

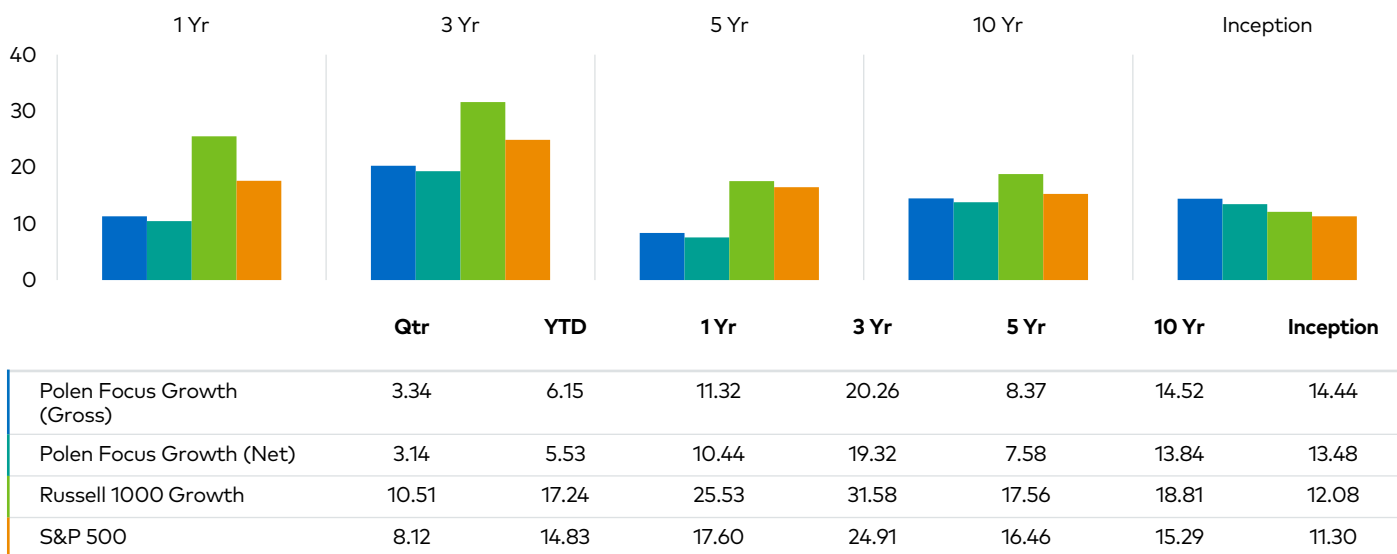
Polen Focus Growth

Portfolio Manager Commentary – September 2025

Summary

- Equity markets continued their strong momentum in Q3 2025, driven by enthusiasm for generative AI and strength in the semiconductor sector. Investors largely looked past high tariffs, persistent inflation, and a softening labor market, instead focusing on positive economic surprises, fiscal policy optimism, and better-than-expected corporate earnings.
- Performance leadership once again concentrated in AI-driven sectors, particularly semiconductors, with “risk-on” market sentiment favoring high-beta growth stocks and leaving traditionally defensive sectors like healthcare, consumer staples, and real estate lagging. The market distinctly bifurcated companies into “AI winners or losers,” contributing to exacerbated performance dispersion.
- In Q3 2025, the Polen Focus Growth Portfolio (“the Portfolio”) returned 3.3%, compared to 10.5% for the Russell 1000 Growth Index and 8.1% for the S&P 500.
- Top relative contributors to performance included Oracle (boosted by record contract growth), Shopify, and Meta (not owned). The top absolute contributors were Oracle, Shopify, and Alphabet. The largest relative detractors were Apple (not owned), NVIDIA (underweight), and Tesla (not owned), while Accenture, ServiceNow, and Adobe were the largest absolute detractors.
- We initiated new positions in Broadcom and Boston Scientific, while exiting Gartner and Thermo Fisher Scientific. We also added to our holdings in Starbucks, ServiceNow, and CoStar Group, and trimmed positions in Netflix, Alphabet, and Visa.
- Despite the short-term headwinds to our quality-driven approach amid a concentrated “risk-on” environment, we maintain conviction that our emphasis on durable, high-quality businesses positions the Portfolio for mid-teens or better long-term earnings growth and resilience across market cycles.

