

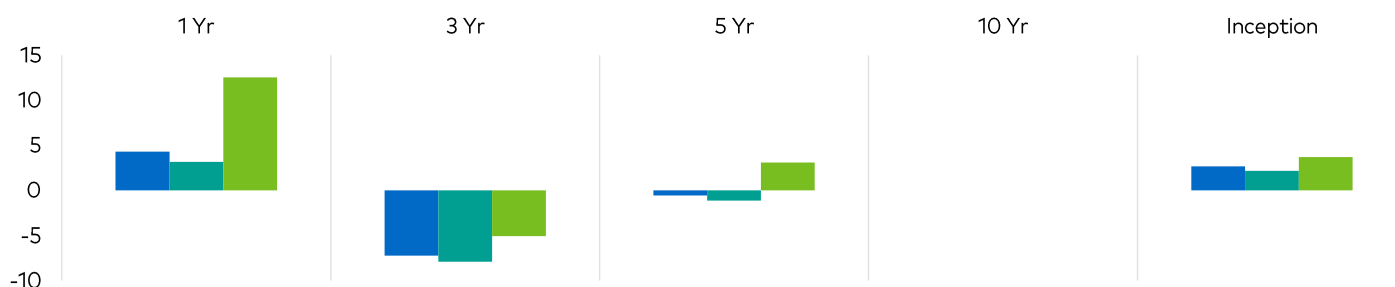
# Polen Emerging Markets Growth

Portfolio Manager Commentary – July 2024

## Summary

- Over the second quarter of 2024, the Polen Emerging Markets Growth Composite Portfolio (the "Portfolio") returned 0.14% gross and -0.30% net of fees, respectively, versus the 5.00% return of the MSCI Emerging Markets Index (the "Index").
- The Information Technology sector, notably companies in the Semiconductor industry, saw robust share price returns as perceived beneficiaries of Artificial Intelligence ("AI"). Conversely, the typically more stable sectors, such as Consumer Staples and Healthcare, were the weakest.
- The top contributors to relative returns over the period were Tencent Music Entertainment, FPT, and HDFC Bank. In turn, Tencent Music Entertainment, TSMC, and FPT were the top contributors to absolute returns.
- The largest detractors from relative and absolute performance were dLocal, EPAM Systems, and FEMSA.
- While acknowledging that short-term share prices may not always reflect business fundamentals, we maintain confidence in our Portfolio holdings' long-term prospects and remain excited about the opportunities in emerging markets.
- Our focus remains on identifying companies with competitive advantages that we believe can generate long-term earnings and cash flow growth, regardless of commodity fluctuations or economic cycles.

## Seeks Growth & Capital Preservation (Performance (%) as of 6-30-2024)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen Emerging Markets Growth (Gross)	0.14	1.62	4.32	-7.22	-0.55	-	2.68
Polen Emerging Markets Growth (Net)	-0.30	0.94	3.16	-7.90	-1.13	-	2.18
MSCI Emerging Markets (Net)	5.00	7.49	12.55	-5.07	3.09	-	3.71

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.

## Commentary

As measured by the Index, emerging market equities were up over the period and continued the positive momentum from the last two quarters.

At a country level, there were mixed fortunes; Taiwan, China, and India drove most of the benchmark's positive return. Taiwan, particularly TSMC, continued to benefit from soaring demand for server AI processors. After a challenging period for China, more encouraging economic data and supportive policy decisions have seemingly strengthened China's equities in recent months. In our view, better-than-expected economic growth, government equity purchases, and new regulatory measures designed to enhance China's capital markets are among the factors driving equity markets higher.

### Meanwhile, India continued to experience positive momentum, boosted by robust economic performance and net investment.

In turn, Brazil and Mexico were the notable laggards. In Brazil, markets were weak amid concerns about the government spending plans. In Mexico, the presidential election resulted in a super-majority for the ruling party, which raised concerns that it could lead to significant changes to Mexico's constitution. Against this backdrop, Information Technology was again the standout sector, returning just over 11%. In our view, this was driven by rising demand for semiconductors, particularly related to Artificial Intelligence (AI). Conversely, the only sectors that saw negative returns were healthcare, materials, and consumer staples.

## Portfolio Performance & Attribution

Over the second quarter, the Portfolio returned 0.14% gross and -0.30% net of fees, respectively, versus the 5.00% return for the Index. Both security selection and sector allocation drove relative underperformance.

