POLARIS
CAPITAL MANAGEMENT, LLC

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INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2024		Annualized as of March 31, 2024				
	YTD	**QI**	**1 Yr**	**3 Yrs**	**5 Yrs**	**10 Yrs**	**Since 6/30/1984**
Polaris Intl. Equity Composite (net of fees)	**3.78%**	**3.78%**	**16.04%**	**2.22%**	**5.61%**	**4.58%**	**10.10%**
Polaris Intl. Equity Composite (gross of fees)	**3.90%**	**3.90%**	**16.61%**	**2.72%**	**6.13%**	**5.13%**	**10.91%**
MSCI EAFE Index, gross dividends reinvested	5.93%	5.93%	15.90%	5.31%	7.84%	5.30%	8.73%

Composite returns are preliminary. Past performance is not indicative of future results.

Global equity markets enjoyed consecutive months of gains, with the MSCI EAFE Index returning 5.93% for the quarter. European markets rounded the corner, reporting better-than-expected inflation figures, while the U.S. continued its hot streak on the back of mega-cap tech stocks. Asian countries and select emerging markets also posted modestly positive returns, with a notable market re-rating in Japan as the country reevaluated its stance on deflation. Major central banks (including the Federal Reserve) wrestled with the idea of rate cuts, holding firm as the drivers of inflation remain in play. The exceptions were the Swiss National Bank, which cut rates, and aforementioned Japan, which raised rates for the first time in 17 years.

On this backdrop, the Polaris International Equity Composite returned 3.78% (net of fees), lagging the benchmark. The Composite had absolute positive gains across a majority of sectors, led by materials, industrials, financials, and communication services. Portfolio holdings in energy and health care were in negative territory. From a country perspective, the portfolio outperformed in Germany, United Kingdom, Sweden and Belgium, to name a few. Absolute negative returns were noted in Norway, Canada, Italy, Thailand and Switzerland.

FIRST QUARTER 2024 PERFORMANCE ANALYSIS

The law of supply and demand played out in copper market prices. The "electrification of everything" and a resurgent Chinese economy drove demand, but supply side constraints were an equally, if not more important, determinant of pricing. Many of the most productive copper mines across the world are seeing declining production rates. Copper is produced in places like Chile and Peru, but also in some more politically and economically challenged countries in Africa and Asia; supply disruptions can result from political unrest. For example, Panama somewhat surprisingly halted development of First Quantum Minerals' new $10 billion Cobre mine. There are also globally-recognized issues in terms of water availability and drought, which are critical in the processing of copper. In summary, the number of new really productive projects coming online are fairly limited; as a result, the copper market should remain tight for the next decade. This will benefit the likes of pure copper players like Lundin Mining and Antofagasta PLC, both portfolio companies that jumped more than 20% for the quarter. Elsewhere in the materials sector, Smurfit Kappa Group, the Irish paper and packaging supplier, rose ahead of its $20B merger deal with U.S. rival WestRock, expecting synergies and a rebound for durable goods in 2024. Other M&A activity, including Mondi PLC's bid for DS Smith, portends greater packaging industry consolidation in Europe.

Among material sector detractors, Canadian methanol producer Methanex reported a delay in the startup of its Geismer 3 project and repairs at its Egypt facility. In an interview with CNBC, Yara International's CEO stated "volatility is the new normal" in the food system; the stock consequently declined. However, the fertilizer market looks to have stabilized with pricing largely back to normalized levels, as the supply/demand balance is back in check.

Portfolio revisions in early 2024 proved fruitful, as we steered away from the passenger car market in favor of the broader truck market. Industrial stocks, Daimler Truck Holding and Weichai Power Co, each had double-digit gains for the quarter. Daimler Truck hosted an investor day, showcasing its North American market growth with a roll-out of electric delivery trucks in California; the state has a mandate to reach 100% electrification of its governmental fleet by 2035. Heavy truck diesel engine manufacturer Weichai posted strong net profits and increased revenue despite a weaker global and local economy. In a February earnings announcement, Japanese trading company Marubeni Corp. revised profits up for 2024; the market lauded this guidance.

The financial sector was boosted by two German reinsurance companies, Munich Re and Hannover Re, as they continued to advance on a firmer price environment. Both raised dividends and set positive guidance for 2024. Shinhan Financial was up more than 10%, as the South Korean institution implemented a number of strategic moves surrounding pre-emptive provisioning and shareholder returns. Puerto Rican bank, Popular, Inc. continues to have a very strong capital position which creates flexibility and optionality around growth. During the Q4 2023 earnings call the company did mention they are starting to see some normalization of the credit book; however, this is well within management's expectations and tolerance levels.

SK Hynix and Samsung Electronics could be considered artificial intelligence "derivatives", capitalizing on the space without the high price tag associated with some of the mega-cap names. Each sits in the fiercely competitive environment amongst semiconductor chip suppliers and chip component manufacturers. On the opposite end of the IT spectrum, OpenText Corp. declined as investors took profits following a stock rebound in December and January. The company released solid earnings, citing healthy cloud bookings in enterprise content. However, tepid organic growth and the complexity regarding OpenText's AMC divestiture left investors underwhelmed.

Two consumer staples companies, Greencore Group and Nomad Foods, were both up in excess of 15% for the quarter. The Irish convenience foods producer Greencore posted a positive trading update, citing easing inflationary pressures on raw materials and energy; however, wage inflation will persist throughout the year. Analysts see Greencore as well positioned going into their peak spring and summer seasons. According to NielsenIQ (a leading consumer intelligence company) data, Nomad is experiencing higher sales volumes as the frozen food company's advertising and promotion spend is showing effect.

