POLEN | CAPITAL

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January 13, 2017

Polen Focus Growth Portfolio
4th Quarter & Full-Year 2016 Focus Growth Commentary

Summary

- *During the fourth quarter of 2016, the Polen Focus Growth Composite Portfolio (the "Portfolio") returned -0.61% gross of fees. The Russell 1000 Growth and S&P 500 indices (the "Indices") returned 1.01% and 3.82%, respectively. For the full year, the Portfolio returned 1.54% gross of fees and the Indices returned 7.08% and 11.96%, respectively.*

- *During the first few quarters of the year, there was a notable rotation in the market leadership with the best performing stocks of 2015—many of which we continue to own—underperforming and the worst performing stocks leading the market higher.*

- *The outcome of the U.S. Presidential election in November ignited a different and even more notable rotation to more cyclical businesses that would presumably rebound more meaningfully if growth continues to improve and interest rates rise. Banks and industrial companies have been the biggest beneficiaries of this rotation with expectations for deregulation and infrastructure investment as supportive themes as well.*

- *In addition to not having any exposure to the sectors that led the market, the performance of our investments in healthcare, technology and consumer sectors all trailed the benchmarks as most of our companies' share price appreciation lagged behind their actual underlying earnings per share growth during 2016.*

- *Our Portfolio's underlying earnings grew in the mid-teens during the year, greatly outperforming the broader market where earnings were roughly flat versus the prior year. This is consistent with the level of our Portfolio's earnings growth and the fundamental performance gap between our Portfolio and the broader market, as measured by the S&P 500, during the trailing 5 years as well.*

Commentary

During the fourth quarter of 2016, our Portfolio returned -0.61% gross of fees. The Russell 1000 Growth and S&P 500 indices returned 1.01% and 3.82%, respectively. For the full year, our Portfolio returned 1.54% gross of fees and the Indices returned 7.08% and 11.96%, respectively.

From a fundamental perspective our Portfolio did very well during the year by continuing to grow earnings in the mid-teens, but from a relative performance perspective it was a challenging year. While we fully acknowledge that with a concentrated portfolio performance is mostly about the stocks that we own, we think there were some strong themes at work during the year that should be highlighted as well. During the first half of the year, S&P 500 earnings continued to decline and growth concerns remained prevalent. This seemed to drive a notable rotation in the market leadership during 2016 with

the best performing stocks of 2015—many of which we continue to own—underperforming and the worst performing stocks of the prior year leading the market higher. In our **2nd Quarter Focus Growth Commentary**, we noted how heightened uncertainty can drive more trading activity and how that activity drives the market in the short-term. When it seemed that interest rates would remain lower longer than expected, many sought dividend yield as a substitute for lower bond yields and/or took on more risk to achieve higher yield in other ways. Into the third quarter of the year, utilities, energy and telecom companies were the best performing companies year-to-date, despite the fact that these sectors were delivering some of the weakest fundamental performance. Given that most of these businesses do not meet our strict investment criteria and we have no exposure in these areas, this was a clear headwind to our relative performance.

Following the presidential election in November, it seems that concerns about a global malaise have given way to expectations for higher interest rates and improving growth in the United States driven by President-elect Donald Trump's pro-growth agenda and a supportive Republican Congress. This led to a different and even more notable rotation to more cyclical businesses that would presumably rebound more meaningfully if growth continues to improve and interest rates rise. Banks and industrial companies, other areas to which we have no exposure, have been the biggest beneficiaries of this rotation with expectations for deregulation and infrastructure investment as supportive themes as well. After many quarters of declines, broad-based earnings did inflect positively in the third quarter with S&P 500 companies growing earnings about 3% over the prior year. While this growth is due to share buybacks rather than true broad-based organic growth, reported fundamentals have improved during the past couple of quarters. Trump's election and pro-growth agenda simply added fuel to the expectation of a return to stronger growth.

