121 High Street
Boston, Massachusetts 02110
Telephone (617) 951-1365
polariscapital.com

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**.

***

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**

***

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

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

THIRD QUARTER 2017 INTERNATIONAL EQUITY COMPOSITE REPORT

POLARIS CAPITAL MANAGEMENT, LLC

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

	2017				Annualized as of September 30, 2017				
	YTD	**QIII**	**QII**	**QI**	**1 Yr**	**3 Yrs**	**5 Yrs**	**10 Yrs**	**Since 6/30/1984**
Polaris Capital International Equity Composite gross	**20.83%**	**5.97%**	**6.21%**	**7.36%**	**21.76%**	**8.73%**	**12.66%**	**5.17%**	**12.15%**
Polaris Capital International Equity Composite net	**20.37%**	**5.83%**	**6.07%**	**7.23%**	**21.13%**	**8.16%**	**12.03%**	**4.52%**	**11.29%**
MSCI EAFE Index, gross dividends reinvested	20.47%	5.47%	6.37%	7.39%	19.65%	5.52%	8.86%	1.82%	9.29%

Q3 2017 composite returns are preliminary. Past performance is not indicative of future results.

In the third quarter of 2017, the Polaris International Equity Composite returned 5.97%, outperforming the MSCI EAFE Index, which gained 5.47%. We are pleased with the composite's results, especially in an environment that continued to favor global growth stocks over value stocks. Overall, global stock markets delivered healthy gains, spurred on by earnings growth, upswings in general economic data and diminished political uncertainty in Europe. Even the escalating tensions on the Korean peninsula and the rash of natural disasters in the U.S., Caribbean and Mexico did little to dampen global markets.

As dictated by another growth-oriented quarter, cyclical sectors performed best, led by materials, consumer discretionary and financials. Defensive sectors detracted with losses mainly in health care and consumer staples. On an individual stock basis, approximately 75% of composite holdings were in positive territory; approximately 20 companies had double-digit gains. Among the top individual performers were Norwegian banking institutions, Sparebank 1 SR and DNB ASA; energy companies Thai Oil and WorleyParsons; IT company, NEXON Co.; and British homebuilders. Detractors were largely limited to health care holding, Teva Pharmaceutical; select Korean companies, including two auto makers and a mobile carrier; and U.K.-based convenience food producer Greencore Group.

For the nine months ended September 30, 2017, the International Equity Composite gained 20.83%, while the MSCI benchmark returned 20.47%. The composite achieved benchmark-beating performance over all longer time periods as reflected above.

PERFORMANCE ANALYSIS

NEXON Co. was the top contributor to international composite returns, up more than 30% for the quarter. The Japanese gaming company reported good second quarter results, driven by the success of their flagship game in China, Dungeon & Fighter. The recent release of Lawbreakers for the Western market, as well as some of their other titles, should help diversify their product portfolio. The company also launched MMORPG AxE in September; it became an immediate best seller in the Korean Apple store.

Materials companies, Methanex Corp., Yara International and BHP Billiton, had double-digit gains during the quarter, easily recouping losses from the prior 3-month period. Global demand for iron ore was strong, backed by Chinese steel production; BHP Billiton benefitted from rising prices of both iron ore and copper. The company also responded to an activist investor, enacting numerous asset allocation, operational and management measures most of which were in process already. Finally, BHP released robust fiscal year 2018 guidance across iron ore, copper, and coal but remained cautious on the petroleum business outlook. They decided to sell U.S. onshore (shale) oil properties.

Over the past few quarters, Yara International dealt with the oversupply of urea and nitrogen products by focusing on improving operations and investing in higher-margin specialty fertilizer and industrial applications. In mid-September, urea prices started rising, indicating favorable supply-demand dynamics on which Yara capitalized. The stock was up nearly 20%. Supply-demand constraints also contributed to Methanex Corp.'s performance for the quarter. Availability of Gulf Coast methanol was in question following Hurricane Harvey, causing prices to jump nearly 10%. About 75% of Methanex's capacity is outside the U.S., and their Gulf Coast assets actually continued to operate normally. A large methanol-to-olefins (MTO) plant in China resumed production adding to methanol demand, which looks promising for the foreseeable future. According to a research report, one in five tons of global methanol production will be utilized for MTO production to satisfy expanding Chinese chemical demand by 2021.

U.K. homebuilders continued to contribute to performance despite BREXIT concerns. Persimmon, Bellway, Barratt Developments and Taylor Wimpey each posted robust quarterly results, with historically high sales rates, better operating metrics and upbeat guidance. The U.K. government's help-to-buy scheme (HTB) includes interest free loans in exchange for a share of house appreciation upon sale. HTB is reported to support 30-75% of some builders' sales. Among other consumer discretionary stocks, Magna International rose more than 15% after unveiling its autonomous driving platform, MAX4, at the Frankfurt Motor Show. Competitor Autoliv announced plans to split into two publicly-traded companies, sending shares of it and other auto parts suppliers, including Magna, higher.

South Korea's Kia Motors and Hyundai Motors detracted from consumer discretionary sector gains. Both battled sales slumps in China amid regional tensions and had weaker U.S. sales. A South Korean court ruled Kia owes workers back wages related to prior bonus calculations in a long-running legal case. The cumulative unpaid wages amounted to $400 million. Additional labor costs and wage adjustments arising from the ruling will more than double that amount; Kia provisioned another $400 million in estimated payments. As a result, the company is expected to post an operating loss in the next quarter.

