POLARIS
CAPITAL MANAGEMENT, LLC

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

This composite commentary is provided as part of our historical archive and not intended for current marketing or advertising use. The entirety of the respective quarterly commentary will be available on the ensuing pages. Should you have questions/concerns, please contact Polaris Capital via our **website** or call the office directly. For more information, **Contact Our Team**.

***

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

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

For current international equity performance, **please click here**

***

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

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

POLARIS
CAPITAL MANAGEMENT, LLC

Information presented is supplemental to the annual disclosure presentation.
For composite performance and a fully compliant presentation, visit: www.polariscapital.com/global-equity

GLOBAL EQUITY COMPOSITE REPORT

	2014			Annualized as of June 30, 2014						
	YTD	Q2	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since 9/30/1984
Polaris Capital Global Equity Composite gross	**7.16%**	**2.66%**	**4.38%**	**27.77%**	**14.60%**	**19.23%**	**9.33%**	**10.09%**	**12.36%**	**13.11%**
Polaris Capital Global Equity Composite net	**6.91%**	**2.55%**	**4.26%**	**27.21%**	**14.02%**	**18.59%**	**8.63%**	**9.28%**	**11.48%**	**12.17%**
MSCI World Index, gross dividends reinvested	6.52%	5.05%	1.40%	24.71%	12.45%	15.62%	7.84%	4.69%	7.70%	10.38%

Q2 2014 composite returns are preliminary. Past performance is not indicative of future results.

PERFORMANCE ANALYSIS

Global equity markets experienced another solid quarter of performance, as evidenced by the MSCI World Index (gross), which was up 5.05%. The Polaris Global Equity Composite (gross of fees) returned 2.66%. Stocks across many developed markets rallied as Russian/Ukraine tensions eased (if only momentarily) and global growth concerns receded. European markets were bolstered by Norway, Spain and the UK. Asia-Pacific markets were robust, with positive results from Japan and Hong Kong. Many emerging markets stocks advanced. The U.S. market continued its upward trajectory, with the S&P 500 showing the longest streak of quarterly gains since 1998.

Year to date, the global portfolio performance continued to exceed the MSCI World Index, up 7.16% vs. 6.52%. We believe that the outperformance year-to-date and over longer annualized periods can be attributed to Polaris' deep value orientation, flexibility to invest anywhere in the world and methodical fundamental stock analysis conducted by an experienced investment research team. Benefiting from expanded research capabilities and screening systems, Polaris has already reaped the rewards with recent stock additions, Tullow Oil and Yara International, which have contributed measurably to the portfolio's gains this year.

During the quarter, the global portfolio achieved absolute positive performance across most sectors; however, benchmark returns in energy, information technology and consumer discretionary sectors surpassed the portfolio's corresponding sector results. On an individual stock basis, more than two thirds of portfolio holdings had absolute positive results, led by Duni AB, Yara International, Tullow Oil and Loomis AB. German ATM manufacturer Wincor Nixdorf, Italian engineering firm Trevi Finanziaria and Italian lottery operator GTECH detracted.

Recent purchase Yara International was among the top performers in the materials sector. The Norwegian fertilizer maker reported first quarter results with record deliveries of value-added products at premium pricing. Yara detailed solid European and Latin American order books for the remainder of the year, and alluded to better operating margins on declining European natural gas prices. Among other sector gainers was German flavors/fragrance maker Symrise, which conducted a capital raise to finance its planned acquisition of French food ingredient maker Diana Group. While the market lauded this strategic initiative, the same could not be said for German chemical company LANXESS, which also conducted a capital raise. LANXESS issued new shares equivalent to 10% of its equity capital (thereby diluting existing shareholders) to fund restructuring. Although investors deemed this as negative news, we expected such measures and were pleased to see action initiated by the well-respected former CFO who recently returned as CEO.

High energy prices in combination with merger & acquisition activity in oil exploration and production helped boost energy sector returns. The MSCI World Index energy sector was up nearly 12% for the quarter, driven by performance of mega-cap integrated oil companies. However, the double-digit returns from three portfolio holdings, Tullow Oil, Maurel et Prom and Marathon Oil, weren't enough to beat the sector benchmark. We purchased Tullow Oil in late 2013 on the expectation that political turbulence in oil producing nations will continue and the resulting supply disruptions will sustain higher oil prices; this theory held merit, as oil prices remained firm in the second quarter of 2014. Tullow's reserves have nearly tripled in the past seven years and the company has a large position in Ghana, Uganda and Kenya, where it helped discover vast oil and gas resources.

Japan's Asahi Group Holdings and Meiji Holdings buoyed the consumer staples sector. Asahi Group is gaining market share for beer in Japan and its soft drink margins continue to improve.

The majority of healthcare sector holdings posted positive returns for the quarter, led by Forest Laboratories and WellPoint Inc. Forest Laboratories continued to benefit from the news of its acquisition by Actavis PLC, the world's second largest generic drug maker. Expanded Medicaid enrollment and premiums gave a boost to managed care companies including WellPoint, which posted strong first quarter results and raised full year guidance. The world's largest provider of medical testing services, Quest Diagnostics, saw its share price rise after announcing its partnership with Memorial Sloan Kettering in New York to screen patients' cancer genes for genetic mutations. Transgene dropped after Novartis declined to exercise an option to fund Transgene's TG4010 targeted cancer immunotherapy for treatment of metastatic non-small cell lung cancer. Transgene is attempting to form another partnership by year-end, as there are three other interested parties.