Consumer discretionary had barbell performance. Next PLC was up after announcing preliminary results for its fiscal year end, reporting a 5% rise in annual profits driven by online sales. The U.K. clothing retailer expects profits to expand to nearly $1.3 billion in 2024, as rising wages free up British shoppers to spend on fashion. Kia Corp reported a collaboration with Hyundai Motor and the Korea Advanced Institute of Science and Technology on the advancement of developing autonomous driving sensors. The two automakers plan to take further share in the global electric vehicles market, accelerating the transition with over five new EV models planned to be launched this year. The stock uplift was also due in part to reform movements from the Korean government. Conversely, Japan's Sony Group Corp. saw a decline on earnings, with lower-than-expected results from their gaming division and flagship PlayStation consoles. LG Electronics reported inline sales, but operating profits disappointed on higher marketing costs and expenses. Sentiment was upended by appliance competitor, Whirlpool, which offered downbeat guidance for 2024.

AI was the driving force behind very different results for two of our portfolio holdings. Publicis Groupe was up markedly after announcing solid fiscal year-end results and promoting a new strategy to become the industry's first AI-powered Intelligent System to be built in-house. Teleperformance declined on renewed concerns that generative AI will disrupt the French call center's business. The drop followed an announcement from fledgling, pre-IPO Swedish fintech company, Klarna, which publicly released results from its AI customer service assistant, powered by Open AI, claiming to do the work of hundreds of employees.

New purchases included Takeda Pharmaceutical Co. Ltd., a Japanese-based global pharmaceutical company, with a diversified product portfolio that branches into gastroenterology, rare diseases, immunology and oncology; and Korean retailer F&F Co. Ltd., which has licensing deals with Major League Baseball, Discovery and TaylorMade Golf brands. There were no complete sales. The quarter also saw some substantial portfolio rebalancing, as we took profits from companies that did particularly well in 2023 and reinvested in those companies expected to capitalize on 2024 market trends.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of March 31, 2024.

	MSCI EAFE Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*0.0%*	14.3%	0.0%	0.0%	4.6%	0.0%	3.8%	0.0%	0.0%	4.0%	1.9%	0.0%	0.0%	0.0%
Japan	*23.6%*	12.3%	0.0%	0.0%	0.9%	3.9%	2.0%	0.0%	1.9%	0.0%	0.0%	1.8%	2.0%	0.0%
Other Asia	*10.5%*	15.4%	0.0%	0.0%	0.0%	0.9%	4.5%	0.0%	0.0%	4.6%	5.4%	0.0%	0.0%	0.0%
Europe	*57.7%*	44.3%	3.9%	0.0%	6.4%	6.4%	8.8%	3.6%	3.9%	5.4%	0.0%	6.0%	0.0%	0.0%
Scandinavia	*8.3%*	9.5%	0.0%	0.0%	1.8%	3.1%	0.5%	0.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.5%	0.0%	0.0%	1.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%
Portfolio Totals		100.0%	3.9%	0.0%	14.9%	14.6%	19.5%	3.6%	5.8%	18.0%	7.3%	7.8%	2.0%	2.6%
MSCI EAFE Weight	*100.0%*		*4.1%*	*3.1%*	*7.2%*	*16.8%*	*12.5%*	*8.6%*	*12.7%*	*19.3%*	*9.4%*	*4.0%*	*2.3%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

In 2024, we anticipate that the Fed (and other central banks) will begin lowering rates in small increments, but we will not see a return of artificially low rates. So far, most central banks are generally taking a cautious approach as economic growth appears resilient, sustaining higher inflation rates. Previous projections for rate cuts in March were pushed to the second quarter of 2024 and beyond.

Rates will be a determining factor in driving equity returns in 2024; not all equity returns will be equal, with specific parts of the investment spectrum showing more promise than others. In fact, we have seen a rolling wave of in- and out-of- favor sectors and industries. Companies are adjusting to the “new normal”, with supply chain constraints, pricing/inflation balance, consumption trends, labor dynamics and post-pandemic routines.

High-flying tech stocks led the way in 2023, while defensive sectors languished. 2024 might see a reversal of those fortunes. We see opportunity in a number of areas, some cyclical and some defensive. If the U.S. decisively avoids a recession and manages a “soft landing”, many other global economies will likely follow. In such a scenario, rate-sensitive cyclicals may dominate, and we have identified a number of value investing picks in this space.

The timing of rate adjustments remains in question; it will be a fine balance taking into account strong global GDP growth and employment rates, geopolitical risks and election year stimulus packages among other metrics. At Polaris, we continue to perform fundamental bottom-up research, which we expect will ultimately drive differential equity returns.

IMPORTANT INFORMATION: The Polaris International Equity Composite was established on April 1, 1995 with a performance inception date of June 30, 1984. Performance from the inception date through March 31, 1995 represents the portfolio track record established by Portfolio Manager Bernard Horn while affiliated with a prior firm. The information presented is supplemental. It should not be considered as a recommendation to purchase or sell a particular security mentioned, may change at any time and may not represent current or future investments. References to individual securities throughout this document are intended to illustrate contributors to recent performance or market trends and to provide examples of thematic or security-specific catalysts identified by the investment team as part of its investment process. References to specific securities should not be viewed as representative of an entire portfolio, nor should the performance of any particular security be viewed as representative of the performance experienced by any other security or portfolio. Please refer to the annual disclosure presentation. Past performance is not indicative of future results. The MSCI EAFE Index, gross dividends reinvested, is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The S&P 500 Total Return Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. One cannot invest directly in an index.