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**

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

	2021		Annualized as of March 31, 2021				
	YTD	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris International Equity Composite gross	**9.20%**	**9.20%**	**69.62%**	**6.83%**	**10.47%**	**8.60%**	**11.63%**
Polaris International Equity Composite net	**9.07%**	**9.07%**	**68.77%**	**6.25%**	**9.88%**	**7.98%**	**10.79%**
MSCI EAFE Index, gross dividends reinvested	3.60%	3.60%	45.15%	6.53%	9.37%	6.01%	9.02%

First quarter 2021 composite returns are preliminary. Past performance is not indicative of future results.

During the first quarter of 2021, global equity markets rose on the premise that widespread COVID-19 vaccine distribution will jumpstart GDP growth. At the same time, unbridled monetary and fiscal stimulus promulgated by countries worldwide caused inflation jitters in the market, muting further gains. The Polaris International Equity Composite returned 9.20% in the quarter, outperforming the MSCI EAFE Index, which returned 3.60%. The international equity portfolio outperformed the benchmark for the second consecutive quarter. Over the last six months, we have seen increasing rotation from high growth and expensive stocks to cheaper cyclicals, which are more geared towards an economic recovery. Whether that means a reversion to a value cycle, after more than a decade of growth outperformance, remains to be seen. Yet, the indications are clear: the MSCI EAFE Value Index gained 7.60% during the quarter, significantly outpacing the Growth Index, down -0.49%; this trend heated up from last quarter, when the MSCI EAFE Value Index outperformed its growth counterpart by more than 6%.

With the exception of industrials and health care, the Polaris international equity portfolio outperformed in all sectors in which we participated. The largest contributions came from cyclicals including consumer discretionary, financials, materials and communications services; the portfolio was overweight all of these sectors. Health care was the sole absolute negative performer, due to losses from Novartis AG and Fresenius SE. On a country basis, the United Kingdom, Norway, France and South Korea were top contributors to portfolio performance, while single stock holdings in Italy and Colombia declined.

FIRST QUARTER 2021 PERFORMANCE ANALYSIS

Consumer discretionary holdings outperformed the sector benchmark by more than 9%, making this the highest contributor for the quarter. Canadian auto supplier, Magna International, advanced as the company reported fourth quarter 2020 revenues ahead of expectations after vehicle production surprised on the upside and the company continued to display strong operating performance, which was reflected in better bottom-line results. South Korean automaker, Kia Motors, soared on speculation of a Kia-Apple cooperation to produce a new electric vehicle (EV); the news was quickly dispelled by Apple. However, the stock was resilient, up more than 25%, as Kia reported record quarterly operating profit on the back of higher total vehicle sales, a new slate of SUV models and a dedicated platform of EV offerings.

The materials sector was bolstered by double-digit returns from Yara International, Antofagasta PLC and HeidelbergCement AG. Yara was up more than 25% on bullish outlook reports for global fertilizers due to higher crop prices. Antofagasta PLC, a leading Chilean copper and gold miner, rallied on higher copper prices. Increasing penetration of electric vehicles, which have more copper than traditional internal combustion engines, has been a driver for copper demand. Germany supplier HeidelbergCement cited a surge in building and infrastructure projects that required its cement products. In contrast, Canada's Methanex declined after experiencing gas supply constraints that hampered methanol production. Methanex's Titan plant in Trinidad remains idled; this has been a long-standing issue, as Methanex has been unable to reach a natural gas pricing agreement with the local government. However, supply issues were exacerbated with the unexpected shutdown of Methanex's New Zealand plant.

Communication services recovered markedly this quarter, with stock price gains from Cineworld Group, Publicis Groupe, Deutsche Telekom and Ipsos. Cineworld released fourth quarter 2020 earnings; in conjunction with the results, the theater operator announced a deal with Warner Brothers for an exclusive 45-day movie theater window for new releases. Cineworld also secured additional liquidity in the form of $200 million in convertible bonds, while they await a $200 million tax refund through the Coronavirus Aid, Relief, and Economic Security Act. U.S. theaters will re-open with limited capacity in early April, followed by the U.K. in mid-May, with a slate of 2021/2022 blockbusters expected to draw in moviegoers. Publicis Groupe exceeded expectations for the fourth quarter of 2020, with an organic revenue uptick in the U.S. driven by data business, Epsilon, as well as an increase in digital-media spending and data management services. Publicis attracted and/or retained some big-name clients like Kraft Heinz, Pfizer, Visa and TikTok during 2020. More clients may seek out Publicis' advertising technology when Google stops selling targeted web ads and removes third-party cookies from Chrome browsers by 2022.

Double-digit gains from Weichai Power, Valmet OYJ, SKF AB and Loomis AG were top contributors in the industrial sector. Weichai Power, the Chinese engine/gearbox manufacturer for heavy vehicles, rose more than 22% as heavy truck sales hit another record high in January 2021. Shareholders also approved a proposed capital raise to invest in hydrogen fuel cells, high-end China 6 engines, large diameter industrial engines, and hydraulic powertrains. In keeping with the clean energy trend, Weichai signed a deal to acquire a 19.9% stake in Canadian-firm Ballard Powers System Inc. Conversely, U.K.-based Babcock International was the only sector detractor of note, after providing a trading update indicating inability to fulfill all the outstanding contracts, as continued lockdowns and social distancing have slowed progress. The company also expects a short-term negative impact on the balance sheet and income statement, as new management (CEO and CFO) evaluates contract profitability.

Among other contributors to performance, Puerto Rico-based Popular Inc. ended 2020 on a high note with record net income, due to higher net interest income and good expense controls. Popular had signaled for quite some time that, if the CECL requirements were relaxed, surplus capital could be redeployed for stock buybacks and dividends, both of which have been put into play. A promising timeline for reopening the U.K. has spurred on Greencore Group, a producer of food-to-go and packaged sandwiches for metro U.K. markets. Greencore also held its sustainability seminar in February 2021, reiterating the company's ESG initiatives; investors were duly impressed.

Decliners were few and far between, with the vast majority of portfolio holdings in absolute positive territory this quarter. Bancolombia SA reported a net loss for the fourth quarter of 2020, while most analysts expected a modest profit. Interest income decreased and loan loss provisions jumped substantially to cover the consumer portfolio. On the bright side, lower interest income was partially offset by higher net fees and income from services, while the bank also cut operating expenses. Novartis AG stumbled across some governance issues, as the Swiss pharmaceutical company had to correct comments made by Chairman Joerg Reinhardt to a local newspaper, because his portrayal of conduct that led to a $678 million U.S. settlement over kickbacks last year risked violating the agreement. This comes on the heels of a Colorado plant closure, as Novartis may have overestimated demand for its gene therapy drug, Zolgensma, which was embroiled in an earlier FDA data scandal.

During the quarter, we sold U.K.-listed Signature Aviation, which jumped on news of its acquisition by Global Infrastructure Partners; and South African energy and chemical company Sasol, which was sold as it reached Polaris' valuation due to our assumptions on oil prices plus future environmental costs. Capital was redeployed to purchase two Japanese companies, diversified business conglomerate, Marubeni Corp., and construction/real estate firm, Daito Trust Construction Company.

The following table reflects the sector and regional allocation for a representative international equity portfolio as of March 31, 2021.

	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%*	9.8%	0.0%	0.0%	1.8%	1.8%	2.6%	0.0%	0.0%	3.6%	0.0%	0.0%	0.0%	0.0%
Japan	*24.8%*	10.9%	0.0%	0.0%	0.7%	1.5%	3.0%	1.5%	0.0%	1.5%	0.5%	1.2%	1.1%	0.0%
Other Asia	*11.8%*	18.1%	0.0%	0.0%	0.0%	1.4%	3.8%	0.9%	0.0%	3.3%	7.4%	1.2%	0.0%	0.0%
Europe	*55.8%*	41.7%	0.0%	0.0%	11.2%	5.1%	10.4%	2.8%	2.8%	3.5%	0.0%	6.1%	0.0%	0.0%
Scandinavia	*7.6%*	12.1%	0.0%	0.0%	1.9%	3.7%	0.7%	0.0%	0.0%	5.9%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	2.8%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%
Portfolio Totals		100.0%	0.0%	0.0%	17.1%	13.4%	20.4%	5.2%	2.8%	19.0%	8.0%	8.6%	1.1%	4.5%
MSCI EAFE Weight	*100.0%*		*3.3%*	*3.7%*	*8.0%*	*15.5%*	*12.8%*	*10.3%*	*12.0%*	*17.3%*	*9.0%*	*5.2%*	*3.1%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

2020 was not a crisis of economics, it was a crisis of health. Common sense dictates that once you fix the health concern, the economy should follow. We believe that the rollout of the COVID-19 vaccine will allow people to return to a new normal; we have already seen signs of an economic recovery in countries (China, Japan, Korea) that have controlled the spread of COVID-19. Others will follow suit in the coming months, with the U.S. and U.K. on track with vaccine distribution.

In the meantime, a massive amount of stimulus money has been shoveled into global economies to bolster small businesses and aid the unemployed. So where does that stimulus go? It shows up everywhere, from people paying down debt, catching up on mortgage and rent payments, to increasing “rainy day” funds. More of that cash will undoubtedly be spent, as consumers have a more optimistic outlook for 2021. In our opinion, nearly every company in some way could capitalize on this influx of consumer spending. Outside of the obvious consumer goods sellers, like Greencore Group, there are many other potential beneficiaries. Publicis may engage new retail customers who are hoping to advertise products and services, attracting the new-found money that people have in their pockets. Materials companies (used in manufacturing consumables) are further up the supply chain, already raising prices due to demand. In summary, the global working capital cycle has restarted, with everyone clamoring to order materials, build back inventory and ship products at the same time, causing shortages and tightness in supply. The only caveat to this stimulus-driven consumerism: in order to pay for the outsized government financing, tax rates may go up, negatively affecting companies’ cash flows. Until that time comes, we expect markets to return to a pre-2020 state, with fits and spurts of volatility in a generally “healthy” global economy.

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, 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 MSCI EAFE Growth Index and MSCI EAFE Value Index capture large- and mid-cap securities exhibiting overall growth and value style characteristics, respectively, across 21 developed markets, excluding the U.S. and Canada. One cannot invest directly in an index.