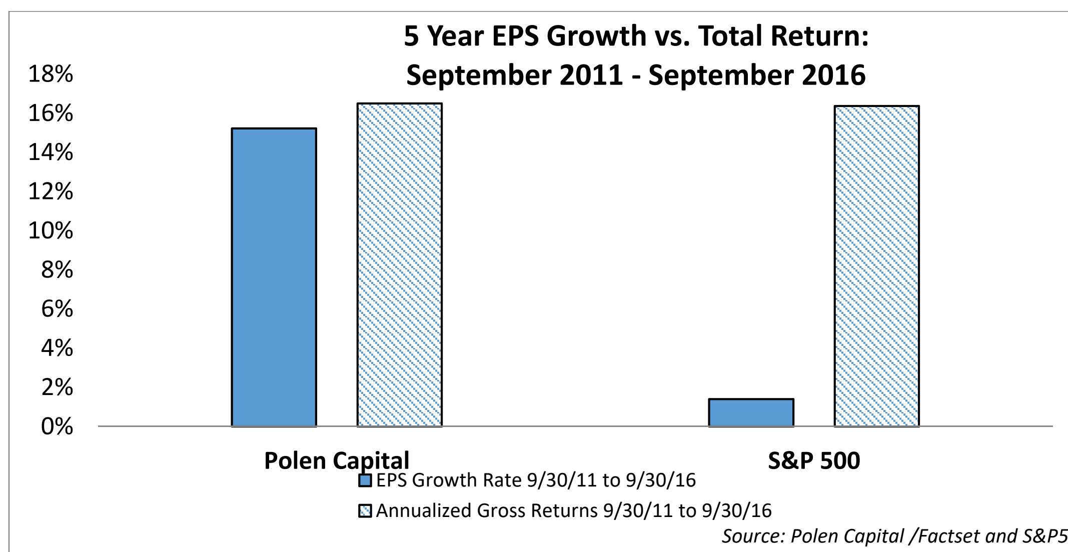
These were two distinct themes during the year, but the common denominator was that sectors that we do not typically invest in and factors that we are usually underweight led the market higher. While most of these sectors are relatively small index weights individually, energy, financials, industrials, materials, telecom and utilities collectively account for almost 20% of the Russell 1000 Growth index and nearly 40% of the S&P 500. Most of these sectors produced mid-teens returns and several appreciated more than 20% during the year. Not having exposure to these sectors had a meaningful and directly attributable impact on our relative return and we think the actual impact was even greater when you consider the fundamental factors underneath the characteristics exhibited by these sectors. Our low exposure to both high dividend yield and highly leveraged companies detracted from our relative performance and those factors cut across the sectors that we do invest in as well. One other knock-on effect of the rotation to a "Trump-trade" in the fourth quarter was that some of the largest, most stable growth companies in technology and healthcare have been used to fund investments into these more cyclical sectors. While a better growth environment will serve steady growth companies too, money has been moving to areas with greater perceived upside or recovery potential. Although not a new phenomenon, the focus currently seems to be on the short-term expected *change* in earnings growth rather than the long-term sustainable rate of earnings growth. We have seen this play out before and are quite confident that strong and sustained earnings growth will drive more value over time.

It is worth noting that we do not have exposure to some of the above-noted sectors because the businesses within those sectors do not consistently deliver the strong and sustained earnings growth that we seek across business cycles. Energy and materials companies are usually beholden to an underlying commodity, financial companies typically carry considerable leverage and are more susceptible to regulatory risk, and many industrial companies are especially sensitive to the business cycle given their fixed capital investments and variability in demand. A big part of the reason that our

Portfolio has been able to consistently deliver mid-teens earnings per share growth for almost three decades now is that we have not owned businesses that do not clear our very high bar.

In addition to not having any exposure to the sectors that led the market, the performance of our investments in the healthcare, technology and consumer sectors all trailed the benchmarks as well. Our Portfolio holdings delivered mid-teens underlying earnings per share growth for the year, as expected, but the share prices did not follow. The decline in **Regeneron Pharmaceuticals, Inc.** shares weighed heavily on our healthcare performance, our largest technology holdings (**Alphabet, Inc.**, **Visa Inc.** and **Facebook, Inc.**) saw only modest share price gains despite strong business results and **NIKE, Inc. Class B** and **Starbucks Corporation** share declines negatively impacted the performance of our consumer investments. While share prices and earnings growth rarely move together in lockstep in any given year, this year the vast majority of our stocks underperformed their underlying business growth and a few quite meaningfully. While we would acknowledge that a couple of our holdings were at the higher end of their normal valuation range coming into the year, we think the overall valuation of our Portfolio and its respective holdings were and still are very reasonable. Even with the benefit of hindsight and harsh grading, we believe the broader themes that we highlighted above would have overwhelmed the benefit of any small position adjustments that we *might have* made due to valuations.

