
Going beyond.

Small Cap Equity Next Generation

January 31, 2023

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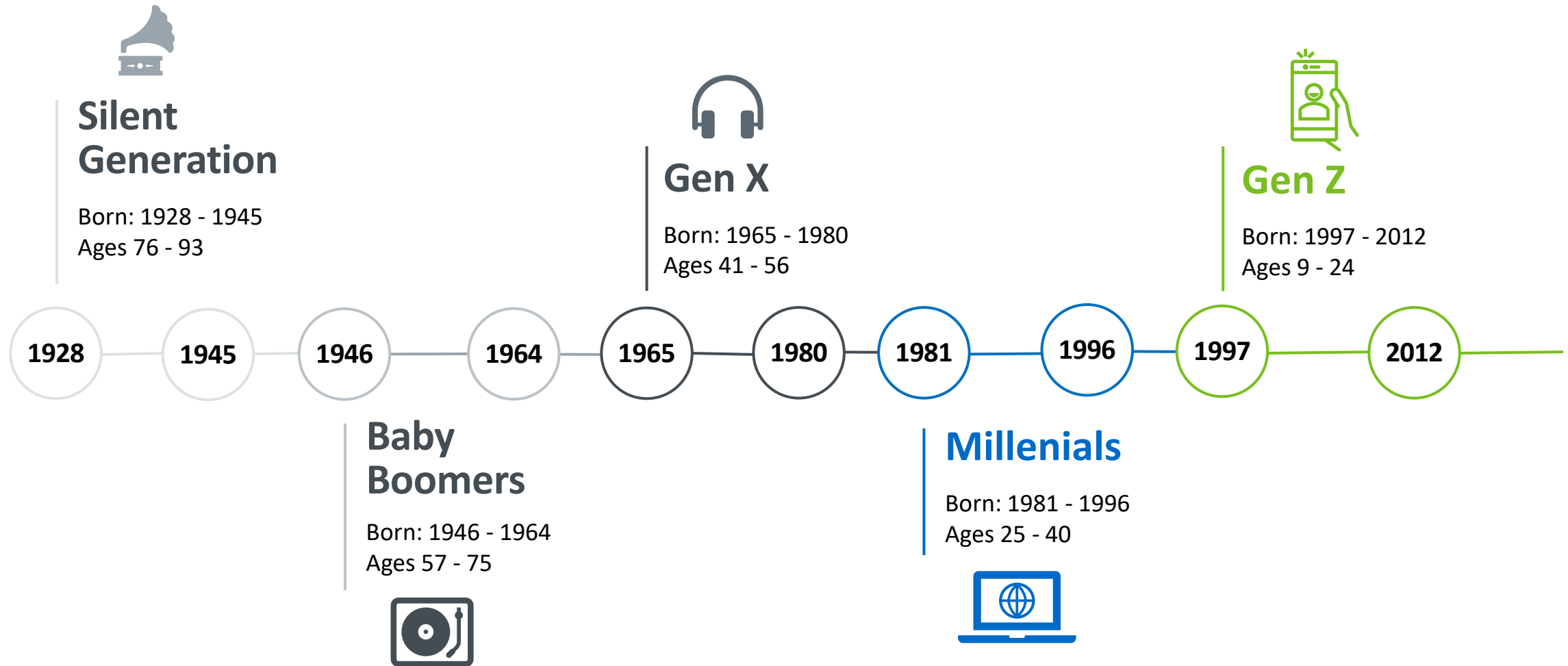
Agenda

1. The Shift in Generational Power Dynamics and Influence
2. Differences in Attitudes, Value, & Behaviors in Younger Generations
3. Why Changing Demographics Create Compelling Small Cap Opportunities
4. Key Qualities of Companies that Can Unlock the Benefits of Change

