Polen Global Emerging Markets Growth

Portfolio Manager Commentary – March 2021

Summary

- The Polen Global Emerging Markets Growth Composite Portfolio (the "Portfolio") was largely flat for the quarter, returning 0.17% gross of fees. This trailed the MSCI Emerging Markets Index (the "Index") return of 2.29%.

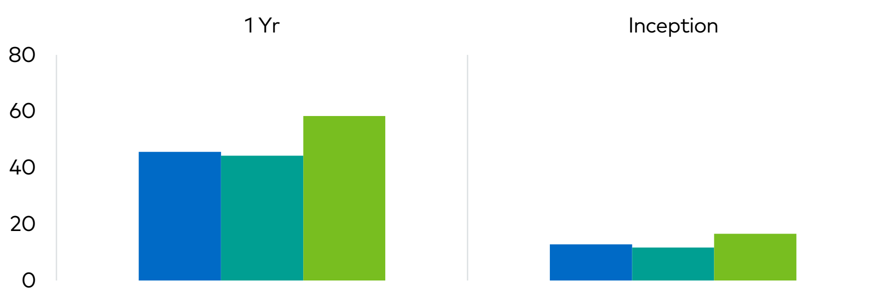
- Relative underperformance was primarily due to negative allocation effects style headwinds. However, some of this was offset by positive stock selection.

- The market seemed to favor the types of companies we do not own, specifically those that are highly leveraged and unprofitable. That said, we are confident in the underlying fundamentals of the Portfolio's holdings and expect they will deliver attractive returns over time.

- During the quarter, we trimmed some of our strongest performers and added to areas of the Portfolio where we saw share price dislocation.

- We anticipate that the emerging market recovery will be subdued in the near term, as progress in the fight against COVID-19 and vaccination will vary among emerging market countries and regions. However, we remain optimistic about the long-term opportunities for emerging markets investing.

Seeks Growth & Capital Preservation (Performance (%) as of 03-31-2021)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception
Polen Emerging Markets Growth (Gross)	0.17	0.17	45.67	-	-	12.81
Polen Emerging Markets Growth (Net)	-0.07	-0.07	44.28	-	-	11.70
MSCI Emerging Market (Net)	2.29	2.29	58.40	-	-	16.51

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. 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.

Commentary

The MSCI Emerging Markets Index (the "Index") advanced by 2.29% in the first quarter of 2021, modestly outperforming the Polen Global Emerging Markets Growth Composite Portfolio (the "Portfolio") which was broadly flat for the period. Index performance was largely driven by strong returns of various "value" stocks, in particular those with lower profits and higher levels of leverage.

Our Global Emerging Markets Growth strategy favors high quality growth companies with highly generative cash flows, real organic revenue growth, and healthy balance sheets.

Though our companies were not amongst the most favored in this quarter, we continue to believe that their attractive underlying fundamentals will drive favorable returns over a longer time horizon.

The pandemic continues to affect emerging market countries in varying ways. It is largely under control in parts of East Asia, but new cases remain high in Brazil, and India is swiftly emerging as the latest epicenter of the virus on account of a worrying second wave. Meanwhile, the vaccine rollout remains well behind that of the developed world. It seems likely that it will not be until the second half of the year that meaningful proportions of emerging market populations are fully vaccinated.

Accordingly, economic recovery is likely to remain subdued in the very near term, but we do expect it to accelerate as we move through the year. Encouragingly, we continue to see estimates for emerging markets economic growth adjusted upwards. Meanwhile, at the Portfolio level, our research still forecasts our companies to deliver circa 30% earnings growth in 2021, which we expect will provide momentum for the strategy as the year progresses.

Portfolio Performance & Attribution

The Portfolio returned 0.17%, gross of fees, for the first quarter of 2021, trailing the Index return of 2.29%.

A continuation of a trend that started last quarter, negative allocation effects and style headwinds were the driving factors behind relative returns while stock selection was decisively positive over the period in review. More specifically, we had no exposure to this quarter's better performing sectors of information technology and materials—companies in these industries tend to be particularly sensitive to the economic cycle. Seemingly with continued investor optimism of a robust global economic recovery, the share prices of hardware technology exporters and commodity producers rallied sharply in the first quarter. On the other side, our exposure to consumer-orientated discretionary and staples sectors weighed on relative performance. Slower vaccination rollouts led to reduced consumer activity amid the renewed introduction of lockdown restrictions in some countries.

As a reminder, all allocation decisions are purely the result of where we find the most attractive bottom-up investment opportunities in emerging markets. Today, we believe those opportunities are centered on domestic consumption, simply because of the huge structural opportunity it presents. Generally, when we assess long-term investment cases side by side, we find that those companies with a domestic focus enjoy longer, more visible runways for growth than those engaged in exporting products in highly competitive industries to America and Europe.

