Polen U.S. Small Company Growth

Portfolio Manager Commentary – June 2023

Summary

- During the second quarter, the U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 4.10% gross and 3.87% net of fees, respectively, compared to the 7.05% return of the Russell 2000 Growth Index (the "Index").

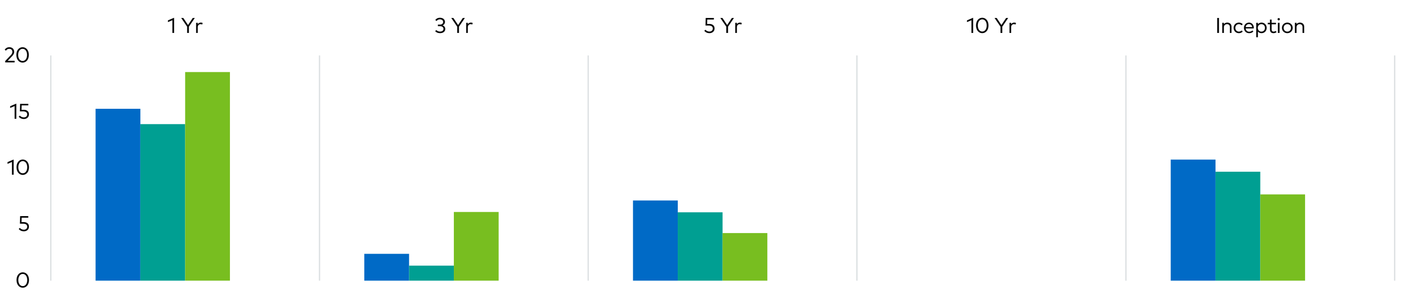
- The second quarter provided yet another demonstration of how rapidly market sentiment can shift. Whether it's the ongoing debate over hard or soft landing, pessimism over bank failures and tightening credit standards, or optimism around AI, it is abundantly clear that market narratives can change quickly. We believe the answer to this dilemma is a time-tested and disciplined investment process and a portfolio built for resilience.

- The top contributors to the Portfolio's relative performance in the second quarter included AppFolio, Goosehead Insurance, and Progyny. These were also the top contributors on an absolute basis. By contrast, the most significant detractors from the Portfolio's relative performance in the quarter included Revolve Group, Blackline, and Fox Factory Holdings. These were also the top detractors on an absolute basis.

- The activity this quarter was limited to one new addition, Leslie's. We also added to two existing positions in the quarter—SiTime and Alight—and trimmed five existing positions, including SiteOne Landscape Supply, Goosehead Insurance, Altair Engineering, AppFolio, and Wingstop.

- We favor businesses with strong free cash flow, persistent growth, and high returns on capital, and we always seek to own undervalued businesses relative to their long-term compounding potential. While we can't predict when markets will recover, we believe that maintaining our focus on high-quality growth companies that are well-positioned to drive cash flow and earnings growth over the next five years will generate attractive long-term performance.

Seeks Growth & Capital Preservation (Performance (%) as of 6-30-2023)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
U.S. Small Company Growth (Gross)	4.10	15.70	15.28	2.39	7.12	-	10.74
U.S. Small Company Growth (Net)	3.87	15.10	13.92	1.34	6.07	-	9.67
Russell 2000 Growth	7.05	13.55	18.53	6.10	4.22	-	7.67

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

The commentary is not intended as a guarantee of profitable outcomes. Any forward-looking statements are based on certain expectations and assumptions that are susceptible to changes in circumstances. Opinions and views expressed constitute the judgment of Polen Capital as of the date herein, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change.

All company-specific information has been sourced from company financials as of the relevant period discussed.

Commentary

The second quarter provided yet another demonstration of how rapidly market sentiment can shift. Whether it's the ongoing debate over hard or soft landing, pessimism over bank failures and tightening credit standards, or optimism around AI, it is abundantly clear that market narratives can change quickly. For some, this can create a false urgency to react, leading to poor decision-making. We believe the answer to this dilemma is a time-tested and disciplined investment process and a portfolio built for resilience. This comes from our unwavering commitment to investing in what we view to be high-quality, long-term compounders constructed to thrive in any environment. This allows us to cut through the noise, maintain a long-term perspective, and avoid being swayed by confusing short-term signals. We also seek to construct the Portfolio for resiliency by investing in companies across the growth spectrum, across different sectors and industries, and at varying stages of business maturity. Although our Portfolio may be concentrated, implementing these layers of diversification can provide stability.

