

Polen Global SMID Company Growth

Portfolio Manager Commentary – March 2024

Summary

- Over the first quarter of 2024, the Polen Global SMID Company Growth Composite Portfolio (the "Portfolio") returned 0.00% gross and -0.11% net of fees, versus the 4.99% return of the MSCI ACWI SMID Capitalization Index (the "Index").
- Optimism over cooling inflation and stabilizing interest rates boosted sentiment.
- The top contributors to the Portfolio's relative performance over the first quarter were Topicus.com, CTS Eventim, and Core & Main.
- The most significant detractors from relative performance were Endava, Shift, and Globant.
- Portfolio turnover remains above normal levels, reflecting the restructuring of the strategy.
- We remain focused on our Portfolio companies' long-term value propositions, competitive advantages, growth opportunities, and potential earnings power.

Seeks Growth & Capital Preservation (Performance (%) as of 3-31-2024)



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

Global small cap and mid cap equities posted positive total returns over the first quarter. Global equity markets continued to be supported by optimism that cooling inflation will lead to interest rates returning to more normal levels. Despite softening inflation data, major central banks, including the U.S. Federal Reserve, the European Central Bank, and the Bank of England, have left rates unchanged. However, they have signaled that rate cuts are expected this year. Despite this, the U.S. 10-Year Treasury moved up 40 basis points as rate cuts are not likely to be implemented until later in 2024 than initially expected.

At the Index level, in another reversal from the prior quarter, Energy was the most robust performing sector after being the only sector to post a negative return for the previous quarter. Industrials and Financials were the other solid performers. Real Estate and Communication Services were the two sectors in negative territory. Regionally, the U.S. and Japan drove the majority of the Index return. China was the notable laggard. Developed markets performed better than emerging markets; from a style perspective, growth outperformed value, and large caps outperformed small caps.

Portfolio Performance & Attribution

For the first quarter of 2024, the Portfolio returned 0.00% gross and -0.11% net of fees versus the Index's return of 4.99%.

Portfolio underperformance was primarily driven by negative security selection. Security selection, strongest in Communication Services and Health Care, was outweighed by weaker selection in Information Technology and Financials. Sector allocation, an outcome of our bottom-up selection process, also detracted from relative returns. The positive impact of our zero weight in Real Estate was outweighed by the negative impact of our overweight to Communication Services. Regionally, security selection was most robust in Europe and weakest in North America. The Portfolio's overweight to Latin America also detracted from relative performance. We remain focused on finding companies with competitive advantages that we believe can compound earnings and cash flows over the long term, independent of commodity swings or economic cycles.

Our most significant individual contributors to relative performance over the first quarter were **Topicus.com**, **CTS Eventim**, and **Core & Main**. **Topicus.com**, **CTS Eventim**, and **Tencent Music Entertainment** were the top contributors to absolute performance.

Topicus.com is the European version of Constellation Software, a vertical market, mission-critical software provider. The company announced quarterly and full-year results that beat consensus estimates. Annual revenues grew 27%, free cash flow grew 36%, and net income increased 10% versus 2023. We think a highly talented management team leads the company, operates in an attractive and fragmented industry, and should continue to see

attractive earnings growth over the coming years.

CTS Eventim, the European leader in ticketing and live entertainment event management, reported another set of strong quarterly results with profits ahead of expectations again. Revenues rose to 65% above pre-COVID levels, and net income was over double. Blockbuster tours from artists such as Taylor Swift and Coldplay have driven ticket sales. Despite the robust results, company management continues to maintain a conservative forward guidance, with U.S. expansion plans remaining challenged, given high competitive barriers and possible regulation. We believe the company can compound earnings close to 15% per annum given its dominant market position, secular trends of ticketing moving online, and increased consumer spending on experiences.

Core & Main is an industrial distributor specializing in waterworks and fire protection, providing an extensive range of over 200,000 products in the water infrastructure market. The company's fundamental business performance has been better than expected, and it continues to execute its disciplined M&A strategy very well. We view Core & Main as a high-quality business with numerous competitive advantages and reinvestment opportunities, supported by structural tailwinds given the need to repair and replace aging municipal water infrastructure.

Our most significant detractors from relative and absolute performance were **Endava**, **Shift**, and **Globant**.