As mentioned, the market environment this quarter favored some of the most unprofitable and highest leveraged companies in emerging markets, as, in our opinion, fear of missing out overtook the fear of losing money. Looking at Bloomberg's Fundamental Factor Model puts this headwind into context for us. Data shows that, over the last six months, the Index's top 20% least profitable companies have now outperformed the top 20% most profitable companies by 21%. Similarly, the top quintile of most highly leveraged companies in the Index have outperformed the bottom 20% with the least debt by 800bps over the last two quarters. As such, not having exposure to such unprofitable and highly levered companies accounted for the vast majority of underperformance in the first quarter of 2021.

Somewhat offsetting these style headwinds was positive stock selection, particularly in the consumer discretionary sector, where there was strong contribution from Vietnam's largest retailer, **Mobile World**, and South African fashion retailer, **Mr Price Group**. As brick-and-mortar retailers, both companies experienced difficult trading conditions in 2020. Through recent results, however, it has become clear to us that both companies have been able to navigate the pandemic, and we think each one is set to capitalize on the economic recovery from a position of strength.

Chinese online audio platform **Tencent Music** was also a notable contributor during the quarter.

From a country perspective, weak performance from Russian companies **Yandex** and **Mail.ru** drove relative performance lower. **Yandex** is the leading internet search platform in Russia and was the top detractor from both absolute and relative performance this quarter. This underperformance came about despite solid results in 2020 which showed Yandex's total e-commerce gross merchandise value grew three-fold in 2020 to over ₽56 billion RUB. Specifically, in the fourth quarter of 2020, Yandex saw year-on-year growth of 127%.

In our view, Yandex is one of the highest quality businesses in our investment universe. It has built a defensible competitive moat around its core search business, reinvesting its cash flows in new growth areas to remain relevant in a fast-changing global internet landscape.

We think Yandex benefits from an innovative and forward-thinking management team, which is shaping the development of Russian internet.

With solid execution, Yandex has the potential to transform into an ecosystem which the company's Chief Technology Officer describes as the "Silicon Valley of Russia." Yandex remains a top-five holding in the Portfolio.

Alibaba also detracted from performance as the company continues to remain under regulatory scrutiny from both the Chinese State Administration for Market Regulation on antitrust concerns and the U.S. Securities and Exchange Commission on ADR listing requirements. Despite the regulatory overhang, we believe that Alibaba's competitive positioning and growth outlook remains intact, even if the company must pay fines or modify some business practices. We viewed the current valuation at <20x next twelve month's earnings as a compelling opportunity to add to our position. Alibaba is the second largest position in the Portfolio.

Portfolio Activity

We made no new additions to the Portfolio in the quarter, but we did make some adjustments by trimming some of our strongest performers and adding to some of the more unloved areas of the Portfolio.

One holding that experienced significant share price dislocation was **Tencent Music**, which performed favorably for most of the quarter, before being caught up in the well-publicized forced deleveraging of one large shareholder in late March. In just three days the share price of Tencent Music fell by 50%. As far as we can gather, no fundamental news flow was associated with this decline. We believe its sell-off was driven by the same aggressive selling pressure that forced similar drops to the share prices of companies such as Baidu, Vipshop, Discovery Communications, and Viacom.

Our underlying view of the company's prospects are unchanged. With the valuation halved, we considered this non-fundamentally driven fire-sale as an opportunity to buy more of a great asset at an attractive price, and accordingly, added to our position. We were pleased to observe that Tencent Music management likely reached a similar conclusion, as it quickly reacted with a $1 billion USD buyback program.

Tencent Music can be thought of as the Spotify of China with a few differences. The main difference is the bargaining power dynamic. Tencent Music is the dominant audio streaming platform in China with over 600 million monthly users, and roughly 80% market share in terms of listeners. In the West, three big record labels—Warner Music, Sony Music, and Universal Music—control almost all of the recording artists. In China, the market is much more fragmented with a few scaled Chinese artist record labels, and the share of Warner, Sony, and Universal in China remains low. For us, this means that Tencent Music is a critical partner for any record label (or artist) that wants to reach music fans in China. Seemingly, this is a value chain that favours Tencent Music in China in a way that we think is materially more attractive than it is for Spotify's/Apple Music's/Amazon Music's businesses in other parts of the world. Tencent Music is highly profitable with net margins of approximately 14% versus Spotify, which has been loss making since 2015.

We also added to South African value fashion retailer **Mr Price Group**. The pandemic and related lockdowns battered South Africa in 2020, and as a brick-and-mortar retailer, Mr Price endured unfavorable trading conditions on account of store closures and reduced footfall. We believe the company, however, was able to navigate the pandemic by: expertly delivering on the core of apparel retail, managing stock turns, reducing markdowns, maximizing sales densities, and focusing on cash generation.

As is often said, it is in times of crisis that the strongest companies stand tall.

Though a full-fledged recovery in South Africa will still take some time, when it does, we believe Mr Price will be well placed to capitalize. The company made material market share gains over the year and will look to maintain the momentum as trading conditions normalize through 2021. Further, we believe that over the next 24 months Mr Price will enjoy the fruits of carefully planned strategic initiatives that have been put in place over the last three years. This could lead to accelerating growth rates. Mr Price has no debt, operates with attractive retail metrics, and enjoys normalized returns on invested capital of 35-40%. It trades on 16x forward earnings, and pays a 4% dividend yield.

