Polen Global SMID Company Growth

Portfolio Manager Commentary – March 2023

Summary

- Over the first quarter of 2023, the Polen Global SMID Company Growth Composite Portfolio (the "Portfolio") returned 9.05% gross and 8.89% net of fees, respectively, versus the 4.28% return of the MSCI ACWI SMID Capitalization Index (the "Index").

- Interest rate expectations, the global economic growth trajectory, and events in the banking sector were the sources of volatility.

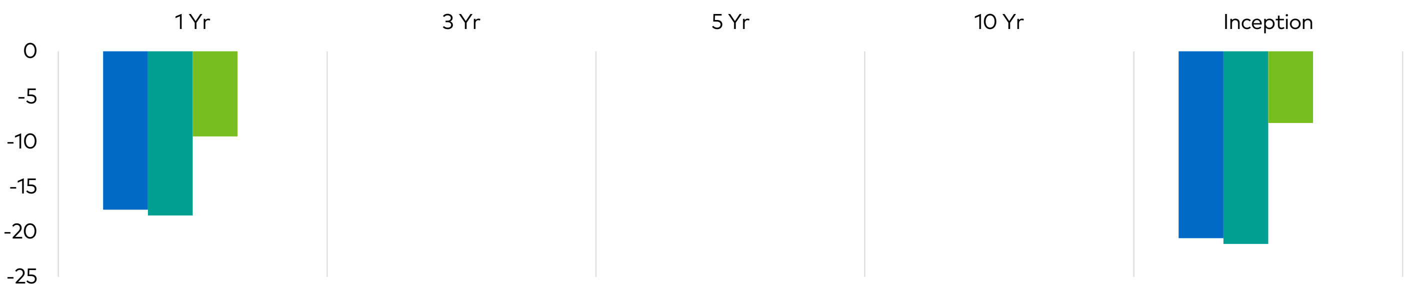
- The top absolute and relative contributors to the Portfolio's performance over the first quarter included Goosehead Insurance, Floor & Décor and CompuGroup Medical. The most significant detractors from performance included Azenta, Netcompany and Endava.

- We initiated one new position and sold out of four holdings, largely due to changes in our risk/reward projections.

- We are still 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 3-31-2023)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen Global SMID Company Growth (Gross)	9.05	9.05	-17.56	-	-	-	-20.70
Polen Global SMID Company Growth (Net)	8.89	8.89	-18.21	-	-	-	-21.34
MSCI ACWI SMID Net	4.28	4.28	-9.44	-	-	-	-7.94

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.

polen capital

Commentary

On the back of an unprecedented, macro-driven environment in 2022, the first quarter of 2023 has proven no less volatile. While plenty of uncertainty remains, particularly surrounding economic growth, the trajectory of interest rates, and the subsequent impact on financial markets, Global equity markets started the year in positive territory.

January and February's positive returns appeared to be largely driven by expectations of normalizing interest rates, a relatively sanguine view on the global economy, and a rotation away from last year's winners, namely Energy, into 2022's weakest performing sector including Information Technology and Consumer Discretionary, which are large weights in the benchmark. However, in March cracks appeared in the banking system, triggered by the collapse of Silicon Valley Bank, which made for a higher probability of normalizing interest rates, but with a worsening economic outlook. Subsequently, we've witnessed a banking crisis unfold.

These recent events underscore why we invest the way we do, owning what we believe are the highest-quality growth businesses in our asset class.

Businesses that are not reliant on external capital to grow due to strong balance sheets, that are not as influenced by interest rates, and that have the strong leadership to invest at high returns on capital. These are the hallmarks of our flywheel investment criteria.

It's times like these that bring into sharp focus why we avoid banks and energy companies. Over the last year some of these lower-quality industries were perceived as a safe place to "hide" for quality growth managers given the relative outperformance. We believed this was short-term thinking and stuck to the key tenants of our disciplined process. Over time these industries have shown themselves to be highly vulnerable to demand destruction, and a tightening of credit availability and/or a recessionary environment would be particularly challenging for these companies.

When we invest in a business, we orient ourselves with at least a five-year investment horizon, making an evaluation on the long-term durability and sustainability of earnings growth. Our concentrated approach allows us to invest only in businesses meant to withstand changes in the funding environment, tighter credit, and economic downturns. This does not mean that our businesses or any business will be immune to economic disruption. However, it gives us greater confidence that the trajectory of earnings, cash flow, and value-creating reinvestment will be superior to the broader small- and mid-cap opportunity set. This has always been central to our investment philosophy.