Outperformance in the telecom sector was due to Deutsche Telekom, which continued to gain traction on speculation that Softbank may acquire DT's T-Mobile USA subsidiary, and KDDI Corp., the Japanese telecom carrier that is expected to introduce flat rate plans.

Among financials, Texas-based International Bancshares (IBOC) reported healthy first quarter 2014 results, with a 55% rise in net income and 54.8% increase in diluted earnings per share compared to the prior year period. The banking institution pointed to rising net interest margins, attributable to higher net interest income from its investment portfolio, an increase in outstanding high quality loans, and a decrease in interest expense on securities sold under repurchase agreements. DNB, Norway's largest bank, posted positive first quarter results with lower loan losses from shipping, deposit growth and increased lending in the Baltics and Poland. Ameris Bancorp declined although it reported improved net income, higher interest margins and additional revenues from the acquisition of The Prosperity Banking Co. The company also reinstituted the dividend that they eliminated during the 2008-2009 credit crisis, repaid TARP and completed another acquisition.

The portfolio's utility holdings outperformed the sector benchmark, led by double-digit returns in Hong Kong water utility Guangdong Investment. The company instituted quarterly reporting, signaling greater transparency for investors, and announced wastewater expansion initiatives. Water tariff increases are also anticipated during upcoming contract renegotiations.

Loomis AB was a top contributor to industrial sector results, up on good earnings, increasing margins and a new contract with Bank of America. The agreement states that Loomis will manage cash processing and check imaging services for 30 locations in the U.S., which is expected to generate more than $20 million in annual revenue for Loomis, while lowering costs for Bank of America. General Dynamics was up on positive earnings news, with growth in the aerospace sector and a hefty backlog in combat and marine systems. Detracting from industrial returns was Italian engineering firm Trevi Finanziaria, as it reported lackluster earnings and lower profit margins for the first quarter of 2014, while increasing spending for new rigs. Although short-term performance looks weak, Trevi announced a 24% increase in new orders during the quarter, which bodes well for further business development.

Many of the global portfolio's U.S. information technology companies posted healthy results, including Xerox Corp., Hewlett-Packard, Western Union and Microsoft Corp. These returns couldn't mitigate declines at Wincor Nixdorf, as the company announced lower revenues due to slowing emerging

European market (Turkey, Russia) sales. Nevertheless, the CEO reassured investors that 2014 growth targets were still attainable.

Swedish table napkin maker Duni's stock price was up substantially, which helped offset subpar performance among other consumer discretionary holdings. Duni's operating profitability improved in the first quarter of 2014, and the company was able to gain market share in the moribund European market. Duni also announced the acquisition of Paper+Design Group, a German company with a dominant position in designer napkins sold in consumer markets throughout Europe. Regal Entertainment also posted double-digit returns for the quarter, benefiting from summer blockbusters, and the recently introduced "Regal Super Ticket" for the $100 million opening debut of Transformers. At the other end of the spectrum, Italian lottery/gaming operator GTECH's stock price dropped after rumors emerged of a potentially expensive acquisition of a casino machine equipment manufacturer, which would add more debt to GTECH's balance sheet. In addition, U.K. homebuilders were weak due to concerns that regulators were trying to dampen the housing market. However, at quarter end, the Bank of England came out with relatively benign lending guidelines already being followed by the banks, and share prices rebounded.

The following table shows the asset allocation for a representative global equity composite portfolio as of June 30, 2014.

	MSCI World Index	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash
N. America	*59.2%*	38.4%	2.6%	2.9%	2.5%	1.4%	1.6%	1.2%	5.5%	11.9%	6.3%	2.5%	0.0%
Japan	*8.3%*	4.5%	0.0%	0.0%	0.8%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	1.2%	0.0%
Other Asia	*5.0%*	6.0%	0.9%	1.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	0.0%	0.0%
Europe	*25.1%*	36.2%	2.6%	0.0%	9.9%	2.0%	9.1%	1.5%	3.4%	3.9%	0.9%	2.9%	0.0%
Scandinavia	*2.6%*	12.6%	0.0%	0.0%	1.4%	4.3%	1.2%	0.0%	0.0%	5.8%	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%*	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
Portfolio Totals		100.0%	7.5%	3.9%	15.8%	7.7%	11.9%	5.2%	8.8%	21.5%	10.1%	6.6%	0.9%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Although we appreciate the global market gains over the past few quarters, we are concerned that such upward mobility may be partially due to greater liquidity and loose central bank monetary policy. The Bank for International Settlements noted that such fiscal policy could create asset bubbles and increase debt harmful to long-term economic prosperity. We concur with this assessment, and are careful to identify signs of economic weakness, including the recently contracting U.S. gross domestic product and slowing development in select Asian markets.

We also see pockets of growth throughout the world, with marginal improvements in some European countries, India, China and select emerging markets. Even the U.S. has positive indicators (rising home sales and better U.S. manufacturing activity) that we believe may indicate sustainable momentum. However, these macro-economic conditions do not drive our investment approach. Our focus remains on fundamental analysis – seeking to identify the most undervalued stocks that may be capable of growing stronger in difficult economic environments, while performing admirably in growth cycles too.

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.*

The MSCI World, gross dividends reinvested, measures the performances of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The MSCI World Index measures the performance of stock markets in these geographic areas including reinvestment of gross dividends.