Security selection was positive in the Communication Services sector but was outweighed by weaker selection in the Financials and Consumer Discretionary sectors. Sector allocation, a fallout of our bottom-up process, also detracted from relative returns, primarily due to the Portfolio's overweight position in the Consumer Staples and Consumer Discretionary sectors. The Portfolio's relatively overweight position in Vietnam and underweight position in South Korea were favorable for relative returns, while our Uruguay and Mexico holdings detracted from relative returns.

The top contributors to relative return over the period were **Tencent Music Entertainment**, **FPT**, and **HDFC Bank**. Tencent Music Entertainment, TSMC, and FPT were the top contributors to absolute returns.

**Tencent Music Entertainment**, China's equivalent to Spotify, posted another attractive quarter with further improvement in profitability. Its music business has performed well in a robust pricing environment, leading to compelling revenue and earnings growth. The company now has over 113 million paying music subscribers, marking a year-over-year increase of over 20%. This growth, along with a shift in revenue mix and higher average revenue per paying user, has led to the company's highest gross margin in five years.

**FPT** is a leading IT services provider in Vietnam and one of the leading telecoms and private education businesses. The company continues to experience robust demand, unlike other global IT services businesses that have experienced slowing growth. Over the quarter, it also announced plans to build an AI factory in Vietnam in partnership with Nvidia.

**HDFC** shares rose over the period as India's largest private lender reported a more robust quarter, relieving some recent concerns. HDFC reported a 37% increase in net profit over the year, while the bank's net interest income (the difference between interest earned and interest expended) rose by 24.5%. We think India's largest private-sector bank should benefit from the robust growth of the Indian economy while continuing to take share from its less well-run public-sector competitors.

The largest individual detractors from relative and absolute performance were **dLocal**, **Epam Systems**, and **FEMSA**.

**dLocal**, a payments processing company headquartered in Uruguay, saw further weakness after reporting disappointing first-quarter results. While payment volumes and revenues grew 49% and 34%, respectively, gross profit only grew 2% due to elevated processing costs. The company has also invested more in building its scale and functionality, further weighing on profitability. In the long term, as one of the leading payment processing companies in Emerging Markets, we believe the company can continue to see attractive growth and improve profitability under a management team we hold in high regard.

**EPAM Systems** is a U.S.-listed IT service company with significant Eastern European operations. We believe IT service companies have generally gone through a difficult period of slowing growth with concerns that corporates will cut spending in the short to medium term given the material uncertainty in the macro landscape. This translated into somewhat disappointing results for the business, with lower quarterly earnings and revenues while also lowering its full-year revenue outlook. While there are short-term headwinds in the sector, we continue to believe that in the longer term, corporates will have to invest continually in their IT systems to keep pace with the competition.

**FEMSA** is a leading Mexican retail conglomerate that operates convenience, pharmacy, and gas stations. While FEMSA performed broadly in line with Mexican equities, its shares declined on uncertainty surrounding presidential elections, negatively impacting the Mexican peso. The company continues to benefit from the economies of scale of its retail operations, which drive down unit costs and allow it to operate with attractive margins and decent returns on capital despite some businesses operating sub-scale. We trimmed the position slightly over the period, reflecting the shifting risk/return profile following the country's recent election. However, we still think an attractive growth trajectory is driven by increased retail industry consolidation in Mexico, the continued development of footfall-generating services in convenience stores, and the scaling up of other retail formats and geographies.

## Portfolio Activity

We initiated three new positions over the quarter, sold out of one name, and made minor adjustments to existing holdings.

We started a position in **Pinduoduo** ("PDD"), a company that, in our view, has recently proven itself as one of the most fiercely competitive companies in China. Having pioneered an innovative and highly successful e-commerce model in its home nation's market, it is now taking its model to the rest of the world through its Temu business, with breathtaking impact. PDD was heavily loss-making in its early years, but as the company matured, it became cash-generative. As such, it appears capable of largely self-funding a growth model that could potentially disrupt some of the most successful companies in the world. There are undoubtedly unique risks associated with this investment, primarily related to geopolitical concerns and opacity of disclosures. Still, we think these are more than compensated by a valuation that prices one of the world's more disruptive and successful companies at approximately 10x its expected 2024 earnings.

We bought **Shenzhen Inovance**, a leader in China's burgeoning industrial automation market. The company makes products that enable its customers to manufacture more efficiently. Inovance has enjoyed compound sales growth of 33% over the last ten years, supported by industry development and market share gains, and we believe both of these trends to continue to drive growth rates of 15-20% plus for many years ahead. In our view, Inovance's solid competitive positioning versus its domestic and foreign competitors allows it to enjoy attractive unit economics, EBITDA margins, and return on invested capital. The company has a net cash balance sheet and has historically been able to pay 25% of its profits back to shareholders while still self-funding its growth. Historically, the shares have traded at very elevated multiples, but weak sentiment in China has seen the multiple fall meaningfully. We are taking advantage of this recent share price softness to buy what we believe is a great business at a reasonable price.

