

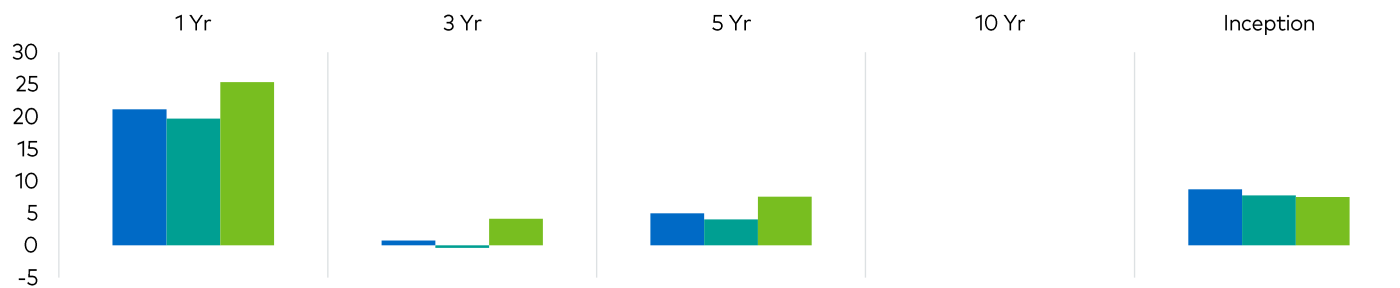
# Polen International Growth

Portfolio Manager Commentary – September 2024

## Summary

- After a quiet first half of 2024, bouts of volatility from various sources impacted international markets in the third quarter. Shares of companies we own and follow swung higher and lower during the period. Such moves can whipsaw thinking and confuse regular observers about business or economic trends.
- Amid such volatility, we focus on our long-standing approach of following companies' underlying earnings growth and constructing portfolios to grow at a mid-teens rate over the long term.
- Despite our disappointment at the International Growth Composite Portfolio's (the "Portfolio") quarterly and year-to-date performance, a review of earnings growth across underlying Portfolio holdings affirms our conviction in our long-standing approach.
- We recognize that short-term results from some of our large holdings exemplify negative market views towards businesses that we saw as fairly valued at the start of 2024 and which we see as poised to grow earnings at well above market rates for the long term.
- The top three contributors to the Portfolio's relative performance in the quarter were AON, MercadoLibre, and SAP. The top contributors to absolute performance were AON, SAP, and MercadoLibre.
- The Portfolio's bottom relative detractors were ICON plc, ASML, and Tokyo Electron. The bottom absolute detractors were ICON plc, ASML, and Novo Nordisk.
- We initiated a new position in On Holding AG and did not eliminate any positions. We also added to existing positions in Teleperformance, MercadoLibre, Novo Nordisk, and ASML. We trimmed our positions in Experian, Unilever, and Temenos.

## Seeks Growth & Capital Preservation (Performance (%) as of 9-30-2024)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen International Growth (Gross)	3.55	4.81	21.15	0.77	5.00	-	8.71
Polen International Growth (Net)	3.25	3.89	19.71	-0.37	4.04	-	7.75
MSCI ACWI (ex-USA)	8.06	14.21	25.35	4.13	7.58	-	7.52

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

After a quiet first half of 2024, bouts of volatility from various sources impacted international markets in the third quarter. Shares of companies we own and follow swung higher and lower during the period. Such moves can whipsaw thinking and confuse casual observers about business or economic trends. Followers of Polen Capital and our International Growth strategy have undoubtedly heard our repeated discussion of following companies' underlying earnings growth and constructing portfolios to grow at a mid-teens rate over the long term. In volatile times like these, focusing on what matters—profit growth trajectories—steadies (and, in fact, dictates) our thinking.

During the quarter, the Portfolio underperformed the MSCI ACWI ex-US Index (the "Index"). Notably, much of the underperformance came in the final weeks of September as global rates mostly trended lower, and stimulus measures appeared to awaken Chinese equities from a long hibernation. We are watching developments closely as declining rates in many markets aim to invigorate weakening economic activity. Chinese consumers and corporates struggle to overcome an estimated property value setback exceeding \$15 trillion. That said, sustained positive economic momentum seems a tall order.

Despite our deep disappointment in our quarterly and year-to-date results, a review of earnings growth across underlying Portfolio holdings affirms our conviction in our long-standing approach. We observe that short-term performance from some of our large Portfolio holdings exemplifies negative market views towards businesses that we (1) felt were fairly valued at the start of the year and (2) believe are poised to grow earnings at well above market rates for the long term.

It is not uncommon for us to express divergent views vs. those of the market. Given our long-term focus, we generally interpret valuation multiple changes as exemplifying Ben Graham's "voting machine" concept—suggesting that in the short term, stock prices are influenced by investor sentiment and popularity, but in the long term, they reflect a company's intrinsic value based on fundamental performance. Just as robust earnings growth and multiple re-ratings (from below-average valuations) benefited our Portfolio in 2023, we now observe the opposite effect impacting holdings like ICON plc and Sage Group. We believe both companies enjoy competitive advantages versus peers and are poised to grow long-term earnings per share at mid-teens rates or higher.

