Polen U.S. SMID Company Growth

Portfolio Manager Commentary – March 2024

Summary

- In the first quarter of 2024, the Polen Capital U.S. SMID Company Growth Composite Portfolio (the "Portfolio") returned -0.28% gross and -0.57% net of fees compared to an 8.51% return for the Russell 2500 Growth Index (the "Index").

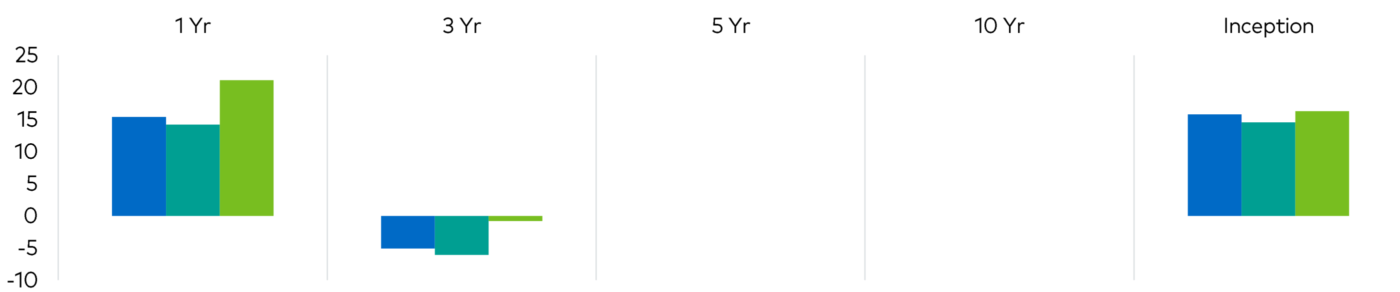
- This was a historic quarter for the Russell 2500 Growth Index as two companies—Super Micro Computer and MicroStrategy—drove more than a quarter of the Index's performance. Super Micro, a provider of high-performance, energy-efficient servers, was up more than 250% during the quarter and is now a nearly $60 billion market cap company. Crypto-driven MicroStrategy was up over 170%, approaching a $30 billion market cap. Both companies will leave the Index with the June rebalancing.

- We see ourselves in essentially the same environment that we called out last quarter. In late 2023, it became clear that interest rates had peaked, precipitating a bottom in the Russell 2500 Growth Index on October 27, followed by a rally that can generally be considered lower quality. We were pleased to successfully navigate these headwinds last quarter, as we typically expect to underperform in such environments.

- During the first quarter, we initiated one new position in EXL Service and added to existing positions in Clearwater Analytics, Progyny, SiTime, Bio-Techne, MarketAxess, Etsy, and Generac. We eliminated our position in Bumble and trimmed positions in Trex, Wingstop, and Houlihan Lokey.

- We favor businesses with robust free cash flow, persistent growth, and high returns on capital. We consistently aim to own companies that we believe are undervalued relative to their long-term compounding potential. As always, we believe maintaining our focus on high-quality growth companies well-positioned to drive cash flow and earnings growth over the next five years will generate long-term performance.

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



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen US SMID Company Growth (Gross)	-0.28	-0.28	15.40	-5.07	-	-	15.77
Polen US SMID Company Growth (Net)	-0.57	-0.57	14.19	-6.09	-	-	14.56
Russell 2500 Growth	8.51	8.51	21.12	-0.81	-	-	16.30

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

In the first quarter of 2024, the Polen Capital U.S. SMID Company Growth Composite Portfolio returned -0.28% gross and -0.57% net of fees compared to an 8.51% return for the Russell 2500 Growth Index. This was a historic quarter for the Russell 2500 Growth Index as two companies—Super Micro Computer and MicroStrategy—drove more than a quarter of the Index's performance. Super Micro, a provider of high-performance, energy-efficient servers, was up over 250% in the first quarter and is now a nearly $60 billion market cap company. Crypto-driven MicroStrategy was up over 170%, approaching a $30 billion market cap. Both companies will leave the Index with the June rebalancing.

We do not own Super Micro or MicroStrategy, as they do not meet our Flywheel investment criteria.[1] Furthermore, Super Micro has been outside our market cap discipline for over a year. While we seek to maximize returns on a 3- to 5-year basis, we were disappointed that we did not overcome these headwinds, which weakened relative returns.