Lastly, we increased our position in **Nagacorp**. Nagacorp is the largest casino operator in Cambodia and has a monopoly license within 200km of the country's capital. The company competes directly with the regional mega casinos in Macau and Singapore. Critically though, to us, Naga enjoys one major competitive advantage over these other players—it pays just 4-7% tax on gross gaming revenues versus 35% in Macau and 22% in Singapore. This allows Naga the opportunity to share these cost benefits with customers and potentially attract more millionaire gamers from China and to its tables. The Cambodian gaming law governing these tax rates was re-affirmed in parliament in November 2020, and we expect this favorable regulatory advantage to persist for the foreseeable future.

Over the last 10 years, Naga has grown its USD revenues by 31%, and we expect it will continue to drive double-digit revenue growth for the coming years. A key driver could likely be growing spend-per-customer, a concept known as up-yielding whereby hotel rooms are increasingly allocated to higher value players over lower stakes ones. Furthermore, the company is expected to open its brand new Naga 3 casino in 2025, which will more than double existing capacity. We believe that, with the opening, Naga's earnings could triple from their 2019, pre pandemic levels to somewhere in the region of $1.5 billion USD. This compares to the current $5 billion USD market cap. In basic math, we think Nagacorp can deliver 25% compound earnings growth over the next 5 years. We purchased shares at 9x 2019 earnings and are currently also receiving a generous 5% dividend yield.

The pandemic has obviously hit Naga harder than many of our other businesses, but we believe it has weathered the storm significantly better than most casinos due in part to strong local demand. Indeed, Naga was still able to record a $100 million USD profit in 2020. This compares to Sands China in Macau which recorded a loss of nearly $1.5 billion USD. And, unlike most of the Macau casinos which are heavily leveraged, Naga is net cash. Its competitive positioning is only strengthening in our opinion.

We financed these additions with trims of some of our stronger performing holdings, notably Latin American e-commerce leader **Mercado Libre**, and Chinese telemedicine service **Ping An Healthcare**. Both companies have been beneficiaries of the pandemic, and this has been reflected in their share prices. Though we remain structural believers in both companies' long term prospects, their recent share price growth, in our opinion, accelerated beyond the growth in their intrinsic value. Accordingly, we felt it prudent to allocate some of this capital to several of the more unloved holdings in the Portfolio. Fortuitously, we also trimmed **Tencent Music** into its strong run earlier in the quarter, leaving us well-positioned to then add to it late in the period after the unexpected circumstances around its dramatic share price decline.

Outlook

We remain confident that the Portfolio owns a collection of competitively advantaged companies that are well-positioned to structurally grow their businesses over the next decade. While investor favor can often fluctuate in the near-term, our continual focus is finding what we consider to be fundamentally sound businesses that have positioned themselves to prosper in the coming years. While the emerging world may lag the developed world in terms of a vaccine roll out, we expect economic growth in emerging markets to bounce back strongly as we move through the year and continue to be excited about the long-term structural investment opportunities we are finding.

Team Update

We are excited to announce that Dafydd Lewis is joining our team as Co-Portfolio Manager of our Global Emerging Markets Growth strategy. Dafydd has over 15 years of experience investing in emerging markets, having started his investment career at HSBC in 2003. Dafydd joins us from LGM Investments —the dedicated emerging markets equity boutique of the BMO Group—where he was lead Portfolio Manager of the LGM Frontier Markets strategy, and a member of the Investment Leadership team. Dafydd shares a common investment perspective with the Emerging Markets Growth Team, and we are delighted to welcome him to Polen Capital.

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

Sincerely,

Damian Bird

Experience in High Quality Growth Investing

Damian Bird, CFA
Head of Team, Portfolio Manager & Analyst
12 years of experience

GIPS Report

Polen Capital Management
Global Emerging Markets 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 Emerging Markets (%)	Composite Dispersion (%)	Polen Gross (%)	MSCI Emerging Markets (%)
2020	59,161	20,662	38,499	2.51	1	16.05	14.90	18.33	N/A	N/A	N/A

[1]A 3 Year Standard Deviation is not available for 2020 due to 36 monthly returns are not available.
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 Emerging Markets Growth Composite created and incepted on January 1, 2020 contains fully discretionary emerging markets growth equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the MSCI Emerging Markets Index. The accounts are highly concentrated and unconstrained with regard to the number of the highest-conviction positions (i.e., positions of greater than 5%) comprising the portfolios. 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 for the periods April 1, 1992 through June 30, 2020. 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. 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. 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 actual fees. 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 portfolios, calculating investments, and preparing GIPS Reports are available upon request.

The 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.

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 MSCI Emerging Markets Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and captures large- and mid-cap representation across 27 emerging markets countries. The MSCI Emerging Markets 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