcare company that has developed technology and instruments to help hematology labs automate blood analysis. In our opinion, the current share price presents an unattractive risk/reward in our goal of achieving at least a mid-teens rate of return. For this reason, and to fund superior alternatives, we sold our position in CellaVision.

We also added to existing positions in **Amplifon, Keywords Studios, Fevertree Drinks, and Dechra Pharmaceuticals**. In each case, we used share price weakness in the short term to opportunistically add to these high-quality businesses at very attractive valuations as we remain highly positive around the long-term ability of these businesses to compound growth significantly in the coming years.

On the other hand, we trimmed positions in **TMX Group, Technology One, and Pro Medicus** during the quarter. While the fundamentals of these companies remain very robust, the share prices have been resilient this year and our trims help to right-size the positions. We used the proceeds from these trims as a source of funds to add to other opportunities at more attractive valuations.

## Outlook

We continue to stay focused on the long-term value propositions, competitive advantages, ongoing initiatives, growth opportunities, and potential earnings power of our Portfolio companies. In challenging periods like these, we believe the strong get stronger. In other words, we believe businesses with robust balance sheets that can self-fund growth are poised to withstand a potential recession, maintain resilience, and gain market share while their competition retreats. We believe the opportunity for long-term investors like us is more favorable than it has been in years.

Thank you for your interest in Polen Capital and the International Small Company Growth Portfolio. Please contact us with any questions.

Sincerely,

Rob Forker and Troy Renauld, CFA

## Experience in High Quality Growth Investing

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**Rob Forker**

Portfolio Manager & Analyst  
21 years of experience



**Troy Renauld, CFA**

Portfolio Manager & Analyst  
8 years of experience

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## GIPS Report

Polen Capital Management  
International Small Company Growth Composite—GIPS Composite Report

| Year End | Total(\$<br>Millions) | UMA                    | Firm                   | Composite Assets                |                      | Annual Performance Results |                      |                                      |                                | 3 Year<br>Standard Deviation <sup>1</sup> |                                      |
|----------|-----------------------|------------------------|------------------------|---------------------------------|----------------------|----------------------------|----------------------|--------------------------------------|--------------------------------|---|--------------------------------------|
|          |                       | Assets(\$<br>Millions) | Assets(\$<br>Millions) | U.S.<br>Dollars(\$M<br>illions) | Number<br>ofAccounts | Composite<br>Gross (%)     | Composite<br>Net (%) | MSCIACWI<br>ex<br>USASmall<br>Cap(%) | Composite<br>Dispersion<br>(%) | PolenG<br>ross(%)                         | MSCIACWI<br>ex<br>USASmall<br>Cap(%) |
| 2021     | 82,789                | 28,884                 | 53,905                 | 1.92                            | 1                    | 10.87                      | 9.78                 | 12.92                                | N/A                            | 18.58                                     | 19.86                                |
| 2020     | 59,161                | 20,662                 | 38,499                 | 1.73                            | 1                    | 21.10                      | 19.92                | 14.24                                | N/A                            | N/A                                       | N/A                                  |
| 2019     | 34,784                | 12,681                 | 22,104                 | 1.43                            | 1                    | 42.80                      | 41.40                | 22.42                                | N/A                            | N/A                                       | N/A                                  |

### Performance % as of 12-31-2021:

(Annualized returns are presented for periods greater than one year)

|  | 1 Yr  | 5 Yr | 10 Yr | Inception |
|--|-------|------|-------|-----------|
| International Small Company Growth (Gross) | 10.87 | -    | -     | 24.22     |
| International Small Company Growth (Net)   | 9.78  | -    | -     | 23.00     |
| MSCI ACWI Ex-US Small Cap Net              | 12.92 | -    | -     | 16.44     |

<sup>1</sup>A 3 Year Standard Deviation is not available for 2019 and 2020 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 International Small Company Growth Composite created and inceptioned on January 2, 2019 contains fully discretionary international small company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI ex USA Small Cap. Effective January 2022, fully discretionary small company equity accounts managed as part of our International Small Company Growth strategy that adhere to the rules and regulations applicable to registered investment companies subject to the U.S. Investment Company Act of 1940 were included into the International Small Company Growth Composite. The accounts comprising the portfolios are highly concentrated and are not constrained by EU diversification regulations.

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 December 31, 2021. 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. Polen Capital Management invests exclusively in equity portfolios consisting of high-quality companies but also has a subsidiary, Polen Capital Credit, LLC, that specializes in high yield securities and special situations investing. 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.

Effective January 1, 2022, composite policy requires the temporary removal of any portfolio incurring a client initiated significant net cash inflow or outflow of 10% or greater of portfolio assets. 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 either actual management fees or highest fees for fund structures. 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 separate account 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.

The per annum fee schedule for managing the Polen International Small Company Growth Fund, which is included in the International Small Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 150 basis points (1.50%). As of 4/30/2022, the mutual fund expense ratio goes up to 1.50%. This figure may vary from year to year.

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. Portfolio returns are net of all foreign non-reclaimable withholding taxes. Reclaimable withholding taxes are reflected as income if and when received. 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 Small Cap Index is a market capitalization weighted equity index that measures the performance of the small-cap segment across developed and emerging markets (excluding the U.S.). The index is maintained by Morgan Stanley Capital International.

The volatility and other material characteristics of the indices referenced may be materially different from the performance achieved. In addition, the composite's holdings may be materially different from those within the index. Indices are unmanaged and one cannot invest directly in an index.

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

| Return | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 6 Years | 7 Years | 8 Years | 9 Years | 10 Years |
|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| 10%    | 1.10   | 1.21    | 1.33    | 1.46    | 1.61    | 1.77    | 1.95    | 2.14    | 2.36    | 2.59     |
| 9%     | 1.09   | 1.19    | 1.30    | 1.41    | 1.54    | 1.68    | 1.83    | 1.99    | 2.17    | 2.37     |
| 20%    | 1.20   | 1.44    | 1.73    | 2.07    | 2.49    | 2.99    | 3.58    | 4.30    | 5.16    | 6.19     |
| 19%    | 1.19   | 1.42    | 1.69    | 2.01    | 2.39    | 2.84    | 3.38    | 4.02    | 4.79    | 5.69     |

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