



POLARIS

CAPITAL MANAGEMENT, LLC

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

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Additional data specific to Polaris' global and international investments is available as follows:

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Information presented is supplemental to the annual disclosure presentation.
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INTERNATIONAL EQUITY COMPOSITE REPORT

	2017					Annualized as of December 31, 2017				
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Capital International Equity Composite gross	27.01%	5.12%	5.97%	6.21%	7.36%	27.01%	11.12%	12.25%	6.42%	12.22%
Polaris Capital International Equity Composite net	26.36%	4.98%	5.83%	6.07%	7.23%	26.36%	10.54%	11.64%	5.76%	11.36%
MSCI EAFE Index, gross dividends reinvested	25.62%	4.27%	5.47%	6.37%	7.39%	25.62%	8.29%	8.38%	2.42%	9.36%

Q4 2017 composite returns are preliminary. Past performance is not indicative of future results.

In the fourth quarter of 2017, the Polaris International Equity Composite returned 5.12%, outperforming the MSCI EAFE Index, which gained 4.27%. Global macro-economic growth was on an upswing, as evidenced by strong corporate earnings, heated M&A activity and increased consumer spending. As would be expected in such an environment, cyclical sectors including materials and consumer discretionary, as well as consumer staples, dominated performance.

Higher commodity prices drove stock returns in the materials sector, with gains from Methanex Corp., BHP Billiton and Symrise AG. The merger between portfolio company, Linde AG, and U.S. industrial gases company, Praxair, cleared shareholder hurdles, as 75% of Linde's shares were tendered prior to the deadline, allowing for the next step in the complex German transaction. Consumer staples was buoyed by Asahi Group Holdings and Greencore Group. Detractors were generally limited to select banks, Bancolumbia SA, DNB ASA and Svenska Handelsbanken; telecom companies, KDDI Corp and Deutsche Telekom; and Italian foundation engineering and oil rig manufacturer, Trevi Finanziaria.

For the year ended December 31, 2017, the International Equity Composite gained 27.01%, while the MSCI EAFE Index returned 25.62%. Annual results were admirable in a market skewed toward growth stocks, as the MSCI EAFE Growth Index topped 29.34% vs. 22.12% for the EAFE Value Index. The composite achieved benchmark-beating performance over all longer time periods as reflected above.

PERFORMANCE ANALYSIS

In consumer staples, Asahi Group Holdings, the Japanese beer and beverage maker, performed well as investors warmed up to the company's mid-term strategy of divesting out of less profitable businesses in Indonesia and China, and shifting their focus to M&A in Europe where they have already established themselves as a serious player in the beer market. The company also plans to sell its Japanese soft drink unit, LB Co, Ltd. After more than a decade operating in a deflationary environment, Asahi is planning to raise prices by 10% for alcoholic beverages sold in returnable containers in Japan. U.K.-based Greencore Group climbed during the quarter after the company reported full-year results that beat expectations. The British food-to-go business had strong sales growth due to commercial launches. Peacock Foods, Greencore's acquired U.S. business, gained traction with large new customers and business wins projected in 2018.

Recovering commodity prices, ranging from chemicals to methanol to iron ore, copper and oil, spurred on gains in the materials sector. Canada's Methanex gained more than 20% as methanol prices rose when a large Chinese methanol-to-olefin plant resumed operations and purchases of methanol. On the supply side, the Chinese reduced production of coal-to-methanol for environmental purposes, and competitors suffered unplanned plant outages, thereby tightening the market and increasing methanol prices. A new chairman was ushered in at BHP Billiton in early September. Under this leadership, BHP planned to divest its onshore shale business and sought a buyer for its Australian nickel business. Investors expect BHP will

realize healthy valuations for these assets, as prices of nickel and oil are up 16% and 9% respectively since early 2017. Symrise AG highlighted growth in its aromatics, flavors and pet food divisions across Europe, with good momentum in emerging markets. Solvay was the only detractor in the materials sector, as the company missed earnings due to below-forecast core profits. The company was burdened by higher energy costs and foreign exchange conversion; yet management reaffirmed its optimistic outlook for 2018. Solvay management expects that the company's divestment strategy, selling polyamide, cellulose and other non-core businesses in favor of key chemical segments, will reap rewards in the coming year.

In the energy sector, Sasol Ltd. was up more than 25% as the company updated its corporate strategy and progress on its large Lake Charles ethane cracker. In its 2017 annual report, WorleyParsons highlighted business improvement, with increasing gross margins, improving cash collections and healthy backlog. The company subsequently acquired AMEC Foster Wheeler U.K.'s North Sea operations for approximately \$308 million, thereby increasing its footprint.