We are not happy to have trailed the Indices by such a wide margin this year, but given what was driving the market we are not surprised. We are pleased, however, to note that the Portfolio delivered another strong year of mid-teens underlying earnings per share growth. As you can see in the chart below, this is very consistent with what the Portfolio has delivered during the past five years. In fact, it is very consistent with what the Portfolio has delivered since its inception more than 28 years ago. The chart also demonstrates quite clearly the disparity in the earnings growth of our Portfolio versus the broader market during the past five years. While it is quite possible that broad-based earnings growth will continue to accelerate—and we would welcome that—the fact of the matter is that we are roughly eight years into a positive credit cycle and strongly rising market that has not had much fundamental support. Excluding share buybacks, S&P 500 earnings per share has actually declined during the past five years while market prices have marched higher. That is to say that market values have been rising more on expectations than on fundamentals. Against that backdrop, we take great comfort in the fact that our Portfolio has delivered the strong earnings growth to support our share price gains.



Portfolio Performance & Activity

As highlighted above, our Portfolio continued to deliver solid fundamental results. The leading contributors to the Portfolio during the year were **Automatic Data Processing, Inc.** (ADP), **Priceline Group Inc.** and **Accenture PLC**. ADP continued to grind out steady growth throughout the year. Revenues grew at a high single-digit rate with ongoing operating leverage and share buybacks driving low-teens earnings per share growth. Client retention rates are greater than 90%, providing ADP with a highly recurring business model. While client retention suffered a little during the past year as management pushed to migrate clients to its new Software-as-a-Service (SaaS) platforms, client retention rates remain high and seemed to have stabilized late in the year. The company is now done migrating its small business customers to its RUN platform and should be done migrating its mid-market clients to its WorkforceNow platform by the end of 2017. Once clients have made the decision to migrate to ADP's newest SaaS platforms, we believe the company is even further insulated from the threat of SaaS competition and the already low odds that its customers would leave gets even lower. Given the company's unique combination of consistency and growth, we increased our position in ADP to 6.0% of the Portfolio late in the year. Any increase in interest rates during the coming years would only increase ADP's earnings growth, as its float income delivers a higher return.

Priceline had a strong year as well with gross bookings set to grow more than 20% over the prior year. Despite a rather lackluster global economy and multiple terrorist attacks in Europe, where Priceline's Booking.com platform is so dominant, the business maintained a strong and steady growth cadence throughout the year. Given the company's leadership position, the clear secular shift to online booking, and the still relatively modest global penetration, we expect Priceline to deliver strong growth for years to come. Our only nagging concern is the continued declining return on investment in ad spending, especially for Google AdWords. Even with nearly half of its bookings from customers coming direct to a Priceline property, the company has had to continue to pay more and more for online advertising. While this is a clear sign of Google's strength, it is a margin headwind for Priceline. Our hope is that over time this headwind abates, but for the foreseeable future Priceline's earnings growth is likely to lag revenue growth. We still feel very positive about the company's long-term prospects but we trimmed the position near the end of the year.

Accenture has gained significant market share during the past couple of years given its strong position in digital, cloud and security services. These "new" services account for more than 40% of Accenture's revenues and are growing at a strong double-digit pace. While many traditional U.S. competitors are seeing secular declines in their legacy outsourcing businesses as enterprises adopt cloud infrastructure and most Indian competitors are experiencing variable results as they try to pivot to offer higher-value services like digital, Accenture has been delivering exceptionally robust results. Management has grown revenues at a double-digit pace in constant currencies for the past two fiscal years ended August 31st. While this makes for tough comparisons for fiscal 2017, we still expect mid- to high-single-digit topline growth and double-digit earnings per share growth. With nearly 400,000 employees now, the scale and consistency of this enterprise is impressive. Despite its size, Accenture still only has a small slice of the highly fragmented and enormous IT services marketplace. We think this gives Accenture ample opportunity to continue to deliver double-digit earnings per share growth for many years to come.

Regeneron Pharmaceuticals, Inc., NIKE and **Abbott Laboratories** were the leading detractors during the year. There were a couple of cross currents that weighed on Regeneron's share price during 2016. Earlier in the year biotech companies came under pressure as rhetoric about possible drug price regulation reached a fever pitch. Some of this was due to normal election year noise, but there were also some bad actors in the pharma space that instituted egregious price hikes on non-innovative drugs,