Reflecting on the start of 2024, we see ourselves in essentially the same environment we called out last quarter. Late last year, it became clear that interest rates had peaked, precipitating a bottom in the Russell 2500 Growth Index on October 27, followed by a rally that can generally be considered lower quality. While we managed to navigate these headwinds last quarter, we acknowledge that this is an environment where we typically expect to underperform.

While market dynamics were essentially unchanged from last quarter, price momentum ratcheted up significantly during the first quarter. Momentum was the best-performing style factor by a wide margin, which we believe calls for incremental caution. We experienced this dynamic most acutely during the February and March earnings season. Companies that announced FY24 guidance ahead of street expectations shot up significantly, regardless of the starting valuation or how rosy the outlook. Companies that missed expectations slightly or offered a more measured outlook plummeted on the news. We saw this dynamic in our Portfolio, with some companies benefiting directly from the trend and others impaired. In some upside cases, stock price reactions vastly overshot underlying fundamentals, leading us to trim our positions.

We see great opportunity in some instances where companies missed expectations, particularly where we view management as prudently conservative, with promising relative growth and expected returns.

This opportunity cost mindset largely explains our portfolio activity during the quarter. As happens, in instances where we misjudged, we have placed the companies under review for Flywheel violations, or we sold the position, as was the case with Bumble.

We noted cautious optimism in last quarter's letter. While we retain that optimism, we remain aware of the potential crowding effect of momentum investors piling into a select group of stocks. It is not uncommon across the broad market to see low-quality leading in the initial stages of recovery. While this low-quality success proves a headwind for us today, we believe many of our companies have significant latent potential over the near and long term. This potential holds true for both valuation and, more importantly, fundamental earnings growth, which continues to outpace the Index on a trailing and projected basis. We have already witnessed some great "winners" this year and remain enthusiastic about the outlook for our Portfolio returns.

Portfolio Performance & Attribution

The top contributors to the Portfolio's quarterly performance, both relative and absolute, were **Wingstop**, **Core & Main**, and **Revolve Group**.

Wingstop is the world's largest fast casual chicken wing-focused restaurant chain with roughly 2,000 locations. Over 2023, the company exceeded high expectations, delivering double-digit same-store sales growth while expanding into new regions internationally. As we note below, while we remain enthusiastic about Wingstop's long-term opportunity, we have trimmed our position on valuation, with the stock up 130% over the past seven months.

Core & Main is an industrial distributor specializing in waterworks and fire protection markets, distributing an extensive range of over 200,000 products in the water infrastructure market. The fundamental business performance has been better than expected, and the company 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 that are supported by structural tailwinds, given the need to repair and replace aging municipal water infrastructure.

Revolve Group is a next-generation online retailer that established itself as a leading premium fashion destination for Millennial and Generation Z female customers. Revolve has challenged us over the past couple of years, as it has not been immune to macro pressures as a consumer-facing business. During the quarter, however, the stock was up more than 20% on earnings, having delivered better-than-expected top and bottom-line results

[1] The Flywheel framework is how we assess quality that supports sustainable growth. It is comprised of five self-reinforcing elements: 1) unique positioning, 2) a repeatable sales process, 3) a robust business model, 4) effective management, and 5) value-creating reinvestment.

despite a challenging backdrop for apparel retailers. Revolve has made progress on several fronts, including rebalancing inventory, international growth returning to positive, and solid growth in adjacent categories such as beauty and men's. Encouragingly, they see less discounting as a percentage of overall sales, and gross margins continue to trend up.

The most significant detractors of the Portfolio's relative performance in the quarter were **Super Micro Computer (not owned)**, **Globant**, and **Endava**. The most significant absolute detractors were **Endava**, **Globant**, and **Yeti**.

Our top relative detractor this quarter was **Super Micro Computer**, a company we do not own. As highlighted earlier, the stock is up a staggering +255% in the quarter, putting the market cap at close to $60 billion, more than 6x the weighted average market cap of the entire Russell 2500 Growth. As we've noted, Super Micro will leave the Index in June.

Globant, another top detractor, is a cloud-native IT services company specializing in digital technology. While Globant has been a strong contributor on a one-year and six-month basis, the stock reacted negatively to what we consider prudently cautious guidance from management when they reported fourth quarter 2023 earnings. Secular tailwinds support Globant as companies are compelled to spend on digital transformation and increase spending to integrate AI effectively. We have maintained our confidence in the company's ability to deliver mid- to high-double-digit top-line growth for many years. Despite the headwinds in IT services, more broadly, we have been very impressed with Globant's significant 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, 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 in the long term, and we trust their 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 company up for continued future success.

