



POLARIS

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Information presented is supplemental to the annual disclosure presentation.
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INTERNATIONAL EQUITY COMPOSITE REPORT

	2016			Annualized as of June 30, 2016				
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
<i>Polaris Capital International Equity Composite gross</i>	-5.85%	-5.15%	-0.74%	-12.20%	3.96%	5.46%	4.50%	11.53%
<i>Polaris Capital International Equity Composite net</i>	-6.10%	-5.28%	-0.87%	-12.67%	3.39%	4.83%	3.84%	10.66%
MSCI EAFE Index, gross dividends reinvested	-4.04%	-1.19%	-2.88%	-9.72%	2.52%	2.14%	2.05%	8.85%

Q2 2016 composite returns are preliminary. Past performance is not indicative of future results.

International markets experienced normal spurts of volatility during the quarter, with the MSCI EAFE Index in modestly positive territory. The Brexit vote on June 23rd, whereby Britain decided to leave the European Union, threw stock markets into turmoil, upended company forecasts and weakened the British Pound. Nearly all emerging and developed country currencies including the Euro and Scandinavian Krone/Krona depreciated against the U.S. dollar. By quarter end, the MSCI EAFE Index, gross was down, at -1.19%. The Polaris International Equity Composite, gross underperformed the Index in the quarter, at -5.15%, mainly due to holdings in British homebuilders.

PERFORMANCE ANALYSIS

The Brexit vote immediately stressed U.K. stocks and those companies serving U.K. customers. British homebuilders suffered double-digit losses on heightened concerns about a possible national recession and housing slump. We believe the significant price decline was unwarranted; however these declines presented an opportunity to add to our positions in fundamentally-strong companies. Among other consumer discretionary stocks, Swedish consumer goods firm Duni AB was down more than 20% after it alluded to decreasing sales in its Central European tabletop business. Bright spots in the sector included Ipsos Group, the French market research firm, and Hong Kong lottery/gambling firm Rexlot Holdings, which resumed trading. Ipsos was up after it reported its best quarter of growth since 2011. Consumer staples stock, Greencore Group, was down more than 20% on investors' concerns of lack of profitability in its U.S. operations. Price competition amongst U.K. supermarkets, and Greencore CEO's dour projections associated with the Brexit vote, also hindered the stock price.

Consumer discretionary and consumer staples losses were moderated by positive performance in defensive sectors including telecom and healthcare. Japanese telecom KDDI Corporation had double-digit gains after its largest shareholder, Kyocera, decided to hold onto its 13% company stake. KDDI also announced new smartphone programs in June. Swiss pharmaceutical company Novartis reported strong quarterly earnings and confirmed its full year outlook. The company elaborated on its strategic plans to triple its number of biosimilar drugs by 2020, and to split the pharmaceutical division in two: one will focus solely on the cancer drug portfolio and the other will handle all remaining drug lines. In information technology, Samsung Electronics had double-digit gains after first quarter 2016 profits beat expectations, and a dozen analysts upgraded earnings forecasts for Samsung based on a possible smartphone recovery.

Numerous financials also added to quarterly results. Russia's Sberbank noted expanding net interest margins and lower loan loss provisions. One of the few U.K. banks impervious to the Brexit vote (due to an asset base in Asia), Standard Chartered Plc announced strong earnings. The company cut operational costs, while bolstering its credit quality by reducing risk assets and loan loss provisions. DNB Bank reported a capital ratio above 15%, making it one of Europe's best capitalized banks. DNB's earnings improved as its oil-related portfolio recovered on higher commodity prices. The main sector detractor was German

reinsurer Munich Re, which issued an earnings warning due to underperforming business divisions and equity portfolio markdowns.

In energy, Australian engineering contractor WorleyParsons had double-digit returns after the company announced cost reduction programs and increasing customer demand. WorleyParsons was purchased cheaply on the assumption that tough times lay ahead, but that their asset-light business model could weather a metals, oil and gas downturn. The company has performed to expectations. On the opposite spectrum, Thai Oil PCL was negatively impacted by higher oil prices and expected lower Asian refining margins.

Industrial holdings had disparate results, with YIT Oyj, BBA Aviation and Konecranes Oyj posting gains erased by Caverion Corp. and Loomis AB. YIT Oyj benefited from an improving Finnish housing market. BBA Aviation successfully divested some of its assets, as was required of the recent Landmark Aviation acquisition. Konecranes, the Finnish crane manufacturer, was slated to acquire the industrial and port crane division of Terex; cherry picking of the complementary business was well received by the market. Caverion lowered its revenue guidance for 2016, due to weak performance in the technical installation and maintenance divisions. Two Loomis AB shareholders sold off large positions. The market viewed this as insider profit-taking, harboring concerns that the stock had reached maximum potential. However, the shareholders stated publicly that they support the long-term strategy at Loomis and will remain invested in the company.

The following table reflects the sector and country allocation for a representative international equity composite portfolio as of June 30, 2016.

	MSCI EAFE Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash
N. America	0.0%	2.1%	0.0%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	23.3%	7.0%	0.0%	0.0%	1.7%	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%	3.0%	0.0%
Other Asia	12.1%	16.0%	3.9%	0.0%	2.4%	0.0%	2.3%	0.0%	0.0%	2.5%	4.9%	0.0%	0.0%
Europe	58.2%	51.9%	0.0%	0.0%	12.9%	2.5%	15.9%	2.1%	4.4%	7.6%	2.3%	4.1%	0.0%
Scandinavia	6.4%	18.6%	0.0%	0.0%	1.9%	7.4%	1.6%	0.0%	0.0%	7.7%	0.0%	0.0%	0.0%
Africa & South America	0.0%	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	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%
Portfolio Totals		100.0%	5.8%	0.0%	21.1%	9.9%	19.8%	4.4%	4.4%	17.8%	7.2%	7.1%	2.5%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Positive news at the company level cropped up throughout the quarter, predominately related to sales and volume growth. Subsequent on-the-ground research further confirmed the projections of many of our portfolio companies. However, the Brexit vote muted global market optimism and some companies started marking down their yearly forecasts at quarter end. The turmoil that ensued caused stock markets to decline, and previously untenable stock prices came down to normalized levels. In fact, many companies that had been on our research screens have become more attractively valued. We began buying some new investments and will continue to proceed cautiously with opportunistic purchases in the coming quarters. In addition, we hope our extensive travel schedule will unearth new companies that will seed the portfolio for future performance. As always, we welcome your questions and comments.

DISCLOSURES & 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 stock markets in the 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.