Two Norwegian banks, DNB ASA and Sparebank 1 SR, led financial sector performance. DNB beat estimates, delivering better than expected results with expanding net interest margins, loan growth and lower loan loss provisions. The bank had de-risked loans to shipping, energy and offshore/logistics divisions. DNB also conducted two stock buybacks during the quarter. Although there was no significant news flow on Sparebank 1 SR, a revival of Norwegian loan growth and an uptick on lending margins were positive trends. Russian institution, Sberbank, delivered excellent half-year results, with higher net interest margins, lower credit costs, carefully-crafted expense controls and a return-on-equity in excess of 20%, despite a Russian economy that remained fairly soft. Conversely, Puerto Rican bank Popular Inc. declined in the wake of Hurricane Maria on concerns about the local economy and loans collateralized by hurricane-affected assets.

In the energy sector, Thai Oil gained more than 20% on the back of better pricing, decent volumes and higher refining margins related to tightening refined product supply after Hurricane Harvey's impact on Houston. WorleyParsons, the Australian energy consulting firm, reported respectable annual results with improved cash collections and a 20% increase in backlog across nearly all divisions (hydrocarbons, mining and infrastructure). Despite low energy prices, WorleyParsons' clients have adapted their cost structures to the new reality and are beginning to revive capital investment projects. Additionally, a Middle East-based consulting firm took at 19% stake in the company with a view toward a takeover.

Detractors were limited to select stocks across varying sectors. In health care, Israeli drug company Teva Pharmaceutical dropped materially during the quarter. The company faced a perfect storm of industry pressures and self-inflicted missteps. Pricing pressure in the U.S. generics market was worse than normal. The resultant lower cash flow, and a high debt load from the Allergan acquisition, forced the company to cut its dividend and warn that debt covenants may be violated. Management planned asset sales to help alleviate cash requirements.

Greencore Group executed seamlessly in the U.K., as their food-to-go offerings retained strong growth. U.S. operations were similarly well positioned, backed by the timely integration of the Peacock Foods acquisition and new business wins. Yet the stock price fell when the firm announced it would change production at its Jacksonville facility from frozen sandwiches to fresh food. Investors were concerned this signaled difficulty with its Starbucks business. At only 2% of Greencore's revenues, the Starbucks contract was far from substantial, but the market extrapolated that other legacy contracts may be at risk.

In telecom, South Korean mobile carrier LG Uplus reached the 49% foreign ownership limit, thereby not meeting MSCI's foreign room requirement. LG Uplus was excluded from the MSCI Korea Index, causing a price decline.

After a busy half year, in which we bought or sold more than a dozen companies, portfolio turnover slowed, as no new positions were added or exited in the quarter.

The following table reflects the sector and regional allocation for a representative international equity composite portfolio as of September 30, 2017.

	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%*	6.2%	0.0%	0.0%	2.2%	0.0%	2.3%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%
Japan	*23.0%*	8.7%	0.0%	1.8%	0.0%	0.0%	0.0%	2.1%	0.0%	0.0%	3.2%	1.6%	0.0%	0.0%
Other Asia	*11.7%*	18.0%	4.0%	0.0%	2.0%	0.0%	2.6%	0.0%	0.0%	4.1%	4.1%	1.2%	0.0%	0.0%
Europe	*58.8%*	47.2%	0.0%	0.0%	13.1%	6.1%	12.8%	1.7%	2.6%	7.0%	0.0%	3.9%	0.0%	0.0%
Scandinavia	*6.5%*	13.3%	0.0%	0.0%	2.0%	3.7%	1.2%	0.0%	0.0%	6.4%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	3.5%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%
Portfolio Totals		100.0%	5.5%	1.8%	19.3%	9.8%	18.9%	3.7%	2.6%	21.2%	7.4%	6.6%	0.0%	3.2%
MSCI EAFE Weight	*100.0%*		*5.1%*	*3.4%*	*7.9%*	*14.4%*	*12.2%*	*11.2%*	*10.6%*	*21.5%*	*6.3%*	*4.1%*	*3.5%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Global economic expansion may be sustainable in the coming quarters, as roughly three-quarters of countries are steadily improving. Eurozone countries are showing signs of recovery, with political risk diminished. China is seeing stronger investment and consumer-led growth. Strong commercial spending, domestic demand and a pickup in global trade bodes well for India. In Japan, private consumption, investment and exports support growth, the first upward inflection for this country in many years. In the U.S., consumer and corporate spending, manufacturing and employment metrics are promising. Inflation remains tepid, with one possible Federal Reserve interest rate hike left in 2017. Yet, liquidity problems in oil-based economies and continued capital flight from China are cause for concern. Brazil remains mired in corruption scandals.

Generally healthier macro-economic conditions are reflected in the companies we visit. Many report increased demand, positive momentum in cash flows and optimistic guidance. Corporate earnings are pushing stocks higher, leading to stretched valuations in certain sectors and countries. After a year of solid market appreciation, fewer attractively-valued companies are entering our screens. Those that appear are keeping our research team busy with fundamental analysis and on-the-ground visits. We are pleased portfolios have been de-risked to some degree after second quarter changes and we expect further activity in the fourth quarter.

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.