

Polen Global SMID Company Growth

Portfolio Manager Commentary – June 2024

Summary

- Over the second quarter of 2024, the Polen Global SMID Company Growth Composite Portfolio (the "Portfolio") returned -8.90% gross and -8.96% net of fees, respectively, versus the -2.05% return of the MSCI ACWI SMID Capitalization Index (the "Index").
- Shifting economic expectations and uncertainty surrounding national elections seemingly weighed on equity markets.
- The top relative and absolute contributors to the Portfolio's performance over the second quarter were Tencent Music, Pro Medicus, and Monolithic Power Systems.
- The most significant performance detractors, both relative and absolute, were dLocal, Progyny, and Alight.
- In an environment like this, with several uncertainties, we remain focused on our Portfolio companies' long-term value propositions, competitive advantages, growth opportunities, and potential earnings power.

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



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. 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.

Commentary

Global small and mid cap equities pulled back after two quarters of positive returns. Equity markets seemed continuously influenced by shifting sentiment surrounding inflation and interest rates returning to more normal levels. Despite softening inflation data of the major central banks, only the European Central Bank lowered its key rate. The U.S. Federal Reserve and the Bank of England have signaled that cuts are expected this year. Regardless, the U.S. 10-year Treasury moved up another 10 basis points to 4.3%, reaching 4.7% during the quarter. Perhaps more pertinently, a record number of national elections are occurring this year, with India and Mexico among the most notable during the second quarter. However, the U.K. and France have also called snap elections for early July. In our view, this kind of environment creates uncertainty that is inherently bad for equity market returns in the short term.

At the Index level, Utilities and Communication Services were the only sectors to post a positive return, with Consumer Discretionary and Health Care sectors the weakest. Among countries, India, Taiwan, and Canada contributed the most to the Index returns, with the U.S., Japan, and Brazil the biggest laggards. Emerging markets performed better than developed markets over the period, while large caps materially outperformed small and mid caps. From a style perspective, growth fared better than value.

Beneath the surface, the market grapples with ongoing economic uncertainty, and stock price movements broadly continue to exhibit above-average volatility relative to recent periods, often despite little fundamental change. On one end of the spectrum, companies that exceeded guidance saw robust price gains, with valuations often becoming disconnected from their underlying fundamentals, in our view. Conversely, companies that missed expectations or provided measured outlooks experienced precipitous stock price declines. These outsized reactions were further exacerbated by meaningful rotations in and out of sectors as shorter-term investors comprise a significant portion of daily trading volumes and have seemingly reassessed their positions amidst the uncertain economic backdrop. Amid all this, there remains considerable hype around companies perceived as AI beneficiaries and crowding into companies where growth is perceived as more certain.

Our quality growth-oriented Portfolio was not immune to this exaggerated volatility; as we see it, while some holdings benefited, most were adversely affected. In instances where we viewed stock prices as rising beyond what fundamentals justified, we right-sized positions and sourced funds to add to new and existing ideas with what we see as better risk-return profiles, reinforcing our opportunity cost mindset. This approach aims to ensure that capital is allocated to areas with what we view as the highest long-term growth and return potential.

Despite the weight of a weak SMID cap market and the underperformance of many of our holdings, where we saw fundamentals as remaining healthy, we believe there is meaningful latent growth and appreciation potential within the Portfolio.

Heightened volatility and resulting market dynamics reinforce our commitment to maintain a disciplined, long-term strategy focused on high-quality companies with attractive fundamentals that we believe will thrive over the long term.

Portfolio Performance & Attribution

During the second quarter 2024, the Portfolio returned -8.90% gross and -8.96% net of fees, respectively, versus a -2.05% return for the Index.

Portfolio underperformance was primarily driven by negative security selection. Security selection was most significant in Communication Services (Tencent Music) but was significantly outweighed by weaker selection in Consumer Discretionary (Five Below, Revolve) and Industrials (Alight, Paycom). Sector allocation, an outcome of our bottom-up selection process, marginally contributed to relative returns as the positive impact of our overweight to Communication Services outweighed the negative impact of being zero weight in Utilities. At a country level, security selection was most significant in China, Australia, and Taiwan and weakest in the U.S., U.K., and Japan. At the country allocation level, the Portfolio's holdings in Uruguay detracted from relative returns, as did an underweight to India. 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 absolute and relative performance over the second quarter were **Tencent Music**, **Pro Medicus**, and **Monolithic Power Systems**.

Tencent Music Entertainment, China's equivalent to Spotify, posted another robust quarter with continued improvement in profitability. Its music business has continued to perform well in a robust pricing environment, leading to robust revenue and earnings growth. The company now has over 113 million paying music subscribers, a more than 20% year-over-year increase and revenue mix shift. Higher average revenue per paying user has led to the company's highest gross margin in five years.

