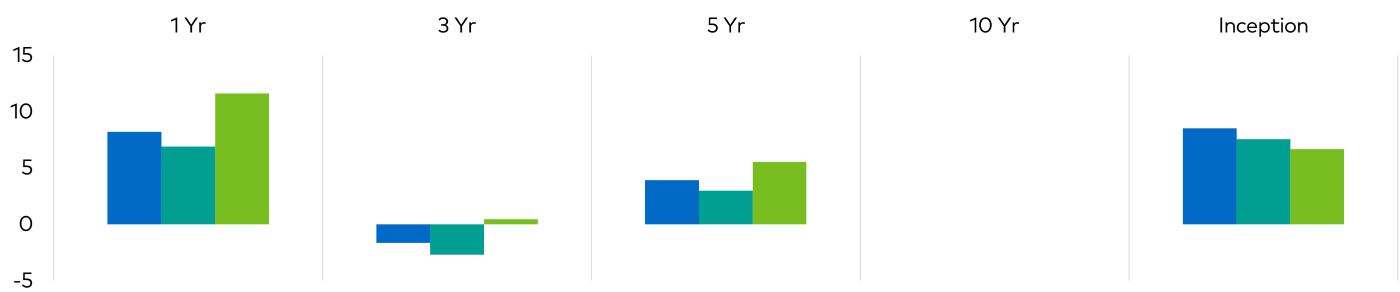
Polen International Growth

Portfolio Manager Commentary – As of June 30, 2024

Summary

- Economic growth rates and inflation readings in most corners of the world remain positive but are evidencing decelerating trends.
- Portfolio returns in the quarter were again largely driven by our higher conviction weightings. Most of these companies are seeing a healthy combination of building business momentum, accelerating earnings growth, and reasonable valuations.
- However, a few of our larger positions in the Healthcare and Information Technology sectors saw share price weakness in the quarter, which adversely impacted returns.
- The top three contributors to the Portfolio's relative and absolute performance in the quarter were HDFC Bank, SAP, and Teleperformance.
- The Portfolio's top relative detractors were Sage Group, ICON, and Aon. The top absolute detractors were Sage Group, ICON, and Adidas.
- During the quarter, we initiated a new position in Tokyo Electron with the proceeds from the sale of our position in Lasertec.

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



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen International Growth (Gross)	-3.48	1.21	8.19	-1.65	3.92	-	8.51
Polen International Growth (Net)	-3.76	0.62	6.90	-2.69	2.99	-	7.56
MSCI ACWI (ex-USA)	0.96	5.69	11.62	0.46	5.54	-	6.68

The performance data quoted represents **past performance and does not guarantee future results.** Current performance may be lower or higher. Periods over one-year are annualized. Performance figures are presented gross and net of fees and have been calculated after the deduction of all transaction costs and commissions, and include the reinvestment of all income. Please reference the GIPS Report which accompanies this commentary.

Commentary

The Polen International Growth Composite Portfolio ("the Portfolio") declined in the second quarter. Portfolio returns in the quarter were again largely driven by our higher conviction weightings. Most of these companies are seeing a healthy combination of building business momentum, accelerating earnings growth, and reasonable valuations. However, a few of our larger positions in the Healthcare and Information Technology sectors saw share price weakness in the quarter, adversely impacting returns. This is typical market action, in our view, and we are encouraged by expectations of fundamental growth continuing at steady, above-market rates. So, while 90-day performance reflects short-term underperformance from a few large positions, our research shows that long-term positive business trends remain firmly intact.

Economic growth rates and inflation readings in most corners of the world remain positive but are evidencing decelerating trends.

As we see it, flagging growth and inflation across many economies puts a premium on security selection.

We believe our focus on maintaining a concentrated portfolio of competitively advantaged companies geared to grow earnings at above-market rates is the best way to invest in such environments.

