

# Polen Capital Global Small and Mid Cap Fund

## Investment Report & Fact Sheet

August 2024

### Fund Overview

The Polen Capital Global Small and Mid Cap Fund is a long only, small and mid cap global equities fund. The Fund typically invests in a concentrated portfolio of 25-35 high-quality companies within the global small and mid cap company universe.

Using the unique Polen Flywheel Framework, the Small Company Growth team analyses opportunities to uncover compelling long-term structural growth and determine if the right conditions are in place to identify companies that are well-positioned to deliver significant value over a five-year period.

Relative to its mega cap counterparts, with the weighted average market capitalisation of around US\$8 billion the Polen Capital Global Small and Mid Cap Fund seeks to offer a concentrated portfolio of interesting fast-growing smaller companies with a huge potential global runway of growth ahead of them.

### Fund Facts

#### Investment Manager

Montgomery Investment Management Pty Ltd

#### Objective

The Fund aims to outperform the benchmark, over a rolling five-year period, net of fees.

#### Benchmark

MSCI ACWI SMID Cap Net Total Return Index, in Australian Dollars

#### Fund Construction

The Fund typically invests in a concentrated portfolio of 30 to 50 high-quality companies within the global small and mid-cap company universe with the potential to deliver sustained superior growth.

#### APIR

FHT8533AU

#### Portfolio Managers

Greg McIntire  
Rayna Lesser Hannaway

#### Recommended Investment Timeframe

At least 5 years

#### Minimum Initial Investment

A\$25,000

#### Inception Date

21 October 2021

#### Fund Size

\$21.2M

#### Management Fees and Costs

Up to 1.15% per annum of the net asset value of The Fund

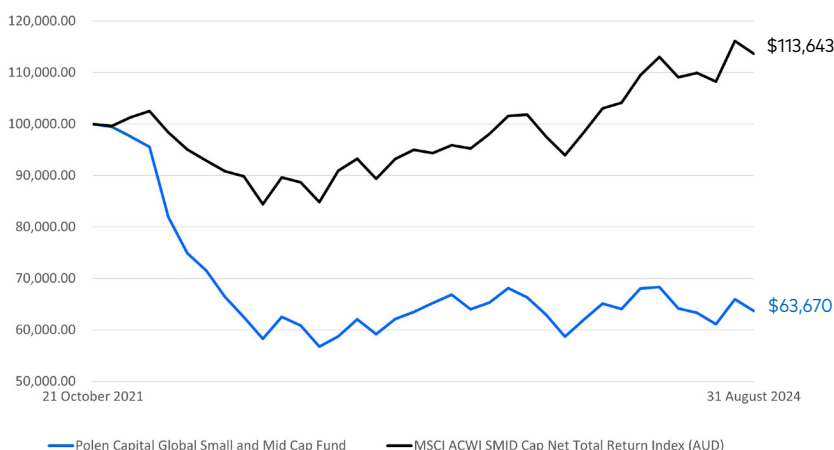
#### Performance Fees

17.56% of the excess total return of The Fund (after management fees and expenses have been deducted) above the Fund's benchmark.

#### Application & Redemption Prices

[montinvest.com/our-funds/polen-capital-global-small-and-mid-cap-fund/](https://montinvest.com/our-funds/polen-capital-global-small-and-mid-cap-fund/)

### Polen Capital Global Small and Mid Cap Fund Performance



### Contact Details

#### Investors

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Account Manager  
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### Portfolio Performance (to 31 August 2024, after all fees)

|   | 1 month | 3 months | 6 months | 1 year  | Since Inception (21 Oct 2021) | Compound Annual Return Since Inception |
|---|---------|----------|----------|---------|-------------------------------|--|
| Polen Capital Global Small and Mid Cap Fund | -3.48%  | 0.57%    | -6.42%   | -3.99%  | -36.33%                       | -14.60%                                |
| MSCI ACWI SMID (AUD)                        | -2.12%  | 3.37%    | 3.76%    | 11.58%  | 13.64%                        | 4.57%                                  |
| Out/Underperformance                        | -1.36%  | -2.80%   | -10.18%  | -15.57% | -49.97%                       | -19.17%                                |

Portfolio Performance is calculated after fees and costs, including the Investment management fee and Performance fee, but excludes the buy/sell spread. All returns are on a pre-tax basis.