Pro Medicus, a position we have held since the Portfolio's inception, is a medical technology company based in Australia that derives most of its revenue from large hospital systems in the U.S. Their cutting-edge medical software and technology

enables hospitals to "stream" diagnostic images like MRIs and CT scans with high integrity and speed. It has rapidly been adopted in the largest U.S. hospital systems and has become a platform for all types of medical images and AI in diagnostics. The stock saw further strength over the quarter as Pro Medicus announced new long-term contracts, which could underpin accelerating revenue growth into 2025. The stock also experienced several broker upgrades over the period.

Monolithic Power Systems is a semiconductor company with an analog and mixed-signal integrated circuit that is a prominent innovator in the power management market. The company has seen compelling fundamentals largely due to growth in its enterprise data segment, which has been driven by cloud-based Central Processing Unit ("CPU") server applications, including AI. Monolithic is an example of the dynamic described in our opening remarks in which momentum continued to drive certain AI stocks higher. While the Enterprise Data strength will likely moderate as suppliers are added, we think Monolithic's other end-markets have secular tailwinds that should pick up over time. The company has a compelling track record of steady organic growth that typically contradicts the semiconductor industry's inherent cyclicality.

Our most significant detractors from relative and absolute performance were **dLocal**, **Progyny**, and **Alight**.

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, in 1Q 2024, gross profit only grew 2% due to elevated processing costs. The company has also invested more in building out its scale and functionality, which further weighed on profitability. Longer term, as one of the leading emerging markets payments processing companies, we believe dLocal can continue to see attractive growth and improve profitability under a highly-regarded management team.

Progyny is the leading managed care provider specializing in fertility. The company provides a clear and differentiated value proposition, leading many employers to carve out fertility as a separate medical benefit. The company reported weaker 1Q24 results in May due to lower-than-expected benefit utilization. This was largely due to patients reassessing treatment after the Alabama Supreme Court ruling in February declaring embryos created through In vitro fertilization ("IVF") should be considered children. While Alabama accounts for very little of Progyny's revenue, the headlines—particularly in conservative Christian groups—caused some patients with authorized procedures to delay the start of those cycles. What followed was a widespread

cry to carve out legal exceptions for IVF, and Alabama passed legislation protecting IVF. Based on trends management is observing, the incident appears to be a temporary blip. However, it appears persistent news headlines and uncertainty continue to weigh on the stock (along with the disappointing guidance). We believe this is a near-term headwind, and our view of Progyny's long-term opportunity and competitive position is unchanged. We further believe fertility benefits still have an extremely long runway for potential growth, particularly as Progyny shows success penetrating new sectors and industries beyond the fertility benefits early adopters. While we believe news and political headlines may continue to weigh on the stock near-term, we take a long-term view and believe the stock is attractively valued.

Alight, a leading cloud-based provider of employee engagement and workplace benefit tools, delivered quarterly financial results below their expectations. The company saw sales decline driven by the wind-down of its "hosted business" operations, along with lower volumes, project revenues, and net commercial activity. The company also announced changes to its C-suite team, causing further unease. We still think the company's fundamentals remain on track, and the long-term opportunity remains promising. We believe it is an underappreciated business because of its quality, stability of earnings, and accelerating growth potential.

Portfolio Activity

Over the course of the quarter, we initiated two new positions and sold out of one holding, bringing the number of names from 38 to 39. We also made adjustments to existing positions, including trimming holdings to raise capital for new investments and adding to names such as Bio-Techne and Clearwater Analytics, where we believe the quality of the businesses is underappreciated by the market.

GlobalData is a data analytics and consulting company headquartered in London. It provides market research and business intelligence services to corporates and professional services firms primarily on a subscription basis. Over the past five years, the company has compounded the per-share sales at over 10% compound annual growth rate¹ ("CAGR"). CAGR and earnings before interest and taxes² ("EBIT") at a nearly 50% CAGR. GlobalData has grown the top line organically in the high single-digit range. It complements this with bolt-on acquisitions of data-centric boutique market research firms that complement their existing datasets. We believe the business benefits from stable demand, high operating leverage, and an excellent track record for capital allocation. We believe the company can

¹ CAGR is the mean annual growth rate of an investment over a period longer than one year. An approach to calculate and determine returns for individual assets, investment portfolios, or anything that can rise or fall in value over time.

² EBIT is used to indicate a company's profitability. It can be calculated as a company's revenue minus its expenses, excluding tax and interest.

compound free cash flow per share at a high-teens to low-twenties rate over the next five years. The company currently has a robust net cash balance sheet, and we think should be able to self-fund future growth.

We have also started a 2% position in **Medley**. This Japanese-based business provides medical human resource recruitment, medical system management, online medical treatment, medical information updating, and other medical web services throughout Japan. Over the past five years, the company has increased revenues at a roughly 35% CAGR, including bolt-on acquisitions, while EBIT has compounded over 60%. We believe the business will benefit from the increasing cost of social welfare in Japan due to demographics and labor shortages. They should also see an uplift from international expansion, aiming to leverage the network platform built in the Philippines and Japan. The company currently has a positive net cash balance that we think can support further bolt-on acquisitions and organic growth.

