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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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GLOBAL EQUITY COMPOSITE REPORT

	2020		Annualized as of March 31, 2020				
	YTD	QI	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since 9/30/1984
Polaris Global Equity Composite gross	**-31.22%**	**-31.22%**	**-23.15%**	**-4.43%**	**0.03%**	**6.52%**	**10.94%**
Polaris Global Equity Composite net	**-31.31%**	**-31.31%**	**-23.52%**	**-4.91%**	**-0.45%**	**5.99%**	**10.09%**
MSCI World Index, gross dividends reinvested	-20.93%	-20.93%	-9.87%	2.49%	3.83%	7.17%	9.25%

Q1 2020 composite returns are preliminary. Past performance is not indicative of future results.

While markets were on relatively stable footing at the beginning of 2020, the months of February and March dramatically skewed returns. The Polaris Global Equity Composite returned -31.22%, underperforming the MSCI World Index, which declined -20.93%. Measures to prevent the spread of the novel coronavirus (COVID-19) resulted in the shutdown of the global economy, never before seen in modern economic history. The resulting demand and supply shocks to the global economy motivated governments and central banks to undertake unprecedented monetary and fiscal policies. Yet doing so did little to boost industries hardest hit, especially travel, entertainment and discretionary retailers. Unemployment rates spiked in the U.S.; other countries faced similar predicaments. Oil prices also collapsed in March, first as demand for petroleum products weakened and then as Saudi Arabia-Russia output negotiations broke down in a fight for market share and cross retaliation for proxy geopolitical conflicts. It was a “perfect storm” of oversupply with falling demand. In such unprecedented times, the stock market declined in excess of -20% from its peak, defined as a bear market. After global policy measures were announced, and glimmers of hope shone in China and South Korea, the market rebounded from its March 23rd trough, stabilizing at a low level through the end of the quarter. *For more information on Polaris' views communicated during the March market gyrations or on COVID-19 medical developments, please visit the Polaris Capital website.*

The global portfolio underperformed the benchmark partially due to weakness in foreign currencies relative to the United States Dollar. This was primarily centered around energy- and resource-related countries such as Norway, Colombia and Canada, where the portfolio was overweight relative to the benchmark. Additionally, some defensive sector holdings did not act as intended. However, portfolio risk was reduced at the beginning of March by substantially increasing cash, as management trimmed certain cyclical positions to model or half weight in anticipation of the pending COVID-19 crisis. Beginning on the March 23rd market low, management began to quickly redeploy cash to buy companies at attractive valuations and diversified the global portfolio further by increasing the number of securities. The vast majority of new additions posted gains in the last week of the quarter.

FIRST QUARTER 2020 PERFORMANCE ANALYSIS

Although we trimmed cyclicals in February and early March, the global portfolio remained overweight in financials, consumer discretionary and materials. These sectors detracted most from absolute returns. Utilities and healthcare fared better during the quarter.

Substantial flows into the safest debt instruments drove interest rates, from Treasury bills to 30-year government bonds, to less than 1% on March 9, 2020. In an effort to coordinate central bank rates with these extreme market rates, the U.S. Federal Reserve cut interest rates to essentially zero and launched a purchase program, buying Treasuries and mortgage-backed securities whose prices were subject to potential drops in value. Bank stocks declined sharply on expectations of lower interest margins and higher credit losses due to higher unemployment and companies likely entering financial distress. Capital One Financial Corp. declined on market projections for consumer credit losses. Webster Financial noted contracting net interest margins and higher provisions for loan losses despite a solid loan portfolio. JP Morgan Chase is among the largest banks in the world, with the highest profitability in its peer group. The company faced pressure on the asset side due to lower fee-based wealth management services, but may gain some of it back on the banking side due to market volatility and trading.

