



# Polen Capital Management

2700 N. Military Trail, Suite 230 • Boca Raton, FL 33431-6394 • (561) 241-2425 • Fax (561) 241-2710 • [www.polencapital.com](http://www.polencapital.com)



## January 23, 2012

Damon Ficklin, CPA – Research Analyst  
John Gunther, CIMA, CMT – Relationship Manager

Presentation



# Polen Capital Management

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*Our Mission: To outperform the benchmarks and most other managers  
while taking less risk.*

- ▶ 100% employee owned and independent
  - Our sole Focus is our Large Cap Growth product
  - All partners and employees are invested in the product
  - The Investment Team has 37 years of combined experience on the product
  - Succession plan in place
  
- ▶ Current AUM is approximately \$2.5 Billion
  - 50% Institutional
    - ▶ Public
    - ▶ Corporate
    - ▶ Endowment & Foundation
    - ▶ Taft Hartley
  - 50% High Net Worth
  
- ▶ Highest commitment to client service (direct contact with Investment Team and COO)
  
- ▶ Evidence of a Sustainable Competitive Advantage
  - We have twenty three years of positive statistical evidence supporting the validity of our Investment Process though various market cycles.
    - ▶ Best in class returns in both up and down markets



# PSN Large Cap Growth Universe Rankings

PCM/R1000G Time Period	Returns (Gross)		Alpha		Beta		Sharpe Ratio		Standard Deviation		DnSide Cap Ratio		Information Ratio	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
<b>1 Year</b>	9.17	1	6.80	1	0.79	2	0.73	1	12.52	2	49.81	1	1.39	1
<b>3 Years</b>	20.83	1	5.35	1	0.83	1	1.32	1	15.74	2	67.47	1	0.43	5
<b>5 Years</b>	7.11	1	4.62	1	0.84	5	0.35	1	16.90	7	75.67	1	0.72	1
<b>10 Years</b>	6.79	1	4.19	1	0.76	1	0.37	1	13.58	1	66.16	1	0.61	1
<b>15 Years</b>	9.63	3	5.35	3	0.68	6	0.46	1	14.81	4	60.72	4	0.55	9
<b>20 Years</b>	12.27	1	6.29	1	0.68	3	0.61	1	14.79	1	52.12	1	0.61	1
<b>Since Inception 1/1/89</b>	14.12	1	6.34	1	0.70	1	0.69	1	15.22	5	54.08	1	0.60	1

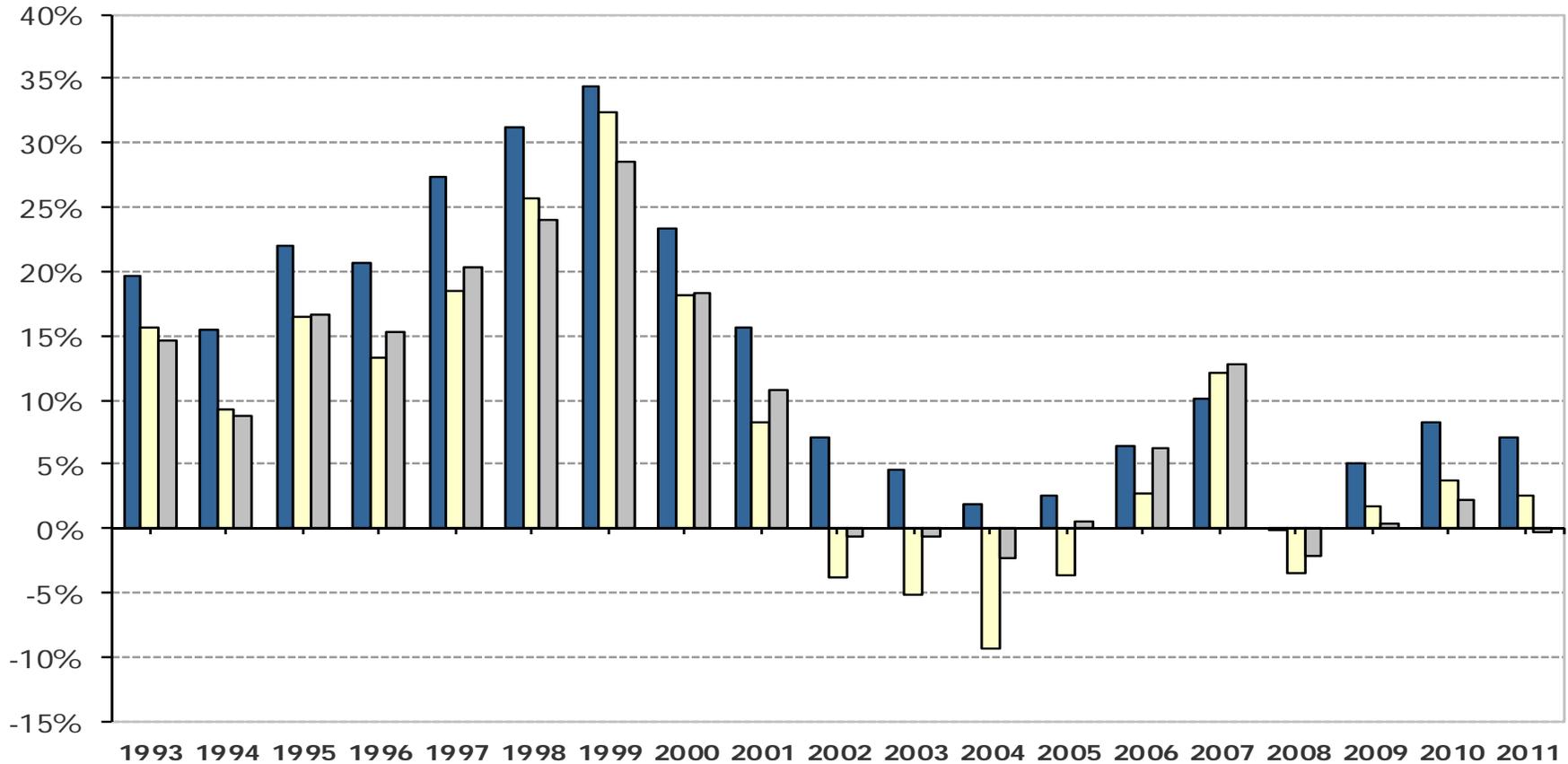
Source: PSN Enterprise Large Cap Growth Universe  
 Results were calculated for the trailing periods ending December 31, 2011  
 Results for the periods 1, 3, 5, 10, and 15 years were calculated based on monthly returns