Our unique framework for assessing quality is called the Flywheel. It is a tool not just for identifying durable compounders but also for consistency and clarity of decision-making. Recently, clients have asked how the Flywheel framework protects against more challenging economic backdrops. While all five Flywheel criteria contribute, it's hard to overstate the importance of effective management teams, and robust business models.

We believe effective management teams play a crucial role in determining the long-term success or failure of the companies we observe. This is true in the best times, especially in more difficult periods. Reflecting on the past few years, there's been no shortage of challenges. These included a global pandemic, supply chain disruptions, historically high inflation, rising interest rates, slowing economic growth, and a banking crisis, on top of each company's idiosyncratic challenges. Scaling a company through these rapidly changing conditions often requires making difficult decisions to address complex issues. Successfully navigating these obstacles and seizing opportunities demands a unique combination of skills, experience, and mindset we believe is possessed by only a few management teams. To identify these effective management teams, we're looking for specific markers. Among others, these include a track record of value-creating reinvestment, a long-term orientation, operational excellence, a demonstrated ability to be agile, a culture that attracts and retains top talent above industry standards, a measured and systematic approach to taking risks, and a guiding vision around doing the right thing. Periods like this can set the stage for a well-run company to extend its advantage vs. competitors over the long term.

Conversely, management teams that have not been battle-tested risk becoming too focused on the prevailing narrative of the day to the detriment of long-term value creation.

An emphasis on robust business models is another element of the flywheel we underscore as critically crucial during this unique time. Companies that have grown accustomed to the near-zero interest rate environment of the past decade are now facing a new reality. They had become reliant on easily accessible and cheap external funding, allowing unprofitable businesses to sustain themselves longer than they otherwise would have. However, the current scenario of higher interest rates and stricter credit standards has real implications for these businesses. They now need to rein in expenses and abandon long-term value-creating projects. Becoming profitable is often more than just flipping a switch. A robust and sustainable business model results from consistent discipline applied over many years. Therefore, we exclusively focus on companies with solid balance sheets, high returns on capital, positive free cash flow, and robust underlying business models. These qualities enable our businesses to fund their own growth, even in a challenging macro environment.

During times like these, high-quality businesses can continue to invest in long-term growth initiatives, positioning themselves to gain market share from competitors.

We believe companies with positive free cash flow, which comprise 98% of our Portfolio, and strong balance sheets are better equipped to make prudent decisions regarding capital allocation. This may involve opportunistic share repurchases, engaging in value-accretive acquisitions, investing in the brand, product development, international expansion, research and development, and more.

Following Silicon Valley Bank's failure at the end of the first quarter and the subsequent turmoil in regional banks, access to capital has become even more constrained. With over 40% of the Russell 2500 Growth unprofitable and 11% more than 5x levered, many firms will be unable to engage in these strategic behaviors. Thus, prioritizing financially resilient companies has become increasingly more essential.

As a reminder, we require that all five flywheel conditions be in place along with at least a mid-teens IRR to make an investment. The current opportunity set presents opportunities that are above our historical IRR norms. For those who are long-term oriented, patient, and discerning, we believe this remains an excellent time to invest in small-cap companies.

Portfolio Performance & Attribution

During the second quarter, the U.S. Small Company Growth Composite Portfolio (the "Portfolio") returned 4.10% gross and 3.87% net of fees, respectively, compared to the 7.05% return of the Russell 2000 Growth Index (the "Index").

The top contributors to the Portfolio's relative performance in the second quarter included **AppFolio, Goosehead Insurance,** and **Progyny**. These were also the top contributors on an absolute basis.

AppFolio is a provider of cloud-based software for the property management industry. The company recently underwent a CEO transition, and in the short tenure of the new CEO, it has become clear that he is steering the company to become more profitable in the near term. Additionally, the company's nascent efforts to move up the market to serve larger property managers—an essential long-term growth driver that materially expands the addressable market—have been encouraging.

Goosehead Insurance is a personal line insurance brokerage with a disruptive business model rapidly taking market share from the traditional independent and captive broker models. The stock continued its outperformance into the second quarter after being a top contributor last quarter. The stock is now up more than 80% YTD on the back of powerful financial results (revenue +40% YoY, operating margins expanding more than 15% YoY), especially for an organization directly impacted by the dramatic downturn in the housing market. This company is executing very well, with a long runway for growth ahead.