which raised the ire of legislators. The Center for Medicare and Medicaid Services (CMS) also launched a pilot program to examine changing the way Medicare Part B drugs are reimbursed. Regeneron's Eylea is reimbursed through Part B, so this created a more acute concern about future pricing pressure on the drug. Outside of the possibility of lower drug prices, Regeneron's revenue growth was also slowing while management was ramping expenses in advance of new products expected to launch in early 2017. While revenue is likely to finish 2016 about 20% higher than 2015, earnings will be roughly flat for the year. Given all of these dynamics, we are not surprised that 2016 was a more challenging year for the stock, but we certainly did not expect the shares to be down more than 30%. We were patient during the year given the number of cross currents, but decided to raise our position in Regeneron near the end of the year once it was becoming clear that the Medicare Part B reimbursement pilot program was not going to progress and the risk to Eylea was minimal. The launch of two new treatments, dupilumab and sarilumab, in the first half of 2017 will also add new growth drivers that we believe will be substantial over time. Dupilumab, in particular, has multi-billion dollar sales potential and is being studied for a wide range of allergic indications.

NIKE experienced a few challenges during the year also. Key competitor Adidas saw a resurgence in growth in North America as "lifestyle" products were in strong demand during the year. NIKE sells some lifestyle products, but its portfolio is much more tilted toward performance-oriented gear. NIKE also experienced lower sell-through on a few key items, most notably two signature styles in basketball, and was cycling very tough comparisons following above-average share gains for several prior years. The net result was slow growth in North America during 2016, leading management to take action to better align inventory levels, which had become elevated. Overall revenue growth remained strong throughout the year, thanks to ongoing strength in Western Europe, emerging markets and China in particular, but resetting the inventory level in North America pressured gross margins and profitability. NIKE's earnings per share grew about 11% during the calendar year, but the stock declined almost 18%. NIKE shares were at the high end of their historical valuation range at the beginning of the year, so the multiple compressed much more than NIKE's earnings power. We think the company remains well positioned to deliver mid-teens earnings per share growth over the next several years and is now trading for a much less demanding valuation.

With regards to Abbott Labs, we wrote fairly extensively on the reasons that we trimmed and then exited our position in our **1st Quarter** and **2nd Quarter** Focus Growth Commentaries, respectively. Given that neither the reasons for our actions nor the Portfolio impact has changed since then, we will not rehash all of the details here. Suffice it to say, we were decreasing our investment in Abbott early in the year because we had some concerns about the company's ability to grow earnings as expected given the currency headwinds presented by its significant emerging market exposure. When management announced a $25 billion acquisition of St. Jude Medical, raising even more concerns for us, we decided to exit the position. While we did well with our investment in Abbott over the years, it detracted from our performance during the exit in 2016.

Overall, we were pretty pleased with the fundamental performance of the Portfolio holdings throughout the year. In keeping with our long-term focus, turnover was pretty modest at about 14%. This was the third year in a row of lower-than-average turnover, which is largely a reflection of the fact that our holdings are doing what we expect and remain reasonably valued. In addition to exiting Abbott Labs, we sold our positions in **Apple Inc.** and **Fastenal Company** during the year. Both remain quality businesses, but as explained in prior commentaries their role in our Portfolio became less clear and we felt that we had more compelling investment opportunities. We used the proceeds of our sales to add **Align Technology, Inc.** and **Dollar General Corporation** to the Portfolio. We also added to some existing

holdings that we believe have strong long-term growth prospects and were trading for attractive valuations, notably Facebook, Regeneron and **Celgene Corporation**.

Attribution

The top three contributors (Portfolio average weight multiplied by return) for full-year 2016 were ADP (1.18%), Priceline (0.83%) and Accenture (0.67%). The three largest detractors were Regeneron (-1.97%), NIKE (-1.24%) and Abbott Labs (-0.70%).

The top three contributors for the fourth quarter of 2016 were ADP (0.83%), **Gartner, Inc.** (0.47%) and Celgene (0.42%). The three largest detractors were Facebook (-0.73%), **Visa, Inc. Class A** (-0.42%) and **Nestle S.A. Sponsored ADR** (-0.42%).

As always, our main focus is on the underlying businesses and on maintaining a well-balanced Portfolio that we believe will deliver strong and sustained earnings per share growth over the long term. Although investment performance was not reflective of the Portfolio's underlying fundamental growth during the past year, we are confident that earnings growth will eventually drive shares prices higher. We feel good about the growth of our holdings in 2016 and think the Portfolio remains well positioned to deliver mid-teens earnings per share growth going forward.