*Supplemental information to the fully compliant composite performance which accompanies this presentation  
 Past performance is not indicative of future results*



# Consistent Absolute Returns

## Calendar 5-Year Rolling Annualized Returns



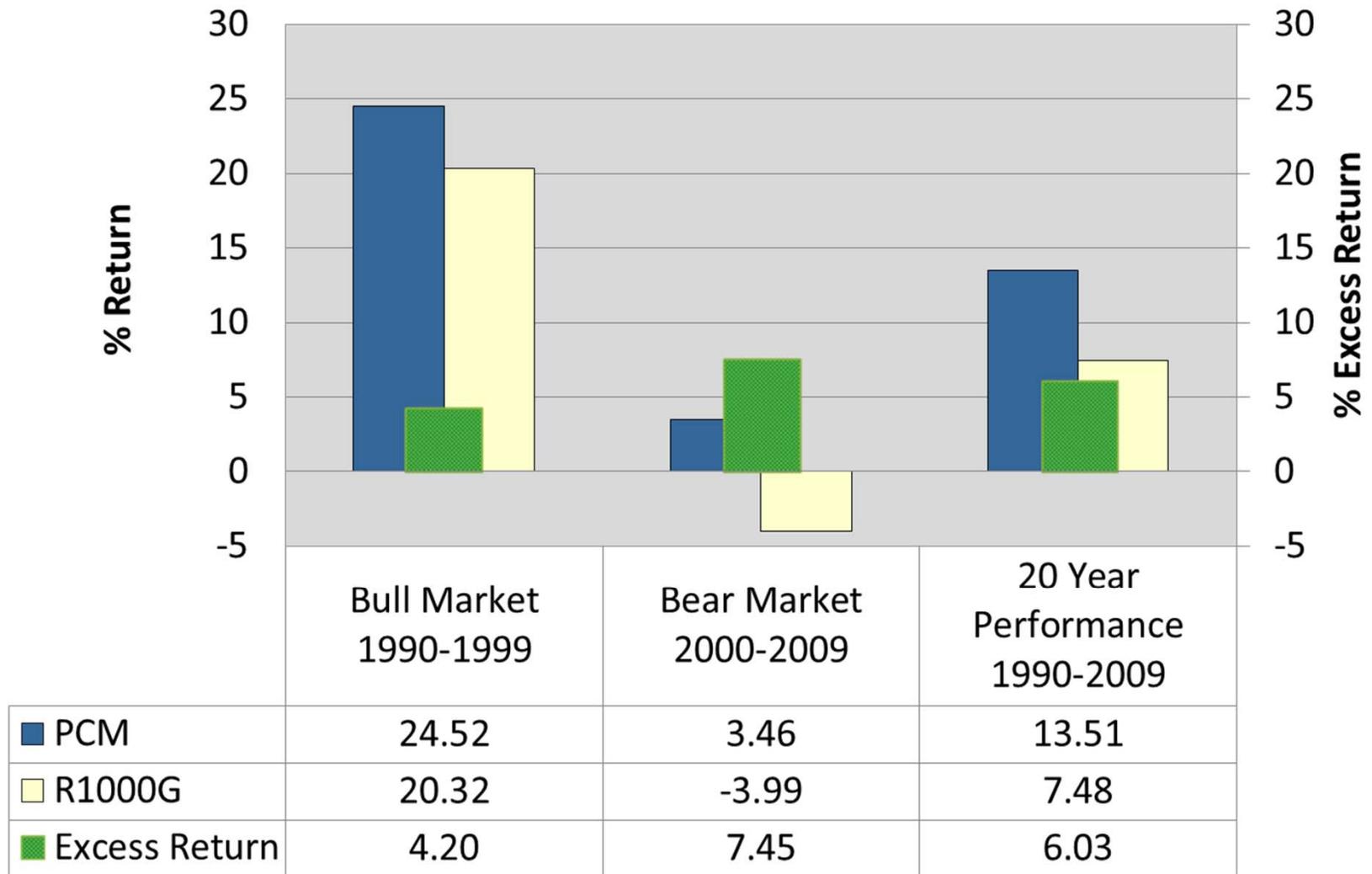
As of 12/31/11



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# Consistency Through Two Contrasting Markets



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# Competitive Advantages / Our Philosophy

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## ▶ **Portfolio Construction**

- Portfolio is constructed with approximately 20 high quality companies characterized by abundant free cash flow, low debt, high ROE, strong revenue growth, stable to improving margins, and shareholder oriented management teams
- Agnostic to index sector weightings and index position weightings - *Best Ideas Portfolio*

## ▶ **Time Horizon**

- Long term focus on company fundamentals and competitive advantages
- Portfolio returns are generated through the compound earnings growth of competitively advantaged companies owned for many years – *Share prices follow earnings growth*
- Portfolio has included less than 100 companies since inception – Average holding period five years

## ▶ **Behavioral**

- No market predictions – fully invested at all times
- Unemotional selling – “don’t lose”, an absolute return mentality
- Sole focus

## ▶ **Risk Management**

- Only invest in financially superior/competitively advantaged businesses – *Margin of Safety*
- Do not over-diversify into marginal/poor businesses
- Portfolio construction parameters include position size limits and sector weight limits
- Strict and disciplined focus on preservation of capital, no major losers in portfolio since inception

## ▶ **Investment Team Tenure**

- 37 Years of combined experience on the product
- Same lead Portfolio Manager throughout history and in place today
- 23 years of evidential success through consistent application of investment process



# Investment Process

## The Process

### 1. Quantitative Metrics

- Better than Average Earnings Growth
- High Levels of Free Cash Flow
- ROE above 20% Sustained
- Stable to Improving Margins
- Exceptionally strong Balance Sheet