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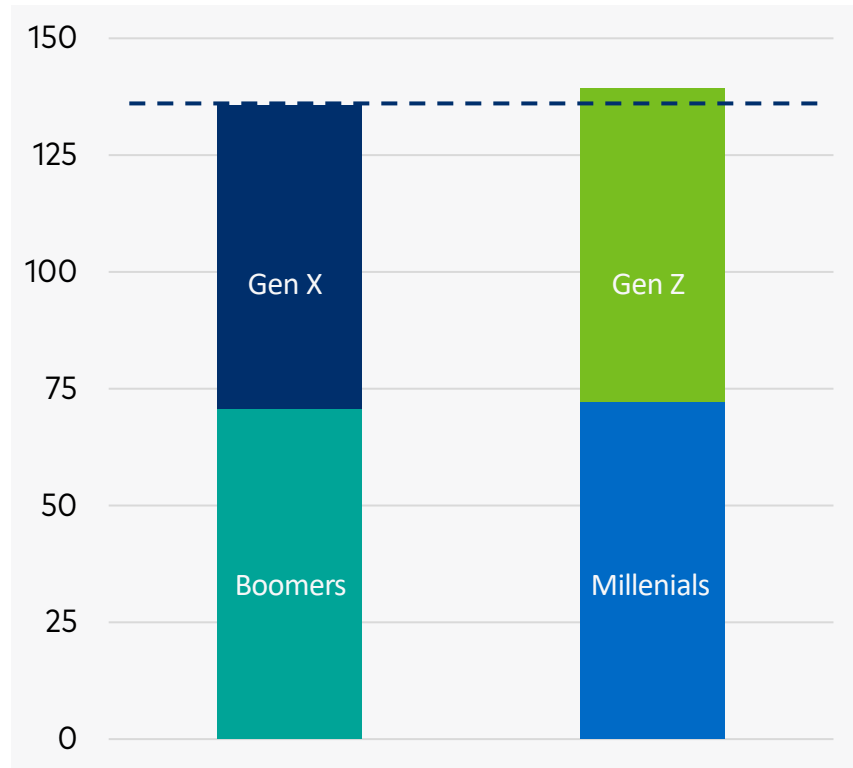
The Generations Defined



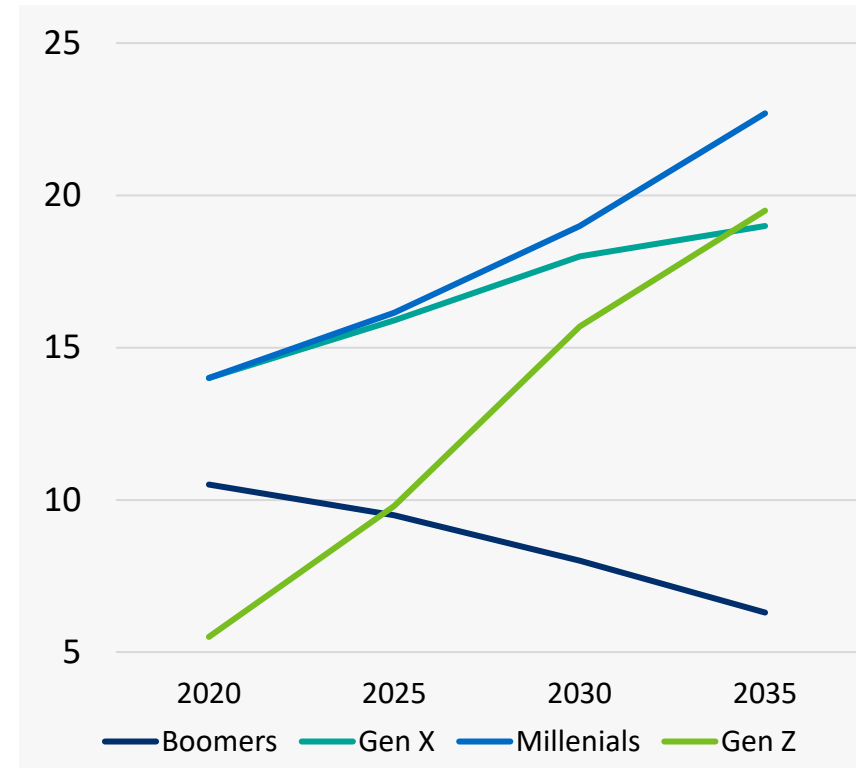
Generational Shift

As Millennials and Gen Z grow, so does their influence

Population by Generation (Millions)¹



Est. Global Annual Aggregate Income (\$ Trillions)²

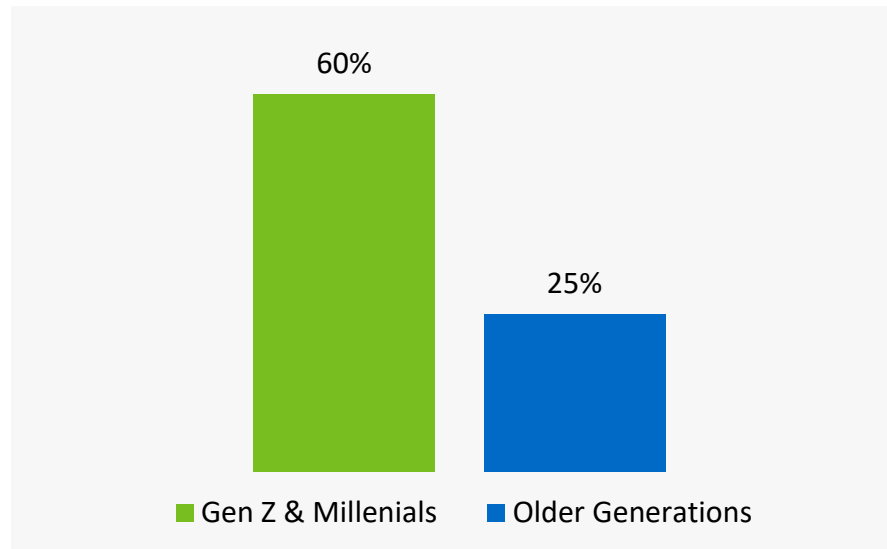


¹Source: United States; US Census Bureau; As of July 1, 2020. ²Source: Brookings Institute, 2018.

