Polen Global SMID Company Growth

Portfolio Manager Commentary – September 2024

Summary

- Global small and mid cap equities rose over the quarter despite shifting sentiments surrounding inflation, interest rates, and the economic outlook. Beyond shifting economic expectations, uncertainty surrounding national elections weighed on equity markets.

- Our quality growth-oriented Portfolio has not been immune to recent volatility; while some holdings benefited, most were adversely affected. The Polen Global SIMD Company Growth Composite Portfolio (the "Portfolio") underperformed the MSCI ACWI SMID Cap Index (the "Index") for the third quarter.

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

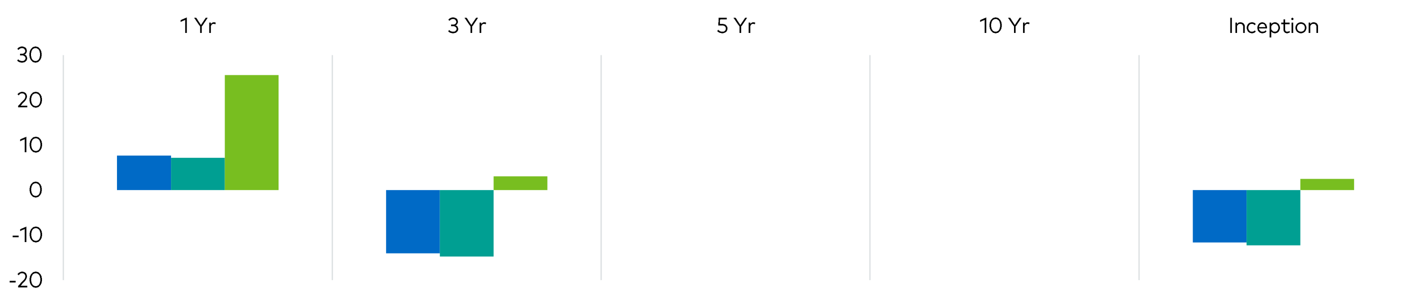
- The top contributors to the Portfolio's relative performance over the third quarter were Goosehead Insurance, Revolve Group, and Clearwater Analytics. On an absolute return basis, Goosehead Insurance, Revolve Group, and E Ink were the top contributors.

- The most significant detractors from relative and absolute performance were Progyny, Tencent Music Entertainment, and Fevertree Drinks.

- We initiated two new positions and sold out of one holding, bringing the number of Portfolio names from 39 to 41. We also adjusted existing positions, including trimming holdings to raise capital for new investments. We added to existing positions in Bio-Techne and Clearwater Analytics—both cases where we believe the market underappreciates the quality of the businesses.

- 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 9-30-2024)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen Global SMID Company Growth (Gross)	7.41	-2.14	7.69	-14.07	-	-	-11.62
Polen Global SMID Company Growth (Net)	7.40	-2.44	7.19	-14.78	-	-	-12.30
MSCI ACWI SMID Net	9.37	12.47	25.55	3.08	-	-	2.47

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.

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Commentary

Global small and mid cap equities rose over the quarter despite shifting sentiments surrounding inflation, interest rates, and the economic outlook.

Early in the quarter, markets were boosted by prospects of falling interest rates following weak U.S. labor market data. However, we witnessed a marked sell-off in early August precipitated largely by a soft U.S. jobs report that prompted fears that the U.S. Federal Reserve (the "Fed") had been too slow to cut rates into a weakening U.S. economy. This fear quickly dissipated, and investor confidence showed resilience despite global economic and geopolitical uncertainties. During the period, most major central banks cut policy rates, with the Fed reducing its target rate range by a larger-than-anticipated 50 basis points and signaling further easing ahead. The other notable event occurred at the end of the period when the Chinese government announced a comprehensive stimulus package to invigorate the economy and equity markets. The news provided a significant boost to Chinese equities.

At the Index level, Real Estate and Utilities were the strongest performing sectors, while Energy was the only sector to post negative returns. Among countries, the U.S., Japan, and the U.K. drove the Index higher, while Turkey, Taiwan, and Mexico were the biggest laggards. Developed markets performed better than emerging markets over the period, while SMID cap outperformed large cap, and from a style perspective, value fared better than growth.

Our quality growth-oriented Portfolio has not been immune to recent volatility; while some holdings benefited, most were adversely affected. In instances where stock prices rose beyond what fundamentals justified, we right-sized positions and sourced funds to add to new and existing ideas with better risk-return profiles, reinforcing our opportunity cost mindset. This approach ensures that capital is allocated to areas with the highest potential for long-term growth and return.

Despite the weight of a weak SMID cap market and the underperformance of many of our holdings where the fundamentals remain healthy, we believe the Portfolio holds meaningful latent growth and appreciation potential.

Recent heightened volatility and the resulting market dynamics reinforce our commitment to maintaining a disciplined, long-term investment strategy, focusing on what we view as high-quality companies with solid fundamentals that we believe will thrive over the long term.

