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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/

GLOBAL EQUITY COMPOSITE REPORT

	2010			Annualized as of June 30, 2010						
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception 9/30/1984
Polaris Capital Global Equity Composite gross	-4.01%	-9.25%	5.78%	19.10%	-12.29%	0.27%	7.41%	10.09%	10.26%	12.18%
Polaris Capital Global Equity Composite net	-4.29%	-9.39%	5.63%	18.39%	-12.86%	-0.41%	6.55%	9.14%	9.33%	11.20%
MSCI World Index, gross dividends reinvested	-9.56%	-12.49%	3.35%	10.77%	-10.94%	0.61%	-0.53%	5.16%	5.80%	9.41%

Q2 2010 composite returns are preliminary. Past performance is not indicative of future results.

PERFORMANCE ANALYSIS

In the June 2010 quarter, the global composite outperformance can be attributed to positive absolute returns in utilities, as well as benchmark-beating returns in the majority of other sectors. Stock selection was the primary driver of outperformance, rather than sector or country weightings.

Typically defined as a “defensive” sector, utilities were the top contributor to performance with all holdings generating positive returns. We proactively reduced risk in the portfolios, adding defensive stocks to provide a “cushion” in down markets – a strategy that proved profitable this quarter.

Information technology experienced an early-stage recovery, as demand for new consumer electronics boosted the sector. Recent research pinpointed numerous undervalued IT companies with strong financials, cash-rich balance sheets, little debt and positive earnings. During the quarter, we opportunistically added IT companies to the portfolios, as we continue to believe that the sector will benefit from growth in corporate capital spending, outsourcing and consumer electronics purchases.

The portfolios’ financial holdings significantly outperformed the sector benchmark due to the strength of small- and mid-cap U.S. banks. Southwest Bancorp returned 60%, attributable to a capital raise that strengthened the balance sheet, while Ameris Bancorp and Colony Bankcorp posted returns in excess of 15% for similar reasons. While many U.S. community banks/thrifts suffered in 2007-08, this year has thus far signaled a return to better valuations. However, credit risk concerns in the general economy continue to hinder some banks, which are trading at a discount to book value – a strong value proposition.

Attention now focuses on financial reform, as debate centers on penalizing larger banks with higher fees (i.e. FDIC premiums) to reflect the systematic risks and substantial costs that large banks cause upon failure. Such reform is not expected to substantially impede the success of smaller U.S. banks; in fact, it may provide slight cost advantages at the margin.

Hampering better financial performance, European banks surrendered gains from the previous year as loan portfolios underwent “stress testing” – following in the footsteps of their U.S. counterparts. Due to concerns about possible financial crises in Spain and Ireland, we previously sold those countries’ bank stocks, thereby preserving value. Remaining European bank holdings, including DNB Nor (partially government owned) and Svenska Handelsbanken, declined less than sector averages as these banks may likely withstand the European stress test analysis.

Of the overall quarter performance, approximately 30% of the decline was attributable to currency losses, mainly stemming from the Euro. Over longer time periods, currency fluctuations tend to even out, yet there are certain quarters where currencies will have a more pronounced effect.

General macro-economic concerns overwhelmed the many positive earnings reports announced from a broadly diversified group of companies. Sectors considered sensitive to economic weakness declined including consumer discretionary, materials and industrials.

Within the consumer discretionary sector, British homebuilders were weak as concerns that ongoing European credit problems might further constrict lending, and thereby impede consumers' ability to obtain mortgages. However, the fundamental shortage of UK housing quickly stabilized the market, improved prices and allowed homebuilders' cash flows to recover. Duni AB, a provider of tabletop goods to restaurants, retracted from prior quarter gains due to an expected margin reduction caused by rising pulp prices. Margins should recover after Duni publishes its annual catalog, with price increases reflective of the rising raw material costs.

Widespread market declines in May impacted materials and industrials. Although the portfolios are composed of well-diversified stocks in both sectors, performance lagged. In materials, BHP Billiton experienced pressure premised on Australian proposals for a super-profits tax for mining companies. However, on June 24, Australian Prime Minister Kevin Rudd stepped down and the new Prime Minister Julia Gillard launched her leadership with a conciliatory tone toward taxing the mining industry. The stock recovered late in the quarter and, in our opinion, remains one of the best positioned materials companies worldwide.