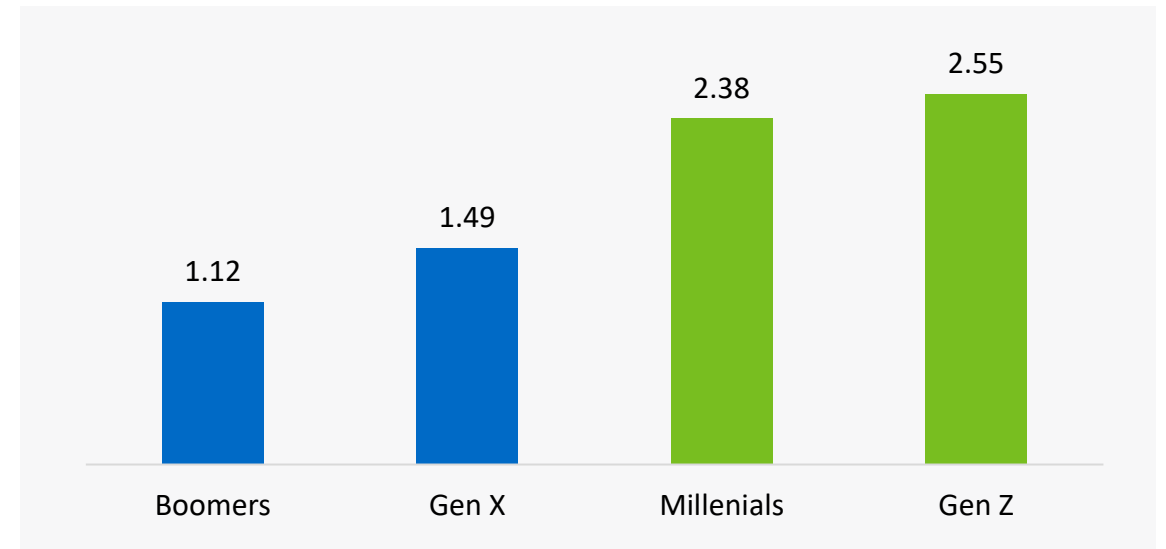
The New Consumer

Digital-first generations use their dollars to hold brands accountable

Social Media Has Influenced a Purchasing¹



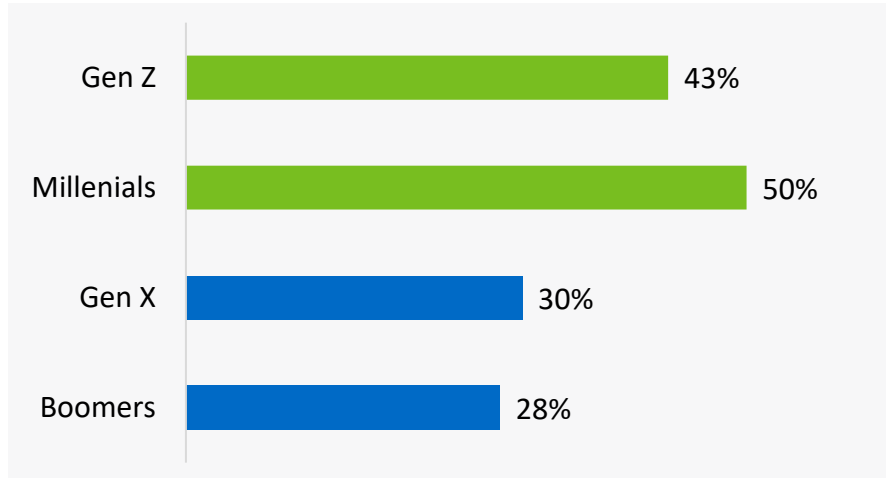
Average Time Spent on Social Media (Hours/Day)²