Portfolio Activity

During the quarter, we initiated one new position in **EXL Service** and added to existing positions in **Clearwater Analytics**, **Progyny**, **SiTime**, **Bio-Techne**, **MarketAxess**, **Etsy**, and **Generac**. We eliminated our position in **Bumble** and trimmed positions in **Trex**, **Wingstop**, and **Houlihan Lokey**.

As noted, our Portfolio activity during the quarter was driven by an opportunity cost mindset. We consistently evaluate expected returns for our current holdings versus our other portfolio holdings and the broader opportunity set. As such, trims of Trex, Wingstop, and Houlihan Lokey, among some of our largest positions, were opportunities to redeploy capital from holdings that have performed very well (hence with declining expected IRRs) into positions that represent the best combination of conviction quality, long-term earnings and cash flow growth, and expected returns.

EXL Service, the new position, is an outsourced business services and analytics company with a long track record for driving digital transformation. EXL's specialization and reputation in the insurance industry have also been points of differentiation and served as a springboard to grow the business. We previously owned EXL in our Small Company Growth strategy but sold it when the company navigated a problematic transition. Encouragingly, the company managed well through that difficult period and upgraded its management team, bringing more discipline to its capital allocation, as evidenced by increasing returns on invested capital. We anticipate mid-teens free cash flow growth and capital to be deployed towards share buybacks and small acquisitions.

We decided to eliminate our position in **Bumble**, a leader in the dating app segment, which has been a challenging investment for some time. We held on to the stock given robust and consistent 20%+ growth in the core Bumble platform. In our long experience following this industry, we have seen it change and adapt to different generations. We viewed market concerns about penetration and slower growth as overblown. However, the business unexpectedly decelerated in the fourth quarter, with the new CEO announcing widespread layoffs and sweeping leadership change.

Both factors drove to underperformance in the first quarter. While we remain positive on many aspects of the business, we are concerned about the significant and sudden changes and the rising execution risk, not to mention the recent deceleration in growth, which may indicate a shift in consumer preferences. We prefer to watch from the sidelines to see how these developments play out.

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. In our view, 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 to 2024 and beyond, we see significant opportunity for the asset class, particularly for our investing style. In our view, high-quality SMID cap companies have greater 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 positions, 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 not only growth and high returns but also 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 U.S. SMID Company Growth Portfolio. Please contact us with any questions.

Sincerely,

Rayna Lesser Hannaway, CFA and 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 & Analyst
16 years of experience

GIPS Report

Polen Capital Management
U.S. SMID 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 2500 Growth (%)	Composite Dispersion (%)	Polen Gross (%)	Russell 2500 Growth (%)
2023	58,910	22,269	36,641	26.63	11	29.39	28.05	18.93	0.1	26.29	20.95
2022	48,143	18,053	30,090	22.57	10	-44.40	-44.95	-26.21	0.1	N/A	N/A
2021	82,789	28,884	53,905	4.95	7	22.03	20.64	5.05	0.0	N/A	N/A
2020[1]	59,161	20,662	38,499	0.51	1	105.23	103.70	82.91	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 US SMID Company Growth (Gross)	29.39	-	-	16.99
Polen US SMID Company Growth (Net)	28.05	-	-	15.77
Russell 2500 Growth	18.93	-	-	14.96

[1]Performance represents partial period (April 1, 2020 through December 31, 2020), assets and accounts are as of December 31, 2020.
[2]A 3 Year Standard Deviation is not available for 2020, 2021 and 2022 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 U.S. SMID Company Growth Composite created and incepted on April 1, 2020 contains fully discretionary small and mid-cap company equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the Russell 2500 Growth Index. Effective January 2022, fully discretionary SMID company equity accounts managed as part of our U.S. 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 U.S. 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 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. SMID Company Growth Fund, which is included in the U.S. SMID Company Growth Composite, is 100 basis points (1.00%). The total annual fund operating expenses are up to 130 basis points (1.30%). As of 9/1/2023, the mutual fund expense ratio goes up to 1.30%. 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 2500® Growth Index is a market capitalization weighted index that measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes Russell 2500® companies with higher price-to-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

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