



POLARIS

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

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INTERNATIONAL EQUITY COMPOSITE REPORT

	2017		Annualized as of March 31, 2017				
	YTD	Q1	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	7.36%	7.36%	16.13%	2.65%	11.11%	4.26%	11.94%
Polaris Capital International Equity Composite net	7.23%	7.23%	15.52%	2.11%	10.48%	3.61%	11.07%
MSCI EAFE Index, gross dividends reinvested	7.39%	7.39%	12.25%	0.96%	6.32%	1.53%	9.06%

Q1 2017 composite returns are preliminary. Past performance is not indicative of future results.

In the first quarter of 2017, the Polaris International Equity Composite returned 7.36%, relatively in line with the MSCI EAFE Index, which gained 7.39%. The vast majority of portfolio holdings contributed positively to performance. Top performers included Samsung Electronics, Asahi Group Holdings and U.K. homebuilders. Better-than-expected economic developments in Asia and China helped stabilize prices in the materials sector, benefiting Showa Denko, Imerys and Methanex. Few stocks in the portfolio were detractors, but among them were International Game Technology, Teva Pharmaceutical, Popular Inc., and YIT Oyj.

PERFORMANCE ANALYSIS

Samsung Electronics was up more than 20% during the quarter after reporting strong results backed by rising prices and volumes for semiconductor chips and TV panels. As the dominant player and price leader in semiconductors, Samsung eased off price competition, effectively increasing cash flow in that business line. Management anticipated accelerated sales in the mobile phone business upon the launch of the Galaxy S8. Samsung committed to shareholder-friendly actions, including raising its dividend, conducting a share repurchase and returning 50% of 2017 free cash flow to investors.

Japanese brewery and soft drink company, Asahi Group Holdings, had double-digit gains after beating fourth quarter earnings expectations and announcing plans to increase its overseas business. Asahi's acquisition of SABMiller's central and eastern European brands in 2016 and its pending stake in Vietnam's biggest beer maker, Saigon Beer, may drive this expansion. Asahi also signaled intentions to sell its 20% stake in China's Tsingtao Brewery, worth about \$1 billion, as the asset had proven to be a disappointment. The market lauded this strategic development.

British homebuilders were in positive territory. Taylor Wimpey continued its bullish post-BREXIT updates, projecting full-year profits to come in at the upper end of market forecasts. Persimmon reported a jump in revenue and sales for the second half of 2016. Barratt Developments delivered solid six-month financial metrics, with pre-tax profits up, home completions outside of London at their highest level in nine years, and a record forward order book. Steady demand, mortgage availability and affordability, along with the U.K. government's help-to-buy scheme, may continue to support this growth. Pockets of weakness were limited to the high-end London market, where some of the portfolio's builders have limited exposure. Elsewhere in the consumer discretionary sector, gains were realized at Christian Dior and Michelin. International Game Technology declined after releasing decent full year earnings, but revising 2017 guidance lower, citing modest single-digit sales and a sizeable debt load.

With the exception of Yara International, all of the materials sector holdings had positive returns. Diversified Japanese chemical producer, Showa Denko, released improved forecasts in all of its divisions

due to a waning Yen currency, better ethylene spreads and higher shipments of hard drives. Cloud storage demand has begun to compensate for softness in PC hard disk drive sales. Canada's Methanex achieved higher fourth quarter 2016 earnings and record production rates. Methanol pricing improved significantly on solid supply and demand fundamentals led by new methanol-to-olefins inventories. Imerys delivered solid 2016 results, pointing to higher revenues, net income from current operations and free operating cash flow. The French industrial minerals manufacturer pointed to higher organic growth and accretive benefits from its 2015 acquisition of S&B, while referencing the potential acquisition of calcium aluminate technology supplier, Kerneos.

The stock price of global concession and construction firm, VINCI SA, increased more than 15% for the quarter, due to successes in its two main business lines: airport concessions in Portugal and Japan and toll road ownership in France. In March 2017, VINCI was awarded the concessions (operations, maintenance and extension upgrading of the terminals and runways) for a Brazilian airport, following on recent entries in other Latin American countries. Conversely, Finnish building construction company, YIT Oyj, declined on slower sales in the Russian housing market. Aware of stagnant regional demand, YIT scaled back the business and reduced capital in Russia.