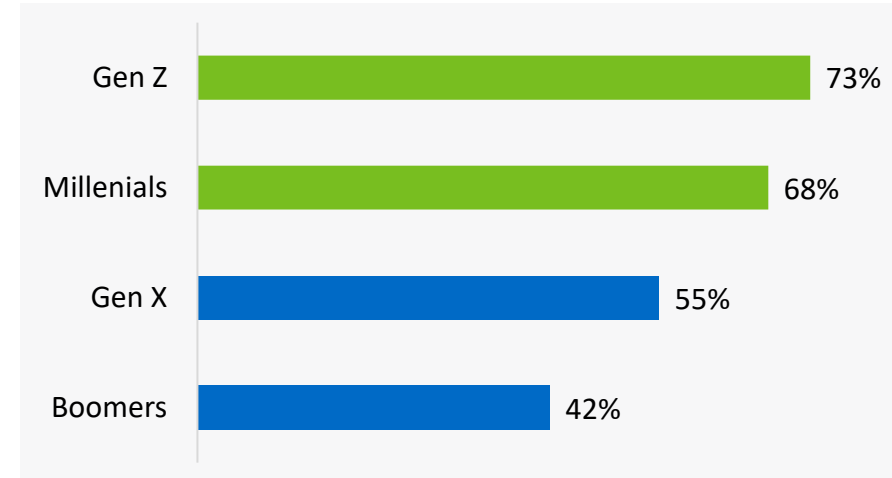
¹Source: Boston Consulting Group, 2020, ²Source: GWI, 2021.