### 2. Initial Financial Analysis

- Test Sustainability of Strong Financials
- Determine Cyclical Influence on Financials
- Rule Out Fad/Fashion Impacts

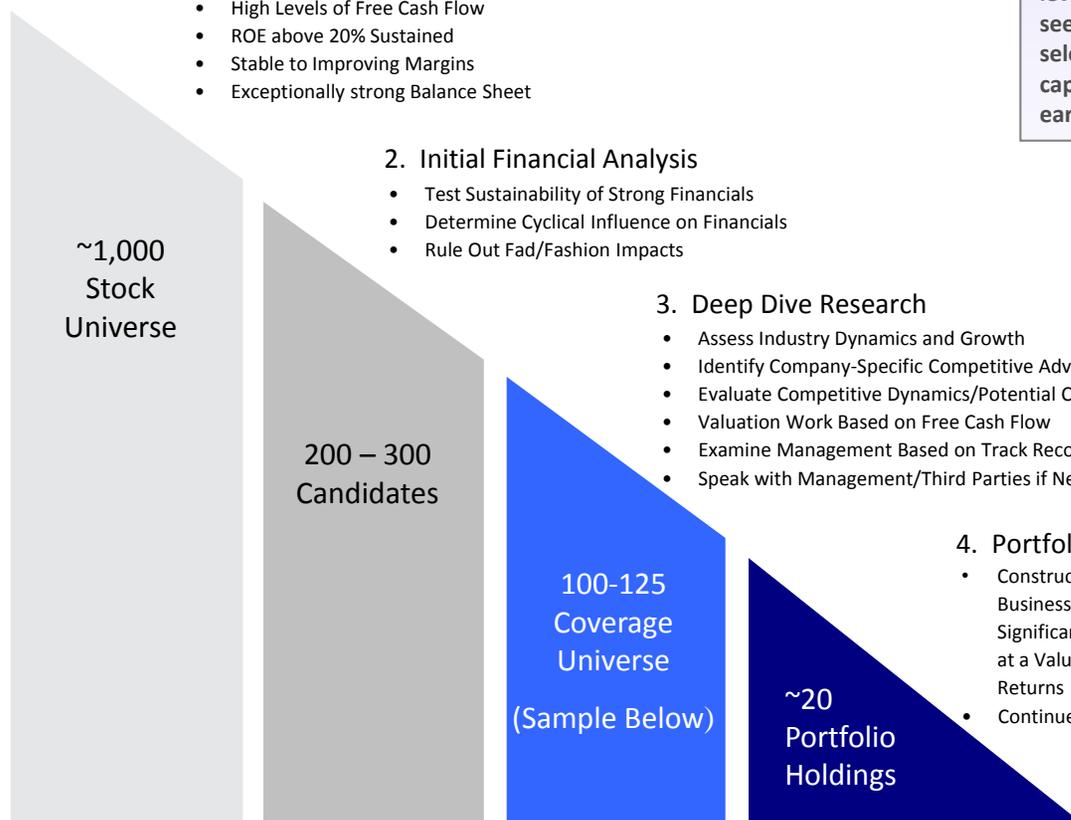
### 3. Deep Dive Research

- Assess Industry Dynamics and Growth
- Identify Company-Specific Competitive Advantage
- Evaluate Competitive Dynamics/Potential Changes
- Valuation Work Based on Free Cash Flow
- Examine Management Based on Track Record
- Speak with Management/Third Parties if Necessary

### 4. Portfolio Construction & Management

- Construct Portfolio of ~20 Competitively Advantaged Growth Businesses that Should 1) Grow Overall Portfolio Earnings Significantly Faster than the Market and 2) Are Each Available at a Valuation that Allows for Above Market Investment Returns
- Continue to Monitor Objectively

We employ a disciplined and repeatable investment process including an initial quantitative screen followed by various levels of rigorous bottom-up fundamental analysis. The process seeks to identify from our initial universe of 1,000 securities a select and concentrated portfolio of 15 to 25 high quality large-cap companies capable of delivering sustainable above average earnings growth with a margin of safety.



#### Sample Coverage Universe

3M Company, Abbott Labs, Accenture, Adobe, Alcon, Inc., Allergan, Amazon.com, American Express, Amgen, Apple Inc., Auto Data Processing, Autodesk, Baxter Int'l, Becton-Dickinson, Berkshire Hathaway, BMC Software, C.H. Robinson, C.R. Bard, Celgene, Charles Schwab, Check Point, Church & Dwight, Cisco Systems, CME Group, Coach Inc., Coca-Cola, Cognizant Tech, Colgate-Palmolive, DirectTV, Dun & Bradstreet, eBay Inc., Ecolab, Expedito's Intl, Express Scripts, FactSet, Fastenal, Fluor, Franklin Resources, Gap, General Dynamics, Gen-Probe, Gilead Sciences, Google, Green Mountain, IBM, Idexx Labs, Intuit, Intuitive Surgical, Johnson & Johnson, LabCorp, Life Technologies, Lockheed Martin, Mastercard, McGraw-Hill, MedcoHealth Solutions, Medtronic, Merck, Microsoft, Monsanto, Moodys, Nike, Nokia, Novo Nordisk, Oracle, Paychex, Pepsico, Qualcomm, Research In Motion, Rockwell Collins, Ross Stores, Salesforce.com, SAP, Scripps Networks, Sigma-Aldrich, St. Jude Medical, Staples, Starbucks, Stryker, Sysco Corporation, T. Rowe Price, Techne, TJX Companies, United Parcel Service, Varian Medical, Verisk Analytics, Visa Inc., Waters, Zimmer

# Buy Example

## Overview

- Varian Medical Systems is the world's leading manufacturer of medical devices and software for treating cancer and other medical conditions with radiotherapy, brachytherapy and radiosurgery
- The company is also a premier supplier of X-ray tubes and digital detectors for film-based and filmless imaging in medical, scientific and industrial applications, and supplies high-energy X-ray imaging products for cargo screening and industrial inspection



## Investment Rationale

(As of purchase date in February 2008)