Portfolio Performance & Attribution

The top three contributors to the Portfolio's relative and absolute performance in the quarter were **HDFC Bank**, **SAP**, and **Teleperformance**.

Reversing course from last quarter, **HDFC Bank** was our top relative contributor in the second quarter. Despite pressure on returns and margins in the near term, management is determined to avoid irrational competition that precipitates excessive risk-taking on either side of the balance sheet. The company remains focused on sustainably growing its deposit franchise, improving profitability metrics, and growing earnings per share. As such, HDFC remains well-positioned as one of the dominant banks in the attractively growing Indian economy.

After delivering a strong first quarter, **SAP's** stock price again rose in the second quarter on the back of an acceleration in the growth rate of the current cloud backlog—an indicator of cloud revenue to be booked within the next 12 months. Results showed that SAP's transition to the cloud (a core part of our thesis on the business) continues at pace, and the company is seeing both strong cloud revenue growth and expanding cloud gross margins. Management is guiding cloud sales growth through 2025 in the mid-20% range, which we view as both reasonable and attractive. We also view SAP as one of the more resilient software business models as it is an essential part of their customers' day-to-day operations and cannot easily be turned off or scaled back.

As noted last quarter, **Teleperformance's** stock price has been under pressure over the past year owing to a combination of factors ranging from a challenging macro environment to a perception that artificial intelligence (AI) poses a threat to their core business. This extremely negative sentiment is reflected in the stock's current forward 12-month P/E multiple of 6.5x. Encouragingly, the company reported better-than-expected organic growth in the quarter and reiterated revenue growth guidance, which we view as a positive development given that the company had reduced guidance a few times in 2023. Over the long term, we continue to believe the company can grow its earnings at a healthy double-digit rate.

The Portfolio's top relative detractors were **Sage Group**, **ICON**, and Aon. The top absolute detractors were **Sage Group**, **ICON**, and **Adidas**.

Sage, an accounting and financial software provider to small and medium-sized (SMB) businesses, was the Portfolio's largest detractor from relative performance during the quarter. The weakness in the stock stemmed from a 2H forecast for revenue growth that was revised lower, stoking concerns that an increasingly challenging macro backdrop is weighing on their core SMB customer. Taking a step back, Sage's core value proposition is providing mission-critical software to SMBs. This level of growth, coupled with modest margin expansion, should, in our estimation, allow Sage to grow earnings at a mid-teens annualized rate going forward.

In contrast with the first quarter, when **ICON** was the Portfolio's top relative contributor, the stock experienced some weakness in the second quarter. Given a solid earnings report and an investor day on which the company increased guidance, the stock gave back some of its gains from the first quarter. As a very well-positioned player in an industry with an increasingly healthy demand environment, we think ICON is poised to deliver respectable growth and returns over the next few years.

Aon was another detractor to relative performance during the quarter. Aon reported solid results recently, albeit results that featured slightly slower organic growth in the commercial risk unit than expected. Additionally, the recent $13.4B acquisition of NFP positions Aon to enter the mid-market brokerage segment, though it represents a drag on margins in the near term. With all of this said, our long-term view remains intact, and we continue to view Aon as a steady, durable low-teens earnings compounder.

Portfolio Activity

During the quarter, we initiated a new position in **Tokyo Electron** with the proceeds from the sale of our position in **Lasertec**. We also added to and trimmed several existing positions.

We eliminated our position in **Lasertec** after holding it for a little over a year. New information concerning light source components within Lasertec's APMI systems called our original investment thesis into question, and as such, we felt the best course of action was to exit the position and continue to watch Lasertec and the APMI category from the sidelines.

We initiated a new position in **Tokyo Electron**, a leading semiconductor capital equipment vendor based in Japan. Tokyo Electron is a market leader in etch, deposition, wafer cleaning and other technologies. These are critical steps in the semiconductor manufacturing process. Beyond its meaningful scale advantages, Tokyo Electron strategically partners with customers to continuously improve its technologies (more than $17.5bn cumulatively on research and development over the last three decades) and are well managed, according to our research. Secular trends like digitalization and miniaturization in chip technology—and now the AI boom—are at work here, too. We believe Tokyo Electron is poised to grow total returns at a mid-teens rate over the coming years.

