Polen Global Growth

Portfolio Manager Commentary – September 2022

Summary

- During the third quarter of 2022, the world continued to experience persistent inflation; zero tolerance COVID-19 policies in China, resulting in the sudden and complete shutdowns of large cities; the ongoing war in Ukraine; and substantial tightening measures by central banks worldwide.

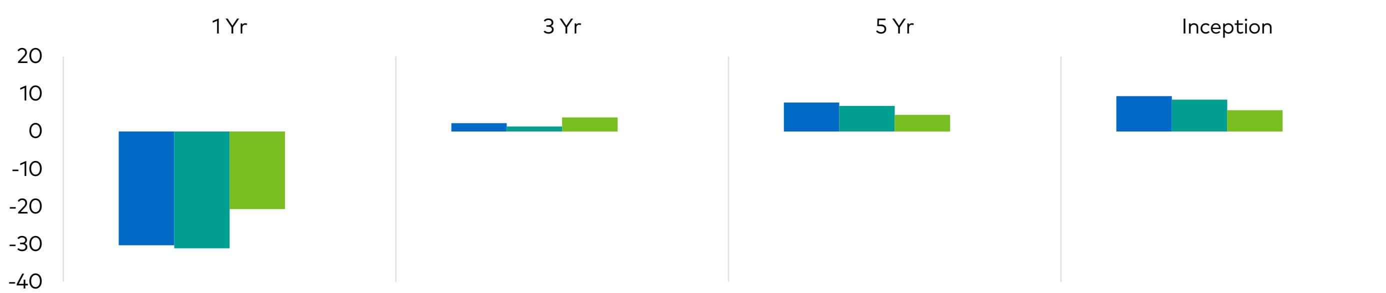
- The Global Growth Composite Portfolio (the "Portfolio") trailed the MSCI ACWI Index (the "Index") as overweight allocations to the communication services and information technology sectors, zero weightings to the energy, industrials sectors, and an underweight to the financials sectors were negative. The overweight to the consumer discretionary sector was a positive.

- At an individual company level, the top three absolute contributors were Amazon, ADP, and Autodesk. The three largest absolute detractors were Adobe, ICON, and Adidas.

- We added L'Oréal to the Portfolio during the quarter, taking an initial 1% position at the end of July and then adding another 1% following its compelling earnings report.

- Prices can and certainly do wild things in the short run, but we believe that over the long term, our companies will trade for fair valuations. When combined with the earnings growth we expect, the Portfolio is poised to generate attractive client returns over the next three to five years.

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



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen Global Growth (Gross)	-8.34	-34.90	-30.29	2.21	7.72	9.42
Polen Global Growth (Net)	-8.63	-35.50	-31.07	1.35	6.82	8.50
MSCI ACWI	-6.82	-25.61	-20.65	3.74	4.44	5.68

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

During the third quarter of 2022, the Polen Global Growth Composite Portfolio (the "Portfolio") was down -8.34% and -8.63%, gross and net of fees, versus a decline of -6.82% for the MSCI ACWI (the "Index"). Since inception, the Portfolio has compounded at an annual rate of 9.42% and 8.50%, gross and net of fees, versus 5.68% for the Index, outperforming the Index by 282 bps, net of fees. On a cumulative basis since inception, the Portfolio has delivered returns of 28.65% and 23.01%, gross and net of fees, versus 16.29% for the Index.

During the third quarter of 2022 the world continued to experience persistent inflation; zero tolerance COVID-19 policies in China, resulting in the sudden and complete shutdowns of large cities; and the ongoing war in Ukraine. What changed relative to the first two quarters is that the geopolitical landscape appears to be even more uncertain with the Ukraine war intensifying, an emerging energy crisis in Europe, and central banks tightening monetary policy further to tackle inflation.