One positive industry trend is that many companies are drawing down approved credit lines, which will increase loan balances. Higher loan balances will increase banks' interest income, while increased refinance activity will help some banks' fee income. It is also worth noting that the vast majority of U.S. banks are better capitalized and less reliant on short-term funding than in 2008; therefore, banks will likely withstand this event-driven recession.

While lower interest rates hurt U.S. banks, lower oil prices hampered a number of other banks in the portfolio. Banks from oil exporting countries, such as SpareBank 1 SR and DNB ASA from Norway, and Bancolombia in Colombia, declined. This trend will likely reverse on a return to higher oil prices when demand eventually normalizes; the global portfolio's bank holdings have strong capital ratios and experienced management teams with which to withstand this downturn.

The reverberations from low oil prices were felt in many sectors, like energy and materials. U.S. refiner Marathon Petroleum declined initially due to a refinery fire, followed by projections of minimal fuel demand. The $22 billion sale of Marathon's Speedway gas station business to Seven & i Holdings was also cancelled. Canadian methanol producer, Methanex, reduced output as demand for methanol declined. The company stopped production at two plants without take or pay contracts in Trinidad and Chile; the company also halted its Geismer 3 expansion project and other capital expenditures.

U.K. consumer discretionary companies topped global portfolio performance in the fourth quarter of 2019 but were among the worst performers in the first quarter of 2020. U.K. homebuilders, Taylor Wimpey PLC and Bellway PLC, went into the crisis in great shape, with good control of inventory, build rates, selling prices and financing. But the subsequent U.K. lockdown shut down construction sites and home sales; both homebuilders withdrew guidance and cancelled dividends. Apparel retailer Next PLC closed stores temporarily, in line with all other retailers; the company also shut down its online, warehouse and distribution operations to protect staff. During the quarter, specialty U.S. retailer L Brands announced the sale of 55% of the Victoria's Secret division. Yet, the stock declined as L Brands was forced to close all its retail shops for Bath & Body Works, Victoria's and PINK in North America for the near term. In a similar vein, Sweden cash transfer and cash management company, Loomis AB, declined as most of its retail customers closed shops.

When "black swan" (simplistically defined as a statistically extreme unpredictable event with severe impacts) events happen, there are always some companies left flatfooted. Typically, companies that have levered up to complete a merger or a large expansion project bear the brunt. This time was no different. Of all the companies in the global portfolio, only three had recently elevated debt-inducing activities: U.S. distributor, Wesco International, bid to purchase Anixter; U.K. theater operator, Cineworld Group, announced the acquisition of Cineplex; and Canadian methanol producer, Methanex, readied to launch the Geismer 3 project. They were among the worst performers in the portfolio. Changing market conditions already spurred on Wesco to reconfigure its stock/debt funded deal; Methanex deferred Geismer 3 project spending for up to 18 months; and Cineworld management may have opportunity to renegotiate more favorable acquisition terms.

Some of the global portfolio's defensive sector holdings offered stability in a volatile market. Consumer staples company, J.M. Smucker, was up 6% on the quarter as sales rose for shelf-stable food items like peanut butter, jelly and coffee. Smucker's Big Heart Pet Brands division had strong sales as consumers stocked up on a month's supply of pet food. Also capitalizing on changing global dynamics, Microsoft Corp. saw increased demand for fee-based software and cloud services (Azure) in the work-at-home/online education movement. Performance in the utilities sector was led by Japan's Kansai Electric Power and U.S. renewable energy forerunner, NextEra Energy Inc. Kansai benefitted from a management shakeup and corporate governance improvements. NextEra had good fourth quarter 2019 performance, and raised equity to fund renewable energy and power projects early in the first quarter of 2020.

In healthcare, the relative outperformance of Allergan came from the expected close of the buyout from AbbVie. Allergan also reported higher-than-expected sales from dry eye medication Restasis, as the company dodged U.S. competition – even after patents expired – due to regulatory struggles for generic companies.