- Varian Medical Systems was attractively valued, order growth was accelerating providing some renewed business momentum, and its new product offerings which should drive sales and earnings growth for the next few years were being very well received
- The company has a dominant franchise with about 60% share of the installed base of radiotherapy/radiosurgery machines globally. This supports the largest global service organization in the business and also positions Varian extremely well to sell new products/upgrades
- Varian has produced the most versatile machines in the industry by maintaining a broad leadership position through continuous innovation. This versatility allows its customers to stay on the cutting edge, while maintaining high patient throughput to maximize the return on their investment

## Key Financial Ratios

<b>Financial Strength</b>	<b>A+</b>
<b>Return on Equity</b>	<b>32%</b>
<b>FCF/Net Income</b>	<b>100%</b>
<b>Operating Margin</b>	<b>25%</b>
<b>Long Term Earnings Growth (Forecast)</b>	<b>12%</b>
<b>Forward P/E</b>	<b>15x</b>



# Sell Discipline

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The following factors may influence a sell decision:

## **Qualitative Breakdown**

- Potential or actual impairment of the sustainable competitive advantage, inability to quantify business or industry risk
- Questionable quality of management decision making (i.e. capital allocation decisions)

## **Quantitative Deterioration**

- Reduced earnings growth
- Margin compression
- Declining ROE
- Increasing Debt to Total Capital

## **Valuation**

- As measured by Price to Earnings, Price to Cash Flow, and Market Value vs. Intrinsic Value

## **Identification of a Superior Alternative**

- A more attractive sustainable growth opportunity

## **Portfolio Construction Discipline**

- Risk Management related to individual position size, sector weights, or similarity of positions

- ▶ Historical annual turnover is less than 25%
- ▶ Average holding period has been more than 4 years



# Portfolio Characteristics

As of December 31, 2011

Name	Market Cap (Millions)	P/E Trailing 12 Months	P/E Forward	Long Term Debt/Capital Ratio %	Price/ Book	Est 3-5 Year EPS % Growth	ROE%
Abbott Laboratories	87,595	12.0	11.2	35.9	3.6	8.0	27.5
Accenture PLC	37,000	16.5	12.3	0.0	9.8	12.5	71.5
Allergan, Inc.	26,764	25.4	20.6	24.4	5.2	15.6	19.2
Apple, Inc.	376,411	14.6	10.7	0.0	4.9	21.8	41.7
CH Robinson Worldwide, Inc.	11,456	27.1	22.4	0.0	9.0	14.7	34.9
Coach, Inc.	17,813	20.2	15.6	1.4	9.8	13.5	53.4
Cognizant Technology Solutions Corporation	19,429	23.5	19.5	0.0	4.9	18.7	23.3
FactSet Research Systems, Inc.	3,942	24.2	18.6	0.0	7.7	16.0	33.6
Google, Inc.	209,199	21.8	15.0	0.0	3.8	19.3	19.5
Intuit, Inc.	15,632	20.8	15.8	20.9	6.6	14.1	25.7
Intuitive Surgical, Inc.	18,055	40.0	33.7	0.0	7.6	19.3	21.3
MasterCard Incorporated A	47,324	21.0	16.2	0.0	7.9	16.1	42.6
Microsoft Corporation	218,380	9.4	9.1	17.3	3.7	11.1	44.2
Oracle Corporation	128,913	14.1	10.3	27.1	3.1	14.7	24.5
Qualcomm, Inc.	91,950	20.2	14.0	0.0	3.4	15.3	17.8
Starbucks Corporation	34,296	28.4	20.9	11.1	7.8	17.3	30.9
T. Rowe Price Group	14,388	19.5	18.9	0.0	4.4	14.8	24.5
Varian Medical Systems, Inc.	7,557	19.5	15.3	0.5	6.1	12.7	31.7
PCM Model Portfolio (weighted average)	90,644	21.1	16.7	6.5	5.9	15.8	32.3
Russell 1000 Growth	92,599	15.5	13.7	28.4	6.7	13.5	27.6
S&P 500	92,880	13.3	12.1	31.4	4.0	10.8	23.0

