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

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FOURTH QUARTER 2016 INTERNATIONAL EQUITY COMPOSITE REPORT

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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

	2016					Annualized as of December 31, 2016				
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	**7.37%**	**0.76%**	**13.15%**	**-5.13%**	**-0.74%**	**7.37%**	**1.50%**	**13.08%**	**4.03%**	**11.79%**
Polaris Capital International Equity Composite net	**6.79%**	**0.63%**	**12.99%**	**-5.25%**	**-0.87%**	**6.79%**	**0.97%**	**12.43%**	**3.38%**	**10.92%**
MSCI EAFE Index, gross dividends reinvested	1.51%	-0.68%	6.50%	-1.19%	-2.88%	1.51%	-1.15%	7.01%	1.22%	8.89%

Q4 2016 composite returns are preliminary. Past performance is not indicative of future results.

The Polaris International Equity Composite was up 0.76% for the quarter, outperforming the MSCI EAFE Index, which declined -0.68%. Portfolio returns would have been even higher, if not for the U.S. dollar's appreciation against all major currencies, including the British Pound, the Japanese Yen and the Euro.

Portfolio gains were largely attributable to cyclical value stocks, which performed admirably at the expense of more defensive companies. Holdings in materials, financials and energy contributed the most, led by top performer Methanex. Higher oil and coal prices during the quarter increased costs for Chinese production of methanol and fertilizer; the supply-demand equation shifted favorably for low-cost commodity producers like Methanex and Yara International, each of which exacted higher prices and increased production. The share price of consumer discretionary holding, Christian Dior, recovered as the company reported stronger luxury goods sales in China.

Currency was the defining factor in stock price declines of Ireland's Greencore Group and U.K. homebuilders, including Persimmon Plc, Barratt Developments and Taylor Wimpey. Japan's telecom operator KDDI Corp. and brewery Asahi Group Holdings were lower on the Yen's depreciation.

For the full year ended December 31, 2016, the International Equity Composite's total return of 7.37% surpassed the MSCI EAFE Index, which returned 1.51%. We are pleased with the outperformance in this volatile year, as well as our benchmark-beating performance over all longer time periods as reflected above.

PERFORMANCE ANALYSIS

The Chinese government's plan to shrink its bloated coal industry, in combination with higher oil prices, resulted in coal prices advancing more than 50% in 2016. China's coal-based methanol and urea producers faced cost pressures, leading to lower production rates and fewer exports. With lesser Chinese competition, the supply/demand balance tightened, benefitting low-cost international methanol producer, Methanex. The Canadian company recorded a 5% increase in sales, with higher average realized methanol pricing. Urea market leader, Yara International, was also expected to capitalize on this trend, capturing market share from its Chinese rivals. Showa Denko was up more than 15% for the quarter, as its petrochemicals and hard drive media units logged gains. At a December conference, Showa Denko elaborated on its organic and acquisitive initiatives, while revising guidance upwards. Symrise was one of the few underperformers in the materials sector; however we can ascertain no material reason for the decline. The German flavor/fragrance producer announced solid earnings and increasing sales across nearly all geographies. It also made strategic changes to its corporate model, selling Pinova Holdings' industrial activities in favor of core businesses.

In financials, Norway-based DNB Bank performed admirably as the company continued expense controls, which enabled it to reach its capital targets for 2017. The European Banking Authority conducted a stress test showing DNB had the greatest resilience to economic crisis among tested institutions. Fellow country competitor, Sparebank 1 SR, had similarly strong returns. Better oil prices bolstered earnings at Russia's Sberbank, which reported improving net interest margins and profitability. Investor AB was sold in preference to United Overseas Bank, a conservatively managed Singapore bank with an expanding footprint in southeast Asia. Puerto Rico-based bank Popular Inc., settled outstanding litigation with the FDIC, eliminating that overhang on the stock. The bank also benefitted from progress the Financial Oversight and Management Board for Puerto Rico made with local government officials. The Board recommended implementation of a fiscal and economic framework to handle the Commonwealth's debt. In late December, the Board also began good faith discussions with creditors.

French luxury goods company, Christian Dior, gained approximately 18% during the quarter, rebounding from a two-year slump due to China's economic slowdown and the government's anti-corruption movement to dissuade displays of wealth. In the second half of 2016, China's penchant for fashion and leather goods renewed, with sales at the fastest pace in more than a year. LVMH, of which Christian Dior owns 41%, successfully took control of family-owned luxury luggage maker Rimowa in Germany. International Gaming Technology (IGT), the Italian gaming and lottery company, continued its winning streak, recording good gaming revenues on the back of lottery license extensions in Georgia and Texas.