Novartis AG unit, Sandoz, produces hydroxychloroquine, which was reported in some countries as a beneficial drug in the fight against COVID-19. Novartis already started clinical trials and has committed to donating up to 130 million doses of hydroxychloroquine as a possible "game changer". The company also announced a stock buyback program to repurchase up to 10% of total outstanding shares in the next three years.

During the quarter, portfolio management initiated more than a dozen new positions. Most of the companies purchased had been on Polaris' watchlist for some time, but did not reach attractive price points until March. These companies shared many attributes including clean, liquid balance sheets and resilient business models. Investments trended thematically into: 1) stocks down substantially that might rebound strongly within 12 to 24 months, many of which were in the travel or tourism sectors or 2) defensive names typically defined as "recession resistant". Based on the second premise, Polaris purchased two healthcare companies, Laboratory Corp. of America and Fresenius SE, a European hospital group; industrials Bunzl PLC, a British commercial distributor, and Finnish pulp/paper capital equipment supplier, Valmet OYJ; and U.S. tax specialist, H&R Block, among others. New tourism/travel stocks included U.S.-based Delta Airlines; Irish budget airline, Ryanair Holding; and Darden Restaurants, with U.S. brands that include Olive Garden, LongHorn Steakhouse and The Capital Grille. The majority of new holdings already showed promise, with stock prices ticking higher after purchase.

Table reflects sector/regional allocation for a representative global equity portfolio as of March 31, 2020.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*67.5%*	37.9%	0.8%	3.0%	0.7%	2.9%	6.1%	3.2%	4.5%	11.3%	3.9%	1.4%	0.0%	0.0%
Japan	*8.6%*	7.2%	0.0%	1.0%	0.7%	2.2%	0.0%	1.3%	0.0%	1.3%	0.0%	0.7%	0.0%	0.0%
Other Asia	*3.6%*	9.9%	0.0%	0.0%	0.7%	0.0%	1.3%	0.8%	0.0%	2.4%	3.7%	1.1%	0.0%	0.0%
Europe	*18.3%*	31.4%	0.0%	0.0%	8.6%	5.8%	5.9%	0.9%	2.6%	4.5%	0.0%	3.0%	0.0%	0.0%
Scandinavia	*2.1%*	6.8%	0.0%	0.0%	1.6%	1.2%	0.3%	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.5%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%
Portfolio Totals		100.0%	0.8%	4.0%	12.8%	12.1%	13.6%	6.2%	7.2%	24.2%	7.6%	6.2%	0.0%	5.4%
MSCI World Weight	*100.0%*		*3.4%*	*3.8%*	*4.1%*	*10.3%*	*10.2%*	*9.1%*	*14.6%*	*13.5%*	*19.1%*	*8.8%*	*3.2%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

We believe that the market bottomed out in the third week of March, with substantial volatility expected in ensuing months. While the market sell-off was quick and sharp, a recovery may be more protracted. The same could be said for the global economy. Recessions (two quarters of GDP decline) are likely in many countries; the timeline might extend as conditions normalize in the U.S. and Europe at a far slower pace than in China and South Korea.

However, conventional wisdom suggests that markets recover far in advance of broader economic trends. If the market has already troughed, we may see fits and spurts of growth and retraction in the coming months. Rapid portfolio adjustments may help reduce negative returns and reposition the portfolio for a market recovery. We have already executed on this strategy, making opportunistic purchases after a late March low. We bought companies that declined 50% or more, which we believe are ripe for a rebound, especially when COVID-19 concerns diminish (on either a proven treatment or vaccine). While volatility may persist in the coming quarters, we will continue making adjustments, increasing and diversifying holdings, and deploying cash to maintain the Polaris discipline. Doing so may allow the global portfolio to more broadly participate in a sharp recovery. As fellow shareholders, we are disappointed by recent underperformance but are encouraged by early results of recent portfolio changes.

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 World Index, gross dividends reinvested, measure the performance of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The Index measures the performance of stock markets in these geographic areas including reinvestment of gross dividends. One cannot invest directly in an index.