Finally, **Progyny**, a provider of fertility benefits to self-insured companies, continues to deliver powerful results headlined by 50% YoY revenue growth and 87% YoY adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) growth. Concerns about the impact of significant tech layoffs on their business have been put to rest, as the secular tailwind around the demand for high-quality fertility and family-building care remains very much intact. The combination of these powerful secular tailwinds and the company's industry diversification efforts over the last few years has translated into sustained and resilient growth in the face of macro uncertainty.

The most significant detractors from the Portfolio's relative performance in the quarter included **Revolve Group, Blackline,** and **Fox Factory Holdings**. These were also the top detractors on an absolute basis.

Revolve Group, a next-generation online retailer, established itself as a leading premium fashion destination for Millennial and Generation Z female customers. This quarter, Revolve was comping against its second biggest "re-opening" quarter last year, when revenue was up almost 60% YoY. While Revolve is undoubtedly navigating an increasingly challenging consumer backdrop, the result of revenue down 3% against these difficult comparisons was a solid outcome. Over the past 20+ years, this management team has proven adept at steering the business through challenging macro environments, and we expect them to continue making the right decisions to position the company for success over the long term.

Blackline, a cloud-based provider of financial close software, traded down despite reporting solid results in the quarter. It's worth noting that from early November 2022 through early February 2023, the stock was up nearly 60% because of rumors that Blackline may be the target of an acquisition from a private equity buyer. As that outcome did not materialize, we believe much of the recent underperformance is a giveback of this earlier acquisition premium. Blackline remains a high-quality company in the early stages of penetrating the large nascent cloud financial close software industry they pioneered.

Lastly, **Fox Factory Holdings**, a maker of high-performance shocks and suspensions for bikes and power vehicles, was a top detractor in the period. The stock fell on the back of results that featured a 30% YoY decline in their specialty sports segment as the company returns to more normal seasonality in that business after heightened pandemic-related demand and supply shortages. The company offset this weakness with robust results in its powered vehicles segment, but the market was fixated on the worse-than-expected results in the specialty sports segment. We think the worst is behind the company with this well-telegraphed reset and see a path to margin improvement in the future.

Portfolio Activity

The activity this quarter was limited to one new addition, **Leslie's**. We also added to two existing positions in the quarter—**SiTime** and **Alight**—and trimmed five existing positions, including **SiteOne Landscape Supply, Goosehead Insurance, Altair Engineering, AppFolio,** and **Wingstop**.

Leslie's is a pool maintenance retailer with a long durable revenue and earnings history. The company caters to both the "do-it-yourself" consumer, as well as to smaller professional pool care businesses.

As the largest national retailer of pool maintenance supplies (larger than the next 20 largest competitors combined), the company leverages convenience, scale, and a recurring customer base to drive competitive advantage. While pool construction can be cyclical, the installed base of pools has grown consistently over the past several decades, driving steady and predictable growth in pool chemicals and consumables, accounting for 80% of Leslie's sales. More recently, there has been some uncertainty regarding pricing, which has introduced more volatility in an ordinarily stable market. This volatility gave us a rare opportunity to own a growing business with high returns at an attractive risk reward.

As noted earlier, we continued to add to our existing position in **Alight**, a benefits plan administration outsourcing business and platform software provider. We saw an opportunity to increase our position as we gained conviction about the quality and durability of the business, along with an attractive IRR of greater than 20% over our five-year investment horizon. We also used volatility to add to our position in **SiTime**, a uniquely positioned semiconductor company that sells silicon-based precision timing solutions. Thinking on SiTime is the same; we continue to believe this business can at least triple in size over the long term.

We trimmed our positions in **SiteOne Landscape Supply, Goosehead Insurance, Altair Engineering, AppFolio,** and **Wingstop.** In every case, these stocks have performed very well this year. While we remain confident in the long-term potential of these businesses, we felt it prudent to right-size the positions on a combination of lower (albeit still attractive) IRRs and around risk management considerations. We used the proceeds of these trims to fund the new position in Leslie's and build larger positions in SiTime and Alight.

Outlook

Our outlook is unchanged from last quarter. The current environment continues to be highly uncertain. Small-cap companies as an asset class are heavily discounted relative to history. Still, risks are also significant, whether inflation and the path of interest rates, credit availability, or the economy. Despite the uncertainty, we operate with clarity and conviction. We believe that owning great businesses with durable growth and high returns on capital with a significant runway for reinvestment at high returns and further buying those businesses at a discount to their long-term valuation creation potential will drive great returns for our clients.

