

# POLEN | CAPITAL

## POLEN FOCUS GROWTH STRATEGY

### Key Takeaways



**Dan Davidowitz, CFA**  
*Head of the Large Company  
Growth Team  
& Portfolio Manager*



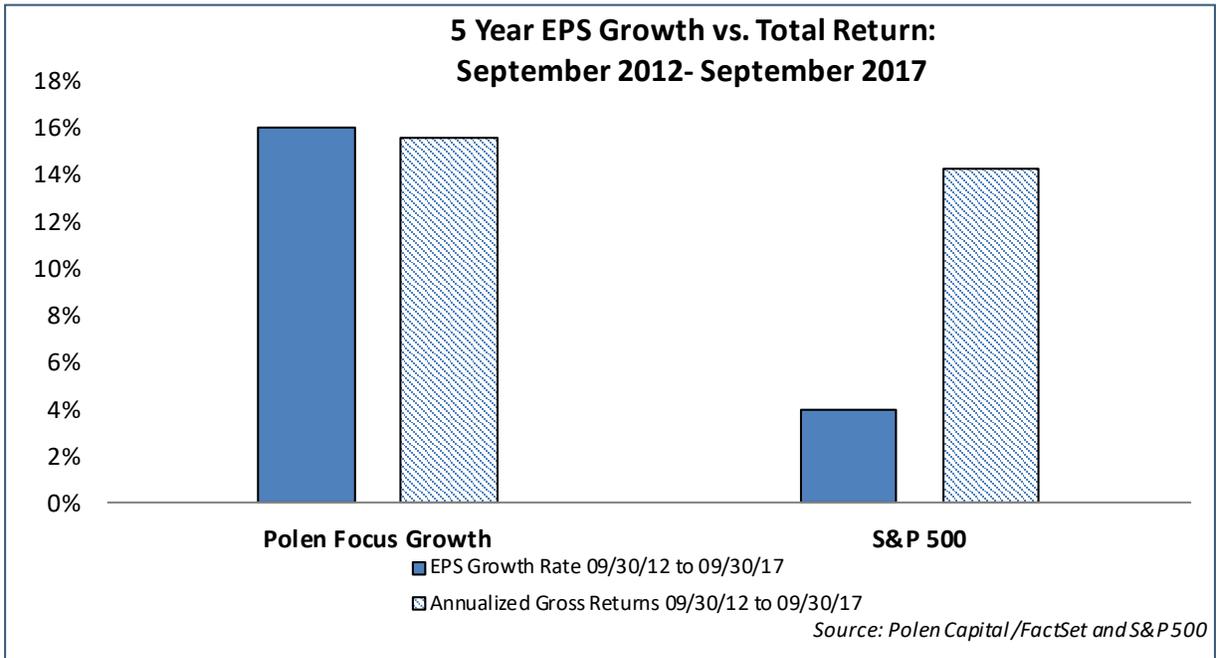
**Damon Ficklin**  
*Portfolio Manager  
& Analyst*

- During the fourth quarter of 2017, the Polen Focus Growth Composite Portfolio (the “Portfolio”) returned 5.18% gross of fees. The Russell 1000 Growth and S&P 500 indices (the “Indices”) were up 7.86% and 6.64%, respectively. For the full year 2017, the Portfolio returned 27.73% gross of fees compared with 30.22% for the Russell 1000 Growth and 21.83% for the S&P 500.
- The U.S. markets saw strong positive returns for the year, with the S&P 500 increasing every single month of the year. Accelerating economic and corporate earnings growth seems to be driving the optimism and the late-year passage of tax reform in the U.S. helped as well.
- Relative factor performances indicate that quality was back in favor in 2017 after a difficult 2016. Our lack of exposure to high beta and leverage was positive for Portfolio returns as was our high exposure to large, highly profitable and growing companies. Eighteen of the 21 companies we owned in 2017 posted positive returns and 13 of the 21 had total returns above 20%.
- S&P 500 earnings growth accelerated to roughly 10% in 2017 from low-single-digits for the past five years. Our Portfolio’s weighted average earnings growth accelerated to more than 20% from the mid-teens range that has been the norm during the past five years and since inception in 1989.
- We have now witnessed nine straight calendar years of positive equity returns in the United States at rates well above the underlying earnings growth of corporate America, but there are emerging signs that the recent acceleration in economic activity may be sustainable, leading to better earnings growth in the future. Importantly though, we believe that our Portfolio is positioned very well to grow our clients’ wealth over the long term regardless of the economic landscape going forward.