The New Consumer

Brand **Values** More Important Than Price³

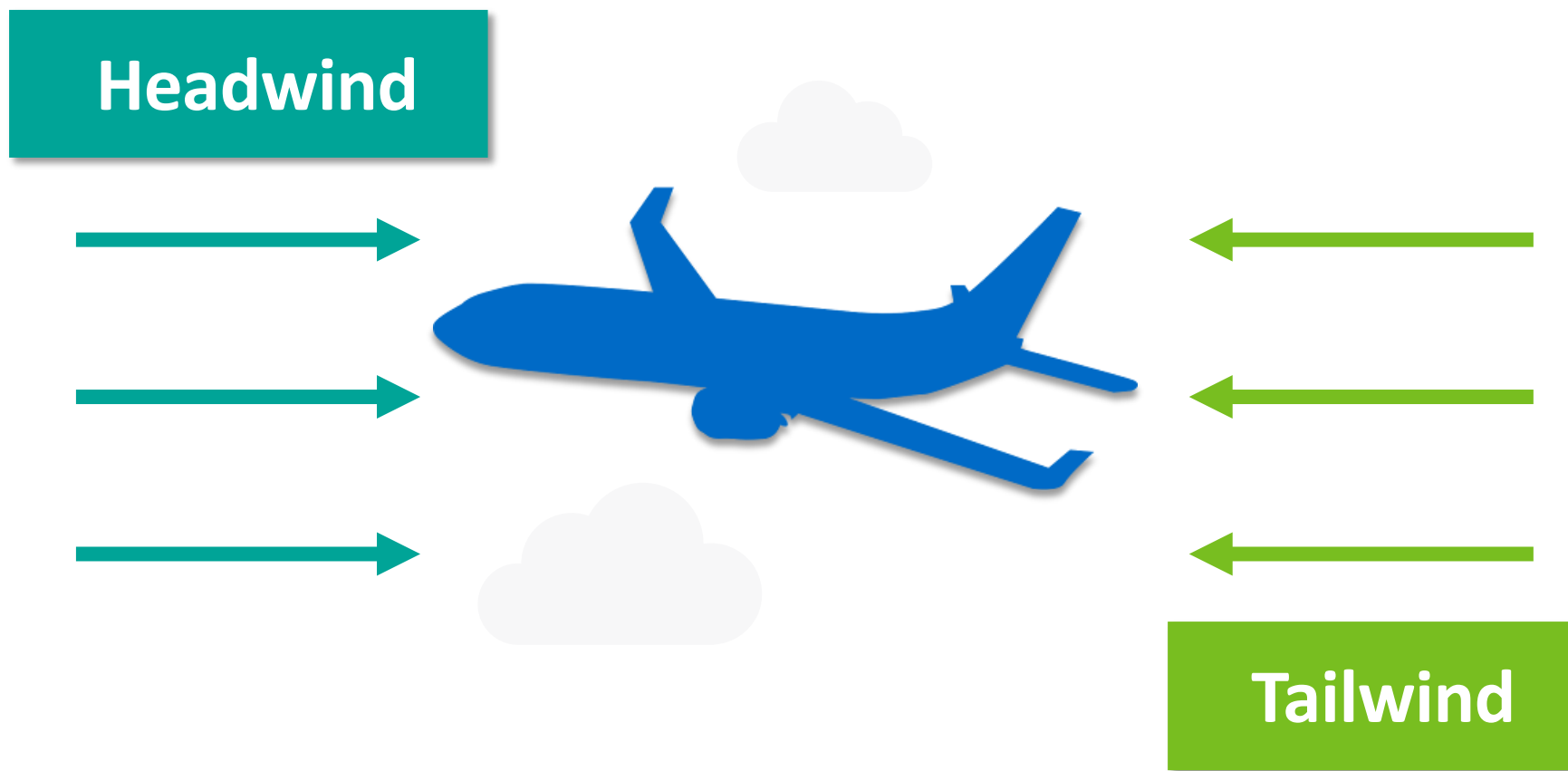


Willing to Pay More for **Sustainable** Products⁴



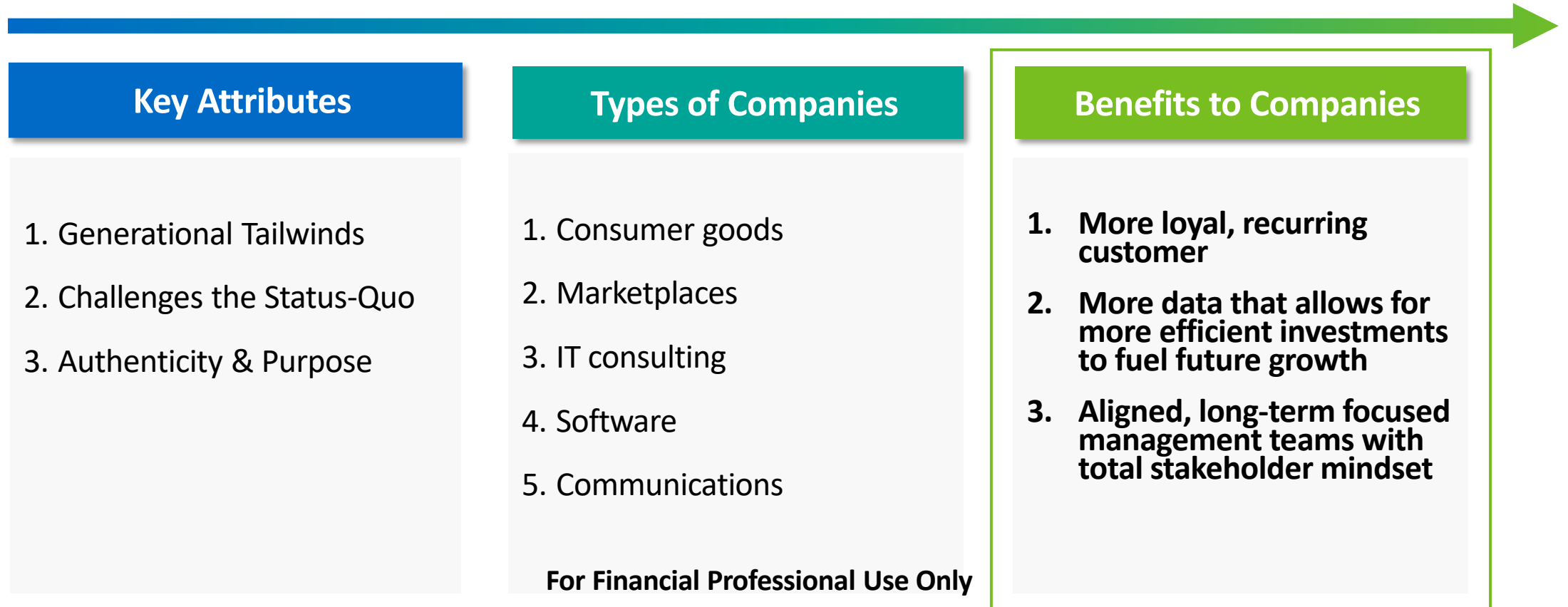
³Source: MullenLowe, 2021. ⁴Source: First Insight, 2020.

Seeking the “Right Side of Change”