Central bank actions this quarter largely began with the U.S. Federal Reserve, which has engaged in its most aggressive campaign to tighten monetary policy since 1981. It instituted a third consecutive 0.75 percentage point raise in interest rates while signaling further raises in the coming months. The Bank of England responded with its own raise of rates, and Switzerland followed. Central banks in Indonesia, the Philippines, Taiwan, South Africa, and Norway all reacted with rate raises.

What does this mean for Global Growth? The first-order impact of rate increases—increased debt servicing expenses—does not materially impact our companies in our view. Our investment guardrails, which have been in place at Polen Capital for over three decades, filter out highly leveraged businesses from our investable universe.

> **Most of our companies have more cash than debt, and many have no debt at all.**

Their fortress balance sheets remove concerns over increased rates leading to increases in debt-related expenses.

The second-order impact of higher rates tends to be an economic slowdown or even a recession. To be clear, we are not attempting to predict a slowdown, but we think it may be helpful to share perspective on how our companies tend to perform during these periods. In our experience, most companies in the Index will experience a degradation in their fundamentals.

Our companies, on the other hand, tend to separate themselves from lower-quality businesses contained in any Index because they enjoy competitive advantages and benefit from secular tailwinds, allowing growth through cycles.

We believe that our aim of mid-teens earnings growth over the next three to five years remains intact regardless of whether a recession occurs or not. Most companies in any Index will not be able to achieve this, based on our experience.

Stock returns stem from price and earnings growth, and at the end of the quarter, the Portfolio's aggregate P/E multiple is about 21x–at the low end of its range since inception.

> **Prices can and certainly do wild things in the short run, but we believe that over the long term, our companies will trade for fair valuations.**

When combined with the earnings growth we expect, we believe the Portfolio is poised to generate attractive client returns over the next three to five years.

Portfolio Performance & Attribution

Despite a positive July, the third quarter of 2022 was resolutely negative for global equities. Within the Portfolio, the overweight allocations to the communication services and information technology sectors, zero weightings to the energy, industrials sectors, and an underweight to the financials sectors were negative. The overweight to the consumer discretionary sector was a positive.

At an individual company level, the top three absolute contributors were **Amazon**, **ADP**, and **Autodesk**. The three largest absolute detractors were **Adobe**, **ICON**, and **Adidas**.

As mentioned in last quarter's letter, **ADP** continues to deliver a solid business performance, with FY22 revenues increasing 10% and adjusted EPS increasing 16%, both above initial guidance. A tight U.S. labor market bodes well for the business into FY23, alongside its ability to earn a portion of its revenues as floating rate income.

Amazon reported better-than-expected earnings during the quarter driven by robust earnings and margins in AWS, its cloud division. The company also posted positive numbers for advertising in the face of a tough environment for the sector.

Autodesk's 98% recurring revenue, subscription-based business continues to prove resilient even in the face of a tough macro environment, with its numbers in line with expectations despite China's Zero-COVID policies and slowing property sector.

Late quarter, **Adobe** announced the intent to acquire Figma for $20 billion, financed with half stock and half cash and debt. The market didn't take kindly to the announcement, and Adobe's stock fell around 17% on the day.

We are researching deeply and thinking through the deal, the timing, price, and rationale. That said, we have been owners of Adobe for a long time and respect CEO Shantanu's vision and ability to execute. We believe management is looking ahead 3-5+ years, as they should be, and making a strategic move. The deal is expensive but reveals that Adobe thinks Figma's collaboration platform is the way that design development will evolve in the future and that it is easier to buy than build. It does imply a competitive weakness in this area, but Adobe has a very strong position in digital media creation, which is still a large and growing market.

As a natural outcome of capitalism, an extremely profitable and growing market will attract competitors over time.

While there are still some questions to be answered and management has some work to do, we believe Adobe still has strong competitive advantages and is likely to be a good investment from here, with or without Figma.

With respect to regulation, we'd be surprised if regulators do not at least examine the deal, given Adobe's position in digital media creation. If the deal does go through, we believe Adobe would invest heavily in supporting and accelerating Figma, bringing Adobe's vast strength in the photo, video, and editing space to Figma's platform of real-time collaboration.