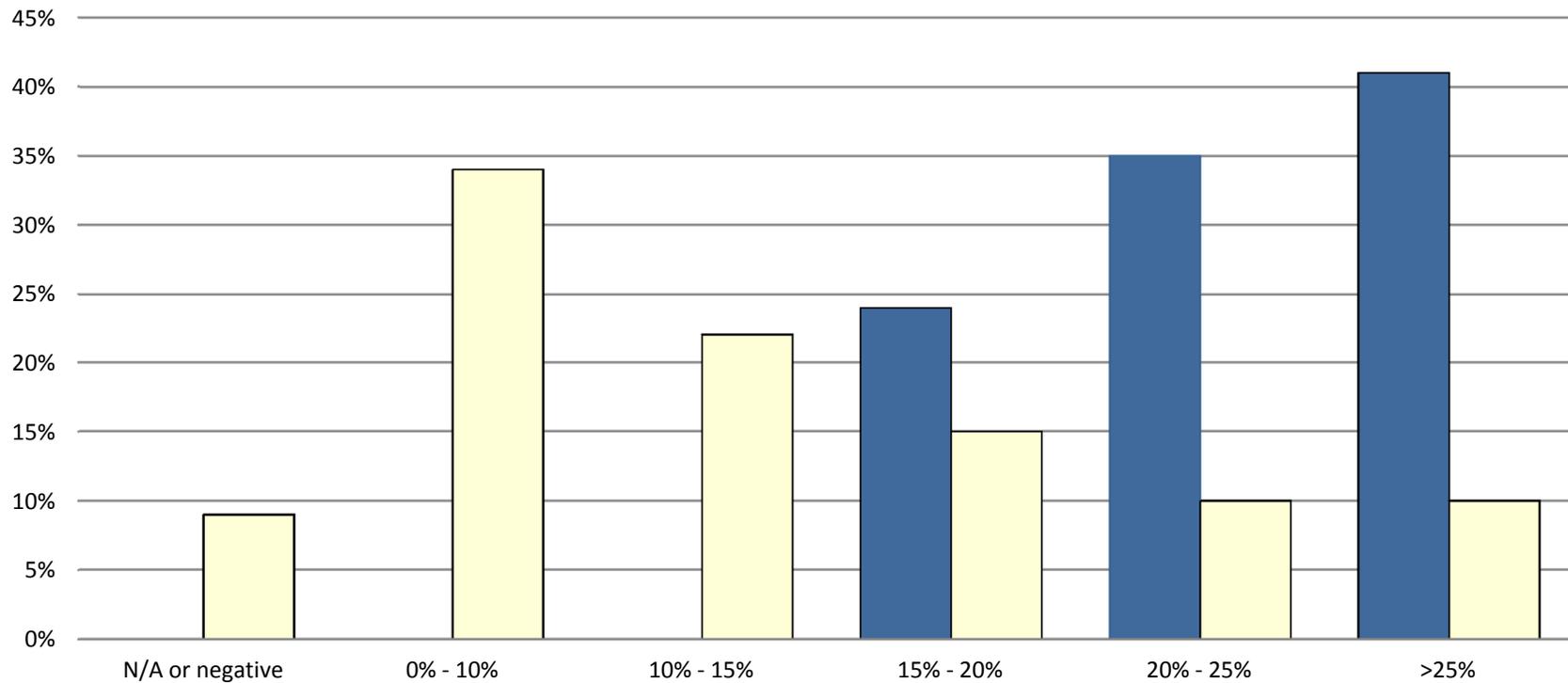
Source: Morningstar

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# Portfolio - Return on Total Capital

**Percentage of Holdings by Return on Total Capital\***



	N/A or negative	0% - 10%	10% - 15%	15% - 20%	20% - 25%	>25%
■ PCM	0%	0%	0%	24%	35%	41%
□ Russell 1000 Growth	9%	34%	22%	15%	10%	10%

\*Equal Weighted

Source: FactSet

As of 6/30/2011

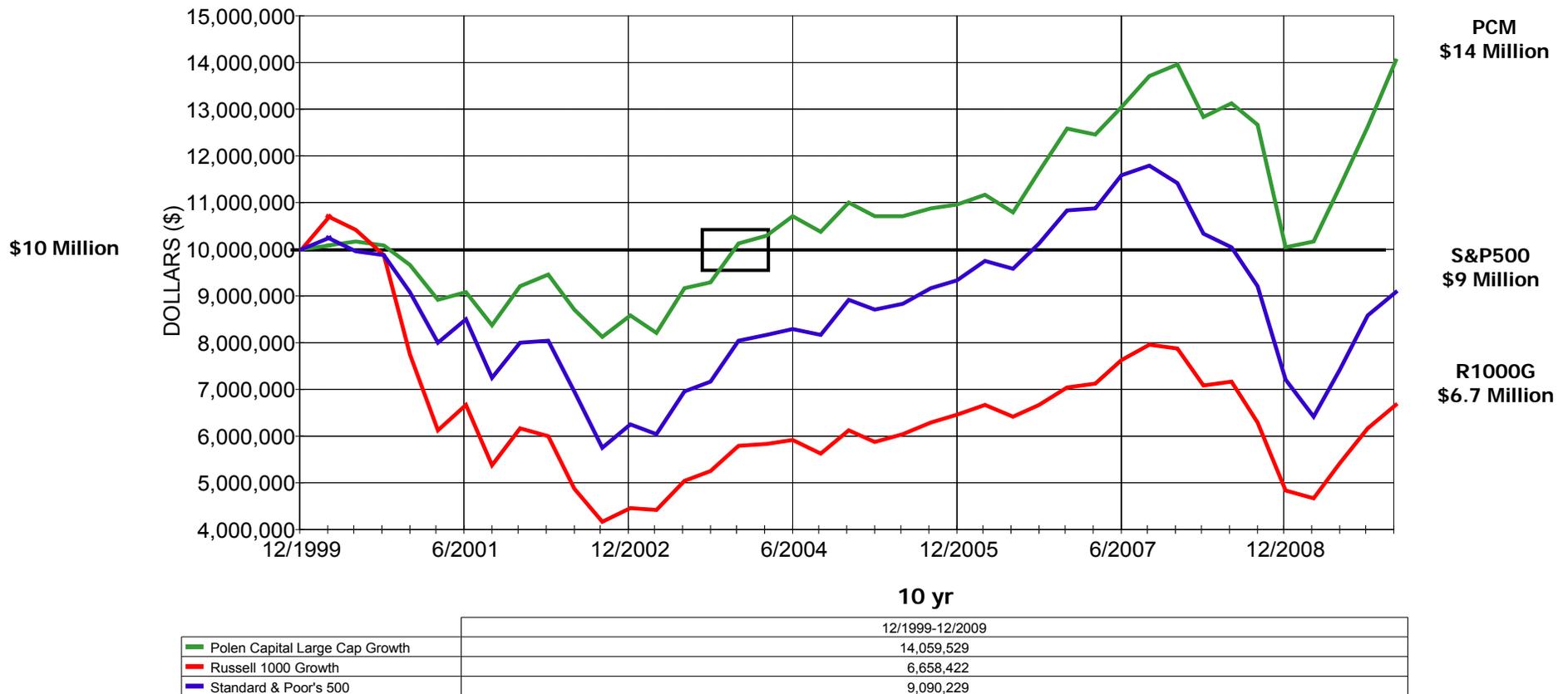
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# Capital Drawdown & Recovery Periods