Capitalizing on These Trends

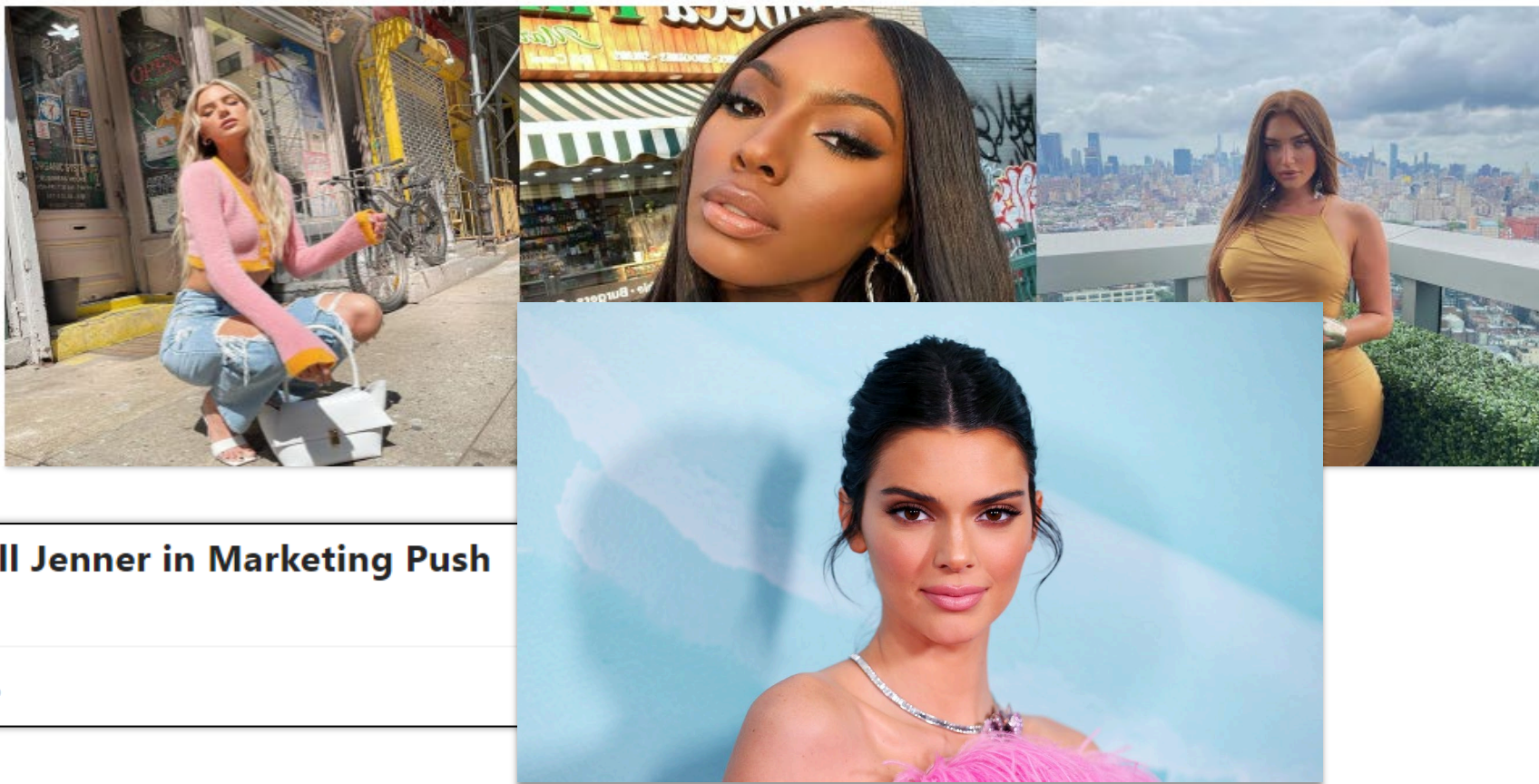
What are the key qualities of companies that we believe can unlock the potential benefits of change, and how do we seek to capitalize on them?



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Revolve Hires Kendall Jenner in Marketing Push

By Mediha DiMartino

Los Angeles Business Journal 16 hours ago

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The U.S. Small Cap Universe


















The companies pictured in this slide represent a random of sample companies in the US Small Cap universe with strong brand recognition, shown for illustrative purposes only as of 10-31-2022. While some of these companies may appear in Polen Capital's portfolios managed by the Small Company Growth team, the information provided throughout this presentation should not be construed as a recommendation to purchase or sell any particular security.

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Why U.S. Small Cap?

Now more than ever, we believe small cap companies can take advantage of these generational shifts and the USA is well-positioned for growth

