



POLARIS

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

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

INTERNATIONAL EQUITY COMPOSITE REPORT

	2013		Annualized as of March 31, 2013							Since 6/30/1984
	YTD	Q1	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs		
<i>Polaris Capital International Equity Composite gross</i>	8.67%	8.67%	22.15%	11.98%	2.85%	14.42%	9.33%	10.95%	12.43%	
<i>Polaris Capital International Equity Composite net</i>	8.49%	8.49%	21.34%	11.23%	2.15%	13.60%	8.52%	10.10%	11.53%	
MSCI EAFE Index, gross dividends reinvested	5.23%	5.23%	11.79%	5.49%	-0.40%	10.19%	4.19%	6.14%	9.64%	

Q1 2013 composite returns are preliminary pending third-party verification. Past performance is not indicative of future results.

Global markets experienced a satisfactory start for 2013, with most countries and sectors posting positive returns. Stock valuations were influenced by capital flows as many investors shifted from fixed income into equities in search of higher yields. Many private sector companies progressed nicely, with a return to profitability that has enabled the resumption of shareholder dividend payments. Merger and acquisition activity has heated up, further boosting equity yields. However, headwinds related to public sector deleveraging remain, as the ratio of total debt relative to GDP has fallen in only a few of the largest mature economies such as the U.S. and Australia, due mostly to technical rather than fundamental reasons. The International Equity Composite (gross of fees) outperformed the benchmark at 8.67%, with numerous individual stocks posting double digit returns during the quarter. The MSCI EAFE Index was up 5.23%.

Continued success against the benchmark could be attributed to stock performance in consumer discretionary, material, financial and industrial sectors. On an individual stock level, the international portfolio's best returns came from U.K. homebuilders Taylor Wimpey and Persimmon, Scandinavian bank Svenska Handelbanken and Canadian methanol producer Methanex. Australian mining company BHP Billiton, German chemical company BASF and Germany's largest phone company Deutsche Telekom detracted from returns.

PERFORMANCE ANALYSIS

Consumer discretionary stocks added to the international portfolio's returns. British homebuilders Taylor Wimpey, Barratt Developments, Persimmon and Bellway posted double-digit returns, benefiting from positive quarterly earnings. However, the real stock boost came at quarter end after the U.K. government announced new stimulus lending programs.

In the materials sector, Canadian methanol producer Methanex posted double-digit gains after reporting a stable fourth quarter on healthy demand and firm pricing. The company signed a 10-year natural gas supply agreement with Chesapeake Energy, structured so the natural gas price is linked to the methanol price. German flavors and fragrances maker Symrise rose in tandem with competitor Givaudan, which reported strong profit growth, and pledged a bigger dividend.

The materials sector also had some of the international portfolio's worst performers. Belgian chemical industry group Solvay and German chemical company BASF were weak due to a general global decline in chemical consumption. Solvay reported decent fourth quarter earnings, with a substantial decrease in net debt. However, the company did not provide a 2013 profit forecast, noting challenging conditions in Europe. Solvay also conceded that it will face a profit decline, without the benefit of carbon emission allowances or inflated guar gum prices. Australian multinational mining and petroleum company BHP Billiton fell on lower metal prices. Though still bullish on copper, oil and gas, BHP Billiton has grown more bearish on a longer term view on iron ore, estimating that increased supply from Australia and Brazil won't be met by demand in China.

Financials boosted the international portfolio's performance this quarter. While many European banks are preserving cash to meet stricter regulations, Scandinavian banks Svenska Handelsbanken and DNB are further along in meeting these requirements, proving to be among the best managed major lenders in the European Union. After a stellar fourth quarter of 2012 with profits up nearly 49% from the prior comparable period, Svenska Handelsbanken used free cash flow to fund expansion in the U.K. and the Netherlands, and to increase shareholder dividends. The market responded positively to DNB Bank's actions to increase mortgage interest rates on its products, which mitigated net interest margin compression, while simultaneously employing cost-cutting efforts to meet capital requirements.