**PSN**

**GROWTH OF AN INVESTMENT  
DRAWDOWN & RECOVERY PERIODS  
DECEMBER 31, 1999 TO DECEMBER 31, 2009**

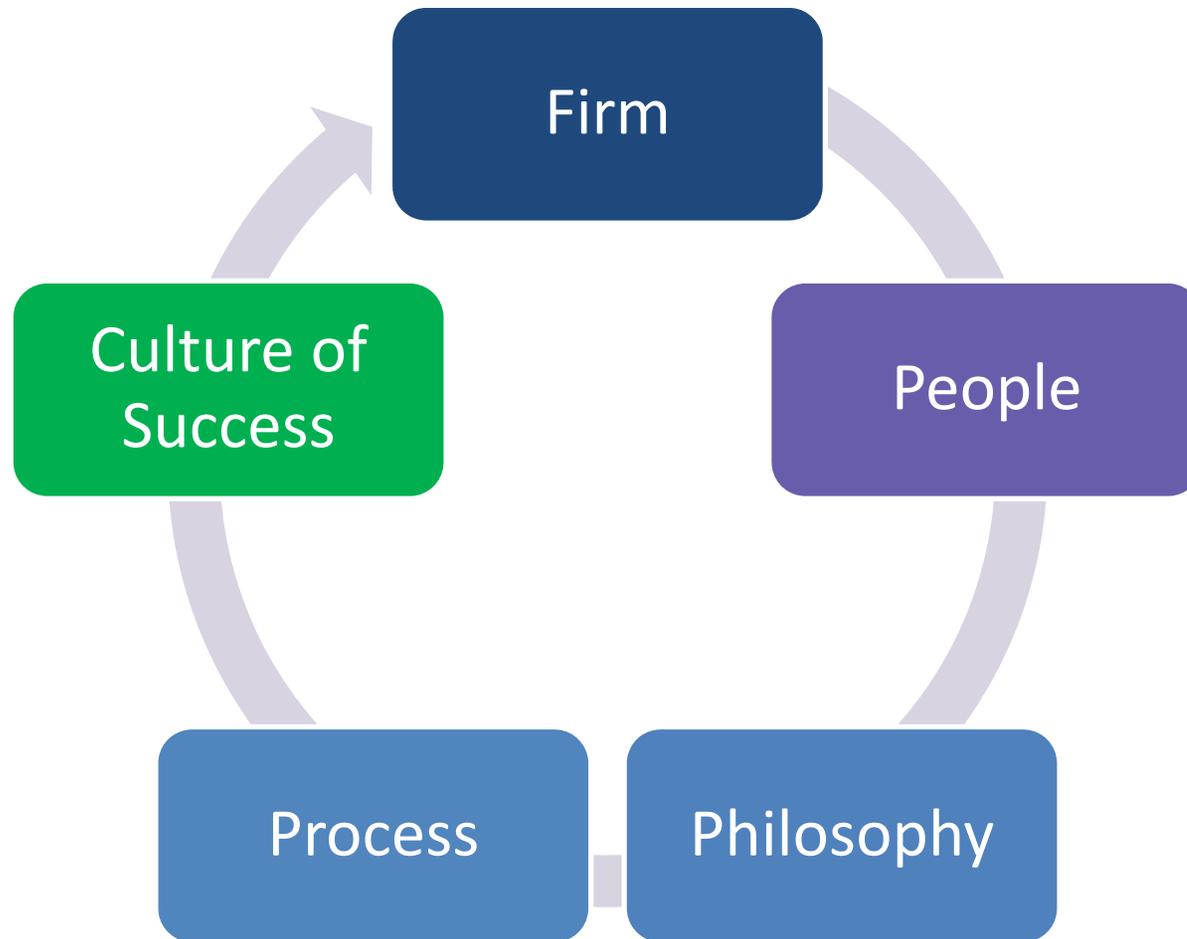


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# Polen Capital Management

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# APPENDIX



# PCM Investment & Client Service Team

## for City of Ormond Beach

### **David Polen, CEO & CIO**

Mr. Polen, Founder and CEO, is the Chief Investment Officer of Polen Capital Management. He has a B.A. from Brooklyn College of the City University of New York and over forty years of experience in the investment business. Mr. Polen developed PCM's proprietary Systematic Valuation Discipline more than twenty-five years ago by applying Benjamin Graham's concept of Margin of Safety to his own tenets of growth stock investing. Mr. Polen has been frequently quoted and interviewed in the national media on growth stock investing and has appeared as a guest on CNBC.

### **Stan Moss, Chief Operating Officer**

Mr. Moss joined Polen Capital Management in 2003. Mr. Moss's responsibility includes operations, administration, and marketing of the firm. In addition, Mr. Moss serves as Chief Compliance Officer and Chief Financial Officer for the firm. Prior to joining Polen Capital, over a seven year period, Mr. Moss served in CFO, strategic planning, operational and business development capacities for AmSouth Asset Management encompassing five Registered Investment Advisors, two Broker/Dealers, and a Mutual Fund Company. Prior to AmSouth Mr. Moss was an Auditor for Coopers & Lybrand focusing on financial services companies. Mr. Moss received his B.S. and MBA from the University of Alabama where he was a student athlete. Mr. Moss is a CFA charterholder and Certified Public Accountant (CPA). He is a member of the AICPA, CFA Institute, and the CFA Society of South Florida, and serves on the Board of the Make-A-Wish Foundation of Southern Florida.

### **Dan Davidowitz, Portfolio Manager & Research Analyst**

Mr. Davidowitz joined Polen Capital Management in 2005. Prior to joining Polen Capital, Mr. Davidowitz spent five years as Vice President and Research Analyst at Osprey Partners Investment Management. Before joining Osprey Partners, Mr. Davidowitz spent one year as a Research Analyst at Value Line, Inc. and five years in the health care sector holding various analytical positions at Memorial Sloan-Kettering Cancer Center. Mr. Davidowitz received his B.S. with high honors in Public Health from Rutgers University and a Masters in Business Administration from the City University of New York, Baruch College Zicklin School of Business. Mr. Davidowitz is a CFA charterholder and a member of the CFA Institute and the CFA Society of South Florida.

### **Damon Ficklin, Research Analyst**

Mr. Ficklin joined Polen Capital Management in 2003. Prior to joining Polen Capital, Mr. Ficklin spent one year working as an equity analyst with Morningstar and four years as a tax consultant to Fortune 500 companies with Price Waterhouse. He graduated Magna Cum Laude from the University of South Florida with a B.S. in Accounting, earned a M.S.A. from Appalachian State University, and earned an MBA with high honors from The University of Chicago Booth School of Business. Mr. Ficklin is also a Certified Public Accountant (CPA).