### Commentary

During the fourth quarter of 2017, the Polen Focus Growth Composite Portfolio (the “Portfolio”) returned 5.18% gross of fees. The Russell 1000 Growth and S&P 500 indices (the “Indices”) were up 7.86% and 6.64%, respectively. For the full year 2017, the Portfolio returned 27.73% gross of fees compared with 30.22% for the Russell 1000 Growth and 21.83% for the S&P 500. The U.S. markets saw strong positive returns for the year, with the S&P 500 increasing every single month of the year. Accelerating economic and corporate earnings growth seems to be driving the optimism and the late-year passage of tax reform in the U.S. helped as well.

As has been the case for many years, our strong absolute returns have been well-supported by the underlying earnings growth of the companies in the Portfolio (see chart on page 2). The broader market also saw a bit of an earnings rebound. S&P 500 earnings growth accelerated to roughly 10% in 2017 from low-single-digits for the past five years. Our Portfolio’s weighted average earnings growth also accelerated to more than 20% from the mid-teens range that has been the norm during the past five years and since inception in 1989.



Quality seems to have returned to favor after a difficult 2016. This can be seen in the fact that our lack of exposure to high beta and leverage were positive factors to our Portfolio's returns. Our high exposure to large, highly profitable and growing companies were positive factors as well. Eighteen of the 21 companies that we owned in 2017 posted positive returns and 13 of the 21 had total returns greater than 20%.

Companies classified in the information technology sector were the largest contributors to the returns of our Portfolio and the Indices in the fourth quarter and full-year 2017. Interestingly, four of our top five contributors to our Portfolio's return this year were in the IT sector, but two of them (per preliminary disclosures by MSCI regarding the future of GICS sector classifications) are likely to be moved to a newly created Communications Services sector (Alphabet and Facebook). Another top contributor, Visa, is not a technology company in our view.

It is also worth mentioning that in the fourth quarter we saw a resurgence in the beleaguered consumer discretionary and consumer staples sectors. While there was likely some regression to the mean after an extended period of underperformance in these sectors, recent tax law changes probably helped as well, as many companies in these sectors stand to benefit the most from the U.S. corporate statutory rate coming down from 35% to 21% beginning in 2018. In fact, we saw a powerful, positive move in equities that have higher tax rates versus those with lower tax rates, with companies in the highest-tax-rate decile outperforming those in the lowest decile by more than 1,000 basis points late in the year.<sup>1</sup> This was a relative headwind to our Portfolio's performance during the fourth quarter given that we are primarily invested in very large, global businesses that already have relatively low tax

rates, with a large percentage of their revenues being earned in low-tax-rate countries. These companies will benefit less than those with predominantly U.S.-focused operations, but we think that tax reform will still be a benefit for most of our holdings as the ability to bring back "trapped" foreign cash at a low rate will provide them with unencumbered access to their offshore cash that can be used in more value-creating ways.

## Apple, Amazon and Our Guardrails

On a relative basis, our performance was negatively impacted by not owning Apple or Amazon during the past year. In combination, these two companies added nearly 500 basis points to the Russell 1000 Growth Index return in 2017. We have owned both companies in the past, but neither is among our top 20 ideas for the Portfolio today. We believe that concentrating in our best ideas will produce strong absolute and relative performance over time and we do not feel the need to own any particular company regardless of how large a weight it is in the Indices.

The most common question that we get is why we don't own Amazon, so we'll share a few thoughts on the topic. We sold Amazon in 2010 when the company no longer met our high hurdles (we call them guardrails) for investment. We require companies to have strong balance sheets, excess free cash flow, returns on equity above 20%, stable to increasing profit margins and real organic revenue growth. Beginning in 2010 and continuing through today, Amazon has been investing very heavily in its business, which has driven down free cash flow, margins and returns well below our thresholds. That isn't to say that Amazon isn't a great business. In fact, it may be the most competitively advantaged business in the United States that we don't own. Amazon's current investing framework,

<sup>1</sup>According to Sanford C. Bernstein analysis.

though, continues to make its long-term free cash flow profile difficult to understand. Our aim is to assemble a portfolio that can generate mid-teens earnings per share growth, leading to mid-teens investment returns while taking less risk. We think the easiest way to accomplish that goal is by staying within our tried-and-true guardrails and do not feel the need to bend those guardrails to own Amazon today. That said, we study Amazon as closely as any other great business because it may one day meet our guardrails again, and even if it does not, it will likely compete with and allow us to better understand those companies that do meet our guardrails.