The portfolio's bank holdings, largely targeted to a burgeoning Asian customer base, topped financial sector performance. The fourth quarter 2016 investment in United Overseas proved timely, as the conservatively run Singapore bank gained more than 10% this quarter. United Overseas received approval to establish a foreign-owned subsidiary bank in Vietnam, thereby expanding its footprint in Southeast Asia. Siam Commercial Bank announced solid net profits and improving non-performing loan ratios for 2016. Rumors circulated that Siam is seeking bids for its life insurance business in a sale that could raise about \$3 billion. Should a deal emerge, Siam will likely use capital for new technology, digital payment platforms and staff training. Standard Chartered had double-digit returns this quarter after completing operational efficiencies, cleaning its balance sheet and investing for growth. The British and Asian centered bank also signed an agreement with Allianz to distribute insurance products through its Asian outlets, a deal which may add \$1 billion in revenue over the 15-year contract.

On the opposite spectrum, Puerto Rican bank, Popular Inc., lost a bit more than 6% for the quarter, as the Financial Oversight and Management Board for Puerto Rico and Commonwealth's Governor Richardo Rossello disagreed over austerity measures. Although the fiscal recovery plan was ultimately resolved on March 13, the plan does not adequately cover debt payments due from 2018 to 2026. Default concerns spooked Puerto Rico-based stocks and bond insurers. We believe the concerns are overwrought at Popular, as the majority of its direct exposure to the Puerto Rican government, via municipalities, is backed by taxes and the bank's capital level remains robust.

In the energy sector, Australian engineering and design company, WorleyParsons, was up after it received a tendered bid by Dubai-based engineering firm, Dar Group. Dar pledged that the 13.4% stake in WorleyParsons would not be a precursor to a takeover bid at least in the short term. Dar's stake was secured at \$10.35 per share, which was a 28% premium above the market price as of February 27, 2017. Thai Oil's quarterly earnings topped analyst expectations as the oil refiner capitalized on tightened regional supply and favorable end demand to exact greater product sales, volumes and refined product spreads.

Healthcare was the only sector in negative territory for the quarter. Teva Pharmaceutical declined as it trimmed its 2017 profit forecast amid an unanticipated slowdown in its introduction of new generic medicines. Teva's management misjudged the pace of new product launches stemming from the purchase of Allergan's generics business. The company also lost a ruling that invalidated four patents on its top-selling multiple sclerosis drug, Copaxone.

The following table reflects the sector and country allocation for a representative international equity composite portfolio as of March 31, 2017.

	MSCI EAFE Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Real Estate	Cash
N. America	0.0%	4.2%	0.0%	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%
Japan	23.4%	6.3%	0.0%	0.0%	2.4%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%
Other Asia	12.6%	16.5%	3.9%	0.0%	2.0%	0.0%	1.7%	0.0%	0.0%	4.5%	4.4%	0.0%	0.0%	0.0%
Europe	57.9%	52.0%	0.0%	0.0%	12.9%	6.2%	16.6%	2.0%	3.0%	7.4%	0.0%	3.9%	0.0%	0.0%
Scandinavia	6.1%	15.6%	0.0%	0.0%	1.9%	6.6%	1.3%	0.0%	0.0%	5.9%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	1.8%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%
Portfolio Totals		100.0%	5.7%	0.0%	21.4%	12.8%	19.7%	4.2%	3.0%	19.7%	4.4%	5.6%	0.0%	3.6%
MSCI EAFE Weight	100.0%		5.0%	3.4%	7.9%	14.3%	12.2%	11.4%	10.7%	21.3%	5.7%	4.4%	3.7%	0.0%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Over the past 30 plus years in the investment industry, we have found the materials sector to be a reliable indicator of pending worldwide demand. Demand trends can signal the direction of the global economy. During the quarter, our materials holdings reported higher prices and volumes, largely attributable to firming commodity prices and supply-demand constraints in emerging Asian markets and China.

Although we have concerns about capital flight, China has seemingly stabilized its economy. Ongoing stimulative efforts are likely to focus on infrastructure spending and domestic consumption. In the U.S., a confident economic outlook has spurred on the Federal Reserve to raise interest rates. Positive forecasts from the world's largest two economies have created market optimism. Headwinds still exist, due to a tepid European economy potentially impacted by several crucial elections on the horizon. We keep all of these issues in mind, while remaining focused on fundamental, bottom-up stock picking. Modest portfolio changes will unfold in the months ahead, as we seek to enhance the valuation profile of the international equity composite portfolio and achieve long-term outperformance that our clients have come to expect.

As always, we welcome your questions and comments.

DISCLOSURES & FOOTNOTES

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