**Continued steady results from most of our holdings lend confidence that portfolio earnings growth will drive success in the long term. We believe the Portfolio is positioned for well-above-market growth rates over the coming years.**

History shows that focusing on compounding earnings growth can lead to the best long-term outcomes for investors.

## Portfolio Performance & Attribution

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

**AON** is a global professional services firm that provides a broad range of risk, reinsurance, retirement, and health consulting services worldwide. The company's 1Q2024 results (reported in 2Q) were met with disappointment as organic growth slowed slightly. The latest results, however, cast little doubt to us that AON remains a durable company owing to its service expertise, efficient distribution, deep client relationships, talented workforce, and status as a trusted brand.

AON's acquisition of National Financial Partners ("NFP" provides insurance, benefits, and wealth management services) marks its first foray into the mid-market for insurance broking and related services. We believe AON's robust back-end technology investments over the last decade enable solid growth prospects for the acquired NFP business. We believe AON remains on track for steady, low, double-digit long-term growth.

**MercadoLibre** is Latin America's largest ecommerce business and an increasingly important player in payments and credit lending. Recent earnings results show acceleration in the underlying business despite a challenging macro environment. Management continues to execute very well, taking market share in ecommerce while expanding their offerings in fintech to their user base of over 150 million people. Earlier in 2024, we expected profit margins, which had expanded significantly in recent years, to contract slightly. We see ongoing product development and fulfillment capabilities investments as sound outlays to support longer-term growth.

**SAP**, a leading global enterprise software company that provides solutions for managing business operations and customer relations, including enterprise resource planning ("ERP") systems, reported a good quarter. The results reflected solid cloud adoption and disciplined execution around their transformation program, which we think will help focus resources on their most strategic growth opportunities. We view SAP as one of the more resilient large-scale software business models, given its position as a mission-critical component of their customers' day-to-day operations. Given the strong market position, vast partner ecosystem, balanced growth across new and existing customers, high recurring revenues, and improving margin profile, we believe SAP is well-positioned to continue delivering at least mid-teens earnings growth for many years.

The Portfolio's top relative detractors were **ICON plc**, **ASML**, and **Tokyo Electron**. The bottom absolute relative detractors were **ICON plc**, **ASML**, and **Novo Nordisk**.

Portfolio detractor **ICON plc** is a global provider of outsourced development and commercialization services to pharmaceutical, biotechnology, and medical device industries. The stock fell during the quarter in sympathy with peers who noted signs of softening drug trial spend by biotech companies. In September, **ICON**'s management reiterated full-year and medium-term revenue growth guidance. Management also noted, as a caveat, that a handful of biotech customers are taking longer to make R&D spending decisions. Stepping back, we view **ICON** as an advantaged player in a large market experiencing secular growth. We further view **ICON** as a global leader with the scale and expertise needed to deliver timely trial outcomes to customers that remains poised to grow its earnings at a mid-teens rate in the future.

During the period, we added to our **ASML** position in the face of recent volatility across the semiconductor sector broadly. As readers may recall, we trimmed the position in 4Q 2023 as we expected stagnating business trends to set in during 2024. Stagnation did occur, as did AI hysteria. We now foresee robust growth and believe **ASML** will see a significant ramp in business trends in 2025 and beyond. **ASML**'s business backlog and its customers' persistent development of leading-edge chip sizes drive our expectation of rapid growth for the company in the coming years. In our view, shares trade at a very reasonable valuation for one of the world's most competitively advantaged growth companies, particularly considering the accelerated growth we expect.

Recent weakness in **Tokyo Electron's** share price stemmed from the same semiconductor sector volatility mentioned above. In **Tokyo Electron's** case, investor concerns about the memory cycle were an added factor. We believe AI infrastructure spending will continue to drive the memory cycle, and an uptick in other heavy memory use cases, from smartphones to servers, will improve over time. Third quarter foreign currency ("FX") movements also impacted investor sentiment in Japanese companies. We view **Tokyo Electron's** earnings growth trajectory, at nearly 20% over the coming three years, as quite favorable.

### Portfolio Activity

In the third quarter, we initiated a new position in **On Holding AG** ("On") and did not eliminate any positions. We also added to and trimmed several existing positions.

**On** is a premium Swiss sports footwear brand known for its "Cloud" signature shoe. A young company, **On** established its brand with a performance and technology bent.

**On's brand has resonated with consumers in 60 countries globally. The company enjoys a unique positioning in a large market capable of supporting high growth rates for the remainder of the decade.**

Limited SKUs and high price points drive well-above-sector-average economics. In time, **On** believes apparel, owned stores, and China can each contribute more than 10% of sales. We believe **On** can compound sales and earnings at a 25% and 30% clip for the next three years and deliver elevated growth rates far into the future.

As noted, we added to several existing positions in the quarter including **Teleperformance**, **MercadoLibre**, **Novo Nordisk**, and **ASML**. We trimmed our positions in **Experian**, **Unilever**, and **Temenos**.

### Outlook

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. Please feel free to reach out with any questions you might have.

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 industry experience



**Daniel Fields, CFA**

Portfolio Manager & Analyst  
18 years of industry experience

## 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:

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

# GIPS Report

Polen Capital Management  
International Growth Composite—GIPS Composite Report

Year End	UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation		
	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

<sup>1</sup>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 inception 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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