### **Todd Morris, Research Analyst**

Mr. Morris joined Polen Capital Management in 2011. Prior to joining Polen Capital, Mr. Morris spent a year in research, and marketing roles with Prudential Insurance, and Millennium Global Asset Management. Prior to that he served as an officer in the U.S. Navy for seven years. Mr. Morris received his B.S. in History from the U.S. Naval Academy, and earned an MBA from Columbia Business School.

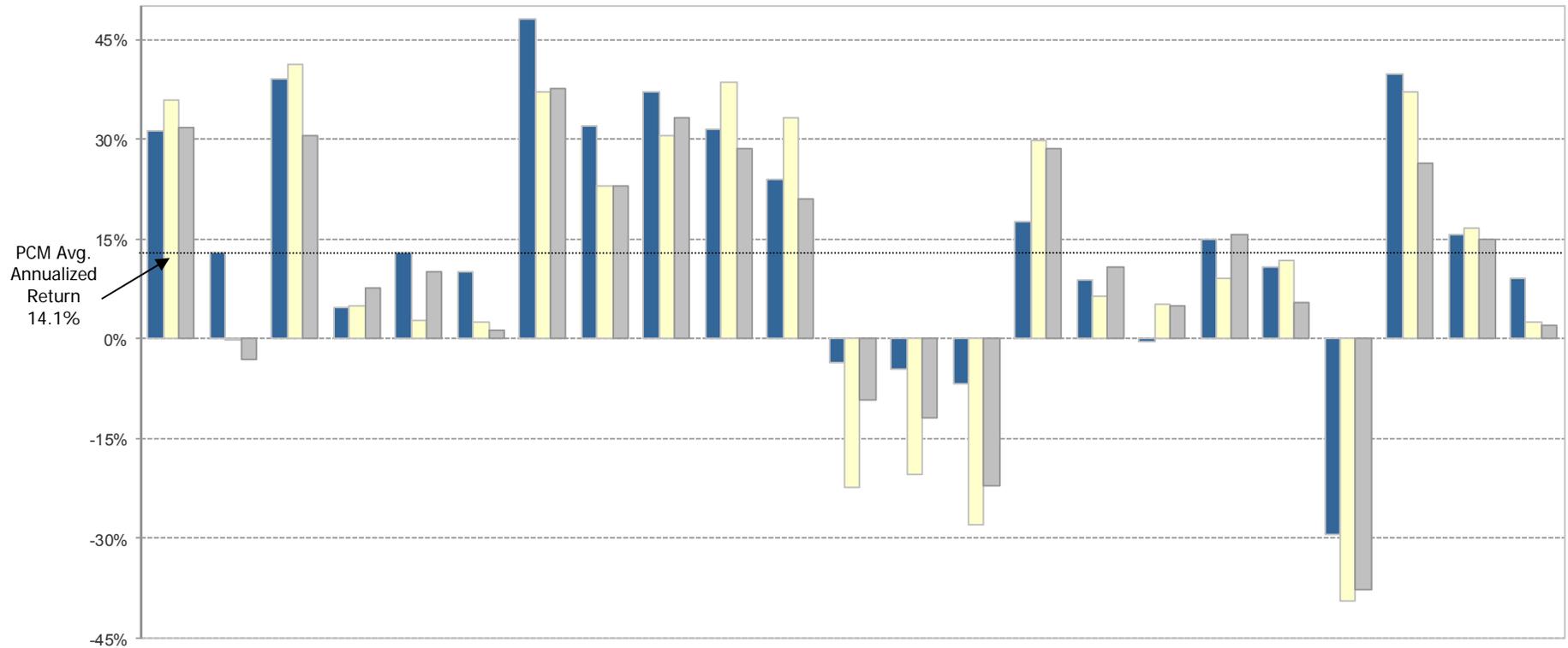
### **John Gunther, Relationship Manager**

Mr. Gunther joined Polen Capital Management in 2005. Prior to joining Polen Capital, Mr. Gunther spent the previous seven years within the Private Client Divisions of Wachovia Wealth Management, Oppenheimer & Co. and Deutsche Bank Alex. Brown. He has a B.A. in Finance from Loyola University in Maryland where he was a student athlete. Mr. Gunther is a Certified Investment Management Analyst and a Chartered Market Technician. He is also a member of the Investment Management Consultants Association and the Market Technicians Association.



# Annual Rates of Return

PCM vs. Russell 1000 Growth & S&P 500  
January 1, 1989 through December 31, 2011