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### Fund Commentary

Global equities started August with a marked sell-off, precipitated largely by a soft U.S. jobs report and fears that the U.S. Federal Reserve had been too slow to cut rates into a weakening U.S. economy. This was short-lived, however, and global equity markets ultimately posted positive returns (when priced in U.S. dollars) for the month, albeit with a somewhat defensive tilt. Accordingly, the MSCI ACWI SMID Value Index marginally outperformed its MSCI ACWI SMID Growth counterpart. For the broader universe, as represented by the MSCI ACWI SMID Cap Index (the "Index"), country and regional returns were clustered, with the U.S. the largest contributor, followed by Taiwan and Japan. Turkey, China, and Mexico were the weakest markets. From a sector perspective, Real Estate and Healthcare were the top performers, with only Energy and Materials in negative territory. Unsurprisingly, bond yields fell, with the yield on the 10-year U.S. Treasury bond contracting 13 basis points to end the month at 3.90 per cent. Despite elevated tensions in the Middle East, the oil price sold off by over US\$4 to close August at US\$73.6 per barrel. Overall, value fared better than growth, and large caps materially outperformed SMID caps over the month.

In August, the Polen Capital Global Small and Mid Cap Fund (the Fund) declined by 3.48 per cent in Australian dollars, while the Fund's benchmark, the MSCI SMID Cap Index, declined by 2.12 per cent in Australian dollars.

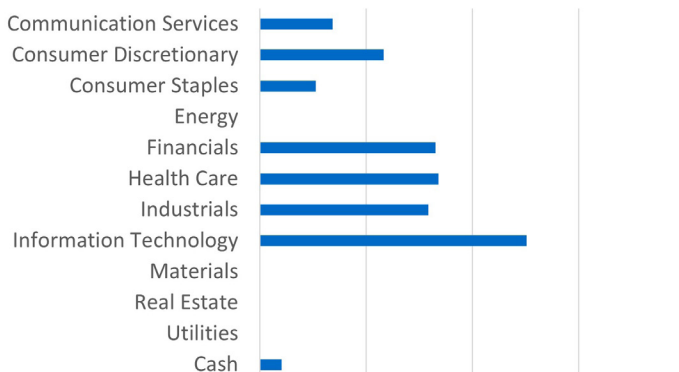
The Portfolio underperformed the Index for the period primarily due to security selection, with Tencent Music Entertainment, Progyny, and Etsy the three largest detractors. Over the course of the month, The Fund entered three new positions. Elf Beauty is a low-cost U.S. cosmetics company that is winning on the quality and innovation of its offering. Although primarily a U.S. domestic business, it has shown early signs of international success, including in Australia. With a recent entry into skincare, Polen expects earnings per share to grow at a 25 per cent compound annual growth rate. Exlservice is a U.S. business process outsourcing company that has become a leader in data for generative AI. With recently announced partnerships with hyperscalers Microsoft and Amazon Web Services, Polen estimates Exlservice will generate an internal rate of return of 15 per cent per annum.

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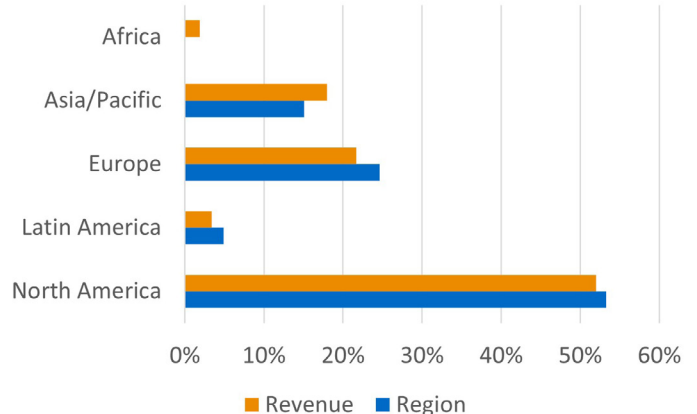
### Top Completed Holdings (to 31 August 2024)