Globant, a cloud-native IT services company specializing in digital technology, was one of the top detractors in the quarter. While Globant has been a strong contributor on a one-year and six-month basis, the stock reacted negatively to what we view as prudently cautious guidance from management in their fourth quarter 2023 earnings reports. Secular tailwinds support Globant as companies are compelled to spend on digital transformation and increasingly integrate AI effectively. We have maintained our confidence in the company's capability to deliver mid- to high-double-digit top-line growth for many years. Despite broad IT services headwinds, we have been very impressed with Globant's significantly above-industry growth.

Like Globant, **Endava** is an IT services company, albeit UK-based, focused on payments, financial services, and TMT verticals. Unfortunately, financials and TMT have been among the weakest segments as companies cautiously pull back on investments, negatively impacting Endava's results over the past several quarters. Further, management issued 2024 guidance that came in well below expectations, further underscoring investor concerns around the timing of a reacceleration in growth. The over 40% earnings price decline is likely a result of investors extrapolating the worst-case scenario; however, we remain more positive on the long term and trust Endava's ability to play a critical role in facilitating digital transformation across various industries and end markets. The stock is now trading below 20x next year's earnings for a high-quality business, and recent acquisitions set the business up for continued future success.

Shift, a Japanese technology company specializing in software testing, pulled back after a solid fourth quarter. The company saw quarterly revenue growth slow in the first quarter, and margins compressed over the period due to a supply/demand gap resulting from lost opportunities on upstream projects. The outsourced software testing market is vast, with an estimated 98% of the workload handled in-house today, even though companies like Shift can deliver this service materially cheaper and more efficiently. The company has a strong track record of hiring, training, and retaining talented engineers. We expect they will continue to deliver strong organic revenue growth for the foreseeable future.

Portfolio Activity

We continued to implement the changes to the strategy we had discussed in the previous quarter, resulting in higher-than-normal turnover in January. Trading activity included new positions in **Revolve Group**, **Clearwater Analytics**, **E Ink Holdings**, **Judges Scientific**, and **Wizz Air**. We sold **TMX Group**, **TravelSky Technology**, and **Kinaxis**. We increased our holdings in **Fevertree Drinks** and **Endava** and trimmed positions in **Pro Medicus**, **CTS Eventim**, and **Shift**.

The number of portfolio holdings increased from 37 to 39. We expect a small number of additional trades in the coming quarter, particularly in markets where we have a larger underweight compared to the Index, such as Japan.

Outlook

While market sentiment has improved, and we are cautiously optimistic about stabilizing interest rates, uncertainty persists. This underscores our commitment to retaining a long-term focus on competitively advantaged, financially flexible businesses.

We believe that consistently owning businesses with robust balance sheets and the ability to reinvest in any environment trumps short-term temptations to own lower-quality businesses.

Looking ahead, we see significant opportunity for the asset class, particularly for our investing style. In our opinion, high-quality SMID cap companies have more significant latent potential for growth relative to more mature businesses. Furthermore, we believe the highest-quality SMID cap companies will take advantage of solid balance sheets and continued reinvestment to advance their competitive position, tackle adjacencies, and enjoy better potential opportunities for value-added acquisitions. Given that so few companies meet this high hurdle, we hold a

concentrated portfolio of companies that offer growth and high returns as well as durability, robust financial models, the ability to self-fund growth, and what we view as 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 our view when the evidence requires it—something we are always prepared to do. We look forward to keeping you updated on our views in future commentary.

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

Sincerely,

Rayna Lesser Hannaway, Greg McIntire, Satya Dantuloori, and Shane Smith

Experience in High-Quality Growth Investing



Greg McIntire, CFA

Head of Portfolio Insights & Portfolio Manager
26 years of experience



Rayna Lesser Hannaway, CFA

Head of Team, Portfolio Manager & Analyst
27 years of experience



Satya Dantuloori

Portfolio Manager & Analyst
17 years of experience



Shane Smith, CFA

Portfolio Manager & Analyst
12 years of experience

GIPS Report

Polen Capital Management
Global SMID Company Growth Composite—GIPS Composite Report

Year End	Total (\$Millions)	UMA	Firm	Composite Assets		Annual Performance Results				3 Year Standard Deviation ²	
		Assets (\$Millions)	Assets (\$Millions)	U.S. Dollars (\$Millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	MSCI ACWI SMID (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI ACWI SMID (%)
2023	58,910	22,269	36,641	30.04	3	11.92	11.40	16.02	0.0	N/A	N/A
2022	48,143	18,053	30,090	21.26	3	-41.32	-41.77	-18.72	0.0	N/A	N/A
2021*	82,789	28,884	53,905	13.20	2	4.12	3.61	2.81	N/A	N/A	N/A

Performance % as of 12-31-2023:

(Annualized returns are presented for periods greater than one year)

	1 Yr	5 Yr	10 Yr	Inception
Polen Global SMID Company Growth (Gross)	11.92	-	-	-14.09
Polen Global SMID Company Growth (Net)	11.40	-	-	-14.68
MSCI ACWI SMID Net	16.02	-	-	-1.52

* Represents partial period (July 1, 2021 through December 31, 2021), assets and accounts are as of December 31, 2022.