1

Digital transformation
creates new opportunities
for brand-building

2

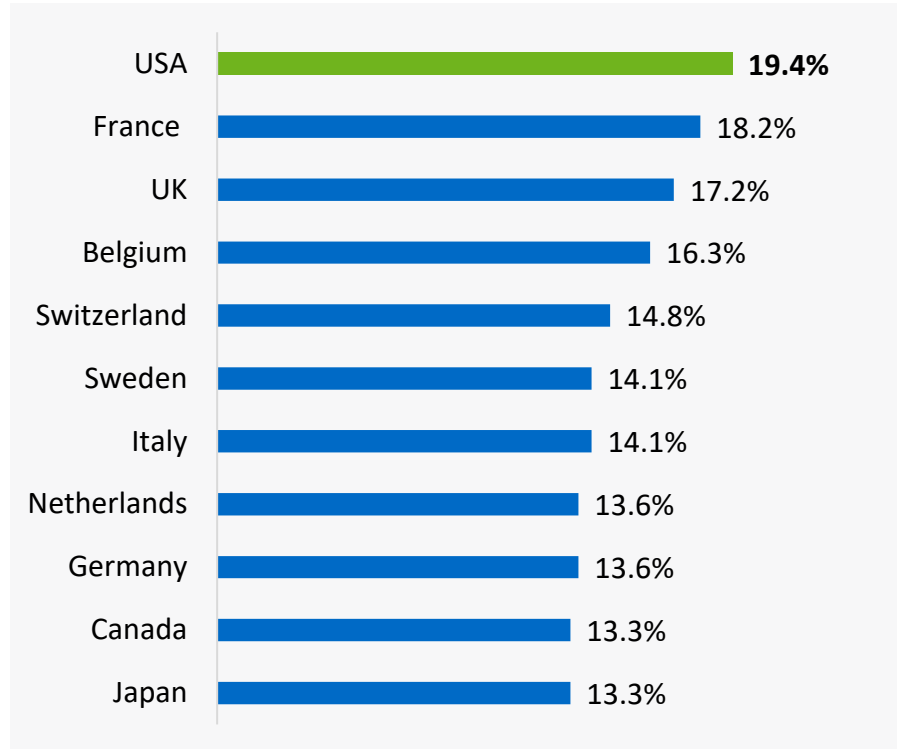
Decreased impact of
location on the ability to
attract and retain talent

3

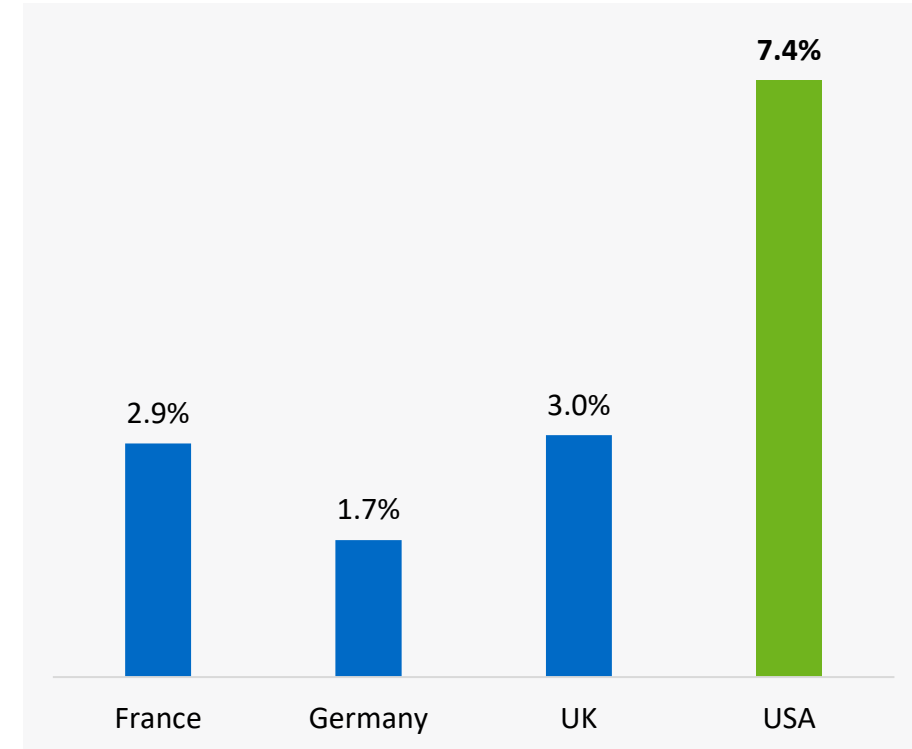
Small companies are often
more agile and better
positioned to innovate

Why U.S. Small Cap?