This underscores why we stay focused on the long-term and concentrated on competitively advantaged, financially flexible businesses. We believe that always owning businesses with solid balance sheets and the ability to reinvest in any environment trumps short-term temptations to own lower-quality businesses driven by interest rates, commodity prices, or leverage.

While the short-term view is heavily influenced by fear and uncertainty, the long-term picture is far clearer than the market would suggest (even at higher interest rates), and by and large, our long-term view and conviction in our Portfolio companies is unchanged. This allows us to confidently sift through the noise and take advantage of price dislocations.

Despite all the challenges, the opportunity set in small caps is attractive regarding valuation and the prospect of continued growth. High-quality small-cap companies have more significant latent potential for growth relative to more mature businesses. The best small-cap growth companies can quickly reduce spending and inflect profitability if needed, given their high starting levels of investment.

We believe the best-of-the-best small-cap companies will take advantage of adjacencies and have a better potential opportunity set for value-added acquisitions.

Of course, many companies do not meet this high hurdle, which is why we 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 proven philosophy, a disciplined process, and conviction. It also requires great humility and a willingness to change your view when the evidence demands it. We look forward to keeping you updated on our views in future commentary.

Thank you for your interest in Polen Capital and the U.S. Small Company Growth Strategy. Please contact us with any questions.

Sincerely,

Rayna Lesser Hannaway, CFA & Whitney Young Crawford

Experience in High Quality Growth Investing

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

Whitney Young Crawford
Portfolio Manager, Director of Research & Analyst
16 years of experience

GIPS Report

Polen Capital Management
U.S. Small 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 (%)	Russell 2000 G (%)	Composite Dispersion (%)	Polen Gross (%)	Russell 2000 G (%)
2022	48,143	18,053	30,090	89.27	40	-42.10	-42.86	-26.36	0.1	29.29	26.20
2021	82,789	28,884	53,905	83.89	156	18.67	17.69	2.83	0.6	23.54	23.08
2020	59,161	20,662	38,499	48.06	68	56.41	55.08	34.63	1.7	25.52	25.10
2019	34,784	12,681	22,104	8.28	8	22.73	21.62	28.50	0.1	N/A	N/A
2018	20,591	7,862	12,729	3.82	6	3.30	2.31	-9.29	0.0	N/A	N/A
2017[1]	17,422	6,957	10,466	5.65	4	20.74	19.82	18.22	N/A	N/A	N/A

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

	1 Yr	5 Yr	10 Yr	Inception
U.S. Small Company Growth (Gross)	-42.10	6.38	-	8.95
U.S. Small Company Growth (Net)	-42.86	5.35	-	7.89
Russell 2000 Growth	-26.36	3.50	-	6.01

[1]Performance represents partial period (March 9, 2017 through December 31, 2017), assets and accounts are as of December 31, 2017.
[2]A 3 Year Standard Deviation is not available for 2017, 2018 and 2019 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 U.S. Small Company Growth Composite created on July 3, 2017 with inception date March 9, 2017 contains fully discretionary small company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against Russell 2000 Growth. Effective January 2022, fully discretionary small company equity accounts managed as part of our U.S. Small 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 U.S. Small Company Growth Composite. The accounts comprising the portfolios are highly concentrated and are not constrained by EU diversification regulations.

Polen Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Management has been independently verified for the periods April 1, 1992 through June 30, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Polen Capital Management is an independent registered investment adviser. Polen Capital Management invests exclusively in equity portfolios consisting of high-quality companies but also has a subsidiary, Polen Capital Credit, LLC, that specializes in high yield securities and special situations investing. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. In July 2007, the firm was reorganized from an S-corporation into an LLC and changed names from Polen Capital Management, Inc. to Polen Capital Management, LLC.

A material error in the 2017 annual performance for the Russell 2000 Growth was corrected as of April 17, 2020. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Effective January 1, 2022, composite policy requires the temporary removal of any portfolio incurring a client initiated significant net cash inflow or outflow of 10% or greater of portfolio assets. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of 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 U.S. Small Company Growth Fund, which is included in the U.S. Small Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 135 basis points (1.35%). As of 4/30/2022, the mutual fund expense ratio goes up to 1.35%. 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 fees and have been calculated after the deduction of all transaction costs and commissions. 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 Russell 2000® Growth Index is a market capitalization weighted index that measures the performance of the small-cap growth segment of the U.S. equity universe. It includes Russell 2000® Index companies with higher price/book ratios and higher forecasted growth values. The index is maintained by the FTSE Russell, a subsidiary of the London Stock Exchange Group.

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