



POLARIS

CAPITAL MANAGEMENT, LLC

121 High Street
Boston, Massachusetts 02110
Telephone (617) 951-1365
polariscapital.com

This composite commentary is provided as part of our historical archive and not intended for current marketing or advertising use. The entirety of the respective quarterly commentary will be available on the ensuing pages. Should you have questions/concerns, please contact Polaris Capital via our [website](#) or call the office directly. For more information, [Contact Our Team](#).

Additional data specific to Polaris' global and international investments is available as follows:

For current global equity performance, [please click here](#)

For current international equity performance, [please click here](#)

For current global equity performance commentary, [please click here](#)

For current international equity performance commentary, [please click here](#)



POLARIS CAPITAL MANAGEMENT, LLC
125 Summer Street, 14th Floor – Boston, MA 02110
617-951-1365 or info@polariscapital.com

Information presented is supplemental to the annual disclosure presentation.
 For composite performance and a fully compliant presentation, visit: www.polariscapital.com/

INTERNATIONAL EQUITY COMPOSITE REPORT

	2012		Annualized as of March 31, 2012						
	YTD	Q1	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since 6/30/1984
<i>Polaris Capital International Equity Composite</i>	17.28%	17.28%	-4.89%	27.44%	-2.17%	10.36%	8.99%	10.37%	12.10%
<i>Polaris Capital International Equity Composite</i>	17.09%	17.09%	-5.52%	26.60%	-2.83%	9.55%	8.17%	9.53%	11.19%
International Equity Benchmarks									
MSCI EAFE Index, gross dividends reinvested	10.98%	10.98%	-5.31%	17.68%	-3.04%	6.16%	4.62%	6.15%	9.57%

Q1 2012 composite returns are preliminary pending the third-party audit. Past performance is not indicative of future results.

A modest economic recovery, waning fears over Europe's credit crisis as well as the Federal Reserve's relaxed monetary policy drove up first-quarter equity market performance, with every country in the MSCI World Index except Spain in positive territory. In the developed world, management teams cut costs and drove profitability and cash flows. The developing world continued to grow, putting upward pressure on raw material prices. The coexistence of inflation and deflation between emerging and developed worlds respectively is an on-going tension, forcing companies to be ever more efficient in operations, whether service or manufacturing. The annual reports for many companies continued to show satisfactory progress, contrary to the expectation imbedded in the low valuations of 2011.

Until valuations return to normalized levels, equities may continue to be attractive to value managers as was evident in the first quarter. Many fundamentally-sound companies traded in single digit multiples. Dividend yields exceeded most countries' long-term bond rates and operating improvements continued to occur at the company level despite economic headwinds. Many of the portfolio holdings, especially those capitalizing on growth in emerging countries, experienced a significant rebound this quarter. All 10 sectors in the portfolio reported absolute positive results, with economically-sensitive sectors outpacing defensive sectors. For the quarter, the international portfolio returned 17.28%, surpassing the MSCI EAFE Index benchmark that returned 10.98%

PERFORMANCE ANALYSIS

U.K. homebuilders Barratt Developments, Persimmon, Taylor Wimpey and Bellway were among top performing stocks in the consumer discretionary sector. Mortgage approvals rose to a two-year high in January and house prices increased 0.6% month over month in February. All of these companies reported good results through calendar year-end 2011 and most reported satisfactory progress in forward sales led by new sites and sales per site. In particular, Barratt Developments highlighted a 25% increase in confirmed order books for 2012 and fewer low-margin building sites. Persimmon announced a program to return GBP 1.9 billion of cash to shareholders through dividends over the period 2013-2021. Taylor Wimpey reinstated its dividend, which should alleviate concerns over its pension deficit and Bellway appeared on track to report a strong first half on higher volumes and average selling prices.

All of the international portfolio's holdings in the materials sector posted positive returns. Methanol prices increased during the fourth quarter, leading to improved cash flow and earnings at Methanex Corp. The company also ramped up its production levels, operating new plants in Canada and Egypt. Strong Chinese demand for recycled paper allowed Smurfit Kappa to increase containerboard prices.

Among other materials sector companies, Solvay and BASF benefitted from improved volumes and pricing in non-commodity chemicals. Solvay's CEO-designate put a strict focus on free cash flow generation by reducing capital

expenditures and boosting management incentives as Solvay integrates Rhodia following its April 2011 acquisition. The Rhodia acquisition was aptly timed for the recovery in specialty chemicals and burgeoning demand in the developing world.