We exited our position in **Bumble**, a global leader in the mobile dating app space, due to several Flywheel³ violations. We initially entered this position roughly two years ago due to the founder-led management team, the robust brand of their key Bumble asset, the opportunity to expand Bumble globally, and the attractive margin and free cash flow profile. Over the last year, the founder has taken a step back from the business into an Executive Chairman role; the COO left to become CEO of another tech start-up, and a new CEO has made several material changes to the general management structure and will be introducing significant changes to the company's core products. According to management and third-party data, the "swipe" dating apps are struggling to grow downloads in key markets and need a product refresh to reinvigorate growth, perhaps leveraging new AI technologies to enhance user experience and matching capabilities. Together, the new management team and the app "refresh" introduce a level of execution and reinvestment risk that violates our Flywheel. The company remains a leader in the dating space and highly profitable, but we believe it prudent to watch how this business evolves from the sidelines.

Outlook

While market sentiment has shown signs of improving, and we are cautiously optimistic about stabilizing interest rates, uncertainty persists. This underscores why we stay focused on the long term and on competitively advantaged, financially flexible businesses. We believe owning businesses with robust balance sheets and the

ability to reinvest in any environment trumps short-term temptations to own lower-quality businesses.

Looking ahead, we see significant opportunity for the asset class, and particularly for our style of investing. We believe high-quality SMID cap companies have greater latent potential for growth than more mature businesses. Furthermore, we believe the highest-quality SMID cap companies will take advantage of robust balance sheets and continued reinvestment to advance their competitive position, tackle adjacencies, and have better potential opportunities for value-added acquisitions. Of course, many companies do not meet this high hurdle, which is why we aim to hold a concentrated portfolio of companies that do not just offer growth and high returns but also durability, robust financial models, the ability to self-fund growth, and what we believe to be superior management teams.

We believe great investing requires a clear and time-tested philosophy, a disciplined process, and conviction. It also requires humility and a willingness to change your view when the evidence requires it—something we are always prepared to do. We look forward to keeping you updated on our views in future commentary.

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,
Rayna Lesser Hannaway, Greg McIntire, and Angel Ortiz

Experience in High Quality Growth Investing



Greg McIntire, CFA

Head of Portfolio Insights & Portfolio Manager
26 years of experience



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



Angel Ortiz

Portfolio Manager & Analyst
18 years of experience

³The Flywheel framework is how we assess quality that supports sustainable growth. It is comprised of five self-reinforcing elements: 1) unique positioning; 2) a repeatable sales process; 3) a robust business model; 4) effective management; 5) value-creating reinvestment.

Important Disclosures & Definitions:

Disclosure: This commentary has been prepared without taking into account individual objectives, financial situations or needs. As such, this commentary is for informational purposes only and is not to be relied on as, legal, tax, business, investment, accounting or any other advice. Recipients of this commentary should seek their own independent financial advice. Investing involves inherent risks and any particular investment is not suitable for all investors; there is always a risk of losing part or all of your invested capital. No statement herein should be interpreted as an offer to sell or the solicitation of an offer to buy any security. Unless otherwise stated in this commentary, the statements herein are made as of the date of this commentary. Certain information contained herein is derived from third parties beyond Polen Capital's control or verification and involves significant elements of subjective judgment and analysis. While efforts have been made to ensure the quality and reliability of the information herein, there may be limitations, inaccuracies, or new developments that could impact the accuracy of such information. Therefore, this commentary is not guaranteed to be accurate or timely and does not claim to be complete. Polen Capital reserves the right to supplement or amend the content contained herein, but has no obligation to provide the recipient with any supplemental, amended, replacement or additional information. Any statements made by Polen Capital regarding future events or expectations are forward-looking statements and are based on current assumptions and expectations that are susceptible to change. Such statements involve inherent risks and uncertainties and are not a reliable indicator of future performance. 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. Statements regarding Polen Capital's research should be interpreted as either forward-looking statements or understood as Polen Capital's opinion. The commentary is not intended as a guarantee of profitable outcomes.

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: Contribution to relative return is a measure of a security's 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.

GIPS Report

Polen Capital Management
Global SMID Company Growth Composite—GIPS Composite Report

Year End	Total (\$Millions)	UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation ²	
		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 (%)
2023	58,910	22,269	36,641	30.04	3	11.92	11.40	16.02	0.0	N/A	N/A
2022	48,143	18,053	30,090	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 12-31-2023:

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

	1 Yr	5 Yr	10 Yr	Inception
Polen Global SMID Company Growth (Gross)	11.92	-	-	-14.09
Polen Global SMID Company Growth (Net)	11.40	-	-	-14.68
MSCI ACWI SMID Net	16.02	-	-	-1.52

* Represents partial period (July 1, 2021 through December 31, 2021), assets and accounts are as of December 31, 2022.

²A 3 Year Standard Deviation is not available for 2021, 2022 and 2023 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 Global SMID Company Growth Composite created and inception 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 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 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, 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 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 9/1/2023, 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

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