Outlook

Based on our research, the Portfolio holds competitively advantaged businesses whose weighted average earnings are expected to grow at a mid-teens rate over time. A Portfolio of well-positioned businesses supports our confidence that short-term disruptions are speedbumps on the road to long-term success.

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

Sincerely,

Todd Morris and Daniel Fields, CFA

Experience in High Quality Growth Investing

Todd Morris
Portfolio Manager & Analyst
14 years of experience

Daniel Fields, CFA
Portfolio Manager & Analyst
17 years of 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: 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.

GIPS Report

Polen Capital Management
International Growth Composite—GIPS Composite Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation	
Year End	Total ($Millions)	Assets ($Millions)	Assets ($Millions)	U.S. Dollars ($Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI ACWI ex USA (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI ex USA (%)
2023	58,910	22,269	36,641	299.79	4	29.29	27.73	15.62	0.2	20.53	16.07
2022	48,143	18,053	30,090	255.66	4	-29.16	-30.00	-16.00	0.0	19.19	19.26
2021	82,789	28,884	53,905	60.41	2	7.10	6.67	7.82	N/A	14.67	16.79
2020	59,161	20,662	38,499	54.63	2	12.75	12.02	10.66	N/A	14.55	17.94
2019	34,784	12,681	22,104	0.41	1	27.88	26.81	21.50	N/A	10.92	11.34
2018	20,591	7,862	12,729	0.32	1	-4.60	-5.41	-14.19	N/A	N/A	N/A
2017	17,422	6,957	10,466	0.34	1	35.06	33.94	27.19	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 International Growth (Gross)	29.29	7.18	-	8.95
Polen International Growth (Net)	27.73	6.26	-	8.02
MSCI ACWI (ex-USA)	15.62	7.09	-	6.33

[1]A 3 Year Standard Deviation is not available for 2017 and 2018 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. Total assets and UMA assets are supplemental information to the GIPS Composite Report. N/A - There are five or fewer accounts in the composite the entire year. While pitch books are updated quarterly to include composite performance through the most recent quarter, we use the GIPS Report that includes annual returns only. To minimize the risk of error we update the GIPS Report annually. This is typically updated by the end of the first quarter.

GIPS Report

The International Growth Composite created and incepted on January 1, 2017 contains fully discretionary international growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI (ex-USA). Effective January 2022, fully discretionary large cap equity accounts managed as part of our International Growth strategy that adhere to the rules and regulations applicable to registered investment companies subject to the U.S. Investment Company Act of 1940 and the Polen International Growth Collective Investment Trust were included into the International 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 85 basis points (0.85%) on the first $50 Million and 65 basis points (0.65%) on all assets above $50 Million of assets under management. HNW: Per annum fees for managing accounts are 160 basis points (1.60%) of the first $500,000 of assets under management and 110 basis points (1.10%) of amounts above $500,000 of assets under management. Actual investment advisory fees incurred by clients may vary.

The per annum fee schedule for managing the Polen International Growth Fund, which is included in the International Growth Composite, is 85 basis points (.85%). The total annual fund operating expenses are up to 135 basis points (1.35%). As of 9/1/2023, the mutual fund expense ratio goes up to 1.33%. This figure may vary from year to year. The per annum all-in fee* schedule for managing the Polen International Growth Collective Investment Trust, which is included in the International Growth Composite, goes up to 70 basis points (.70%). *The all-in fee (which is similar to a total expense ratio) includes all administrative and operational expenses of the fund as well as the Polen Capital management fee.

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 ex USA Index is a market capitalization weighted equity index that measures the performance of large and mid-cap segments across developed and emerging market countries (excluding the U.S). 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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