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INTERNATIONAL EQUITY COMPOSITE REPORT

	2014				Annualized as of September 30, 2014						
	YTD	Q3	Q2	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	**-1.76%**	**-7.70%**	**2.67%**	**3.68%**	**9.87%**	**20.92%**	**12.61%**	**9.57%**	**11.03%**	**11.01%**	**12.50%**
Polaris Capital International Equity Composite net	**-2.26%**	**-7.87%**	**2.50%**	**3.50%**	**9.12%**	**20.11%**	**11.85%**	**8.82%**	**10.21%**	**10.15%**	**11.60%**
MSCI EAFE Index, gross dividends reinvested	-0.99%	-5.83%	4.34%	0.77%	4.70%	14.16%	7.04%	6.80%	4.29%	5.57%	9.68%

Q3 2014 composite returns are preliminary. Past performance is not indicative of future results.

PERFORMANCE ANALYSIS

International equity markets had an auspicious start in 2014, up approximately 5% in the first half of the calendar year. However, markets ceded all of these gains in the third quarter. There is slowing economic growth and continued deflationary pressures in the Euro zone countries. Demand has also abated in many emerging countries, especially throughout Latin America.

In local currency terms, the MSCI EAFE Index (gross) advanced 0.98%. However, the U.S. dollar appreciated against other currencies, resulting in lower returns for non-U.S. equities in dollar terms. As a result, the MSCI EAFE Index (gross) declined -5.83% for the quarter in U.S. dollars. The Polaris International Equity Composite (gross of fees) was down -7.70%. Year to date, the portfolio was at -1.76%, while the MSCI EAFE Index returned -0.99%.

In this lackluster third-quarter market, the international portfolio had pockets of positive performance in the healthcare and utilities sectors. Top individual stock contributors included Meiji Holdings, Methanex, Infosys and Novartis. The main detractors were Tullow Oil, Duni AB, BASF and Ipsos.

In healthcare, Novartis presented promising results for its investigational heart-failure drug at an August cardiology conference. The company plans to file for U.S. approval of the drug by year-end and EU approval early next year. Annual sales estimates are currently at $1.3 billion. Israeli company, Teva Pharmaceuticals, also added to sector gains.

Meiji Holdings, a Japanese dairy products company, could not offset declines in other consumer staples stocks. Regulations by the Japanese government resulted in increased prices for milk used in cheese processing. Meiji responded by raising prices of butter and cheese, successfully passing on the higher costs to consumers. On the other hand, in late September, Greencore Group saw its stock price decline in response to negative news on the U.K. retail grocery market. Greencore subsequently released a statement reaffirming full year guidance projecting growth in the ready-to-eat/food-to-go market, which is the fastest growing category of U.K. grocery store sales. We believe investors unfairly penalized Greencore on broader market news that was not applicable.

As companies resume IT spending, Infosys has maintained full year guidance for revenue growth of 7-9% on operating margins of 24-25%. Often criticized for its cash hoarding approach, Infosys has begun to spend from its coffers, hiring three experienced R&D professionals from SAP, developing intellectual property and pursuing acquisitions. The stock had a double-digit gain for the quarter.

In the telecom sector, Sprint and its parent, Japanese telecom operator SoftBank, ended the pursuit of portfolio holding Deutsche Telekom's U.S. subsidiary, T-Mobile, after conceding that antitrust regulators may block a deal. Deutsche Telekom's stock price fell upon this news; however, it should be noted that T-Mobile's organic growth continues as it builds a U.S. subscriber base. Freenet also dropped as competition increased in the German reseller space.

A highlight among financials, Norway's DNB Bank was up, benefitting from improving margins in mortgages and lending. However, holdings in German reinsurers dragged down sector results. During the quarter, the international portfolio initiated a position in Sberbank, the largest bank in Russia with a 45% market share. The conservatively managed bank is driven entirely by deposit funding and loans, making it one of the country's most resilient financial institutions. The valuation profile of Sberbank compensates for the geopolitical risks present in Russia.

