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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**.

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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**

For current international equity performance, **please click here**

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For current global equity performance commentary, **please click here**

For current international equity performance commentary, **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

	2019			Annualized as of June 30, 2019				
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	12.28%	2.41%	9.64%	-1.46%	12.37%	4.10%	11.77%	11.60%
Polaris Capital International Equity Composite net	12.00%	2.28%	9.50%	-2.07%	11.76%	3.54%	11.11%	10.75%
MSCI EAFE Index, gross dividends reinvested	14.49%	3.97%	10.13%	1.60%	9.65%	2.74%	7.39%	8.91%

Q2 2019 composite returns are preliminary. Past performance is not indicative of future results.

The Polaris International Equity Composite returned +2.41% for the second quarter of 2019, lagging the MSCI EAFE Index, which gained +3.97%. Despite weakening consumer and business sentiment in Europe, stock performance was upbeat. The composite's cyclical sector holdings generally performed better than defensives, led by financials, materials and industrials. It is worth noting the continued gap between growth and value sub-indexes. For the quarter, the MSCI EAFE Growth Index was up +5.96% while the MSCI EAFE Value Index was up +1.89%. Year-to-date, the Growth Index was up +18.87% and Value Index up +10.12%. The composite gained +12.28% for the year-to-date period, outperforming the Value Index.

PERFORMANCE ANALYSIS

Financials contributed the majority of the +2.41% gain. Two German reinsurers, Hannover Re and Munich Re, reported better-than-anticipated pricing on annual renewals, while catastrophic losses were limited in the 2019 first quarter. Standard Chartered, an international banking group, announced a $1 billion share buyback and a 10% jump in profits due to a surge in corporate banking income and a drop in expenses.

The materials sector contributed to portfolio returns, but lagged the benchmark sector results. Norwegian fertilizer company, Yara International, rose 20% as the company reported good quarterly revenues on the back of increased nitrate/urea product pricing. Yara's fertilizers were in high demand, as recent drier weather trends proved promising for U.S. farmers. Yara also curtailed its capital expenditure cycle; the resultant heavy free cash flow should be allocated to dividends over the next few years. Linde PLC recorded better profitability due to synergies achieved as a combined organization (Praxair-Linde). Linde signed a deal to supply gas to ExxonMobil's Singapore manufacturing complex, marking the largest gas contract in Linde's history. Canada's Methanex Corp. detracted, as industry-wide methanol prices were weak. The company also faced a proxy fight with one of its largest investors who was opposed to a large expansion project. Sasol Ltd reported disappointing results within its Lake Charles chemical project. A combination of increased equipment and contracting costs, plus tax breaks that hadn't materialized, led to the overrun.

Kone Oyj, SKF AB and BBA Aviation each advanced more than 10% during the quarter. In late April, Finnish elevator/escalator maker Kone reported first quarter earnings that met sales growth expectations. The stock price jumped higher after a news publication suggested Kone may bid on ThyssenKrupp's $15 billion elevator division. SKF, the Swedish ball bearing manufacturer, delivered organic growth due to strong industrial bearings sales. Conversely, Andritz AG's metals stamping segment was pressured by weak auto industry demand.

Kia Motors and Duni AB were among the top contributors from the consumer discretionary sector. Kia, the South Korean automobile manufacturer, posted robust quarterly results, led by a recovery in the U.S. auto market and launch of new sport utility vehicles. Duni's sustainable tabletop products showed stronger growth as the company will phase out plastic products by year-end. Homebuilder Bellway provided a trading update with rising reservations and orders. The company also maintained its margin outlook, pointing to cost-cutting efforts. Yet Bellway, and competitor Taylor Wimpey, declined on building supplier reports suggesting volume weakness and build cost inflation. Bellway also dealt with the fallout as the builder of a six-story building that succumbed to fire, started by a resident's barbecue.

The portfolio underperformed in the utilities sector, mainly due to the stock decline of Japanese electricity supplier Kansai Electric Power. The Japan Nuclear Regulation Authority imposed strict anti-terrorism guidelines, likely cowing to the pressures of local anti-nuclear activists. The Authority was resolute in not issuing extensions for retrofitting nuclear reactors; the industry may struggle to meet the aggressive deadlines, resulting in nuclear facility shutdowns.

Israeli-based generic drug manufacturer Teva Pharmaceutical faced multiple legal battles. The Connecticut Attorney General led more than 40 states in a 500+ page lawsuit against Teva and competitors for generic drug price fixing. Furthermore, Teva settled one of its outstanding opioid lawsuits with Oklahoma for $85 million. The position was in the process of being liquidated, which is now complete.

Japanese video game developer Nexon Co. was down after an offer from Nexon's founder to sell his NXC stake came to a halt due to valuation disagreements. Nexon remains fundamentally strong, as evidenced by increasing mobile game sales in China and Korea. After the end of a Marvel Avengers franchise era and more streaming movie options for patrons, investors are skeptical of Cineworld Group's ability to drive attendance to the theatre. On a positive note, Japanese telecom KDDI Corporation rebounded as it launched a rollout of new non-subsidized cell phone plans.

The following table reflects the sector and regional allocation for a representative international equity portfolio as of June 30, 2019.

	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%*	6.1%	0.0%	0.0%	2.1%	0.0%	2.1%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%
Japan	*23.7%*	9.8%	0.0%	1.5%	0.0%	0.0%	0.0%	2.0%	0.0%	1.9%	0.0%	4.3%	0.0%	0.0%
Other Asia	*12.7%*	19.2%	0.0%	0.0%	2.5%	0.0%	3.1%	1.1%	0.0%	5.8%	5.3%	1.3%	0.0%	0.0%
Europe	*57.6%*	44.5%	0.0%	0.0%	10.7%	6.7%	9.5%	1.6%	2.6%	6.8%	0.0%	6.5%	0.0%	0.0%
Scandinavia	*6.0%*	15.0%	0.0%	0.0%	2.2%	5.8%	0.9%	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	3.6%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
Portfolio Totals		100.0%	0.0%	1.5%	18.9%	12.5%	15.7%	4.8%	2.6%	24.6%	5.3%	12.2%	0.0%	1.8%
MSCI EAFE Weight	*100.0%*		*5.6%*	*3.6%*	*7.4%*	*14.8%*	*11.1%*	*11.7%*	*11.2%*	*18.9%*	*6.7%*	*5.4%*	*3.6%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Geo-political risks have dominated headline news for more than a year, with more recent worries over U.S.-China trade frictions, threatened Mexico tariffs and the ouster of U.K. Prime Minister Theresa May for failing to finalize a Brexit agreement with Parliament. Technology and materials stocks are sensitive to trade frictions. Signs of declining demand and new product postponements are already noticeable in technology. Year-to-date, the materials sector has been fairly impervious to the macro-economic threats, with decent volumes and pricing. Materials may still experience a downdraft; at that point, we intend to buy attractively-valued stocks that have been prominently featured in our screens. As value managers who have endured an outsized growth decade, we welcome markets that display stress; such periods may present the best value opportunities.

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 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 Index measures the performance of stock markets in these geographic areas including reinvestment of gross dividends. 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 Developed Market countries around the world, excluding the U.S. and Canada.