We think the analogy between Adobe's solutions being like Microsoft Word and Figma being like Google docs is a pretty good one. There are still plenty of users and uses for Adobe's existing products (the business is growing nicely), but Figma's web-based collaboration capabilities, which are a function of designing its platform more like Google Docs, is where some design development work is going. We believe Adobe wants to combine its capabilities with Figma's platform to accelerate its own evolution and to create new products together. We see the vision. If the acquisition does not go through, as mentioned, web-based collaboration for design development is a big market, it's growing, and Adobe enjoys a leading position in content creation tools, particularly for more high-value design. This is in addition to its Digital Experience platform, which we view as also highly advantaged and has ample room to grow as well.

While not reflected in the stock price performance, fundamentals remain solid for **ICON** this year. The integration with PRA Health is progressing nicely, customer retention remains high (it has had no significant customers leave), and employee attrition continues to improve. Despite continued disruption from COVID, weakness in biotech funding, and the ongoing war in Ukraine, top-line growth remains in line with long-term expectations of mid- to high-single-digits.

Additionally, ICON continues to expect to reach $10 billion in sales by 2025. Specifically, in 2022, sales grew 7.8% and 4.4%, respectively, in the first and second quarters on a constant currency basis. And, in the second quarter, sales grew 16% excluding COVID-related studies.

Profitability remains stable to slightly improving as COVID-related studies continue to wind down (these studies have lower gross margins on average), with gross margins in the high-20s and operating margins in the mid- to high-teens. The combined company, which benefits from tremendous scale advantages, continues to win new business, and growth in backlog has accelerated (to $20 billion as of the end of the second quarter).

Adidas continues to suffer from inventory build-up in China, as up to 60% of its stores are in cities that are in some form of lockdown. Despite the rest of the company performing well, China is a significant portion of Adidas' revenues, which have declined 35% for two quarters running.

Portfolio Activity

Despite the noise in the market, our trade activity was especially low during the quarter. We continue to research what we view as deeply attractive businesses trading at more attractive prices than they were at the beginning of the year, but recognize that we believe we already own most of the best companies on offer today. That said, we did add **L'Oréal** to the Portfolio during the quarter. We took an initial 1% position at the end of July and then added another 1% to the position after the company reported compelling earnings globally.

We have been studying globally dominant cosmetics businesses for years, and at a high level, our research revealed that cosmetics & beauty is an extremely durable business.

Cosmetics and beauty have been an ingrained part of humanity for at least 10,000 years. Our research led to the purchase of Estée Lauder in 2020, which we sold last year for valuation-related reasons, and now to the addition of L'Oréal to the Portfolio.

L'Oréal was founded in 1909, is headquartered in Paris, France, and is the market leader in the beauty industry with a leading share (>14%) and a market capitalization of >€180 billion. The company meets and exceeds all guardrails with ~30% ROIC (return on invested capital), stable and improving margins, consistent and durable organic growth, and net cash.

With A&P (advertising and promotions) and R&D (research and development) of approximately 30% and 3.5% of sales, respectively, the company executes what we see as a successful business model similar to Nike and Adidas.

For decades L'Oréal has acquired and then nurtured brands to globally dominant levels. Today the company has 8 billionaire brands that drive ~75% of company growth (Armani, Garnier, Kiehl's, Lancôme (>€4 billion revenue), La Roche Posay, L'Oréal Paris (>€6 billion), Maybelline, and Yves Saint Laurent. The shifting basis of competition stemming from internet and social media proliferation combined with e-commerce has, in recent years, led to faster and more profitable growth that we believe will continue. Some examples of the shift benefiting L'Oréal is skincare continuing to grow rapidly, where real science and efficacy are involved, and a channel shift from brick-and-mortar to higher margin e-commerce and travel retail. E-commerce was 29% of 2021 revenues, with an equal split among direct-to-consumer, e-retailers, and online pure players. The company operates four divisions (Professional Products, Consumer Products, L'Oréal Luxe, and Active Cosmetics). Beneficial to the investment case, the divisions with the highest operating margins are the fastest growing and enjoy the strongest secular tailwinds.