## Portfolio Performance & Activity

During the fourth quarter, the leading contributors to our Portfolio's performance were **Adobe Systems Inc.**, **NIKE Inc.** and **Alphabet Inc.** For the full year, Alphabet, Adobe and **Facebook Inc.** were the top contributors. A common thread for Adobe, Facebook and Alphabet is that they all benefit from the creation of digital media and content. Adobe is far and away the leading software company that has developed tools such as Photoshop to enable creative people such as web designers and digital marketers to produce content. Adobe also has the most integrated tools to measure the effectiveness of the digital advertisements that are produced using its software. The company moved to a subscription-based revenue model a few years ago and has added on new functionality that makes Adobe a true one-stop-shop for creative professionals and digital marketers. In fiscal 2017 (ended December 1, 2017) Adobe grew revenue 25% and earnings 40%. This is mostly organic growth and we believe 20%+ earnings per share growth is sustainable well into the future.

Both Alphabet and Facebook are now tremendously large, global companies but they are both still riding the wave of more advertising moving from low return-on-investment (ROI) off-line channels to high ROI online platforms. This trend has been well in motion for nearly 20 years and shows little sign of easing up. Alphabet is still growing revenue at roughly a 20% annual rate and Facebook at roughly twice that rate, although we expect the latter to decelerate at a manageable pace over the coming years. Digital advertising now represents 38% of the roughly \$600 billion global ad market according to eMarketer with mobile advertising accounting for roughly 63% of digital ads. Facebook and Alphabet already control nearly half of global digital advertising revenue and nearly two-thirds of U.S. digital ad revenue. In the United States, these two behemoths capture nearly all the market growth.

There has been some debate as to whether these platforms are approaching saturation, but we do not believe this is the case. First, while Alphabet and Facebook dominate digital ads, the move from offline to online continues because of the ability to personalize and achieve more definable and higher

ROIs for advertisers. Of course, consumers increasingly consume media and try to find answers to questions via online sources, as well. Additionally, it is not just dollars from newspapers, magazines, and radio that are shifting to search and display ads. It is increasingly other types of trade promotion like coupons that are not typically counted when sizing the market opportunity. For instance, consumer products companies are increasingly using digital ads in lieu of in-store coupons as they believe they can better target promotions that way. If these trade promotions were counted, it would more than double the market opportunity for Alphabet and Facebook. In addition, Alphabet and Facebook have created far more "advertising democracy," meaning now all businesses from the largest to the smallest have effective tools to create digital ads and measure them on these platforms. Small businesses in particular were left behind in the offline advertising world, but are now in a much better position to spend online, particularly through Alphabet and Facebook. We see ample opportunities for these companies to grow for the next five years or more and their valuations are very reasonable in our view.

NIKE rebounded in the fourth quarter, increasing more than 20% after a tough couple of years. We have discussed extensively the headwinds the company has been experiencing, mostly in North America, from a combination of a rapidly changing retail landscape (bankrupting some of NIKE's customers), a shift in consumer preferences away from performance to more fashion-forward sneakers and adidas' resurgence in the geography. NIKE's growth in the United States has basically ground to a halt, although growth outside the United States, which is more than half of NIKE's revenue, has remained robust. At its recent investor conference, NIKE laid out an ambitious agenda to streamline and quicken its product development, customization and time to market over the next few years. At the same time, it will shift away from what it terms "undifferentiated retail" partners and focus more on its own and partners' online offerings. This will, in time, lead to a business model that allows for mass customization and near-to-demand manufacturing that will leverage NIKE's competitive advantages in scale and brand strength. We believe it also should lead to accelerating revenue growth and significant margin expansion. It appears the worst of the North America difficulties are now in the past and we expect significant improvement from here. We continue to expect NIKE to deliver high-single-digit revenue growth and mid-teens earnings per share growth over the long term.