²A 3 Year Standard Deviation is not available for 2021, 2022 and 2023 due to 36 monthly returns are not available.

Some versions of this GIPS Report previously included assets of the Firm's wholly-owned subsidiary in the 2022 Firm Assets figure, in error. The figure above has been corrected to no longer count assets at the subsidiary level.

N/A - There are five or fewer accounts in the composite the entire year. Total assets and UMA assets are supplemental information to the GIPS Composite Report. While pitch books are updated quarterly to include composite performance through the most recent quarter, we use the GIPS Report that includes annual returns only. To minimize the risk of error we update the GIPS Report annually. This is typically updated by the end of the first quarter.

GIPS Report

The Global SMID Company Growth Composite created and inception on July 1, 2021 contains fully discretionary global SMID company growth accounts that are not managed within a wrap fee structure and for comparison purposes is measured against MSCI ACWI SMID Cap. Effective January 2022, fully discretionary SMID company equity accounts managed as part of our Global SMID Company Growth strategy that adhere to the rules and regulations applicable to registered investment companies subject to the U.S. Investment Company Act of 1940 were included into the Global SMID Company Growth Composite. The accounts comprising the portfolios are highly concentrated and are not constrained by EU diversification regulations.

Polen Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Management has been independently verified for the periods April 1, 1992 through December 31, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Polen Capital Management is an independent registered investment adviser. Polen Capital Management maintains related entities which together invest exclusively in equity portfolios consisting of high-quality companies. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. In July 2007, the firm was reorganized from an S-corporation into an LLC and changed names from Polen Capital Management, Inc. to Polen Capital Management, LLC. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Effective January 1, 2022, composite policy requires the temporary removal of any portfolio incurring a client initiated significant net cash inflow or outflow of 10% or greater of portfolio assets, provided, however, if invoking this policy would result in all accounts being removed for a month, this policy shall not apply for that month. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using either actual management fees or highest fees for fund structures. The annual composite dispersion presented is an asset-weighted standard deviation using returns presented gross of management fees calculated for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The separate account management fee schedule is as follows:

Institutional: Per annum fees for managing accounts are 100 basis points

(1.00%) on the first \$50 Million and 85 basis points (0.85%) on all assets above \$50 Million of assets under management. HNW: Per annum fees for managing accounts are 175 basis points (1.75%) of the first \$500,000 of assets under management and 125 basis points (1.25%) of amounts above \$500,000 of assets under management. Actual investment advisory fees incurred by clients may vary.

The per annum fee schedule for managing the Polen Global SMID Company Growth Fund, which is included in the Global SMID Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 125 basis points (1.25%). As of 9/1/2023, the mutual fund expense ratio goes up to 1.25%. This figure may vary from year to year.

Past performance does not guarantee future results and future accuracy and profitable results cannot be guaranteed. Performance figures are presented gross and net of management fees and have been calculated after the deduction of all transaction costs and commissions. Portfolio returns are net of all foreign non-reclaimable withholding taxes. Reclaimable withholding taxes are reflected as income if and when received. Polen Capital is an SEC registered investment advisor and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce clients' returns. The chart below depicts the effect of a 1% management fee on the growth of one dollar over a 10 year period at 10% (9% after fees) and 20% (19% after fees) assumed rates of return.

The MSCI ACWI SMID Cap is a market capitalization weighted equity index that measures the performance of the mid and small-cap segments across developed and emerging market countries. The index is maintained by Morgan Stanley Capital International.

The volatility and other material characteristics of the indices referenced may be materially different from the performance achieved. In addition, the composite's holdings may be materially different from those within the index. Indices are unmanaged and one cannot invest directly in an index.

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

Return	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.30	1.41	1.54	1.68	1.83	1.99	2.17	2.37
20%	1.20	1.44	1.73	2.07	2.49	2.99	3.58	4.30	5.16	6.19
19%	1.19	1.42	1.69	2.01	2.39	2.84	3.38	4.02	4.79	5.69

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