| Company Name                   | Sector                 | Country of Domicile | Market Cap US\$ B | Weight (%) |
|--------------------------------|------------------------|---------------------|-------------------|------------|
| Topicus.com Inc                | Information Technology | Netherlands         | 8.0               | 5.8%       |
| E Ink Holdings Inc             | Information Technology | Taiwan              | 10.9              | 4.3%       |
| Houlihan Lokey Inc             | Financials             | United States       | 10.9              | 4.1%       |
| Tencent Music Entertainment Gr | Communication Services | China               | 17.9              | 3.6%       |
| Globant SA                     | Information Technology | Uruguay             | 8.8               | 3.4%       |
| Clearwater Analytics Holdings  | Information Technology | United States       | 6.4               | 3.3%       |
| CTS Eventim AG & Co KGaA       | Communication Services | Germany             | 9.0               | 3.3%       |
| Fevertree Drinks PLC           | Consumer Staples       | United Kingdom      | 1.4               | 3.3%       |
| Revolve Group Inc              | Consumer Discretionary | United States       | 1.6               | 3.0%       |
| Goosehead Insurance Inc        | Financials             | United States       | 3.1               | 2.8%       |

### GICS Sector Exposure



### Geographic Exposure



Platforms we are on: HUB24 Netwealth

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Tetra Tech is a global leader in water-related consulting, which draws more than 40 per cent of its revenues from government contracts across all levels of government (local, state, federal), in addition to commercial projects, disaster response and international aid. Among significant infrastructure spending, the potential for widespread PFAS cleanup, water scarcity, and changing environmental conditions, Polen believes the demand backdrop for Tetra Tech is strong.

Two positions in Alight and Five Below were exited during the month. Recent activist pressure led to the U.S. \$1.2 billion sale of Alight's Payroll & Professional Services business, the departure of its CEO and uncertainty over the long-term strategic direction of the company. We did not agree with this strategy, nor are we excited about the new standalone business. At Five Below, weaker consumer spending and lower margins, compounded by a considerable investment in self-checkout machines, led to a disappointing earnings result and the firing of its CEO. In both instances the decision was made to move on to more favourable investment opportunities.

On the management front, Maneesh Singhal, CFA, has this week been appointed the Portfolio Manager of the Polen Capital Global Small and Mid Cap Growth strategy. Prior to joining Polen Capital, Maneesh gained experience at Lord, Abeth & Co, American Century Investments and more recently at CastleArk Management, where he was Co-Portfolio Manager and Senior Analyst. Maneesh has a B.A. in Biology and Economics from the University of Pennsylvania and is a CFA charterholder.

Youngju Ko also has just commenced as an analyst, and both new hires will enhance the team with the Polen Capital Global SMID Growth team returning to a traditional Polen Capital portfolio manager structure. Youngju has 20 years' experience in the US, China and South Korea at Fidelity, Blue Pool Capital, Citadel and UBS. She earned a Bachelor of Science from Seoul National University in 2005 and an MBA from Columbia Business School in 2013.

Looking ahead, we see significant opportunity for the asset class, particularly for our investing style. We view high-quality SMID cap companies as having more significant latent growth potential than mature businesses. We also think the highest-quality SMID cap companies will take advantage of solid balance sheets and continued reinvestment to advance their competitive positions, tackle adjacencies, and enjoy better potential opportunities for value-added acquisitions.

Since so few companies meet this high hurdle, we seek to hold a concentrated portfolio of companies offering potential for growth and high returns, durability, robust financial models, the ability to self-fund growth, and what we view as superior management teams.

This report was prepared by Montgomery Investment Management Pty Ltd, AFSL No: 354564 ('Montgomery') the investment manager of the Polen Capital Global Small and Mid Cap Fund (ARSN: 652 035 642) (Fund). The Responsible Entity of the Fund is Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) ('Fundhost'). This report has been prepared for the purpose of providing general information, without taking into account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Document ('PDS') relating to the Fund before making a decision to invest. The PDS and Target Market Determination ('TMD') are available here: <https://www.montinvest.com/our-funds/polen-capital-global-small-and-mid-cap-fund> and here: <https://investwith.montinvest.com/PolenCapitalGlobalSmallandMidCapFundTMD> While the information in this document has been prepared with all reasonable care, neither Fundhost nor Montgomery makes any representation or warranty as to the accuracy or completeness of any statement in this document including any forecasts. Neither Fundhost nor Montgomery guarantees the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither Fundhost nor Montgomery, including their employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.