The leading detractors from performance in the fourth quarter were **Celgene Corporation**, **Regeneron Pharmaceuticals, Inc.** and **Priceline Group Inc.** For the full year, Celgene, **O'Reilly Automotive, Inc.** and **TJX Companies Inc.** were the leading detractors. Our biotech holdings were poor performers in 2017, especially late in the year. Celgene, in particular, has been impacted by two issues. First, the company

announced that one of its promising pipeline candidates for use in Crohn's disease called mongersen failed in phase III clinical trials. Then a few weeks later, it announced that one of its newer, faster growing drugs, Otezla, which is used for psoriasis, would grow significantly slower over the next few years due to pricing pressure from payors. We had ascribed no value to mongersen because we felt that it had a decent chance of failure, but the lower Otezla guidance was disappointing even though the economic impact to Celgene is actually quite small.

Celgene has been a very stable growth company for years on the back of its wildly successful drug, Revlimid, which has become the de facto standard treatment for multiple myeloma. Revlimid today is still growing at a 15%+ rate and will likely continue until the Revlimid patents begin to expire around 2025. It is important, however, that Celgene can replace Revlimid revenues with other therapies by that time. Celgene's management has for years been preparing for this outcome with a novel approach to research and development. Instead of trying to only develop drugs in its own labs, it has partnered with dozens of small biotech companies with potentially game-changing therapies. In fact, the company has roughly 100 potential therapies in various stages of clinical development. This "shots on goal" approach to R&D is not without risk, though, as many of these drugs are novel innovations that have never been tried before. Celgene only needs a relatively small number of these pipeline opportunities to be successful to continue to grow far into the future, but with novel science there is risk of course. Mongersen is an example of a high-risk, high-reward opportunity that did not work out. Even some of the company's established therapies such as Revlimid have failed to show that they work in new areas such as follicular lymphoma.

Overall, the failure of some product candidates and pricing pressure on Otezla has increased the risk to Celgene's growth post-2025, but not much before then. We acknowledge this risk and feel that the risk/reward is more balanced now than before when we felt a bit more confident in the growth profile post-Revlimid patent life. We still see ample opportunities for Celgene to grow as other potentially large candidates progress through clinical trials, though, including a few large opportunities in oncology and immunology. Celgene also has a strong balance sheet. With soon-to-be repatriated cash and prodigious cash flow, the company will also be in a strong position to pursue value-creating business development. With the risk/reward balanced, we have not added to or reduced our position even though the valuation has become quite attractive. At the current price, we feel there is almost no value being ascribed to the company's pipeline.

Regeneron has seen a nice acceleration in growth from the launch of its new drug Dupixent for atopic dermatitis. We

believe Dupixent will likely be approved for a range of allergic diseases in the future and, as such, has a reasonable path to becoming a multi-billion-dollar product for the company. Eventually Dupixent could rival Regeneron's current blockbuster, Eylea, which is a leading therapy in age-related macular degeneration and diabetic macular edema. Eylea is still growing nicely today providing a base on top of which Dupixent is adding. The company also has a large pipeline of opportunities coming over the next few years that have been developed entirely in-house (unlike Celgene). Regeneron's weakness this year has been due to positive clinical developments by other companies that could bring competition to Eylea and Dupixent in the future. We have evaluated the competing data and do not think there is significant risk to either of Regeneron's franchises, although there certainly could be some additional competition. For example, Novartis released data showing its drug for wet-AMD showed less disease in the eye after treatment compared to Eylea, which could indicate that it could be dosed less frequently (a big deal when you get an injection in your eye). But the improvement in patient vision was actually less than that from Eylea, which is less encouraging for Novartis. Regeneron is studying longer dosing intervals for Eylea and we think it is unlikely that patients whose eyesight is being maintained effectively by Eylea will switch to a new therapy that has shown less vision protection. Our long-term outlook for Regeneron remains unchanged.

Priceline came under pressure late in the year when management announced that fourth quarter room-night growth would be below what we were expecting. Priceline's management team has been conservative in their forward-looking statements for years, but recent cautiousness seemed a bit more than usual. Most of the slowdown appears to be optical as the growth in the same period last year was exceptionally strong, creating a tough comparison. The issue, though, is compounded by comments from Expedia's new CEO who stated that he intends to be more aggressive in competing for bookings against Priceline than Expedia has been before. Priceline is significantly larger than Expedia, especially in Europe, but the two are basically a global duopoly outside of China. Unfortunately, they don't always act like a rational duopoly, chasing bookings through large expenditures on Google ad words. We think a competitive flare-up is unlikely, but that remains to be seen. If both companies do play nicely, there is still much growth to be had globally at good margins as travelers continue to move their travel bookings online. There is still a surprisingly large percentage of hotel bookings that are done over the phone or through an offline agent. Priceline's huge number of bookable properties (double Expedia's), its larger base of travelers, and the ease of use of its platforms give it a strong competitive advantage.

