



POLARIS

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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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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

	2018			Annualized as of June 30, 2018				
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	-0.55%	1.24%	-1.77%	10.77%	8.13%	10.11%	7.75%	12.01%
Polaris Capital International Equity Composite net	-0.80%	1.11%	-1.88%	10.21%	7.57%	9.52%	7.10%	11.16%
MSCI EAFE Index, gross dividends reinvested	-2.37%	-0.97%	-1.41%	7.37%	5.41%	6.93%	3.33%	9.14%

Q2 2018 composite returns are preliminary. Past performance is not indicative of future results.

The Polaris International Equity Composite gained +1.24%, outperforming the MSCI EAFE Index, which declined (-0.97%). Among the largest contributors to portfolio performance were: Israeli-based generic drug company, Teva Pharmaceutical; U.K.-based fashion retailer NEXT PLC; Irish convenience foods supplier, Greencore Group Plc; methanol supplier, Methanex Corporation; and engineering services firm, Babcock International Group. The financial sector detracted most from second quarter performance, although our holdings outperformed the MSCI EAFE Index financial sub-sector on a relative basis.

PERFORMANCE ANALYSIS

Teva Pharmaceutical rebounded from prior lows as it continued its restructuring and reduced debt. The company reaffirmed the long-term safety of its blockbuster branded drug, Copaxone, and expects its new migraine therapy to undergo FDA review in 2018. Similarly, Greencore made a marked recovery from the first quarter, delivering excellent results. In late May, the company announced half-year numbers, highlighting revenue growth from both its U.K. food-to-go grocery business and its U.S. Peacock acquisition. Investor sentiment turned positive and the stock rose +32% on speculation that the Peacock division may secure more U.S. outsourcing contracts. Babcock International Group, a top five individual stock contributor, cited a year-over-year increase in revenue and profit along with a growing order book and bid pipeline. Also noteworthy was the re-organization of its businesses as it continues its expansion in Europe, the Middle East and Australia.

Methanex Corporation posted record quarterly results on strong underlying demand and higher methanol prices. Growing demand from olefin makers, greater use of methanol for clean fuel, and curtailed production of high polluting coal to methanol in China tightened the global methanol supply/demand balance. The company's healthy balance sheet allowed for reinvestment into its facilities, including a plant in Chile. The Linde-Praxair merger remains on track and is expected to pass regulatory hurdles on a timely basis; the portfolio's holding in Linde gained during the quarter. Australian diversified mining company, BHP Billiton, also added measurably to materials sector gains. French minerals company, Imerys SA, had a solid first quarter. Unfavorable foreign exchange rates and a recent U.S. verdict of \$117 million against Imerys talcum powder unit have put pressure on the stock price.

UK-based fashion retailer, Next PLC, topped consumer discretionary sector results. Robust online sales surpassed analyst expectations, with the stock rising nearly +20% during the quarter. U.K. movie theater operator, Cineworld Group, reported solid earnings, leveraging synergies from the recent Regal Entertainment acquisition. The sector was hampered by losses from Hyundai Mobis, after the Korean manufacturer of auto components terminated the restructuring of Hyundai Glovis, Kia and Hyundai Motors. The objective was to simplify the companies' cross-holding structure, yet activist shareholders demanded changes to the valuation and various deal provisions. Hyundai Mobis noted an improved proposal is forthcoming. Michelin fell (-15%) due to slowing sales and volumes in passenger, light truck and truck tires, coincident with slowing auto demand in China and North America.

Thai banking and financial services firm, Siam Commercial, saw its stock drop (-20%). Although the bank accrued decent quarterly metrics, net profits shrunk. Swedish commercial bank, Svenska Handelsbanken, cited higher net interest income, increased lending and new loan and deposit volumes. Yet expenses eroded revenues, leading to lower profitability, as the bank developed capacity in the region and U.K. On a global level, nearly half of systemically important financial institutions (SIFIs) have declined (-20% to -25%) from recent peaks. While no large U.S.-based SIFI banks have entered bear market territory, many Chinese and some European banks were impacted. In an efficient market, such substantial declines may indicate problems in the financial system. We will continue to monitor this situation carefully.

South Korea's Samsung Electronics was down, as display demand slackened and prices weakened in DRAM and NAND memory chips due to increased supply. Nexon, a Japanese gaming company, declined (-12%) after it reported results that missed analyst expectations, impacted by higher capital expenditures.

In the second quarter, we sold our positions in Symrise AG, Asahi Group Holdings, Mixi Inc. and Sberbank. We purchased two consumer discretionary stocks, Publicis Groupe and Inchcape, and two Korean companies: tobacco manufacturer KT&G Corp and banking institution, Shinhan Financial Group.

The following table reflects the sector and regional allocation for a representative international equity composite portfolio as of June 30, 2018.

	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%	4.8%	0.0%	0.0%	2.5%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	24.0%	5.4%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	2.0%	0.0%	0.0%
Other Asia	12.1%	18.7%	1.2%	0.0%	2.4%	0.0%	2.6%	0.5%	0.0%	5.2%	5.4%	1.4%	0.0%	0.0%
Europe	57.9%	48.8%	0.0%	0.0%	10.2%	8.0%	14.7%	1.9%	4.5%	5.8%	0.0%	3.6%	0.0%	0.0%
Scandinavia	6.0%	12.1%	0.0%	0.0%	1.9%	3.3%	1.0%	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	6.2%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
Portfolio Totals		100.0%	3.3%	2.1%	17.1%	11.3%	20.5%	2.4%	4.5%	21.1%	6.8%	7.1%	0.0%	3.9%
MSCI EAFE Weight	100.0%		6.1%	3.3%	8.2%	14.3%	12.4%	11.3%	10.7%	19.8%	6.8%	3.6%	3.5%	0.0%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Most fundamental indicators that we track point to synchronized global growth. The majority of companies, regardless of geography or industry, with which we met have expressed optimism about the global economy. Yet, the recent declines among SIFI banks have given us pause. We remain confident in our ability to identify and execute on value opportunities, pinpointing attractively-priced companies in an overheating global economy. This current economic boom may be intermittently tested by the ongoing threat of trade wars or challenges in emerging markets. We will capitalize on periods of market volatility to add new investments to the portfolio.

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.