Polen Global Growth

Portfolio Manager Commentary – September 2024

Summary

- Volatility re-emerged in the third quarter, marking a departure from the first half of the year. The initial catalyst for the volatility was perhaps a better-than-expected U.S. Consumer Price Index report (indicating lower inflation) in mid-July, boosting market confidence that the U.S. Federal Reserve would likely embark on a rate-cutting cycle sooner rather than later.

- This excitement of July's positive CPI report spurred a rotation out of mega cap technology and "AI winners" into other market segments, many of which had lagged in the year's first half.

- While our approach may be more akin to the tortoise than the hare, we view volatility as an ally and an opportunity to go on offense when possible.

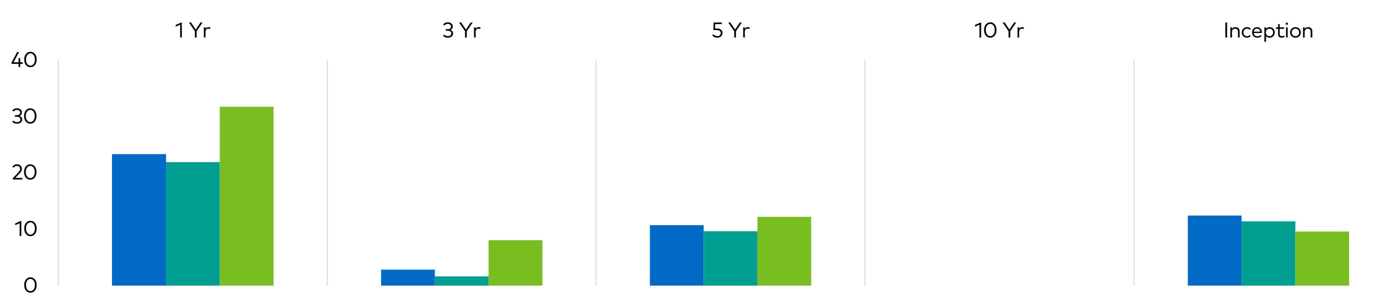
- In the third quarter, the top relative and absolute contributors to the Global Growth Composite Portfolio (the "Portfolio") performance were MSCI, SAP, and AON.

- The largest relative and absolute detractors in the quarter were Alphabet, Amazon, and Novo Nordisk.

- We initiated a new position in Oracle and did not eliminate any positions. We added to our positions in Shopify, Globant, and Paycom Software and trimmed positions in SAP, ADP, and Microsoft.

- Other than a few isolated areas of weakness, our Portfolio companies continue to perform roughly in line with our growth expectations. Overall, we are encouraged by our businesses' current performance and even more so by their long-term resilience and ability to drive faster growth with less risk.

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



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen Global Growth (Gross)	3.85	10.43	23.31	2.83	10.73	-	12.43
Polen Global Growth (Net)	3.54	9.48	21.91	1.65	9.65	-	11.40
MSCI ACWI	6.61	18.66	31.76	8.08	12.18	-	9.59

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

Volatility re-emerged in the third quarter, marking a departure from the first half of the year, which was defined by an increasingly crowded AI trade. The initial catalyst for the increased volatility was perhaps a better-than-expected U.S. Consumer Price Index report (indicating lower inflation) in mid-July, boosting market confidence of the U.S. Federal Reserve likely embarking on a rate-cutting cycle sooner rather than later. This excitement spurred a rotation out of mega cap technology and "AI winners" into other market segments, many of which lagged in the year's first half.

In a rare illustration (particularly of late) that index concentration does, in fact, cut both ways, two-thirds of the MSCI ACWI Index (the "Index") constituents outperformed the overall index return (-8.3%) from the July 16 intra-quarter high to the low on August 5. During this stretch, the previously unassailable so-called "Magnificent 7" had a -15% drawdown headlined by a -22% decline in NVIDIA. From there, Mr. Market vacillated a bit more than usual, as his fear and greed impulses were triggered by various narratives and data points for or against. Key factors included consumer weakness, unemployment rates, a broader recession, rate cut speed and size, ripple effects on cross-sector lending, inflation, multiple global conflicts, the impact of one or another U.S. Presidential election candidate, etc.

As a reminder, we don't make macro calls. That said, we cannot entirely ignore the "macro," as there will inevitably be some signal within the sea of noise. We believe the best macro analysis doesn't come from a macroeconomist but from the aggregation of the micro.

What's key is paying close attention to what's happening now—not getting overly concerned about what *could* happen, but what *is* happening with the businesses we own and those within our coverage universe.

Other than a few isolated areas of weakness, our Portfolio businesses continue to perform roughly in line with our growth expectations. Overall, we are encouraged about how our businesses are performing currently and even more so about their long-term resilience and ability to drive faster growth with less risk through thick and thin.

While market narratives and sentiment can change rapidly, as we've observed, we remain focused on factors within our control, which don't change quickly or substantially and that we feel reasonably confident about forecasting over the long term. This explains our long-standing commitment to own a concentrated portfolio of high-quality, competitively advantaged businesses that can grow earnings per share at 15% or higher. If we pay a fair price for these businesses, we believe their stock prices and returns should follow the earnings growth over the long term.

Furthermore, we think businesses with strong balance sheets, durable demand and advantages, and honest, competent management generally perform well in good times and bad. Combined with our safety holdings, such attributes contribute to creating an "all-weather" portfolio. Our emphasis on quality, durable earnings growth, strong balance sheets, and balanced portfolios explains why, throughout Polen's history, we have generally maintained our position during bull markets, while most of our alpha has been generated during prolonged economic downturns. Although we do not optimize for lower volatility or enhanced downside protection, nor do we promise these outcomes in any given period—the quality of our businesses tends to shine most when the days are darkest. As the saying goes, only when the tide goes out do you see who's swimming naked.

History shows that this patient, methodical approach to compounding earnings growth can lead to the best long-term outcomes for investors.

While our approach may be more akin to the tortoise than the hare, we view volatility as an ally and an opportunity to go on offense when possible.

This more predictable, durable mid-teens earnings growth—roughly 2-3x the Index's long-term average earnings growth—has led to the robust track record of our U.S. strategy, Focus Growth, for over 35 years. Since our founding in 1979, this unwavering focus has remained steadfast as we continue to strive to deliver long-term value for our clients.

Portfolio Performance & Attribution

In the third quarter, the top relative and absolute contributors to the Portfolio's performance were **MSCI**, **SAP**, and **AON**.

MSCI bounced back following an unusually weak second quarter that saw elevated cancellations in their index business, primarily resulting from the merger between UBS and Credit Suisse. As we noted last quarter, we added to our position on the view that this softness would be short-lived. This effectively played out in the third quarter, with the company reporting strong results and a retention rate more aligned with historical averages. MSCI remains a competitively advantaged, highly profitable business with secular growth tailwinds.

SAP reported a good quarter, reflecting solid cloud adoption and disciplined execution around their transformation program, which will help the company focus resources on their most strategic growth opportunities. We 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. Given its attractive market position, vast partner ecosystem, balanced growth across new and existing customers, high recurring revenues, and improving margin profile, we think SAP is well-positioned to continue delivering at least mid-teens earnings growth for many years.

Similar to MSCI, **AON**'s first quarter results (reported in 2Q) were met with disappointment as organic growth slowed a little. However, its latest results cast little doubt that AON remains a durable company owing to its service expertise, efficient distribution, deep client relationships, talented workforce, and status as a trusted brand. Organic growth returned to expected levels, and the shares rebounded. Quarter-to-quarter results in this industry can be a bit lumpy, but we think AON remains on a solid trajectory.

The largest relative and absolute detractors in the quarter were **Alphabet**, **Amazon**, and **Novo Nordisk**.

Alphabet's generally strong results—particularly in core search—were overshadowed by a continued ramp-up in AI-related capital expenditure spending and some weakness in the YouTube segment. Later in the quarter, the stock experienced pressure from an adverse ruling on the Department of Justice's antitrust case against the company. Stepping back, compelling search results underscore the enduring (and possibly improving) health of the broader advertising environment.

Generative AI tools appear to be gaining traction, which we expect will lead to accelerating growth for the cloud business.

While antitrust headlines may occasionally weigh on the share price, we think the process will take years to play out. Remedies will be proposed, and rulings will be appealed. We'll continue to follow closely.

Amazon's position as a notable detractor speaks more to the size of the position than the magnitude of the underperformance, as the company delivered solid results during the quarter. Notably, AWS' (Amazon Web Service, the company's comprehensive cloud computing platform) growth continued to accelerate vs. the prior quarter, with trailing 12-month operating margins of 9%, representing a significant inflection vs. 3% only a year ago. The market's lukewarm reaction seems to stem from lower-than-expected 3Q guidance and potentially management's comments around "lower average selling prices right now because customers continue to trade down on price when they can, particularly on more discretionary, higher ticket items..." We remain enthused about the business, its competitive advantages, growth runway, management team, and valuation relative to its long-term growth prospects, which explains its large position in our portfolio.

Novo Nordisk experienced some weakness in the final weeks of the quarter, mainly stemming from mixed safety data in a mid-stage trial for one of its next-generation oral weight loss drugs. Specifically, the results showed statistically significant weight loss compared to a placebo but limited additional losses at higher doses with mild to moderate side effects. Naturally, the market expressed some concern about the commercial viability of this new oral drug and whether Novo is lagging behind competitor Eli Lilly in bringing an effective oral drug to market that can be more easily scaled. Both companies are exploring several novel approaches, some of which we expect will underwhelm. Key next-generation drugs continue to show great promise, and there remains significant opportunity for existing obesity drugs. Efforts are underway to increase production capacity to meet excess demand in the coming years.

Portfolio Activity

In the third quarter, we initiated a new position in **Oracle** and did not eliminate any positions. We added to positions in **Shopify**, **Globant**, and **Paycom Software** and trimmed positions in **SAP**, **ADP**, and **Microsoft**.

Oracle was the only new position during the period. As a team, we previously owned it in our Focus Growth portfolio from 2005 to 2019—when its database business was dominant, and they were building an applications business through several large acquisitions. We exited our position when the company's revenue growth slowed to almost 0% as Oracle was late shifting its applications and databases to the cloud. Today, revenue is accelerating as Oracle has made progress in bringing its applications and databases to the cloud.

An even greater impact stems from Oracle's cloud service infrastructure business, developed to compete with the large hyperscalers—Amazon Web Services, Microsoft Azure, and Google Cloud.

Oracle Cloud Infrastructure ("OCI") is the newest entrant in cloud services infrastructure, with a differentiated approach vs. larger peers. Instead of building giant datacenters around the globe, OCI comprises many smaller datacenters that can act as either public or private clouds. Many private clouds are onsite at customer locations for the highest data security and privacy. This particularly benefits large enterprises like banks, healthcare companies, and governments. These organizations include some of Oracle's biggest database customers. Inside OCI, Oracle has its Autonomous Database, with almost zero downtime or human interaction, allowing for high reliability and lower cost. It also provides for some of the most complicated on-premise database workloads to be moved to the cloud more seamlessly. While OCI is a lower-margin business than Oracle's software businesses, it often pulls Oracle Autonomous Database revenue with it, which is high margin—allowing the overall corporate margin to expand.

The shift to the cloud for Oracle applications and databases will provide a nice revenue tailwind for years to come as the SaaS (Software as a Service) migration of Oracle applications is in the relatively early stages and databases are just beginning to move to the cloud.

We expect Oracle's earnings growth to be in the low-to-mid-teens with potential upside. In our view, the current low 20s P/E (price-to-earnings) multiple is quite reasonable for a highly advantaged company with strong and accelerating growth likely for years to come.

We added to several existing positions during the quarter, including **Shopify**, **Globant**, and **Paycom Software**. In the previous section, we detailed Shopify's robust performance this quarter. In short, recent results confirmed that the company continues to see attractive revenue growth and margin expansion, which aligns with our investment thesis. While we're cognizant of Globant's challenging IT Consulting industry backdrop, we think the valuation is attractive relative to its long-term growth potential as the company continues to deliver best-in-class revenue and profit growth, bucking broader industry trends. Finally, we modestly added to our small position in Paycom Software following our recent meeting with the founder/CEO and CFO. The discussion enhanced our understanding of Paycom's temporary growth slowdown and expected reacceleration with regular blocking and tackling. While macroeconomic headwinds and lower float income (due to lower interest rates) may present a challenge, we believe Paycom remains an advantaged payroll/HCM (human capital management) software player with a long runway for growth.