United Overseas Bank (UOB) posted double-digit growth in net profits, as the regional recovery in Southeast Asia economies boosted demand for customer loans and other banking services. Borrowing rates in Singapore and Hong Kong have risen during the year, leading to higher net interest margins. The company noted higher fee income from wealth management and credit card services. UOB shares also rose when they announced talks with Shandong Lucion Investment Holdings Group Co on a possible sale of its stake in small Chinese bank, Hengfeng Bank Co Ltd. Conversely, Scandinavian banks, DNB ASA and Svenska Handelsbanken, had single-digit losses. Fundamentals at DNB were stable, as the company announced good results on the back of recovering oil prices. Margins and volumes rose, loan loss provisions were modest and cost-cutting initiatives were on track. Yet, investors were concerned about the slowing Norwegian housing market and the potential impact on banks in the region. Svenska Handelsbanken suffered under the same premise, as skepticism arose about Swedish housing prices. The bank noted slowing corporate loan originations and declining capital ratios, proactively taking measures to reweight assets. Colombian bank, Bancolombia, SA, dropped nearly 13% on the quarter. Margin compression and deteriorating asset quality, coupled with the International Monetary Fund's forecast of stagnant GDP growth in Latin America, weighed on the stock.

Among industrials, BBA Aviation was up 18% after a favorable trading update on the back of improving flight movements in the U.S., contribution from acquisitions and progress with commercial renegotiations for the enlarged network. BBA also announced a license agreement with Fly Across at Toluca International Airport in Mexico, marking the first foray into the country. France's Vinci SA reported solid third-quarter revenues, bolstered by expansion of its airport business. Management guided for growth, driven by recently-signed airport operations contracts in Japan and Brazil. These gains mitigated losses at Trevi Finanziaria after it recorded weak quarterly results. Unfavorable project and product mix, alongside continued weak order outlook in their oil & gas division, were the primary factors. The company also requested a standstill agreement from its main financing banks to enable the group to focus on development of a strategic plan and reorganization of its oil activities.

During the quarter, we identified new investment opportunities, necessitating re-evaluation of existing holdings to make room for new purchases. We analyzed the composite's four U.K. homebuilders extensively, and although fundamentals remain stable, we decided other companies were better valued and represented less downside risk. Barratt Developments was sold on rich valuation, peak margins and higher priced London exposure where pricing remains weak. We exited Persimmon primarily on similar valuation/margin metrics, which were largely driven by Persimmon's heavy exposure to the U.K. government subsidized schemes. Thai Oil was sold at a profit on peak gross refining margins; timing was opportune, as we identified possible downside risks from fading industry trends and concerns about large capital expansion projects. Cash was redeployed to South Korean semiconductor company, SK Hynix, and three U.K. companies: retailer Next plc, engineering support service firm, Babcock International, and theater operator, Cineworld.

The following table reflects the sector and regional allocation for a representative international equity composite portfolio as of December 31, 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%	2.3%	0.0%	2.3%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%
Japan	24.0%	9.0%	0.0%	1.7%	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	3.3%	1.8%	0.0%	0.0%
Other Asia	12.0%	19.4%	3.1%	0.0%	2.2%	0.0%	2.9%	0.0%	0.0%	4.2%	5.5%	1.4%	0.0%	0.0%
Europe	57.9%	45.8%	0.0%	0.0%	12.9%	8.1%	9.6%	2.0%	2.1%	7.2%	0.0%	3.8%	0.0%	0.0%
Scandinavia	6.1%	14.4%	0.0%	0.0%	2.0%	3.6%	1.0%	0.0%	1.8%	6.0%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%
Portfolio Totals		100.0%	3.1%	1.7%	19.4%	11.7%	15.9%	4.3%	4.0%	20.7%	8.8%	6.9%	0.0%	3.5%
MSCI EAFE Weight	100.0%		5.3%	3.2%	8.2%	14.6%	12.3%	11.2%	10.1%	21.2%	6.4%	3.9%	3.6%	0.0%

Table may not cross foot due to rounding.

2017 PERFORMANCE ANALYSIS

The International Equity Composite gained 27.01% for the year, while the MSCI EAFE benchmark returned 25.62%. This outperformance was attributed to positive absolute returns in eight sectors, with greatest contributions from consumer discretionary and materials. U.K. homebuilders, Persimmon, Taylor Wimpey, Bellway and Barratt Developments, all had double-digit gains. After a lackluster 2016 due to lower commodity prices, materials surged this year with the majority of holdings up in excess of 20%. Financials, industrials and energy also contributed measurably. Utilities and health care holdings were in negative territory, as Kansai Electric Power lost market share to its peers. Tariffs linked to fuel prices also came down, hurting Kansai's top line. In health care, Israel's Teva Pharmaceutical was hurt by slower generic introductions and continued price pressure on existing generics. In addition, concerns about the ability of the company to service its debts and management changes weighed on the stock in the first nine months. However, a new CEO and aggressive corporate restructuring lifted shares of Teva toward year end.

INVESTMENT ENVIRONMENT AND STRATEGY

Supply-demand fundamentals remain resilient in the materials sector, with demand originating in Asia and translating into renewed economic growth in Europe and more recently, the U.S. The reduction in tax rates in the U.S. ultimately will be positive for corporate cash flows and valuations. We believe that freed-up cash flow will go into further investments and capital spending, which could stimulate investment growth in the world economy.

As always, we welcome your questions and comments.

DISCLOSURES & FOOTNOTES

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