Portfolio Performance & Attribution

Portfolio underperformance was driven by negative security selection, as well as sector and country allocation. Security selection was strongest in Information Technology and Financials but outweighed by weaker selection in Healthcare and Consumer Staples. Sector allocation, an outcome of our bottom-up selection process, also detracted from relative return, primarily due to the overweight in Information Technology. At a country level, security selection was most robust in the Netherlands, Taiwan, and Australia, and weakest in the U.K., China, and the U.S.

Our most significant individual contributors to relative performance over the quarter were **Goosehead Insurance**, **Revolve Group**, and **Clearwater Analytics**. On an absolute return basis, **Goosehead Insurance**, **Revolve Group**, and **E Ink** were the top contributors.

Goosehead Insurance was up nearly 30% following better-than-expected results despite headwinds from product availability in housing and franchise productivity. Subject to broader market conditions, we expect core revenues to reaccelerate in the second half of 2024, driven by increasing headcount and improving productivity.

Revolve Group, an online apparel retailer primarily focused on the Millennial and Gen Z demographics, reported better-than-expected results, sending the stock up more than 30% in a single day. While the consumer environment remains under pressure, we are encouraged by the company's efforts to drive cost efficiencies, reduce return rates, expand product lines, and continue its international push. We believe Revolve is well-positioned to grow earnings at an accelerating rate over the near term while our long-term outlook remains intact.

Clearwater Analytics is a leading provider of investment portfolio reporting and analytics solutions. The stock surged after the company posted second quarter results, reporting record quarterly revenue and operating cash flows, which more than doubled year-over-year. The solid performance can largely be attributed to continued momentum with strong cross-sell execution, further boosting our confidence in company management's multiproduct expansion strategy. Going forward, we believe Clearwater Analytics is poised to sustain its robust growth trajectory and achieve annual top-line growth of 20% with meaningful margin expansion over our five-year investment horizon.

The most significant detractors from relative and absolute performance were **Progyny**, **Tencent Music Entertainment**, and **Fevertree Drinks**.

It's been a tough year for **Progyny**, the leading managed care provider specializing in fertility. Earlier in the year, the stock came under pressure as patients reassessed treatment following the Alabama Supreme Court ruling stating that embryos created through IVF should be considered children. The headlines—particularly among conservative Christian groups—caused some patients with authorized procedures to delay the start of those cycles. During the third quarter, the company cut its 2024 revenue and Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") guidance, citing faster successful live births, different treatments, timing of medical journeys, and labor force reductions as reasons for the declines. In September, the stock sold off more than 30% in a single day on news released in an 8-K filing that they would lose a significant client. In our view, fertility benefits still have a long runway for growth, particularly as Progyny exhibits success in 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 feel the stock is attractively valued.

Tencent Music Entertainment, China's equivalent to Spotify, pulled back after a period of solid performance. Its music business has performed well over the past 12 months in a robust pricing environment, leading to compelling revenue and earnings growth. However, in the most recent quarterly results, revenues declined year-on-year, and while profits rose 22.5% over the same period, the company guided for more conservative growth going forward. Company management expects subscriber growth to slow, and several sell-side analysts lowered price targets over the next 12 months.

Fevertree Drinks, a UK-based maker of premium cocktail mixers with robust market share globally, reported weaker-than-expected quarterly results. Despite posting profit growth, the company saw slowing revenue growth. The company has faced several cost headwinds in recent years, including supply chain-related issues, input cost increases, and production delays, dramatically dragging down profit margins. As these factors have begun to abate, the market understandably considers revenue growth a key measure. In our view, Fevertree should see continued revenue and profit growth driven by continued customer demand development and growth, product innovation, and margin improvements.

Portfolio Activity

During the third quarter, we initiated two new positions and sold out of one holding, bringing the number of Portfolio names from 39 to 41. We also adjusted existing positions, including trimming holdings to raise capital for new investments. We added to existing positions in Bio-Techne and Clearwater Analytics—both cases where we believe the market underappreciates the quality of the businesses.

We initiated a position in **elf Beauty**, a cosmetics company we were able to opportunistically add after the market reacted negatively to 2Q24 earnings despite compelling results. We see elf as uniquely positioned due to its reputation for quality and innovation and considerably lower prices than other mass cosmetics brands. While we believe this combination of innovation, quality, and value has led to robust growth, we think it's still early days for the company. elf's brand awareness is considerably less than that of more prominent players; it is still adding shelf space, expanding its product portfolio, and entering the skincare market. It is also still a U.S.-focused business, with some early signs of international success. The company's financial profile is robust, and we expect EPS to grow 25% over the long term.

We initiated a position in **Exlservice**, a business process outsourcing company that we think has become a leader in data services over time. Exlservice is a diversified business with 95% customer renewal rates and four-to-five-year contracts. While the work is not glamorous, the company is experiencing strong demand from customers attempting to determine how to best clean up and structure data to participate in the next stages of digital transformation, including generative AI ("GenAI"). We expect this strong customer demand to continue. Many companies are faced with significant basic blocking to benefit from GenAI successfully. Simultaneously, the company invests heavily in developing GenAI-enabled tools and recently announced partnerships with Microsoft and AWS (Amazon Web Services is Amazon's comprehensive cloud computing platform) to co-develop AI solutions and accelerate go-to-market plans.