Seeks Growth & Capital Preservation (Performance (%) as of 9-30-2025)



The performance data quoted represents **past performance and does not guarantee future results**. ^The performance presented prior to April 1, 1992, is not in compliance with the GIPS Standards. 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 many ways, US equity market performance for Q3 2025 saw a continuation of the drivers that lifted stocks from the 'Liberation Day' lows in early April and propelled them to close out Q2 at record highs. Excitement around generative AI (Gen AI) was again the dominant theme and where semiconductors were the primary driver of returns, helping the Russell 1000 Growth Index to a 10.51% return for the quarter, reaching new record peaks seemingly every other week.

Even with the backdrop of the highest tariff rates in almost a century taking effect, stubbornly elevated inflation, a softening labor market, combined with renewed question marks over the Federal Reserve's independence and the constant focus on high valuations, investors were able to easily shrug off these headlines and instead focused on the surprise improvement in economic growth, potential fiscal tailwinds from the 'One Big Beautiful Bill' and the strong earnings reported during the quarter, with aggregate earnings finishing well above consensus expectations.

On the economic growth front, the US economy surprised to the upside, growing at a revised annual rate of 3.8% in Q2. While the headline numbers were reassuring for investors, it included an artificial boost thanks to a sharp decline in imports, which was essentially an unwinding of the huge surge in Q1 as businesses stockpiled inventory ahead of anticipated tariffs. However, what was most notable in the data was the contribution from technology capex, and AI-related spending in particular, outpacing the contribution from consumer spending despite its much smaller share of the total economy, reflecting the sheer magnitude of capital currently flowing into AI-related projects.

The best illustration of this continued investment was **Oracle's** quarterly earnings report, which showed remaining performance obligations (mainly contracted future cloud revenues) increasing 359% to \$455 billion in just one quarter, with the stock rallying about 38% on the news. The sheer scale highlights extraordinary demand for cloud computing and AI infrastructure that shows no signs of slowing down.

Fortunately, Oracle was one of Focus Growth's largest holdings prior to these results, providing an important boost to performance this quarter and year-to-date. Alongside our positions in **Microsoft**, **Alphabet**, and **Amazon**, this reflects our conviction that most long-term value from generative AI will accrue to cloud infrastructure providers and select software and services companies.

While the headline economic growth numbers were solid, further under the surface there have been areas of concern, most notably the continued softening in the labor market and where the burden of consumption is increasingly being shouldered by higher income cohorts—reflective of the so called 'K-shaped' economy. Despite the 'last mile' inflation remaining stubbornly above the Federal

Reserve's target of 2%, their focus shifted more to the employment side of their dual mandate and lowered interest rates by 25bps for the first time this year and guided for additional rate cuts across the remainder of the year and into 2026.

The other noteworthy observation during the quarter was guidance from the hyperscaler management teams around future capex intentions—not just for the remainder of 2025 but for future years as well. Historically, these firms have tended to be conservative in their guidance around future spending, however we have recently witnessed large, announced increases to AI-related spending, confirming the capex spigots are wide open as the hyperscalers struggle to keep up with the voracious demand.

With investor enthusiasm towards anything AI-related showing no signs of abating, the traditionally defensive sectors like healthcare, consumer staples and real estate lagged meaningfully on the quarter. The market has been quick to bifurcate sectors, industries and companies as 'AI winners or losers', and while there are specific headwinds that relate each of these areas and companies within, it would appear many have been categorized into the latter until proving otherwise.

The persistent "risk-on" behavior of the market has meant 'high-beta growth' companies have dominated the contribution to returns while 'quality' and 'low-volatility' stocks have lagged meaningfully.