O'Reilly has seen a moderate slowdown in its business this year after many years of exceptional growth. Same-store-sales growth has slowed from 5-6% last year to roughly 2% this year. It seems that when any retail-oriented company sees a slowdown it is immediately a concern that Amazon is the issue. We don't believe that is the case here, although Amazon has been selling auto parts for some time. The easiest way to see whether Amazon is having an impact is to look at the two different customer types that O'Reilly serves - consumers and mechanics. We would expect that if Amazon were a problem, the do-it-yourself side (consumer) would be growing more slowly than the do-it-for-me (mechanic) side. The opposite is true right now.

It should be remembered that O'Reilly's business is more like healthcare for cars than discretionary retail. People only go to O'Reilly when something breaks and needs to be fixed. The average household income of an O'Reilly customer is also only \$30k-\$60k, meaning many of them fix their cars themselves because they need to save money. These are often not Amazon Prime customers and they need to get their cars fixed today. In addition, there is a whopping 60%+ of the aftermarket auto parts industry that resides with small local and regional players. We believe O'Reilly can grow market share by competing with these companies for many years even if Amazon became a more formidable competitor.

The issue that seems to be most plausibly causing the slowdown for O'Reilly is that the cohort of cars entering the sweet spot of repairs (think 7-10-year-old cars) are the cars that were sold new during the Global Financial Crisis and ensuing recession. This was a much smaller cohort of new car sales than in most years. As such, the cohort of prime repair vehicles is significantly lower than normal this year, which likely explains most of the company's slowdown. We expect revenue growth to begin accelerating in 2018 and this already seems to be taking place. We added to our O'Reilly position twice on weakness in 2017 given our confidence in the business. We think the company's long-term outlook remains strong.

## Portfolio Activity

In the fourth quarter, we initiated a new position in **Zoetis, Inc.** and trimmed our position in **Align Technology, Inc.** For the full year, portfolio turnover remained very low at 13% with the additions of **Microsoft Corporation** and Zoetis the only new purchases and the sale of TJX the only position eliminated. Our purchase of Microsoft and sale of TJX were discussed in our [3Q 2017](#) and [2Q 2017](#) Focus Growth Portfolio Commentaries, respectively, so we will not rehash them here.

Zoetis is a global animal health company that discovers, develops, manufactures and commercializes medicines and vac-

cines for livestock (cattle, swine, poultry, fish) and companion animals (mostly dogs and cats) with sales split roughly 60% livestock pharmaceuticals and 40% companion animal products. The company is the largest animal pharmaceutical company in the world with just under 20% market share. Most of its competitors are divisions of major human pharmaceutical companies like Merck and Eli Lilly. Zoetis itself was the former animal health division of Pfizer that was spun out in 2013. The animal health business is very stable and fairly recession resistant. The demand for animal protein consumption (humans eating meat products) is not cyclical, so medicines for production animals (cows, pigs and chickens) are quite stable as well. And, in the companion animal business, pet owners do not typically spend much less on their pet's health in a tough economy.

Zoetis' competitive advantages come from its unmatched breadth, R&D only focused on animal health, and an advantaged sales force made up of many of the leading thought leaders on animal health that utilize a consultative and direct approach. There are also specific attributes of the animal pharmaceutical business that are more attractive than human health and less susceptible to generic competition. Even when Zoetis' drugs lose patent protection, they usually remain large products for quite some time. Today the average lifespan of Zoetis' top 24 products is approximately 30 years. This is well past the average patent life of a drug.

Our investment in Zoetis reflects a strong and stable underlying market for animal health drugs and this company is the biggest and most advantaged in the space. The company has a strong balance sheet, it produces excellent free cash flow, has high returns on equity, increasing profit margins and strong organic revenue growth. We expect high-single-digit revenue growth with ultimate stability and continued margin improvement as the company continues to rationalize its cost base post its separation from Pfizer and continues to garner economies of scale. We find the current valuation at roughly 25x forward earnings to be fair and allow for low- to mid-teens investment returns over the next five years.

