



Fund Manager Review – Polen Capital Emerging Markets Growth Fund

Date of Review: May 2025

Fund Website: <https://www.polencapital.com/strategies/emerging-markets-growth>

Overview and Strategy

The Polen Emerging Markets Growth Fund offers a high-conviction, benchmark-agnostic strategy focusing on companies with sustainable earnings growth and durable competitive advantages. With over 35 years of proven investment pedigree, Polen Capital applies a business-owner mindset to identify 30–35 high-quality growth businesses capable of compounding returns over time.

Polen has recently taken on four strategies from Somerset and the aim is to roll all the strategies into the Emerging Markets Dividend Fund from September 2025. The holdings of this have been aligned with the Polen Emerging Markets Growth Fund from January 2025. The team consists of individuals from specialist fund houses including Lloyd George, Somerset, Arisaig and First State Stewart.

Investment Philosophy and Process

The team follows a structured five-stage research process, starting with a universe of over 50,000 companies, narrowing to 25–40 holdings (more likely to be closer to 30). The focus is on:

- High returns on capital
- Deep competitive moats
- Strong balance sheets
- Robust governance and sustainability integration
- Long-term investment horizon of five years or more

The team actively engages with management, conducts site visits, and applies a proprietary framework to evaluate risk/reward, avoiding market timing. Additionally they engage with industry experts, and competitors to gain a deeper understanding of the businesses they invest in.

Portfolio and Performance Highlights (as of 31 March 2025)

- Number of Holdings: 34
- Active Share: 84.4%
- Long-Term EPS Growth Estimate: 18.2%
- Weighted Average Market Cap: \$32.2bn
- Forward P/E: 16.9x
- Top Holdings: Tencent Music, TSMC, Prosus, HDFC Bank, Dino Polska
- Sector Exposure: High in Consumer Discretionary, IT, Financials
- Country Exposure: India, China, Taiwan, Poland
- Net Performance (5Y Annualised): 6.09% vs 7.94% (MSCI EM Index)
- YTD Performance (Mar 2025): 1.67% vs 2.93% (Benchmark)

Key Differentiators

- Benchmark-agnostic, focused on absolute returns
- Low turnover, high conviction portfolio
- Preference for structural growth and downside protection
- “Sleep easy” strategy: targeting lower volatility through quality
- Consistent application of quality and “ESG metrics” to mitigate risk
- Thinking like buyers of an overall business rather than trying to predict share prices

Recent Activity and Outlook

Polen Capital believes EM equities are at an inflection point with valuations near historic lows. The strategy is well positioned to benefit from reallocation away from US equities amid a weakening dollar and global growth divergence. Despite recent underperformance due to the dominance of US megacaps, the manager remains confident in the long-term potential of its process and holdings.

Manager Insight and Communication Notes

In a meeting with Damian Bird (Head of EM), the following themes were emphasised:

- Long-term thinking, not reactive to short-term cycles
- Avoiding overly concentrated benchmark weights
- Active engagement with companies and deep due diligence

- Disciplined quality assessment – aiming for 5 out of 6 quality criteria to High bar for quality assessment – only the very best companies make the standards for inclusion
- Target AUM of £70m upon September 2025 roll-up, with incentivised share class

Conclusion

The Polen Capital Emerging Markets Growth Fund stands out for its disciplined focus on earnings quality, long-term compounding potential, and strong ESG practices (this is not a sustainable strategy, these are common screening factors). It is best suited for investors seeking core EM exposure with a differentiated, low-volatility profile and an emphasis on downside protection.

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