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

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 Monthly Performance Update - December 31, 2016				
	Polen (Gross)	Polen (Net)	R1000G	S&P 500
4th Quarter	-0.61%	-0.72%	1.01%	3.82%
1 Year	1.54%	1.04%	7.08%	11.96%
3 Years	11.43%	10.85%	8.55%	8.87%
5 Years	14.00%	13.37%	14.50%	14.66%
7 Years	13.51%	12.82%	13.03%	12.83%
10 Years	10.49%	9.74%	8.33%	6.95%
15 Years	9.13%	8.31%	6.42%	6.69%
20 Years	10.69%	9.79%	6.88%	7.68%
25 Years	12.60%	11.61%	8.14%	9.15%
Since Inception (1/1/89)	14.10%	13.06%	9.76%	10.12%

*Returns are trailing through 12/31/16. Annualized returns are presented for periods greater than 1 year.

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

Polen Capital Management
Large Capitalization Equity Composite-Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation		
Year End	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Composite Gross	Composite Net	S&P 500	Russell 1000 Growth	Composite Dispersion	PCM Gross	S&P 500	Russell 1000 Growth
2016	11,158	4,648	6,510	3,246	454	1.54%	1.04%	11.96%	7.08%	0.2%	11.34	10.74	11.31
2015	7,451	2,125	5,326	2,469	352	15.88%	15.26%	1.38%	5.67%	0.1%	10.92	10.62	10.85
2014	5,366	1,374	3,992	2,019	257	17.58%	16.95%	13.69%	13.05%	0.2%	10.66	9.10	9.73
2013	5,017	1,197	3,820	1,887	256	23.77%	23.05%	32.39%	33.48%	0.3%	11.91	12.11	12.35
2012	4,522	891	3,631	1,571	357	12.43%	11.75%	16.00%	15.26%	0.1%	16.01	15.30	15.88
2011	2,366	562	1,804	596	185	9.03%	8.24%	2.11%	2.64%	0.2%	15.97	18.97	18.01
2010	1,185	322	863	337	129	15.65%	14.69%	15.06%	16.71%	0.2%	20.16	22.16	22.42
2009	624	131	493	235	127	39.73%	38.49%	26.46%	37.21%	0.3%	16.99	19.91	20.01
2008	266	10	256	152	121	-27.82%	-28.43%	-37.00%	-38.44%	0.2%	15.26	15.29	16.63
2007	682	-	682	504	152	10.78%	9.87%	5.49%	11.81%	0.2%	8.36	7.79	8.66
2006	730	-	730	533	224	15.00%	14.05%	15.80%	9.07%	0.1%	7.27	6.92	8.43
2005	1,849	-	1,849	986	430	-0.53%	-1.43%	4.91%	5.26%	0.2%	8.10	9.17	9.67
2004	2,017	-	2,017	1,160	693	8.73%	7.76%	10.88%	6.30%	0.2%	10.09	15.07	15.66
2003	1,617	-	1,617	969	570	17.72%	16.67%	28.68%	29.75%	0.6%	12.98	18.32	22.98
2002	970	-	970	544	420	-6.69%	-7.54%	-22.06%	-27.88%	0.4%	13.15	18.81	25.58
2001	703	-	703	417	305	-4.61%	-5.50%	-11.93%	-20.42%	0.6%	13.58	16.94	25.56
2000	622	-	622	363	239	-3.50%	-4.45%	-9.10%	-22.42%	0.5%	16.52	17.67	23.11
1999	640	-	640	385	233	23.89%	22.63%	21.04%	33.16%	0.6%	18.27	16.76	19.27
1998	418	-	418	266	205	31.61%	30.20%	28.58%	38.71%	0.7%	17.95	16.23	18.15
1997	252	-	252	147	160	37.14%	35.64%	33.36%	30.49%	0.9%	13.17	11.30	12.80
1996	140	-	140	94	125	31.95%	30.43%	22.96%	23.12%	0.7%	10.16	9.72	10.49
1995	70	-	70	46	63	48.08%	46.34%	37.58%	37.18%	1.1%	9.72	8.34	9.26
1994	32	-	32	18	28	10.11%	8.94%	1.32%	2.62%	1.6%			
1993	24	-	24	16	27	13.07%	11.85%	10.08%	2.87%	2.9%			
1992	16	-	16	11	24								

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

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 large cap and liquid 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 Ashland Partners & Company LLP for the periods April 1, 1992 through December 31, 2015.

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 December 31, 2015. 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. For the year 2015, the number of accounts in the Large Capitalization Equity Composite was updated from 257 to 352 to properly reflect the number of accounts in the composite at December 31, 2015.

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 a SEC registered investment advisor and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce client's 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 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