## Attribution

The top three contributors (Portfolio average weight multiplied by return) for the fourth quarter were Adobe (1.25%), NIKE (1.00%) and Alphabet (0.82%). For the full year, the top three contributors were Alphabet (3.64%), Adobe (3.60%) and Facebook (3.44%).

The three largest detractors for the fourth quarter were Celgene (-1.66%), Regeneron (-0.72%) and Priceline (-0.22%). For the full year, the largest detractors were O'Reilly Automotive (-0.52%), Celgene (-0.27%) and TJX (-0.02%).

With accelerating earnings growth of greater than 20% driving roughly 28% gross returns, 2017 was strong year for the Portfolio. While we have now witnessed nine straight calendar years of positive equity returns in the United States at rates well above the underlying earnings growth of corporate America, there are emerging signs that the recent acceleration in economic activity may be sustainable, leading to better earnings growth in the future. Most importantly though, we believe that our Portfolio is positioned very well to grow our clients' wealth over the long term regardless of the economic landscape going forward.

## Investment Team

We are excited to announce that Focus Growth Co-Portfolio Manager Damon Ficklin has been promoted to also be the lead portfolio manager for the Polen Global Growth strategy. Damon has been an analyst with Polen Capital for nearly 15 years and has been the co-portfolio manager on Focus Growth for the last five years. Damon has mentored and trained every single member of our current investment team, including me (Dan) 12 years ago. He is a tremendous part of how we have kept so strictly to our proven investment discipline over the years. He is also one of the Firm's senior leaders and owners. As a team, he and Jeff Mueller will continue to manage Global Growth using the same philosophy and process that has made it successful over its first three years and that has made Focus Growth successful for nearly three decades.

Thank you for your interest in Polen Capital and please feel free to contact us with any questions or comments.

Sincerely,  
Dan Davidowitz & Damon Ficklin

# POLEN | CAPITAL

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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.

Please reference the supplemental information to the composite performance which accompanies this commentary.

## Historical Performance

Polen Focus Growth (SMA) Composite as of 12-31-2017				
	Polen (Gross)	Polen (Net)	R1000G	S&P 500
<b>Dec-17</b>	0.26	0.26	0.78	1.11
<b>3 Month</b>	5.18	5.05	7.86	6.64
<b>YTD</b>	27.73	27.13	30.22	21.83
<b>1 Year</b>	27.73	27.13	30.22	21.83
<b>3 Years</b>	14.62	14.05	13.80	11.43
<b>5 Years</b>	16.99	16.38	17.34	15.80
<b>7 Years</b>	15.17	14.52	14.82	13.77
<b>10 Years</b>	12.10	11.38	10.00	8.50
<b>15 Years</b>	11.45	10.65	10.70	9.92
<b>20 Years</b>	10.31	9.44	6.87	7.20
<b>25 Years</b>	13.51	12.54	9.07	9.69
<b>Since Inception (1/1/89)</b>	14.55	13.52	10.40	10.50

Source: Archer

Returns are trailing through: Dec-31-2017

Annualized returns are presented for periods greater than 1 year.

Please reference the supplemental information to the composite performance which accompanies this commentary.