While our heavy emphasis on 'quality' characteristics has been rewarded over the long-term, in narrowly driven and ebullient markets like the one we're in today, quality can get left behind, exacerbated by an index that is heavily concentrated in handful of stocks that are driving the majority of returns. Despite these continued headwinds to our philosophy and approach, we retain conviction that our emphasis on quality will be rewarded across the full market cycle, just like it has been for almost four decades now.

Portfolio Performance & Attribution

In Q3 2025, the Polen Focus Growth Portfolio returned 3.3% compared to 10.5% for the Russell 1000 Growth and 8.1% for the S&P 500. Top relative contributors to the Portfolio's performance included **Oracle**, **Shopify**, and **Meta** (not owned). The top absolute contributors were **Oracle**, **Shopify**, and **Alphabet**.

The largest relative detractors in the quarter were **Apple** (not owned), **NVIDIA** (underweight), and **Telsa** (not owned). The largest absolute detractors were **Accenture**, **ServiceNow**, and **Adobe**.

Following on from Q2's +56% rally, **Oracle** was again our top-owned relative contributor post their impressive quarterly results showing a huge acceleration in demand for their cloud infrastructure services, with the stock up ~29% in Q3. When reacquiring Oracle in September last year, our investment thesis was predicated on an anticipated acceleration in growth across their application, database and cloud infrastructure businesses (and the expectation that cloud infrastructure would be growing the fastest) – very clearly that thesis is playing out, with Oracle in the midst of a substantial acceleration in revenues.

The notable drag on relative returns this quarter stemmed from our zero or underweight positions in three 'Magnificent 7' companies that make up outsized weightings in the benchmark – specifically Apple, Tesla and NVIDIA – who collectively comprise ~27% of total index exposure and represent almost half of this quarter's underperformance.

At the industry level, many of our software holdings also dragged, as the investors grapple with Gen AI developments and the potential negative impact it could have on the industry. While we believe that Gen AI will no doubt create disruption across the space, we have strong conviction in the names we own, that they have differentiated offerings, are embracing Gen AI and embedding it within their products and services, positioning them well to benefit from the technology over the long term. Combined with their high recurring revenues, high margins, high switching barriers and wide competitive moats, they also continue to provide a high-quality and persistent earnings streams that help to deliver the mid-teens aggregate portfolio earnings growth that is our primary goal.

Lastly, our broad exposure to health care was also a headwind – compared to the Index (which suffers from extreme concentration at the stock and sector levels, with heavy exposure to the higher-beta areas of the market and very little exposure to more defensive areas) – we have a much higher weighting to the sector (18% vs. 7%) given the lower/non-cyclical revenues and earnings that can provide ballast, and that we believe are critical elements to building a durable portfolio that can navigate through all manner of market environments. As a result, we own a number of differentiated health care businesses (e.g. Zoetis, IDEXX Laboratories, Boston Scientific, Abbott Laboratories, Eli Lilly) that we feel offer an attractive combination of above average earnings growth, non-cyclicality or lower cyclicality along with durability and persistence in their revenues and earnings.

While the risk-on sentiment that has propelled markets these past 6-months has left investors ignoring the historically stable sectors like health care, and where the policy backdrop and funding headwinds have weighed on the sector and exacerbated any idiosyncratic issues, we maintain belief in the high-quality names that we own and the important role they play in the portfolio – which was notably on display during the carnage of Q1 this year.

Portfolio Activity

In Q3 2025, we initiated new positions in **NVIDIA, Broadcom, Boston Scientific, Intuit, Synopsys** and **Uber** and eliminated our positions in **Gartner** and **Thermo Fisher Scientific**. We also added to our positions in **Starbucks, ServiceNow, CoStar Group**, and **Adobe** and trimmed our position in **Netflix, Alphabet, Visa, Workday, Amazon, Adobe, Airbnb, Abbott Laboratories, Shopify**, and **Oracle**.