Further, L'Oréal, which is run as a large portfolio of products, is not reliant on just one variable to drive returns for our clients. In addition to skincare and China, the company is seeing fast growth in North America for its dermatological skincare (where the doctor becomes the salesperson), fragrances, and premium hair care. As long-term shareholders, we also appreciate that management will reinvest most future margin expansion above approximately 35bps per year to ensure continued durability.

Outlook

We continue to see nearer-term growth headwinds primarily from COVID-19 grow-over issues. Uncertainty about the trajectory of interest rates and inflation and input costs still weigh on markets and are contributing to a broader 'risk-off' sentiment, which is exacerbated by any negative news at a company level. Our long-term earnings growth expectations, however, remain largely unchanged, and we plan to continue to use volatility to take advantage of pricing anomalies and become more concentrated in our best investment ideas for the next five-plus years.

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

Sincerely,

Damon Ficklin and Jeff Mueller

Experience in High Quality Growth Investing

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

Jeff Mueller
Portfolio Manager & Analyst
9 years of experience

GIPS Report

Polen Capital Management
Global Growth Composite—GIPS Composite Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation[1]	
Year End	Total ($Millions)	Assets ($Millions)	Assets ($Millions)	U.S. Dollars ($Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI ACWI (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI (%)
2021	82,789	28,884	53,905	138.08	7	17.90	17.07	18.54	0.3	15.08	16.84
2020	59,161	20,662	38,499	39.14	3	25.01	24.13	16.27	N/A	16.16	18.13
2019	34,784	12,681	22,104	6.50	2	37.37	36.35	26.60	N/A	12.10	11.22
2018	20,591	7,862	12,729	4.77	2	3.14	2.22	-9.41	N/A	11.50	10.47
2017	17,422	6,957	10,466	4.16	2	32.66	31.55	23.96	N/A	10.12	10.36
2016	11,251	4,697	6,554	0.33	1	1.21	0.34	7.86	N/A	N/A	N/A
2015	7,451	2,125	5,326	0.33	1	10.07	9.14	-2.36	N/A	N/A	N/A

Performance % as of 12-31-2021:
(Annualized returns are presented for periods greater than one year)

	1 Yr	5 Yr	10 Yr	Inception
Polen Global Growth (Gross)	17.90	22.60	-	17.46
Polen Global Growth (Net)	17.07	21.65	-	16.53
MSCI ACWI	18.54	14.39	-	10.89

[1]A 3 Year Standard Deviation is not available for 2015 and 2016 due to 36 monthly returns are not available.
Total assets and UMA assets are supplemental information to the GIPS Composite Report.
N/A - There are five or fewer accounts in the composite the entire year.
While pitch books are updated quarterly to include composite performance through the most recent quarter, we use the GIPS Report that includes annual returns only. To minimize the risk of error we update the GIPS Report annually. This is typically updated by the end of the first quarter.

GIPS Report

The Global Growth Composite created and incepted on January 1, 2015 contains fully discretionary global growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI. Prior to October 18, 2016, the benchmark for the Global Growth Composite was the MSCI ACWI variant with gross dividends. As of October 18, 2016, the benchmark was changed retroactively to the MSCI ACWI variant with net dividends, to more accurately reflect the Global Growth Composite's strategy. Effective January 2022, fully discretionary large cap equity accounts managed as part of our Global 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 Global 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 management 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 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.

The per annum fee schedule for managing the Polen Global Growth Fund, which is included in the Global Growth Composite, is 85 basis points (.85%). The total annual fund operating expenses are up to 135 basis points (1.35%). As of 4/30/2022, the mutual fund expense ratio goes up to 1.24%. 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 management 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 Index is a market capitalization weighted equity index that measures the performance of large and mid-cap segments across developed and emerging market countries. 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