In the industrial sector, Trevi Finanziaria, the Italian ground engineering service firm, bounced back this quarter, posting double digit returns. Toward the end of 2012, a customer broke a commitment to buy several drilling rigs in a contract, negatively impacting Trevi's stock price. Trevi has since sold the rigs to other customers and won new and renewed contracts of more than \$500 million. The company also announced 2012 annual earnings, with a 5.1% increase in total revenues.

Among information technology stocks, Infosys posted double-digit returns after reporting better than expected December 2012 quarter-end results. Management maintained guidance for organic revenue growth of 5% year-over-year for fiscal year 2013, not including the Lodestone acquisition. The company made inroads in Latin America with a new business process outsourcing delivery center and in Germany with a strategic partnership for infrastructure management with automotive manufacturer BMW.

Swiss pharmaceutical company Novartis was up after announcing a good fourth quarter and a leadership change, as Chairman Vasella will be replaced by former Novartis executive Reinhardt, who leaves the top post at Bayer HealthCare.

CURRENT ASSET ALLOCATION

Japanese convenience food maker and cold storage facilities operator Nichirei was sold during the quarter, as it reached our valuation target. We sold the stock at a profit in a bit of fortuitous timing, as Nichirei was purchasing a large percentage of its shares in a stock buyback. Irish containerboard manufacturer Smurfit Kappa was also sold as it reached our targeted valuation levels.

Capital from sales was redeployed to existing holdings and to a number of new purchases, including Standard Chartered, Freenet and Loomis. Standard Chartered is an international banking group, earning more than 90% of its income and profits in Asia, Africa and the Middle East. Standard Chartered weathered the recent global banking crisis, retaining capital strength with low loan loss provisions and high quality portfolios. Freenet AG is a German telecommunications and web content provider/reseller with steady pricing and volumes, capturing substantial share in this mature industry. The company has been successful in developing new IT products and continues to spend more on enhancing customer relationships. Loomis AB is an international cash handling business, with a network of more than 400 operating locations in the U.S. and Western Europe. Working on behalf of banks, multi-location retailers, stores and other commercial enterprises, Loomis provides management of the physical flow of cash via armored trucks. What separates Loomis from its competitors is that it also offers a cash counting service that saves its bank customers time and money.

The following table reflects the sector and country allocation for a representative international portfolio as of March 31, 2013.

Portfolio	Consumer					Consumer				Information	Telecom.	Cash
	Weight	Energy	Utilities	Materials	Industrials	Discretionary	Staples	Health Care	Financials	Technology	Services	
N. America	2.5%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	8.0%	0.0%	0.0%	2.1%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	2.2%	0.0%
Other Asia	10.5%	2.1%	1.3%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.1%	0.0%	0.0%
Europe & Israel	48.6%	2.0%	0.0%	12.0%	1.6%	14.0%	1.8%	4.9%	6.3%	2.2%	4.1%	0.0%
Scandinavia	13.9%	0.0%	0.0%	0.0%	6.5%	1.3%	0.0%	0.0%	6.2%	0.0%	0.0%	0.0%
Africa & South America	1.9%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	14.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.6%
Portfolio Totals	100.0%	6.0%	1.3%	18.5%	8.0%	15.2%	5.5%	4.9%	12.4%	7.2%	6.2%	14.6%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

World markets remain mixed. We see steady progress in U.S. markets, but remain concerned about high debt levels in the economy. European markets have seen a slight recovery, mitigated by the demise of the Cyprus banking system. China's stimulus programs and recent leadership transition have helped stabilize the economy, with slight recovery in materials and industrial demand. Our current investment research points to undervalued companies in cooling emerging markets and Japan.

As always, we welcome questions and comments.

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 World and EAFE Indexes, gross dividends reinvested, measure the performance of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The MSCI World and EAFE Indexes measure the performance of stock markets in these geographic areas including reinvestment of gross dividends. The S&P 500 Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks.