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

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

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INTERNATIONAL EQUITY COMPOSITE REPORT

	2012			Annualized as of June 30, 2012						
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since 6/30/1984
<i>Polaris Capital International Equity Composite</i>	10.48%	-5.80%	17.28%	-11.15%	13.47%	-4.11%	9.78%	7.71%	9.60%	11.75%
<i>Polaris Capital International Equity Composite</i>	10.11%	-5.96%	17.09%	-11.75%	12.71%	-4.77%	8.97%	6.90%	8.76%	10.84%
International Equity Benchmarks										
MSCI EAFE Index, gross dividends reinvested	3.38%	-6.85%	10.98%	-13.38%	6.45%	-5.63%	5.62%	3.27%	5.66%	9.20%

Q2 2012 composite returns are preliminary pending the third-party audit. Past performance is not indicative of future results.

In the second quarter, concerns resurfaced over Europe's sovereign debt problems, a possible Greek exit from the Euro zone and slowing economic growth in China. Fiscal restraint in Spain, Italy and Portugal overburdened respective economies, as they struggled with higher interest rates on larger debt burdens. In the U.S., the Federal Reserve extended its bond-buying program, "Operation Twist" to year end, in the hopes of spurring more economic activity. However, negative returns in April and May were partially offset by a global market rally in June, benefitting from potential developments in the Euro zone. In this volatile macro-economic environment, the international equity composite was down -5.80%, besting the MSCI EAFE Index ("Index") benchmark, which posted -6.85%.

Beating the benchmark can be partially attributed to stock selection, with portfolio company holdings that continued to demonstrate good fundamentals, upbeat earnings announcements, healthy cash flows and moderate growth projections.

PERFORMANCE ANALYSIS

In international portfolios, elevator manufacturer Kone OYJ was among the best performing industrial stocks. The company reported a positive start to the year and slightly raised guidance for 2012, while expressing caution about lower residential property demand in China. Another Finnish industrial, Konecranes, announced strong first quarter results, with improving backlog margins and better demand -- all of which contributed to the quarterly stock price increase.

Another contributor was Germany-based Symrise AG, the fourth-largest flavor and fragrance maker. In mid-May, the company raised targets for full-year sales after posting first-quarter profit 2012 that beat analyst estimates. The company has shielded itself from some higher costs by customer price increases and expanding methanol and medical nutrition production.

Two Japanese consumer staples companies, Meiji Holdings and Nichirei Corp., both posted positive returns. Negatively affected by the March 2011 earthquake, both companies have since resumed stable operations and are capitalizing on growing domestic demand for frozen foods and dairy products. Convenience food producer Greencore rebounded after posting strong first half sales due to extra volumes from new businesses. The company acquired Uniq, a Marks & Spencer supplier, last year, and Marketfare, a leading supplier to 7-Eleven stores on the East Coast of the U.S., in April.

Positive performance by Svenska Handelsbanken and Hannover Re was offset by the decline in Norway's DNB Bank. DNB shifted funding from wholesale markets to lower cost domestic deposits, thereby increasing deposit margins. Investors took this negatively yet management affirmed full year margin guidance.

In the consumer discretionary sector, some British homebuilders detracted from performance. Taylor Wimpey, Barratt Developments and Persimmon are gradually working their way through the bursting of the English housing

bubble. With a focus on profit margins rather than volumes, the ability to purchase land cheaply and a better sales mix favoring homes over flats, homebuilders are well positioned to take advantage of the undersupplied housing market once economic conditions improve.

Commodity prices declined on concerns of continued global economic volatility and moderating growth in emerging markets, potentially eroding demand for raw materials. No company-specific news impinged on containerboard manufacturer Smurfit Kappa or methanol producer Methanex, yet both materials companies saw stock prices drop during the quarter on concerns about reduced demand.

In information technology, ATM manufacturer Wincor Nixdorf was down on concerns of lower sales due to reduced capital spending by stressed European banks. While this issue may weigh on the stock in the near term, Wincor Nixdorf has other attractive business lines in retail and emerging markets that continue to be profitable.

Reduced spending on software outsourcing impacted Infosys, with more external projects postponed. The market is demanding that Infosys grow its business quickly and give back some of its balance sheet in the form of dividends; the company has been reluctant to proceed on either issue, preferring to bolster margins. While Infosys has been penalized for this stance, its move to a business model of thirds (outsourcing, consultancy and platform-based products) should prove investor-friendly.

CURRENT ASSET ALLOCATION

In early April, we purchased Italy’s Lottomatica, which offers counter-cyclical cash flows from its lottery game operations, helping budget-strapped governments worldwide raise revenues. The company posted double-digit returns in the quarter, competently executing the rollout of video lottery terminals and increasing the popularity of U.S. multi-state lottery Mega Millions.

Higher inflation and interest rates in India have resulted in slowing GDP growth and higher non-performing loans. While State Bank of India remains a good value, our concern to protect against declines led us to sell our holdings in the company. If non-performing asset trends subside, we would reconsider our position on this bank.

The following table reflects the sector and country allocation for a representative international portfolio as of June 30, 2012.

	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%	1.99%	0.00%	0.00%	1.99%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Japan	21.79%	10.42%	0.00%	0.00%	1.92%	0.00%	0.00%	6.46%	0.00%	0.00%	0.00%	0.00%	2.04%	0.00%
Other Asia	13.71%	10.88%	1.97%	1.33%	1.99%	0.00%	0.00%	0.00%	0.00%	0.00%	5.60%	0.00%	0.00%	0.00%
Europe & Middle East	58.60%	42.72%	1.61%	0.00%	11.46%	1.43%	13.74%	2.37%	4.17%	3.98%	1.95%	2.02%	0.00%	0.00%
Scandinavia	5.91%	14.31%	0.00%	0.00%	0.00%	6.05%	2.02%	0.00%	0.00%	6.24%	0.00%	0.00%	0.00%	0.00%
Africa & South America	0.00%	1.81%	1.81%	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%	17.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	17.86%
Portfolio Totals		100.00%	5.39%	1.33%	17.36%	7.48%	15.77%	8.83%	4.17%	10.22%	7.55%	4.05%	17.86%	

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

For the foreseeable future, we expect to see slow, mixed growth, with some sectors and geographies doing better than others, as the long process of global financial deleveraging continues. Emerging countries will continue to drive growth, although at a slower rate due to slower growth in developing countries. Aggressive fiscal stimulus in the U.S. has buoyed the market over the past year.

Meanwhile, the European sovereign debt problems linger, while tenuous conditions in Greece and its possible exit from the Euro zone could accelerate bank withdrawals. Guaranteeing deposits, issuing Euro bonds to banks and countries where borrowing costs have soared, and repealing austerity measures would help keep financial contagion from spreading to other vulnerable southern European economies. Similar patchwork will continue throughout Europe and the U.S. to ensure that a 2008 recession does not recur. However, the root causes of this recession will take time to dissipate.

In general, investors should expect intermittent periods of market turmoil, which may become evident in the second half of 2012. Persistent volatility and investor pessimism help create market inefficiencies (i.e. company stock prices drop more than cash flows), resulting in undervalued companies. In 2011 and 2012 our strategy has been to patiently anticipate and wait for these market declines, allowing us to buy companies with strong long-term fundamentals that have the capacity to develop even in slow-growth markets. We see a wealth of new investment ideas in international markets and we expect to add new stocks to the international portfolios in the months ahead.

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 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.