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CAPITAL MANAGEMENT, LLC

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INTERNATIONAL EQUITY COMPOSITE REPORT

	2014					Annualized as of December 31, 2014					
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	-3.24%	-1.52%	-7.69%	2.56%	3.78%	-3.24%	19.62%	11.92%	7.97%	11.00%	12.33%
Polaris Capital International Equity Composite net	-3.54%	-1.64%	-7.70%	2.54%	3.62%	-3.54%	18.97%	11.25%	7.28%	10.17%	11.44%
MSCI EAFE Index, gross dividends reinvested	-4.48%	-3.53%	-5.83%	4.34%	0.77%	-4.48%	11.56%	5.81%	4.91%	5.43%	9.47%

Q4 2014 composite returns are preliminary. Past performance is not indicative of future results.

For the second consecutive quarter, foreign currency depreciation played a major role in performance. In local currency terms, the MSCI EAFE Index (gross) advanced 1.81%; however, once converted into U.S. dollars, Index performance was -3.53%. The Polaris International Equity Composite (gross) returned -1.52%, outperforming the benchmark. For the year 2014, the composite returned -3.24%, while the MSCI EAFE Index declined -4.48%.

PERFORMANCE ANALYSIS

In the fourth quarter, the international portfolios' top contributors included four consumer discretionary stocks, U.K. homebuilders Bellway PLC, Taylor Wimpey and Persimmon PLC, as well as Duni AB, and one materials stock, German fragrance, additives and flavors producer Symrise AG. Detractors were equally concentrated, with energy and material sector stocks impacted by the commodity price declines. Maurel et Prom, Tullow Oil Plc, Sasol Ltd and Canadian methanol producer Methanex Corp. were among the stocks that underperformed.

Six of 10 sectors were in absolute positive territory, led by consumer discretionary, consumer staples, telecom and utilities. The majority of consumer discretionary holdings produced robust returns because of good earnings. Encouraging sales and profit numbers at Duni were attributable to organic growth, recent product launches, the completion of a recent acquisition and efficiency programs that have effectively strengthened margins. The four U.K. homebuilders in the portfolio announced healthy results, on increased demand due to improved mortgage availability. Land bought inexpensively during the recessionary period is now coming into production, which should result in higher-margin house sales in the coming quarters. French tire maker Michelin was added to the consumer discretionary sector during the quarter. With lower gas prices, increased driving mileage may boost the demand for replacement tires.

Consumer staples holding Greencore reversed course from last quarter's decline, adding double-digit gains after reporting results that reflected its participation in food-to-go (FTG) business, the fastest growing segment in UK grocery sales. The company also announced plans to build out its U.S. FTG business with the acquisition of Lettieri's LLC and new site construction in Rhode Island and Washington State. In Japan, Meiji Holdings Co Ltd. reported healthier margins and rising profitability. The integration of the 2009 merger of its dairy and pharmaceutical divisions is finally achieving better results. The company has successfully reorganized the business, implemented structural reforms and increased overseas operations. With an aging population eating more probiotics, Meiji's dairy division more than offset Japanese drug price cuts impacting the pharmaceutical division. We expect that the decrease in oil prices will have a

beneficial effect on disposable income, leading to further consumer demand in Japan, and in all non-oil producing countries.

The European telecom sector generally announced better-than-expected earnings in the September 2014 quarter. In the international portfolios, German telecom and web content provider Freenet AG reaffirmed its outlook for 2015, and noted increased subscribers. Deutsche Telekom's stock price was up on news of M&A transactions, including BT Group's potential purchase of British wireless venture EE, currently owned by DT and Orange S.A. DT's T-Mobile remained an attractive asset for potential suitors, with Dish Network Corp. expressing interest. T-Mobile gained the most subscribers in the U.S. for 2014, although it is still struggling to turn a profit.

Hong Kong water utility Guangdong Investment Ltd. renewed its contract to supply water to Hong Kong, with higher-than-expected tariff increases of approximately 6% per year for each of the next three years.

Samsung Electronics and Infosys contributed to information technology sector results. At Samsung, Lee Jae Yong has taken the reins of the company since his father's hospitalization. During his short tenure, he has already proposed a \$2 billion buyback and disposed of stakes in chemicals and defense businesses. The market is optimistic that such restructuring will also lead to better corporate governance and a renewed focus on core markets, including consumer televisions, smartphones and smart home software. We look to new cell phone models from Samsung's R&D labs to lead its low-cost competitors.

Mixed performance characterized the industrial sector, with positive performance in two thirds of the holdings offset by YIT OYJ and Trevi Finanziaria. Finnish elevator/escalator manufacturer Kone OYJ was the top industry contributor, with double-digit gains after generating healthy results and order intakes. With an established foothold in China, Kone is expected to capitalize on relaxed Chinese real estate policies and the announcement of another 7 million affordable housing units. Italian ground engineering firm Trevi continued its downward trajectory. We believe that the company's stock depreciation is overdone. The company conducted a capital raise in the second half of 2014 to expand its oil drilling business. While lower oil prices may cause less drilling in certain locations, Trevi has yet to have any order cancellations. Company management recently announced all-time high order books for oil drilling and improved financial metrics for the nine months ended September 2014.