Finally, we added **Genting Singapore** to the Portfolio. Genting is one of two casino operators in Singapore, and we believe a license to operate a casino in Singapore is a license to print money. We think that in the short to medium term, it should be reasonably easy for the company to grow its already healthy profits thanks to the gradual return of Chinese customers and continued expansion of visitations from regional Asian markets. Longer-term Genting's planned expansion of its Sentosa island resort should meaningfully increase revenue-generating potential. The shares are currently trading at 5x 2024 cash flow once adjusted for net cash, which is, in our view, reasonable for the 10-15% mid-term growth algorithm we seek. According to our research, a generous dividend payout should supplement investment returns, equating to a 7% rate at current prices.

To fund these trades, we sold out of **Nestle India**, a holding that has long been a bellwether in our Portfolio and is in our view, incredibly successful, too. Over the last ten years, it has grown profits by approximately 10% annually, earning an average ROIC of 50% and returning nearly all of its earnings to shareholders as dividends. This robust performance has resulted in compound shareholder returns of 19% per year over the last decade. Though much of this positive performance has been driven by fundamentals, we believe a good chunk of the return has been inflated by rising valuations. In recent times, valuations have reached what we consider to be exuberant levels at 65x December 2024 earnings. At this point, we no longer believe the mathematics of the investment case makes sense. Therefore, we are completely selling our position and reallocating the capital to areas where we see much more compelling upside potential.

During the quarter, we also trimmed **Tencent Music**, which, after robust performance, was approaching our concentration limits, as well as our two Mexican holdings, **FEMSA** and **Walmex**. Earlier in the quarter, we added **E-Ink**, **Las Vegas Sands**, **Meituan**, and **AIA Group**, all from proceeds from Nestle India.

## Outlook

**While the market continues grappling with external factors such as high but decreasing global interest rates and stubborn inflation, fundamentals appear to be reasserting themselves slowly.**

Hence, we believe emerging market growth should continue to be stronger than that of developed markets. In our view, valuations of what we believe to be high-quality growth companies within emerging markets remain highly attractive and at a material discount in history and the broader emerging market universe.

We continue to stay focused on the long-term value propositions, competitive advantages, growth opportunities, and potential earnings power of our Portfolio companies. This allows us to think and act like owners. The markets continue to have a lot of uncertainty and be influenced by macroeconomic issues. Still, we believe quality companies can weather the uncertainty and emerge stronger.

Given the power of compounding over time, we think that once we invest in great businesses, the best path forward is to maintain a long-term approach.

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

Sincerely,

Damian Bird and Dafydd Lewis

## Experience in High Quality Growth Investing

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**Damian Bird, CFA**

Head of Team, Portfolio Manager & Analyst  
15 years of experience



**Dafydd Lewis, CFA**

Portfolio Manager & Analyst  
18 years of experience

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# GIPS Report

## Polen Capital Management Emerging Markets Growth Composite—GIPS Composite Report

Year End	UMA		Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation <sup>1</sup>	
	Total (\$Millions)	Assets (\$Millions)	Assets (\$Millions)	U.S. Dollars (\$Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI Emerging Markets (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI Emerging Markets (%)
2023	58,910	22,269	36,641	385.63	3	5.14	4.10	9.83	N/A	16.99	17.14
2022	48,143	18,053	30,090	960.05	13	-23.41	-23.71	-20.09	0.3	22.01	20.26
2021	82,789	28,884	53,905	1,457.82	17	2.62	2.28	-2.54	0.4	18.49	18.33
2020	59,161	20,662	38,499	1,912.92	19	13.87	13.46	18.31	0.7	19.27	19.60
2019	34,784	12,681	22,104	1,962.09	20	13.52	13.11	18.42	0.8	11.73	14.17
2018	20,591	7,862	12,729	1,662.53	21	-11.29	-11.62	-14.57	0.4	12.96	14.60
2017	17,422	6,957	10,466	1,972.84	21	37.44	37.00	37.28	1.6	N/A	N/A
2016	11,251	4,697	6,554	1,358.84	20	7.13	6.74	11.19	0.8	N/A	N/A
2015*	7,451	2,125	5,326	1,202.36	19	-10.53	-10.73	-17.35	0.3	N/A	N/A

### Performance % as of 12-31-2023:

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

	1 Yr	5 Yr	10 Yr	Inception
Polen Emerging Markets Growth (Gross)	5.14	1.33	-	2.64
Polen Emerging Markets Growth (Net)	4.10	0.84	-	2.20
MSCI Emerging Markets (Net)	9.83	3.69	-	3.05

\*Inception date is 07-01-2015.