In early August we initiated positions in both **NVIDIA** and **Broadcom**, after having not owned either company over the past 2½ years following the initial wave of enthusiasm around Gen AI. While we have long admired both companies, their highly cyclical business models have made it extremely difficult to forecast future earnings growth with any degree of conviction. Given our approach of seeking durable and persistent earnings growth that compounds over long holding periods, our concern in holding either was that we would be forced to endure a punishing downcycle within our typical holding period – there is very little room that in a concentrated portfolio of 20-30 companies. In fact, pre ChatGPT, NVIDIA had two punishing down cycles over the preceding five years.

However, our team is constantly reevaluating each company that meets our quality guardrails, seeking to be intellectually honest and being willing to evolve our opinions when the facts change or when more information is available.

That is specifically what has occurred for NVIDIA and Broadcom. While the sheer magnitude of demand for AI chips, servers and networking equipment was something that we clearly underappreciated, new incremental data points over the past few months lead us to conclude the current boom in AI chips and related hardware will likely continue for the foreseeable future giving us greater conviction over the trajectory of future earnings for both NVIDIA and Broadcom.

These new data points included: Oracle's \$30 billion annual revenue cloud contract (6/30), U.S. tax incentives reinstating 100% bonus depreciation for short-lived assets, boosting data center investment (7/4), Meta's pledge to invest "hundreds of billions" in multi-gigawatt data center clusters (7/14), and Google's capex hike to \$85B for 2025, with more planned for 2026 (7/23). These data points combined with our existing fundamental research led us to believe that the growth potential for companies remains strong even as growth moderates from the extremes of the past few years—Oracle's recent earnings results (highlighted earlier) reinforce that belief and our decision to trade both names into the portfolio earlier in the quarter.

NVIDIA produces the fastest chips that are able to process compute intensive tasks like Gen AI training models extremely efficiently, are very flexible so can be used for any type of workload, and as a result are the chips in highest demand as the hyperscalers build out their Gen AI infrastructure (NVIDIA currently receiving 90c of every dollar spent on AI accelerated semiconductors). Their business has a very strong competitive moat, which is partly about the speed of their chips, but also the entire ecosystem they have built around them (programming language, training models and associated network effects).

Broadcom is the other major player in the AI chip market, the number one provider of custom chips, and currently receives the majority of the remaining 10c of every dollar being spent by enterprises. As Gen AI use cases mature, and as inference workloads become a bigger piece of the compute pie, we expect that custom chips (and Broadcom's in particular) will account for a larger share of the total market.

We anticipate that both companies will be able to generate earnings growth at ~20% per annum over the next 3-5 years and that their P/E multiples in mid-to-high thirties were fair valuations for the level of expected future earnings growth. We still believe that these companies are cyclical, but we don't expect the downcycle in the next few years. If anything, the spend intent from their largest customers seems set to continue unabated and there is risk to any company that stops investing while their competitors push forward in a Gen AI world.

In addition, we initiated a new position in **Intuit**, a solutions business which houses Quickbooks accounting software, payroll and payments services mostly for small businesses. The company has a dominant share of the small business accounting and do-it-yourself tax software market. Even so, we believe there remains an excellent runway for growth as many small businesses still do not use accounting software, and Intuit has been adept at introducing new features and services to make its products easier and more "intuitive" to use. Gen AI agents fit neatly into the company's offerings to help guide small businesses manage their finances and business software easily, which frees up time for them to run their businesses, and also see the introduction of AI agents into their Quickbooks offerings enhancing selling prices. We expect Intuit to grow revenue at a mid-teens rate and earnings at a high-teens rate going forward.

We also acquired a 2% position in **Boston Scientific**, a global leader in medical products that treat various cardiovascular and other conditions. Over the last two years they have witnessed a meaningful acceleration in their growth profile based on two primary catalysts: their Farapulse platform for pulse field ablation (PFA) and their Watchman platform for atrial appendage. PFA is a newer medical procedure used to treat atrial fibrillation that is less invasive, more precise and faster than more traditional ablation procedures and with fewer risks than medication. PFA is likely to become the standard of care in this treatment paradigm and Farapulse is poised to be the market

Leader. The Watchman segment which already dominates market share, is a permanent implant designed to reduce the risk of stroke in patients with atrial fibrillation, represents a meaningful and accelerating percentage of their revenues. With an overall revenue growth rate in the low double-digit range combined with modest margin expansion, we expect Boston Scientific to grow their earnings in the mid-teens over the next 3-5 years.