Many industrial company management teams reported March 2010 as a turning point in business conditions. Yet, a disconnect exists between real economy progress and nervous volatility in financial markets, causing a lag in this sector. For the second quarter in a row, Toro Co., a lawn/landscape equipment manufacturer, announced strong results with positive guidance, especially in consumer lines. Konecranes Oyj, a crane manufacturer, and Tognum AG, a supplier of engines, propulsion systems and distributed energy systems, were also notable performers. Sector returns were offset by Japanese shipping companies, as well as Finnish and Italian construction/ building corporations; importantly, these companies continue to report solid business conditions.

CURRENT ASSET ALLOCATION

In an on-going effort to minimize portfolio risk, we purchased new holdings in defensive sectors. In healthcare, we bought a U.S. company, Questcor Pharmaceuticals, that manufactures ACTH, an orphan drug effective for infantile spasms and numerous other diseases, and a French biotech company, Transgene SA, which designs therapeutic vaccines for pre-cancerous cervical lesions, non-small cell lung cancer and Hepatitis C.

Other new investments included Wincor Nixdorf, a German manufacturer of banking machines and point of sale hardware and software, and Brooks Automation, a U.S. based company that serves the semiconductor industry. We will seek to buy opportunistically, taking advantage of volatility to purchase positions in down markets and reduce positions in market advances. This strategy was deployed actively in the first half of 2010.

The following table shows the asset allocation for a representative global portfolio as of June 30, 2010.

	World Market Weighting	Portfolio Weighting	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash
N. America	*54.75%*	37.01%	1.46%	2.53%	3.15%	7.37%	0.00%	3.57%	3.95%	12.94%	1.06%	0.98%	0.00%
Japan	*10.53%*	7.87%	0.00%	1.12%	0.72%	2.02%	0.28%	2.69%	0.00%	0.00%	0.00%	1.04%	0.00%
Other Asia	*5.64%*	7.46%	1.52%	0.00%	1.38%	0.00%	0.00%	0.00%	0.00%	1.43%	2.12%	1.00%	0.00%
Europe	*26.51%*	33.99%	2.03%	0.00%	9.06%	6.76%	6.71%	1.98%	2.13%	4.00%	1.32%	0.00%	0.00%
Scandinavia	*2.58%*	10.95%	0.00%	0.00%	0.00%	4.11%	2.64%	0.00%	0.00%	4.20%	0.00%	0.00%	0.00%
Africa & S. America	*0.00%*	1.92%	1.40%	0.00%	0.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	*0.00%*	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.81%
Industry Totals		100.00%	6.42%	3.64%	14.82%	20.26%	9.63%	8.24%	6.08%	22.57%	4.50%	3.03%	0.81%
Market Weighting	*100.00%*		*9.99%*	*4.39%*	*7.32%*	*11.01%*	*9.93%*	*10.53%*	*10.21%*	*20.47%*	*11.92%*	*4.24%*	*0.00%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Our conversations with companies worldwide indicate mixed economic progress. Some industries and countries are stabilizing, while others experience only sparse improvement. Inventory cycles appear ambiguous. Economic growth remains modest to stagnant in developing countries, while emerging market demand appears strong and sustainable. Concerned about uneven economic growth, we are attempting to reduce portfolios' exposure to countries or sectors facing a protracted recovery. Over the past few years, we have made a conscious effort to minimize portfolio risk, increasing "defensive" positions in energy, utilities and healthcare to better balance the portfolios and reduce cyclical exposure.

We believe economic ambiguity expected throughout this year may create more normalized market volatility – unlike the abnormal upward trajectory evidenced in the 1990s-2000s. Faced with normal volatility, we remain steadfast to the pure value investment strategy that governs the portfolios. We may harvest gains in more cyclical companies, hold cash as a buffer, and reinvest in new purchases when the markets undervalue fundamentally-strong stocks. Maintaining this buy/sell discipline over these past twelve months proved advantageous, and we intend to continue executing this strategy.

As always, we welcome your questions and comments.

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.

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