German reinsurer Hannover Re: had double digit returns after incurring fewer catastrophe losses in 2014 and increasing subscribers to its life and health business. However, it couldn't offset losses in other parts of the financial sector. Norwegian banks, Sparebank 1 SR and DNB Bank ASA, declined on oil-related concerns, although neither institution holds more than 10% of loan books in direct oil- and gas-related businesses. We believe that the stock price drops are more magnified than warranted. Although Norway is an oil-producing country, it has a very different structure for oil proceeds. In most OPEC countries, oil is the only resource and money from oil revenues is spent on current government programs. In Norway, oil revenues collected by the government are sequestered in an oil fund, which is explicitly banned from use to bolster the domestic economy. In our opinion, the Norwegian economy is fairly insulated by declines in oil prices, but might be affected at the margins.

Commodity-driven sectors, namely materials and energy, were the main detractors to international portfolio performance for the quarter. In materials, Symrise was the only standout. The company achieved good results across all divisions and geographies, including emerging markets. By contrast, Methanex has been hampered by natural gas supply constraints, causing reduced production at one Trinidad plant and restricted activity in Chile and Egypt. Lower commodity prices have also been at issue, both with methanol at Methanex and iron ore and oil at Australia's BHP Billiton.

During the year, we conducted extensive research on numerous stocks, including some in the materials sector. With the recent decline in foreign markets, two stocks became attractive, The Linde Group and Northern Star Resources, which we opportunistically purchased at better valuations than expected. Linde is a German multi-national industrial gases and engineering company. The company appears attractive, as it is a dominant player in a consolidated industry, with low downside risk, many long-term contracts and strong visible cash flows. Northern Star is a gold producer in Australia. We expect this small-cap stock to be a portfolio diversifier.

As would be expected by global oil price declines, the energy industry was severely impacted. The international portfolios' holdings were no exception, with Thai Oil, Tullow Oil, Maurel et Prom and Sasol down.

The following table reflects the sector and country allocation for a representative international equity composite portfolio as of December 31, 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%	2.4%	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	21.2%	8.3%	0.0%	0.0%	0.9%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	2.4%	0.0%
Other Asia	12.3%	9.3%	1.1%	2.2%	1.3%	0.0%	0.5%	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%
Europe & Middle East	60.3%	59.4%	1.1%	0.0%	16.3%	2.5%	21.3%	2.0%	4.9%	5.6%	1.4%	4.3%	0.0%
Scandinavia	6.1%	17.2%	0.0%	0.0%	2.1%	5.7%	2.4%	0.0%	0.0%	7.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	1.3%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%
Portfolio Totals		100.0%	3.5%	2.2%	22.9%	8.2%	24.2%	7.0%	4.9%	12.6%	5.6%	6.7%	2.1%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Crude oil prices dropped more than 40% over the last three months, as demand growth slowed while supplies and production continued to increase. The International Energy Agency reduced its demand forecast several times recently. The Organization for Economic Cooperation and Development stated that oil demand is expected to be lower on continued energy efficiency gains, while slower growth in demand from emerging markets reduced expected demand in 2014 and 2015. Simultaneously, supply continues to increase. Once investment in oil fields is committed, projects are not cancelled and continue to add to supply. On November 27, Saudi Arabia, a low-cost oil producer, announced it would not cut back production to prop up prices.

Our outlook has shifted as a result of these commodity price declines. We believe the net benefits to oil consuming economies outweigh the reduction in the growth of oil producing regions. Globally, only a small number of countries with small populations benefit from higher oil prices; most all others, including the U.S. and China, are net beneficiaries of lower prices.

In the U.S., lower gasoline prices may lead to more discretionary spending power, and indirectly boost consumer confidence. U.S. companies may see profit margins rise, as costs drop for logistics, utilities, running factories, and business and consumer travel. While areas like North Dakota may experience contraction from their torrid growth where unemployment is extremely low, most other regions in the U.S. will likely see long awaited improvement.

Lower commodity prices will also help China mitigate the decrease in its GDP growth rate for the near term, spurred on by new rail projects and building infrastructure. According to China Daily, China will target construction of 7 million affordable housing units, the same as 2014, although only 4.8 million units were built in the year. Commodity price declines will also mitigate the spending decline wrought from Japan's consumption tax hikes.

However, lower oil prices may not have a dramatic impact in regions like Europe where taxes are a large percentage of the retail pump price. Instead, we believe Europe will benefit from deflation in 2015, a view contrary to some policy makers and pundits. Inflation is a highly regressive tax for low and middle income earners, especially since real wages have not increased in more than 30 years. The only way these consumers have to advance their economic condition is through lower prices. If real wages are constant but the real cost of goods declines, consumers have more real disposable income and can choose to save, pay down debts, invest or consume the added income.

Deflation also proves to be the stimulus for disruptive technologies. The likes of Uber and AirBNB would not have a business if not for the ability to muster the resources of underemployed labor and assets, who are more than willing to introduce deflation into these industries and arbitrage the excess costs. Disruptive

technologies are enabling surprisingly successful new business models like Uber, etc., which target entrenched monopolies protected by government regulations and overburdened cost structures that generate “excess” revenues for the governments. In our view, governments will eventually have to adapt to this new disruptive economic reality and learn to downsize as their revenue base is challenged.

The research effort at Polaris continues to look at the deflationary forces at work in the global economy, and the disruptive technologies that create deflation. In recent quarters, we have identified good value investment opportunities. The continuing challenge will be to select those values that prove sustainably good investments over the long-term.

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.