# GIPS Disclosure

## Polen Capital Management Large Capitalization Equity Composite-Annual Disclosure Presentation

Year End	UMA		Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation**		
	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Composite		S&P 500	Russell 1000 Growth	Composite Dispersion	PCM Gross	S&P 500	Russell 1000 Growth
						Gross	Net						
3Q17*	16,178	6,541	9,637	4,861	499	21.45%	21.02%	14.24%	20.73%	0.30%	11.02	10.07	10.68
2016	11,158	4,648	6,510	3,243	450	1.73%	1.23%	11.96%	7.09%	0.2%	11.31	10.74	11.31
2015	7,451	2,125	5,326	2,239	321	15.89%	15.27%	1.38%	5.68%	0.1%	10.92	10.62	10.85
2014	5,366	1,374	3,992	1,990	237	17.60%	16.95%	13.69%	13.06%	0.2%	10.66	9.10	9.73
2013	5,017	1,197	3,820	1,834	245	23.77%	23.07%	32.39%	33.49%	0.3%	11.91	12.11	12.35
2012	4,522	891	3,631	1,495	325	12.43%	11.75%	16.00%	15.26%	0.1%	16.01	15.30	15.88
2011	2,366	562	1,804	555	171	9.04%	8.25%	2.11%	2.63%	0.2%	15.97	18.97	18.01
2010	1,185	322	863	316	120	15.65%	14.70%	15.06%	16.72%	0.2%	20.16	22.16	22.42
2009	624	131	493	225	120	39.71%	38.50%	26.46%	37.21%	0.3%	16.99	19.91	20.01
2008	266	10	256	137	112	-27.81%	-28.42%	-37.00%	-38.44%	0.2%	15.26	15.29	16.63
2007	682	-	682	491	149	10.78%	9.86%	5.49%	11.81%	0.2%	8.36	7.79	8.66
2006	730	-	730	524	219	15.00%	14.04%	15.80%	9.07%	0.1%	7.27	6.92	8.43
2005	1,849	-	1,849	945	419	-0.53%	-1.43%	4.91%	5.26%	0.2%	8.10	9.17	9.67
2004	2,017	-	2,017	1,124	665	8.72%	7.76%	10.88%	6.30%	0.2%	10.09	15.07	15.66
2003	1,617	-	1,617	907	516	17.73%	16.67%	28.68%	29.75%	0.6%	12.98	18.32	22.98
2002	970	-	970	518	407	-6.69%	-7.53%	-22.06%	-27.88%	0.4%	13.15	18.81	25.58
2001	703	-	703	408	289	-4.61%	-5.50%	-11.93%	-20.42%	0.6%	13.58	16.94	25.56
2000	622	-	622	359	236	-3.50%	-4.44%	-9.10%	-22.42%	0.5%	16.52	17.67	23.11
1999	640	-	640	378	228	23.89%	22.65%	21.04%	33.16%	0.6%	18.27	16.76	19.27
1998	418	-	418	257	202	31.61%	30.19%	28.58%	38.71%	0.7%	17.95	16.23	18.15
1997	252	-	252	145	158	37.14%	35.63%	33.36%	30.49%	0.9%	13.17	11.30	12.80
1996	140	-	140	89	118	31.94%	30.40%	22.96%	23.12%	0.7%	10.16	9.72	10.49
1995	70	-	70	45	61	48.07%	46.33%	37.58%	37.18%	1.1%	9.72	8.34	9.26
1994	32	-	32	17	27	10.13%	8.96%	1.32%	2.62%	1.6%			
1993	24	-	24	16	26	13.07%	11.85%	10.08%	2.69%	2.9%			
1992	16	-	16	11	24								

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.

\*Performance represents partial period (January 1, 2017 through September 30, 2017); assets and accounts are as of 09/30/17. \*\* 3Q2017 3 Year Standard Deviation is trailing through 09/30/17.

# GIPS Disclosure

The Large Capitalization Equity Composite created on January 1, 2006 contains fully discretionary large cap equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the S&P 500 and the Russell 1000 Growth indices. Polen Capital invests exclusively in a portfolio of high-quality companies.

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 by ACA Performance Services, LLC for the periods January 1, 2016 through June 30, 2016. A verification covering the periods from April 1, 1992 through December 31, 2015 was performed by Ashland Partners & Company LLP, which was acquired by ACA Performance Services, LLC, whose report expressed an unqualified opinion thereon.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Large Capitalization Equity Composite has been examined for the periods April 1, 1992 through June 30, 2016. The verification and performance examination reports are available upon request.

Polen Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which 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. From July 1, 2002 through April 30, 2016, composite policy required the temporary removal of any portfolio incurring a client initiated significant cash outflow of 10% or greater of portfolio assets. The temporary removal of such an account occurred at the beginning of the month in which the significant cash flow occurred and the account re-entered the composite the first full month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

Past performance is not indicative of future results. 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 actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows:

*Institutional:* Per annum fees for managing accounts are 75 basis points (.75%) on the first \$50 Million and 55 basis points (.55%) on all assets above \$50 Million of assets under management. *HNW:* Per annum fees for managing accounts are 150 basis points (1.5%) of the first \$500,000 of assets under management and 100 basis points (1.0%) of amounts above \$500,000 of assets under management. Actual investment advisory fees incurred by clients may vary.

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. 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 S&P 500® Index is a widely recognized, unmanaged index of 500 common stocks which are generally representative of the U.S. stock market as a whole.

The Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

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%	1.1	1.21	1.33	1.46	1.61	1.71	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.3	1.41	1.54	1.68	1.83	1.99	2.17	2.39
20%	1.2	1.44	1.73	2.07	2.49	2.99	3.58	4.3	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