We opportunistically initiated a new position in **Synopsys** as well, who are a market leader in electronic design automation (EDA), notably utilized by semiconductor companies to design chips. They had an uncharacteristic miss on reported revenues during the quarter, stemming from what we believe to be temporary issues, that resulted in a ~35% decline in their share price. We opportunistically used that steep decrease to add what we believe is a great business to the portfolio, that is a direct beneficiary from the secular tailwinds of 'the democratization of chips' and Gen AI driven capex and who we anticipate will deliver mid-to-high teens earnings growth over the long-term.

Additionally, we acquired a new position in **Uber** during the quarter. We have followed Uber for many years and believe their scale, network effects, growth opportunities and market position, combined with their current valuation make a compelling investment thesis. They have become one of the most recognizable consumer brands in the world and anticipate nearly \$200bn in booking transactions for 2025. Over the past three years, they have compounded revenues at 36%, EBITDA at 69% and FCF margins have gone from negative to mid-teens. While the threat of autonomous vehicles looms and is likely weighing on the valuation, we believe that threat is many years away and so view that risk as low, and we expect Uber to compound earnings at ~20% p.a. over the next five years. In fact, we think the fastest way for autonomous vehicle companies to scale is to partner with a large and highly utilized platform like Uber who has dominant market position where it competes.

We exited our small position in **Gartner** after more than 12 years, during which earnings and share price each grew about 7.5x, delivering a 17.5% annualized return—exactly what we hoped for. This performance was driven by the subscription-based research business, which historically delivered consistent double-digit revenue growth at high margins. While management still targets 10% revenue growth, actual growth has slowed to mid-to-high single digits due to incremental headwinds. With limited margin expansion ahead, we have less confidence in Gartner's ability to generate sufficient EPS growth for attractive returns.

Lastly, we also eliminated our remaining position in **Thermo Fisher Scientific** to help fund the purchase of Uber. Thermo Fisher Scientific is currently navigating a combination of macro, policy and funding headwinds that while cyclical, are likely to persist for the foreseeable future and therefore we felt the portfolio would be better served by a reallocation of proceeds to what we believe to be a superior portfolio candidate.

Outlook

Over the course of our 36-year history, we have never sought to be at the vanguard of nascent, emerging trends in markets, instead, waiting for evidence of durability and persistence in revenues and earnings before embarking on our intended long-term journey—and this approach has generally served us well for over three decades. We recognize that the timing of our recent acquisitions of NVIDIA and Broadcom are after the prices for both have appreciated materially, however it is our belief that we're still in the early innings of this Gen AI infrastructure buildout and so expect these new additions will deliver important contributions to the earnings growth and total return of the portfolio. Combined with the other highly competitively advantaged businesses we own, we anticipate mid-teens or better earnings growth over the long term and expect that the portfolio's returns will converge with the underlying earnings profile in time.

While the Magnificent 7 companies—a homogeneous grouping we believe oversimplifies the differences among those businesses—continues to capture the headlines and drive market performance, we have also seen increasing divergence among the constituents so far this year which might suggest that their heterogeneity is becoming more prominent. Combined with the superior performance of businesses outside of this group (e.g. Oracle, Broadcom) it may be that we're finally seeing a broadening of market performance away from this grouping, which we believe bodes well for our portfolio of great growth businesses that span the spectrum of durable growth opportunities across sectors and industries.

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

Sincerely,

Dan Davidowitz and Damon Ficklin

Experience in High Quality Growth Investing



Dan Davidowitz, CFA

Portfolio Manager

26 years of industry experience



Damon Ficklin

Head of Team, Portfolio Manager

23 years of industry experience