Scandinavian banks DNB Nor and Svenska Handelsbanken contributed measurably to returns. The more resilient Norwegian economy supported solid lending growth and improving lending spreads. Handelsbanken reported strong fourth quarter net interest income growth, driven by better volumes and higher margins. The portfolio's insurance company holdings achieved double-digit returns, noting continued firm pricing after a higher than normal natural disaster rate in 2011. The insurers also retained clean loan portfolios, not involved in Greece and other countries with severe financial problems. State Bank of India reversed course from 2011 declines, benefitting from positive signs of lower inflation and interest rates.

YIT OYJ, a Finnish industrial service and construction company, posted strong returns based on increased maintenance/service revenues in combination with lower interest expenses. With nearly 50% of the company dedicated to service contracts, YIT expanded its footprint to Switzerland and Germany. In addition, the company maintained a small international construction division that is a proven leader in the growing Russian housing market. Finnish crane/equipment manufacturer Konecranes recovered from margin pressure in the 2011 fourth quarter after confirming strength in its order books and instituting cost reduction measures to deal with price competition in the service sector.

In consumer staples, Greencore posted strong underlying sales growth in its convenience food division, even excluding the contribution from Uniq, which was acquired last year. The stock price was up on news of a potential takeover bid that management shunned on valuation grounds. We believe the stock is still extremely cheap with the opportunity to grow in the coming months.

In healthcare, Teva Pharmaceuticals strengthened on news that regulators were scrutinizing competitor Novartis' multiple sclerosis pill Gilenya; Teva's best selling drug is Copaxone, an injection MS treatment. The market also applauded the appointment of a new CEO at Teva with a strong track record in identifying interesting branded drugs at early stages. Transgene was in talks with potential partners for its experimental hepatitis C medicine, which showed substantial virus suppression after 12 weeks of use in combination with the current standard of care.

Encouraged by good news in the first quarter, previously risk-averse investors returned to cyclical stocks while shunning more defensive sectors. Although relative laggards so far in 2012, the international portfolio's telecom and utility sector holdings still contributed modestly to returns. Guangdong Investment Ltd, a Chinese water utility supplying Hong Kong, saw significant quarterly profit contributions from its water volumes and commercial real estate investments.

CURRENT ASSET ALLOCATION

During the quarter, we eliminated a number of positions based on companies reaching valuation targets or on projections pointing to company-specific deterioration. Japanese shipping company Iino Kaiun repurchased the portfolio's holdings, which we sold due to a depressed outlook for shipping rates due to prolonged oversupply of vessels. We sold two European financials during the quarter, based on projections for the next three to five years. We had grown increasingly uncomfortable with the corporate management of Belgian bank and insurer KBC. Non-performing assets from the forced acquisition of HBOS plc were proving difficult headwinds for UK bank Lloyds.

When South African-based mining company Metorex was acquired by the Jinchuan Group of China for its assets in the Democratic Republic of the Congo, our holdings in the company were sold for cash.

When negative news next permeates the market, we expect to deploy cash from recent sales to bolster current holdings that are underweight. We already started this process during the first quarter.

The following table reflects the March 31, 2012 sector and country allocation for the portfolio.

	MSCI EAFE Weight	Portfolio Weight	Representative International Portfolio											
			Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash	
N. America	0.00%	2.30%	0.00%	0.00%	2.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Japan	21.62%	10.37%	0.00%	0.00%	2.25%	0.00%	0.00%	6.08%	0.00%	0.00%	0.00%	2.04%	0.00%	0.00%
Other Asia	13.22%	11.62%	1.55%	1.27%	1.80%	0.00%	0.00%	0.00%	0.00%	1.38%	5.62%	0.00%	0.00%	0.00%
Europe & Middle East	59.01%	40.56%	1.94%	0.00%	10.96%	1.28%	12.28%	2.33%	4.51%	4.07%	1.56%	1.65%	0.00%	0.00%
Scandinavia	6.16%	14.46%	0.00%	0.00%	0.00%	5.47%	2.24%	0.00%	0.00%	6.75%	0.00%	0.00%	0.00%	0.00%
Africa & South America	0.00%	1.91%	1.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	0.00%	18.79%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	18.79%
Portfolio Totals		100.00%	5.39%	1.27%	17.29%	6.75%	14.51%	8.41%	4.51%	12.20%	7.18%	3.69%	18.79%	

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Similar to trends from 2011, the first quarter of 2012 produced good news and positive equity market performance in a year expected to endure mixed economic trends. The market rebound was spurred by growth inflections in the U.S. and emerging world.

Cautious optimism must be balanced with concerns of ongoing market volatility and the European debt burden. After numerous first-quarter sales, we increased our cash position readying the international portfolio for buying opportunities predicated on negative news.

As always, we welcome questions, comments and referrals.

FOOTNOTES

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 measures the performance of a diverse range of non-U.S. stock markets in Europe, Australia, New Zealand and the Far East. The MSCI EAFE Index measures the performance of stock markets in these geographic areas including reinvestment of gross dividends.