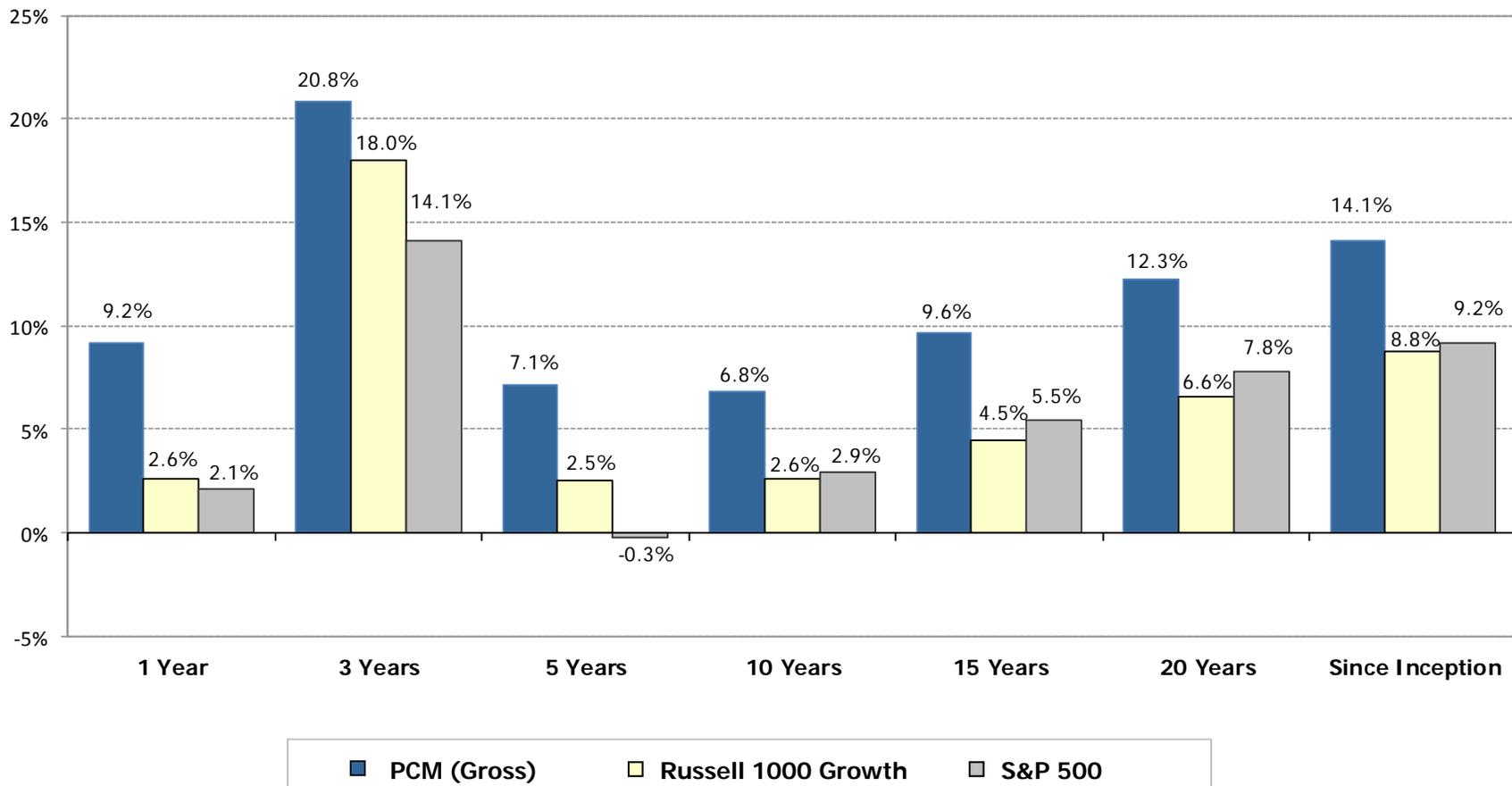
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>PCM (Gross)</b>	31.2%	13.1%	39.0%	4.8%	13.1%	10.1%	48.1%	32.0%	37.1%	31.6%	23.9%	-3.5%	-4.6%	-6.7%	17.7%	8.8%	-0.5%	15.1%	10.7%	-27.8%	39.7%	15.7%	9.2%
<b>R1000G</b>	35.9%	-0.3%	41.3%	5.0%	2.9%	2.6%	37.2%	23.1%	30.5%	38.7%	33.2%	-22.4%	-20.4%	-27.9%	29.8%	6.3%	5.3%	9.1%	11.8%	-38.4%	37.2%	16.7%	2.6%
<b>S&amp;P 500</b>	31.7%	-3.1%	30.5%	7.6%	10.1%	1.3%	37.6%	23.0%	33.4%	28.6%	21.0%	-9.1%	-11.9%	-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%

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# Consistent Excess Returns

Trailing Annualized Gross Returns  
As of 12/31/2011



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# GIPS Disclosure

## POLEN CAPITAL MANAGEMENT LARGE CAPITALIZATION EQUITY COMPOSITE ANNUAL DISCLOSURE PRESENTATION

Year	Total	UMA	Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation*		
		Assets	Assets	U.S. Dollars	Number of	Composite		S&P	Russell 1000	Composite	PCM	S&P	Russell 1000
End	(millions)	(millions)	(millions)	(millions)	Accounts	Gross	Net	500	Growth	Dispersion	Gross	500	Growth
2011	2,374	562	1,812	587	185	9.17%	8.38%	2.11%	2.64%	0.2%	15.74	18.71	17.76
2010	1,182	322	860	332	127	15.66%	14.73%	15.06%	16.71%	0.2%	19.88	21.85	22.11
2009	624	131	493	235	127	39.73%	38.49%	26.46%	37.21%	0.3%	16.75	19.63	19.73
2008	266	10	256	152	121	-27.84%	-28.44%	-37.00%	-38.44%	0.3%	15.05	15.08	16.40
2007	682	-	682	504	152	10.73%	9.82%	5.49%	11.81%	0.2%	8.24	7.68	8.54
2006	730	-	730	533	224	15.07%	14.12%	15.80%	9.07%	0.1%	7.17	6.82	8.31
2005	1,849	-	1,849	986	430	-0.51%	-1.42%	4.91%	5.26%	0.2%	7.98	9.04	9.53
2004	2,017	-	2,017	1,160	693	8.76%	7.78%	10.88%	6.30%	0.2%	9.95	14.86	15.45
2003	1,617	-	1,617	969	570	17.72%	16.67%	28.68%	29.75%	0.6%	12.80	18.07	22.66
2002	970	-	970	544	420	-6.69%	-7.54%	-22.06%	-27.88%	0.4%	12.96	18.55	25.22
2001	703	-	703	417	305	-4.61%	-5.50%	-11.93%	-20.42%	0.6%	13.39	16.71	25.21
2000	622	-	622	363	239	-3.50%	-4.45%	-9.10%	-22.42%	0.5%	16.29	17.42	22.79
1999	640	-	640	385	233	23.89%	22.63%	21.04%	33.16%	0.6%	18.02	16.52	19.00
1998	418	-	418	266	205	31.61%	30.20%	28.58%	38.71%	0.7%	17.70	16.01	17.90
1997	252	-	252	147	160	37.14%	35.64%	33.36%	30.49%	0.9%	12.99	11.14	12.62
1996	140	-	140	94	125	31.95%	30.43%	22.96%	23.12%	0.7%	10.46	9.58	10.34
1995	70	-	70	46	63	48.08%	46.34%	37.58%	37.18%	1.1%	9.58	8.22	9.13
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								

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 U.S. 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 March 31, 2011.

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 September 30, 2010. 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. As of July 1, 2002, composite policy requires 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 occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the first full month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. 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.