Strong results from Christian Dior and IGT could not counterbalance losses elsewhere in the consumer discretionary sector. U.K. homebuilder stock prices were generally flat during the quarter in local currency, but ended in negative territory in USD terms. No adverse financial or fundamental metrics were reported at our British homebuilder holdings. Kia Motors, which jointly handles orders with minority owner Hyundai Motor Co., underperformed due to too few consumer-friendly SUV models and slower sales in emerging markets, central/eastern Europe and Russia.

Similar to U.K. homebuilders, Irish convenience foods producer Greencore Group retreated, as its share price decline was amplified by the British Pound depreciation. During the quarter, the company announced it would acquire U.S.-based Peacock Foods in a deal funded by an equity rights issue and new debt. This acquisition is expected to quadruple Greencore's U.S. revenues. Already impacted by a weaker Yen, Japan's Asahi Group Holdings dropped further on the acquisition of European beer brands from Anheuser-Busch InBev. Asahi defended the $7.8 billion deal, citing cost benefits and the ability to boost international sales. However, the stock price fell on concerns about the price paid and how the deal would be financed.

In the healthcare sector, branded and generic drug pricing fell more than expected, causing a stock decline at Teva Pharmaceuticals. Teva sought to introduce three generic drugs to the market in the fourth quarter of 2016; the launch was postponed due to FDA delays.

Industrial holding, KONE Oyj, lowered guidance for next year's orders in China, due to cooling real estate market in that country. The Finnish escalator and elevator company also said raw material costs could rise, squeezing its margin.

The following table reflects the sector and country allocation for a representative international equity composite portfolio as of December 31, 2016.

	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%*	4.6%	0.0%	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%
Japan	*24.1%*	5.8%	0.0%	0.0%	2.2%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%
Other Asia	*12.1%*	16.1%	3.9%	0.0%	2.3%	0.0%	1.6%	0.0%	0.0%	4.4%	3.9%	0.0%	0.0%	0.0%
Europe	*57.7%*	52.3%	0.0%	0.0%	13.1%	6.3%	16.2%	2.1%	3.1%	7.4%	0.0%	3.9%	0.0%	0.0%
Scandinavia	*6.1%*	16.7%	0.0%	0.0%	2.1%	7.1%	1.4%	0.0%	0.0%	6.2%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.9%	1.9%	0.0%	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%	0.0%	2.6%
Portfolio Totals		100.0%	5.7%	0.0%	22.0%	13.4%	19.2%	4.1%	3.1%	20.3%	3.9%	5.6%	0.0%	2.6%
MSCI EAFE Weight			*5.5%*	*3.4%*	*7.9%*	*14.0%*	*12.5%*	*11.2%*	*10.7%*	*21.2%*	*5.5%*	*4.5%*	*3.7%*	*0.0%*

Table may not cross foot due to rounding.

2016 PERFORMANCE ANALYSIS

Global markets had a tumultuous year, as evidenced by the MSCI EAFE Index, with three quarters of returns in negative territory. Political events, like the U.K. BREXIT vote and the U.S. presidential race, had differing impacts on markets. The Federal Reserve's early indecisiveness on interest rates added to the volatility, as did banking crises in Europe and dour growth assumptions in China and India. In such an environment, we are pleased that the International Equity Composite returned 7.37% for the year, beating the MSCI EAFE Index by more than 580 basis points. International Game Technology, Samsung Electronics and Australian engineering company, WorleyParsons, were among the top contributors. The vast majority of material sector holdings achieved double-digit stock price gains. In particular, German specialty chemicals company LANXESS AG and Australia commodity producer BHP Billiton benefitted from higher commodity (copper and iron ore) prices. The portfolio's holdings in financials, energy, industrials, and information technology also added to positive results. Teva Pharmaceuticals was the most notable detractor. British homebuilders also suffered losses for the year, much of which is outlined in this quarterly report.

INVESTMENT ENVIRONMENT AND STRATEGY

Political uncertainty materially held back growth in 2016, as consumers and corporations were reticent to make long-term investment plans. With various governmental elections decided, focus has returned to economic development worldwide. While U.S. prospects are promising, we are worried about European markets, in particular the banking environment. In prior reports, we voiced concern about European banks; this quarter, we got further validation supporting our position, as Italy's oldest bank Monte dei Paschi di Siena failed to raise equity to meet capital requirements forcing a bailout from the Italian state. Capital flight from China has also been troubling, although anecdotal evidence from our portfolio companies suggests that growth in China may be stronger than expected. We will be watching trends carefully.

Performance in 2016 was mainly attributable to the research done over the past several years. As the analyst team expanded, we conducted even more on-the-ground research, traveling worldwide to pinpoint companies added to our 250+ stock watch list. Pockets of volatility allowed us to buy companies previously relegated to the watch list. We capitalized on negative market events, opportunistically picking up companies at good valuations. We will continue to execute on this strategy throughout 2017, seeking continued strong portfolio performance.

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.