We initiated a new position in **Tetra Tech**, an environmental consulting business we've followed in our library for several years. Tetra Tech is focused on water and water infrastructure-related consulting and is a significant player in environmental, renewable energy, sustainable infrastructure, and international development. The company has a long history of consistent growth and solid returns on capital. About 30% of the revenue comes from long-term projects from the federal government, another 11% from state and local, and a portion from disaster response and international aid. This provides some ballast to the company's demand, also driven by commercial projects. Between significant infrastructure spending, the potential for widespread PFAS cleanup PFAS (per- and poly-fluoroalkyl substances are a large group of man-made chemicals used in various industrial and consumer products since the 1950s), water scarcity, and changing environmental conditions, we believe the demand backdrop for Tetra Tech is improving, creating an attractive investment opportunity.

Kinsale Capital is a specialty insurance company focused on the U.S. excess and surplus lines ("E&S") market. We see them as uniquely positioned in the E&S insurance market, with solid financial performance and competitive advantages to prepare to continue capturing market share in the face of industry challenges.

We initiated a new position in **TopBuild**, a company focused on U.S. insulation distribution and installation services in the residential construction, commercial, and mechanical insulation markets. The business model resembles Installed Building Products, a new addition to our U.S. Small Company Growth Portfolio. TopBuild has a larger presence in less consolidated commercial and industrial markets. Overall, we believe both businesses offer exposure to the secular tailwinds from years of underbuilding in new homes and a high-return business model that should prove more resilient than traditional homebuilders. Historically, both companies have gained share from independent mom-and-pop players, given their scale and greater value proposition. TopBuild is a company with 15%+ EPS growth, ~20% EBITDA margin, and a 20%+ Return on Invested Capital and Cash Flow Return on Invested Capital, as well as a history of improving returns since its 2015 spinoff from Masco. We funded the new position in TopBuild by reducing our cash position.

To fund these trades, we made trims across the Portfolio and entirely sold out of three positions.

We sold our position in **Alight**, a benefits outsourcing and business process-as-a-service company, which was an unsuccessful investment. We decided to move on due to activist pressure that led to a breakup of the business. We were dissatisfied with both the plan and the new standalone business. This culminated with the CEO leaving and uncertainty over the company's long-term strategic direction. As a result, we felt it was time to move on with better investment ideas in our pipeline.

We exited our position in **Five Below**, the dollar store concept for tweens and teens. The business has struggled fundamentally with weaker consumer spending and lower margins, partially due to a problem with shrink (shoplifting). While many companies struggle with elevated shrink, Five Below's problems were compounded by a large investment in self-checkout, which made matters worse. The issue was in the process of being fixed, but the company was further hampered by growing pressure on consumers. We believe these issues may prove temporary but were surprised when the CEO was terminated. For now, we prefer to wait on the sidelines to ensure we fully understand the extent of the issues and how the CEO transition plays out.

We sold our position in **Monolithic Power Systems**, an analog semiconductor company, in favor of what we believe are better alternatives on a forward-expectations basis. The stock has done well on the momentum-AI trade.

Outlook

Looking ahead, we see significant opportunity for the asset class, particularly for our investing style. In our opinion, high-quality SMID cap companies have greater latent potential for growth relative to more mature businesses. We further believe such companies will take advantage of robust balance sheets and continued reinvestment to advance their competitive position, tackle adjacencies, and pursue value-added acquisitions. Since many companies do not meet this high hurdle, we hold a concentrated portfolio of companies that offer growth and high returns, durability, robust financial models, the ability to self-fund growth, and what we believe to be superior management teams.

While market sentiment has shown signs of improving, and we are cautiously optimistic about stabilizing interest rates, uncertainty persists. This uncertainty underscores our focus on competitively advantaged, financially flexible businesses and our long-term outlook.

We believe great investing requires a clear and proven philosophy, a disciplined process, and conviction. It also requires humility and a willingness to change one's 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, CFA, and Maneesh Singhal, CFA

Experience in High Quality Growth Investing

Maneesh Singhal, CFA
Portfolio Manager & Analyst
14 years of industry experience

Rayna Lesser Hannaway, CFA
Head of Team, Portfolio Manager & Analyst
28 years of industry experience

Important Disclosures & Definitions:

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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:

Flywheel: Polen Capital's Flywheel framework is how we assess a company's quality aimed at supporting sustainable growth. It is comprised of five self-reinforcing elements: 1) unique positioning, 2) repeatable sales process, 3) robust business model, 4) effective management, and 5) value-creating reinvestment.

Secular tailwinds: long-term, favorable trends or factors that positively influence economic growth, industries, or companies over an extended period, often due to structural changes like demographic shifts or technological advancements.

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

Contribution to relative return: 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

		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 (%)
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.
[2] A 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 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 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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