While growing recessionary pressures may cause companies to downgrade their earnings expectations, it should also lead to the market distinguishing between good and bad companies again.

We believe this should be a positive for active management and our high-quality bottom-up approach.

Portfolio Performance & Attribution

Over the first quarter, the Portfolio returned 9.05% gross and 8.89% net of fees, respectively, versus the 4.28% return for the Index.

Portfolio outperformance was driven by positive security selection and sector allocation. Security selection was strongest in the Financials and Consumer Discretionary sectors and outweighed weaker selection in Information Technology and Communication Services. Positive selection within Financials was exacerbated by the collapse of Silicon Valley Bank and the subsequent impact on the wider financial sector. As discussed earlier, we do not own banks nor any other consumer finance businesses as they generally do not meet our investment criteria.

Sector allocation, an outcome of our bottom-up selection process, also contributed positively to relative returns. Our overweight to Information Technology and underweight to Energy were both positive for relative performance, while our underweight to Industrials and overweight to the Health Care sector only marginally detracted from relative performance.

From a style perspective, we saw a reversal of what appeared to drive markets through 2022, with momentum the standout underperformer in the first quarter of 2023. A result of this was the Growth and Quality factors outperforming the benchmark, which was supportive for the portfolio's style footprint. Sectors we typically have less exposure to, such as Energy and Financials, which were some of the strongest performers through 2022, were also weak this quarter. We remain focused on finding companies with competitive advantages that we believe can compound earnings and cash flows over the long-term independent of commodity swings or economic cycles.

Our most significant individual contributors to performance over the first quarter were **Goosehead Insurance, Floor & Décor** and **CompuGroup Medical** on both an absolute and relative basis.

Goosehead Insurance, a personal line property and casualty insurance brokerage primarily focused on home and auto markets, was the strongest performer, rising over 50% over the quarter. The company has continued to deliver strong results despite weakness in the housing market. They reported full year 2022 results with revenues growing 38% year-on-year and guiding to continued 25% organic revenue growth with expanding margins. The company continues to show that they are among the best operators in a difficult macro environment, leaning into their value propositions around great customer service and a better agent experience, and kicking off thoughtful, value-add strategic growth programs.

Floor and Decor, a leading retailer of hard-surface flooring in the U.S, reported quarterly earnings that exceeded market expectations. Earnings growth was strong, with continued market share gains from both its larger multi-national home improvement peers and smaller local businesses.

CompuGroup Medical, a European health care software solutions business, posted double digit revenue growth for 2022 despite a challenging backdrop and raised 2023 guidance, with opportunities in its data solutions offering.

Our most significant detractors from performance included **Azenta, Netcompany** and **Endava** on both an absolute and relative basis.

Azenta, a position we sold early in the quarter, reported disappointing sales growth amid several execution issues. We will discuss this in greater detail in the Portfolio Activity section.

Netcompany, a Danish IT consulting business, reported good results for the fourth quarter of 2022, with revenue growth and margins exceeding expectations, however management guided more conservatively for 2023 with growth expected to slow and margins to be impacted by higher costs.

Endava, another IT services consulting business that we own, was impacted by the same factors. They have seen activity slow into the end of the year amidst a more cautious operating environment where discretionary IT spend is being paused. Longer-term, however, we trust their ability to play a critical role in facilitating digital transformation for their clients across a variety of industries and end markets. It's worth noting that while both businesses are classified as IT consulting firms, each company offers different digital transformation services to very different client bases in very different industries and across different geographies.

Portfolio Activity

As expected, during periods of heightened volatility and a shifting economic environment, we are refining the Portfolio opportunistically. This includes initiating positions in companies that have been unfairly punished and taking profits by trimming companies that have held up well and those that we believe have lower return expectations going forward.

Over the quarter we initiated one new position and sold out of five existing positions.

We initiated a position in **Align Technology**, a global medical device company best known for its "Invisalign" clear aligners, having created the clear aligner category in 1999. Since that time, it has been a disruptor of the traditional use of wire and bracket braces to straighten teeth and treat malocclusions. While it is leader in the clear aligner category with roughly 85-90% market share, the bigger competition is taking share from wire and brackets and on that measure, it only has 10-15% share of the overall teeth straightening market. Over time, through innovation and vertical integration, the company has evolved to be able to treat over 90% of all cases. Further, it has done a great job deepening relationships with orthodontists and general practitioner dentists over time. All in all, we believe this is a business with a durable competitive advantage, operating in a large, growing and very attractive industry, led by a proven and long-term oriented management team, with a very long runway ahead of it to grow and compound at very attractive rates.

