



December 13, 2023

Dear Clients, Consultants, and Friends,

One of the most meaningful parts of my role over the past twenty years has been meeting with clients and listening to their needs and investment objectives, to understand how we can help shape their financial futures. These conversations are broad ranging, and the feedback has directly influenced me and the direction of Polen Capital.

This year, there was a notable shift in the conversations. In 2022, clients focused on the speed of interest rate increases and the resulting negative impact on equity valuations and fixed income prices. In 2023, interest rates continue to dominate the conversation, but **discussions are more strategic, centered on asset allocation and investment returns** given higher rates. As we approach 2024, there is uncertainty about the outlook, and a recent *Economist* article captured the sentiment well: "the consensus is that there is no consensus."

We maintain the past decade's period of "rising tide lifts all boats," driven by historically low interest rates and concurrently rising P/E multiples, is likely over. While a few large companies, coined the "magnificent seven," narrowly drove this year's strong U.S. equity market performance, higher interest rates have materially increased the cost of capital, creating headwinds for many industries, businesses, and consumers. As a result, we believe that **security selection in equity and credit will be more critical than ever** and our focus on active selection will help us build competitively advantaged portfolios, as it has for decades.

In our equity business, we believe high-conviction portfolios of superior growth companies compound earnings faster than the market and outperform over the long term. As the late Charlie Munger, who has inspired me and our firm for decades, said, "The big money is not in the buying and selling, but in the waiting." Our equity strategies embody Charlie's insight. **We build equity portfolios with double-digit earnings growth and low turnover.** Our equity strategies rebounded in 2023, delivering strong absolute and relative performance year-to-date.

In credit, we have seen a noticeable increase in the excitement for fixed income and private credit. The shift in rates presents an opportunity for investors around the world, as credit now offers a competitive risk-adjusted return alternative to equity investments. With interest rates more in line with historical norms, we are seeing double-digit yields in our credit strategies that, in most cases, are higher than investors' required rate-of-return assumptions. In 2023, our credit team delivered and our **credit strategies provided strong absolute and relative performance** year-to-date.

To better serve investors, **we made significant investments to increase the accessibility of our credit strategies and extend our credit platform.** We packaged our Opportunistic High Yield strategy in a new vehicle for European and Asian investors. We also launched a Credit Opportunities Interval Fund, enabling clients to invest in private and public securities within one strategy. In addition, we hired prominent investment talent to build structured credit and dedicated private credit strategies, growing an area our credit team has invested in since 1998. **We are expanding globally to add breadth and depth to our research capabilities.** We completed an acquisition of an emerging markets equity team, which broadens our offering and enables us to deliver China and India Equity strategies – regions we see positioned for significant growth. In



addition, we initiated joint ventures in Latin America and Asia to expand our credit opportunity set and access global markets. We opened an office in Hong Kong, our first physical presence in Asia. We believe global, on-the-ground resources in equity and credit markets will provide timely, local insights and enhance our investment decision-making.

Managing technology, innovation, and the pace of change frequently came up in many of my client conversations. We believe that investing in technology and **empowering our people to innovate leads to better outcomes for our clients**. As examples, this year, we launched a Growth & Income strategy to bring our equity and credit investment talent together to share their best ideas in one portfolio. We also launched our first active ETF, a Global Growth Equity strategy, to reach and serve a new investor base. Finally, our data science team built an AI language model to improve firm productivity. Exploring new technologies is a key part of our culture of continuous improvement.

Employee engagement and learning are essential to delivering results, as I discussed this October in [Forbes](#). To inspire continuous improvement, each year, we select a book to read as a firm and bring in authors to challenge us to think differently. This year, we heard from Daniel Pink, who helped us unpack what motivates people to do their best, and Dr. Nadya Zhexembayeva, who taught us to embrace change and reinvention. Our investment in our employees has earned us a place as one of the **"Best Places to Work in Money Management"** by *Pensions & Investments* eight years in a row.

Improving the well-being of our employees, clients, and communities is central to our purpose. This year, we supported more than 25 charitable organizations, including Make-A-Wish, through our 10th annual golf tournament. During the last decade, we have raised over \$2.5 million, granting wishes to more than 500 children. To this day, nothing lights up a room more than a smile on a Make-A-Wish child's face. We are also proud to have helped fund the launch of Florida Atlantic University's first Student Investment Fund, providing a hands-on learning experience.

We are grateful for your continued trust and support. No matter the environment, our mission remains: to preserve and grow client assets, protecting their present and enabling their future. We are excited by our investment outlook of double-digit earnings growth in equity and double-digit yields in credit, and we look forward to continuing to serve you in 2024.

We wish you a happy and healthy holiday season.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stan C. Moss".

Stan C. Moss
Chief Executive Officer