Gen Z Population of G10 Countries (% of Total)¹



Estimated Change in Consumer Spending (2019 vs. 2024)²

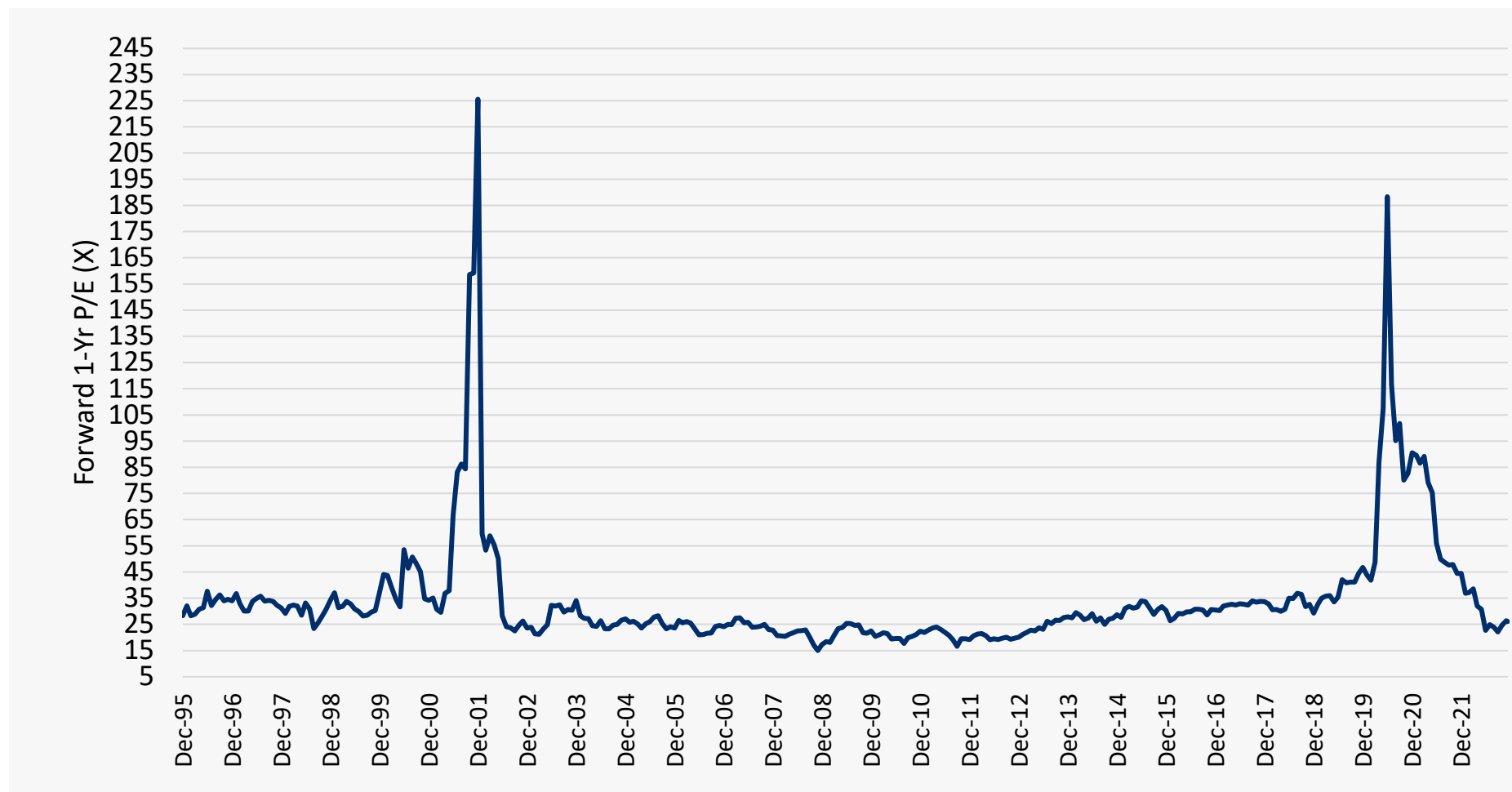


¹Source: United Nations, Morgan Stanley Research, 2017. ²Source: McKinsey, Oxford Economics, 2020. The information provided throughout this presentation is for informational purposes only. Opinions and views expressed constitute the judgment of Polen Capital as of the date of this presentation, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change without notice. Although the information and any opinions or views given have been obtained from or based on sources believed to be reliable, no warranty or representation is made as to their correctness, completeness or accuracy. Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice, including any forward-looking estimates or statements which are based on certain expectations and assumptions. The views and strategies described may not be suitable for all clients. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations. This document does not identify all the risks (direct or indirect) or other considerations which might be material when entering any financial transaction.

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Why U.S. Small Cap?

Russell 2000 Growth Forward 1-Yr P/E Ratio



Source: Bloomberg, Polen Capital. Chart presents blended forward 1-yr P/E ratio for the Russell 2000 Growth index from Jan-1995 to Nov-2022. Indices are unmanaged and one cannot invest directly in an index. The Russell 2000® Growth Index is a market capitalization weighted index that measures the performance of the small-cap growth segment of the U.S. equity universe. It includes Russell 2000® Index companies with higher price/book ratios and higher forecasted growth values. The index is maintained by the FTSE Russell, a subsidiary of the London Stock Exchange Group.

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Key Takeaways

1. Data shows digital-first generations will continue to grow their power and influence as consumers over time
2. Digital transformation has eroded traditional barriers to entry and unlocked greater opportunity for smaller companies to gain wallet share
3. Smaller companies that demonstrate agility have a unique ability to meet the demands of younger generations
4. The U.S. is well-positioned to capitalize on this trend with a large Gen Z population fueling the future labor force and consumer spending
5. U.S. small caps are as inexpensive as they have been in decades, potentially representing a good starting point for future returns