We sold out of **Azenta**, a company we bought in June 2022. The original buy thesis was that the company could grow organically at a high-teens rate per annum, expand operating margins, and deploy its $2.5B of cash opportunistically in either M&A or buybacks. Cash represented well over 50% of the company's market capitalization at the time. It was our view that we had a company that was misunderstood given the transition from a Semiconductor company (Brooks Automation) to a Life Science company with great assets. Fundamental performance has been disappointing since our investment; the company pre-announced shortly after our initial purchase, blaming disruptions from China's lockdowns, and dismissed their COO and a senior sales leader. In the ensuing quarters they reported organic revenue that disappointed with margins moving in the wrong direction. It's possible that the management team fixes the issues and our sale is poorly timed, however there are plenty of high-quality businesses with attractive valuation elsewhere and we are choosing to deploy the capital where we have higher confidence in both management and a path to great returns.

Cochlear is no doubt a high-quality company, but we did not believe that valuation was attractive enough to deliver a double digit return per annum so eliminated our holding. The company was trading at approximately 40x 2024 estimated earnings for roughly 12% earnings growth.

Kakaku.com, is a company we had been reevaluating for the past few quarters given concerns over the company's price comparison site which we previously viewed as mature but subsequently increasingly view as in decline given increasing competition from the likes of Google, disruptions to the business during the pandemic, and the company's poor execution expanding into other adjacencies and developing a mobile-first approach.

Our sale of **Douzone Bizon** was driven by concerns around deteriorating fundamentals for the business and its ability to grow earnings at an attractive rate. The company had been experiencing higher levels of customer churn, elongated sales cycles, and increased wages and difficulty finding talent in recent years. Some of this is the result of Covid but we believe some things are also structural and give us lower conviction about the path forward.

We also opportunistically adjusted existing positions over the quarter. We added to real estate software company **Altus Group**, reflecting our conviction in the fundamentals and attractiveness of the stock price, and **Tyler Technologies**, a software solutions business to the public sector, given our increased conviction in the company's competitive position and the increasing success it has had transitioning to the cloud. We increased our weight in European animal health care business, **Dechra Pharmaceuticals**, which is a great example of Polen Capital's investment horizon relative to many market participants. There is no doubt that margins will erode in the near-term due to investments in R&D and deployed capital to thoughtful acquisitions, but we believe both will deliver great returns in the future. We believe valuation was very reasonable for a company with a long and successful track record, so we added to our position. Conversely, we trimmed **Globant**, which is a great business, but we are deploying capital where the risk/reward is more compelling.

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.**

As a reminder, our investment time horizon is five years. This allows us to think and act like owners. The markets continue to have a lot of uncertainty and general noise, but we believe that quality companies can weather the uncertainty and come out of the other side stronger. Our trading activity remains at the higher end of our normal range, as we continue to take advantage of unique opportunities in the market. As we have said in prior commentary, our pipeline of new potential investments remains attractive.

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

Sincerely,

Rob Forker and Troy Renauld

Experience in High Quality Growth Investing

Rob Forker
Portfolio Manager & Analyst
22 years of experience

Troy Renauld, CFA
Portfolio Manager & Analyst
9 years of experience

GIPS Report

Polen Capital Management
Global 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 (%)	MSCI ACWI SMID (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI SMID (%)
2022	55,011	18,053	36,959	21.26	3	-41.32	-41.77	-18.72	0.0	N/A	N/A
2021*	82,789	28,884	53,905	13.20	2	4.12	3.61	2.81	N/A	N/A	N/A

Performance % as of 12-31-2022:
(Annualized returns are presented for periods greater than one year)

	1 Yr	5 Yr	10 Yr	Inception
Polen Global SMID Company Growth (Gross)	-41.32	-	-	-27.94
Polen Global SMID Company Growth (Net)	-41.77	-	-	-28.54
MSCI ACWI SMID Net	-18.72	-	-	-11.67

* Represents partial period (July 1, 2021 through December 31, 2021), assets and accounts are as of December 31, 2022.
[2]A 3 Year Standard Deviation is not available for 2021 and 2022 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 Global SMID Company Growth Composite created and incepted on July 1, 2021 contains fully discretionary global SMID company growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI SMID Cap. Effective January 2022, fully discretionary SMID company equity accounts managed as part of our Global SMID 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 Global SMID 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 June 30, 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 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 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 Global SMID Company Growth Fund, which is included in the Global SMID Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 125 basis points (1.25%). As of 4/30/2022, the mutual fund expense ratio goes up to 1.25%. 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 SMID Cap is a market capitalization weighted equity index that measures the performance of the mid and small-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