We modestly trimmed our position in **SAP**, though it remains among our largest holdings. When we reduced the position, shares had appreciated nearly 40% YTD due to strong business performance accompanied by multiple expansions. While our conviction in the business remains high, we felt it was appropriate to taper back what had become a very large position, especially with the valuation at the upper end of its range. Similarly, we remain satisfied with the performance of **ADP** and **Microsoft**, and we trimmed positions simply to help fund additions to other positions like the newly-added Oracle.

Outlook

We continue to believe Global Growth is well-positioned to deliver long-term, mid-teens-or-better earnings growth that will drive our long-term investment returns. Our portfolios consistently hold businesses with stronger balance sheets, higher profitability, and faster growth than average, which we believe should be able to grow, come rain or shine.

Thank you for your interest in Polen Capital and the Global Growth strategy. Please feel free to contact us with any questions or comments.

Sincerely,

Damon Ficklin and Bryan Power, CFA

Experience in High Quality Growth Investing

Damon Ficklin
Head of Team, Portfolio Manager
22 years of industry experience

Bryan Power, CFA
Portfolio Manager, Director of Research & Analyst
12 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:

Headwind: refers to factors or conditions that can impede the performance or growth of investments, sectors, or entire economies. These obstacles could be economic, political, or market-related and can affect investment returns negatively.

Tailwind: refers to favorable conditions or factors that can propel asset prices or financial markets upwards. These can include economic growth, technological advancements, regulatory changes, or other external influences that enhance the performance of investments.

Price-to-earnings (P/E) ratio: the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Earnings per share (EPS): 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 Growth Composite—GIPS Composite Report

		UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation[1]	
Year End	Total ($Millions)	Assets ($Millions)	Assets ($Millions)	U.S. Dollars ($Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI ACWI (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI (%)
2023	58,910	22,269	36,641	670.70	9	32.38	30.92	22.20	0.1	20.08	16.27
2022	48,143	18,053	30,090	507.47	7	-30.53	-31.39	-18.35	0.0	20.39	19.86
2021	82,789	28,884	53,905	138.08	7	17.90	17.07	18.54	0.6	15.08	16.84
2020	59,161	20,662	38,499	39.14	3	25.01	24.13	16.27	N/A	16.16	18.13
2019	34,784	12,681	22,104	6.50	2	37.37	36.35	26.60	N/A	12.10	11.22
2018	20,591	7,862	12,729	4.77	2	3.14	2.22	-9.41	N/A	11.50	10.47
2017	17,422	6,957	10,466	4.16	2	32.66	31.55	23.96	N/A	10.12	10.36
2016	11,251	4,697	6,554	0.33	1	1.21	0.34	7.86	N/A	N/A	N/A
2015	7,451	2,125	5,326	0.33	1	10.07	9.14	-2.36	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 Growth (Gross)	32.38	13.24	-	12.29
Polen Global Growth (Net)	30.92	12.22	-	11.30
MSCI ACWI	22.20	11.73	-	8.35

[1]A 3 Year Standard Deviation is not available for 2015 and 2016 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 Global Growth Composite created and incepted on January 1, 2015 contains fully discretionary global growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI. Prior to October 18, 2016, the benchmark for the Global Growth Composite was the MSCI ACWI variant with gross dividends. As of October 18, 2016, the benchmark was changed retroactively to the MSCI ACWI variant with net dividends, to more accurately reflect the Global Growth Composite's strategy. Effective January 2022, fully discretionary large cap equity accounts managed as part of our Global 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 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 Global Growth Fund, which is included in the Global 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 1.26%. This figure may vary from year to year.

The per annum fee schedule for managing the Polen Capital Global Growth ETF, which is included in the Global Growth Composite, is 85 basis points (.85%). The total annual fund operating expenses are up to 85 basis points (.85%).

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 Index is a market capitalization weighted equity index that measures the performance of large and mid-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