<sup>1</sup>A 3 Year Standard Deviation is not available for 2015, 2016 and 2017 due to 36 monthly returns are not available. Some versions of this GIPS Report previously included assets of the Firm's wholly-owned subsidiary in the 2022 Firm Assets figure, in error. The figure above has been corrected to no longer count assets at the subsidiary level.

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 Emerging Markets Growth Composite created on April 1, 2023 and inception on July 1, 2015 contains fully discretionary equity accounts managed as part of our Emerging Markets Growth strategy and for comparison purposes is measured against the MSCI Emerging Markets Index.

Performance shown prior to March 2023 includes results achieved by the Emerging Markets Growth team while certain members were part of Columbia Threadneedle. The team joined Polen Capital on March 1, 2023. The performance results from Columbia Threadneedle are linked to Polen Capital's performance record.

Effective April 1, 2023, the accounts within the Polen Emerging Markets Growth Composite (previously known as the Polen Global Emerging Markets Growth Composite) were included into the CT Global Emerging Markets Composite. The composite was renamed to the Emerging Markets Growth Composite.

Prior to April 1, 2023, the CT Global Emerging Markets Composite included all portfolios which invest principally in equity securities of a broad range of companies established in, or deriving a significant amount of their income and profit from, emerging market countries worldwide with the objective of achieving growth. The CT Global Emerging Markets Composite strategy seeks to identify quality growing companies with strong capital management, and favours companies with the typical characteristics of reinvesting in their business for future growth yet with a sustainably higher dividend payout ratio, funded out of the growing earnings stream. Companies meeting these criteria generally have strong corporate governance and integrity of management. The investment style generally outperforms in flat or declining markets but may underperform in strong liquidity-driven markets.

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, 2022. 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 maintains related entities which together invest exclusively in equity portfolios consisting of high-quality companies. 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 April 1, 2023, 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, provided, however, if invoking this policy would result in all accounts being removed for a month, this policy shall not apply for that month. 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. Prior to March 1, 2023, net of fee performance was calculated using actual management fees. After March 1, 2023, 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 portfolios, calculating

investments, and preparing GIPS Reports are available upon request.

Sources of exchange rates and share prices may differ between the benchmark and the individual portfolios contained within the composite.

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 Emerging Markets Growth Fund, which is included in the Emerging Markets Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 150 basis points (1.50%). As of April 30, 2022, the mutual fund expense ratio goes up to 150 basis points (1.50%). This figure may vary from year to year.

The per annum fee schedule for managing the Polen Capital Emerging Markets Growth Fund, which is included in the Emerging Markets Growth Composite go up to 150 basis points (1.50%). As of February 10, 2023, the ongoing charges and transaction costs taken each year go up to 199 basis points (1.99%) and approximately 3 basis points (0.03%), respectively. These figures may vary from year to year.

The separate account management fee schedule prior to April 1, 2023 for the CT Global Emerging Markets Composite is as follows: <\$100 million 0.75%; \$100-\$150 million 0.70%; \$150-\$200 million 0.65%; >\$200 million 0.60%.

A full breakdown of fees for this composite is available on request.

**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 nonreclaimable 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 Emerging Markets Index is a market capitalization weighted equity index that measures the performance of the large and mid-cap segments across 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

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Source: All data is sourced from Bloomberg unless otherwise noted. All company-specific information has been sourced from company financials as of the relevant period discussed.

Definitions: Price-to-earnings (P/E) ratio: The price-to-earnings (P/E) ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Earnings per share (EPS) is a company's net income subtracted by preferred dividends and then divided by the average number of common shares outstanding.

Contribution to relative return is a measure of a securities contribution to the relative return of a Portfolio versus its benchmark index. The calculation can be approximated by the below formula, taking into account purchases and sales of the security over the measurement period. Please note this calculation does not take into account transactional costs and dividends of the benchmark, as it does for the Portfolio. Contribution to relative return of Stock A = (Stock A Portfolio weight (%) - Stock A benchmark weight (%)) x (Stock A return (%) - Aggregate benchmark return (%)). All company-specific information has been sourced from company financials as of the relevant period discussed.