Energy stocks lagged during the quarter, hampered by Tullow Oil and Maurel et Prom. Tullow Oil announced a $95 million loss for the first six months of 2014 following more than $400 million in write-offs for exploration costs. However, the company's oil fields already in production have an estimated worth of about $7.6 billion, and the future looks promising with new projects in Ghana and Kenya. Tullow and its Kenyan exploration partner, Africa Oil, recently discovered 600 million barrels of oil in the South Lokichar Basin.

Declines in the industrials sector can be attributed to general economic weakness, lower industrial capital equipment spending and volatile geopolitics. Konecranes issued subpar results, with lower year-on-year sales and orders, pointing to lower demand for heavy-duty cranes and hoists, especially in process industries. The prolongation of the Ukraine crisis and stagnation in Finnish construction negatively impacted YIT's stock price. YIT lowered guidance for 2014, projecting revenue will grow to 0-5% while keeping its operating margin outlook unchanged at 7.5-8%. Since the spin-off from YIT, Caverion Corp. has encountered a number of loss-making legacy projects in Norway and Denmark. The company is making strides to complete these contracts quickly, making room for new bookings with profitability.

In consumer discretionary, French market research services provider Ipsos dropped after reporting 6-month operating profit fell 20% year-on-year. Duni declined during the quarter, even though the company reported strong second quarter results, with good organic growth and the seamless integration of recently acquired the German company Paper+Design. One new buy in the sector was Hong Kong-listed Rexlot, an established operator in the fast-growing Chinese lottery development and distribution market.

Commodity prices decreased in the third quarter, impacting materials companies dealing in iron ore, chemicals and metals. Higher geopolitical risk and lower energy prices caused contraction at BASF, where nearly half of its energy business as well as its energy sourcing are Russian-based. One bright spot in the sector was Methanex, which was the second largest individual contributor to overall performance this quarter. Methanex saw its stock price rebound from June quarter lows, while simultaneously benefitting from stabilizing methanol prices.

The following table reflects the sector and country allocation for a representative international equity composite portfolio as of September 30, 2014.

	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%*	3.6%	0.0%	0.0%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	*21.0%*	7.9%	0.0%	0.0%	0.9%	0.0%	0.0%	4.6%	0.0%	0.0%	0.0%	2.4%	0.0%
Other Asia	*12.1%*	9.8%	1.4%	2.0%	1.7%	0.0%	0.6%	0.0%	0.0%	0.0%	4.1%	0.0%	0.0%
Europe & Middle East	*60.6%*	55.7%	3.1%	0.0%	14.2%	2.6%	17.4%	1.8%	5.0%	6.0%	1.5%	4.1%	0.0%
Scandinavia	*6.4%*	18.4%	0.0%	0.0%	2.4%	5.8%	2.1%	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%
Portfolio Totals		100.0%	6.5%	2.0%	22.8%	8.4%	20.2%	6.3%	5.0%	14.2%	5.6%	6.5%	2.6%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

After global markets experienced stellar results in 2013, we lowered expectations for 2014 projecting single digit total returns for stocks. That outlook has proven accurate year to date. We are still facing global market volatility, with the U.S. as a modest growth driver offset by weakness in emerging markets and some European economies. There are signs of recovery in some previously hard-hit countries, including Spain, Portugal and Ireland, but it will take time for these regions to gain traction. In this environment, many foreign companies are reporting unimpressive but stable results, impacted by slack demand from emerging markets, worldwide geopolitical risks and currency devaluation. Importantly, the fundamentals of most of the international portfolio's holdings have not changed; our research continues to support investment in well-run companies with substantial free cash flow and conservative balance sheets. Between market declines and weak economic trends, many companies are undervalued, resulting in more prospects for investment. The research team has been actively pursuing these opportunities.

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.