



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
125 Summer Street, 14th Floor – Boston, MA 02110
617-951-1365 or info@polariscapital.com

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

	2009				Annualized as of September 30, 2009				
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs
<i>Polaris Capital Global Equity Composite Gross</i>	39.17%	22.75%	28.88%	-12.02%	5.46%	-5.71%	4.02%	8.31%	11.36%
<i>Polaris Capital Global Equity Composite Net</i>	38.54%	22.57%	28.69%	-12.17%	4.78%	-6.32%	3.26%	7.41%	10.40%
MSCI World Index, gross dividends reinvested	25.55%	17.57%	21.05%	-11.78%	-1.64%	-3.80%	4.07%	1.40%	6.17%

*Past performance is not indicative of future results.
Returns for the Polaris Capital Global Composite are gross of management fees.*

We are pleased with the third-quarter's performance which marks the second consecutive quarter in which the portfolio has posted strong double digit returns. To highlight the quarter, every sector had absolute positive returns, with both U.S. and non-U.S. financials performing well.

This quarter's success can be attributed to three main themes:

1. Many of the portfolio holdings have rebounded, as investors begin to recognize the long-term fundamentals of these companies. In 2008, stocks worldwide were depressed to seemingly untenable levels, with unsubstantiated concerns about bankruptcy and/or little to no product demand. As rational analysis has begun replacing investor hysteria, stocks prices have begun returning to more normalized levels. However, valuations reflect very high levels of risk.
2. Stimulus plans promulgated by governments worldwide have had a positive effect by pushing liquidity into the market, building confidence in the banking system, calming investors' fears and encouraging resumption of consumer buying trends. Companies across multiple industries have seen the rate of declines (in sales/prices/volume) moderate, further giving investors confidence.
3. After a long period of retrenchment when companies liquidated excess inventory in an effort to preserve cash, restocking of inventory has resumed. As a result, the portfolio holdings, ranging from materials to consumer discretionary, have been the beneficiaries of this trend.

THIRD QUARTER 2009 PERFORMANCE ANALYSIS

After proving a deterrent to performance in 2007 and 2008, financials have returned to a position of portfolio strength. As discussed in prior reports, the portfolio's non-U.S. financials performed well earlier in the year, but the U.S. portion held back better performance, hindered by non-performing loans, TARP issues, stress-testing and FDIC special assessments. During the third quarter of 2009, many of these issues have dissipated, and loan loss provisions are beginning to stabilize at smaller banks. Banks with exposure to large commercial real estate projects remain vulnerable.

Markets are beginning to distinguish the long-term survivors in the banking industry. Backed by strong balance sheets and good liquidity, some of the banks contributed substantially to performance, including Southwest Bancorp, Webster Financial and Astoria Financial.

In the materials sector, the portfolios profited from its investment in commodities (copper, coal, iron ore), which are experiencing a tighter supply/demand balance, partially due to increased demand from emerging markets. Our recent research and company field trips suggest that the stimulus packages in Asia, specifically China, are fueling economic activity in the region, with the focus on domestic as opposed to export-led growth. China has been buying substantial amounts of materials to fuel that growth, benefiting our materials holdings.

Other materials gained on the themes outlined above: for example, Smurfit Kappa and CRH rebounded handsomely after suffering extremely low valuations. Chemical companies, including BASF, proved to be strong performers merely because decline rates began subsiding. We expect such fundamentally strong companies to benefit further when their business models can be fully realized.

The industrials sector was one of the stronger contributors to the quarter's returns. Stimulus packages proved a boon for industrial holdings involved in infrastructure such as YIT, the Finish building/construction services company, Kone OYJ, a Finish elevator and escalator company, and Trevi Finanziaria, an Italian construction and engineering company that won a large dam repair contracts in the U.S. In addition, service-based industrial businesses proved resilient, retaining stable cash flows. Encumbering better performance, U.S.-based Mac-Gray Corp declined, as investors took profits after the stock price more than doubled in the second quarter 2009.

Consumer discretionary holdings substantially outperformed the benchmark this quarter, mainly due to British homebuilders. After having experienced large declines in 2008, the homebuilders' rebound can be attributed to two factors: 1) individual companies completed rapid restructuring and strengthened balance sheets, and 2) industry conditions improved, as the contraction of supply stabilized prices and volumes. Additionally, mortgage availability is starting to return. The sole detractor to performance in this sector was Culture Convenience, a Japanese holding company of video/music soft rental chain stores, which suffered from increased market competition.

Energy holdings also contributed to performance but to a lesser degree as they accounted for less than 10% of the total portfolio. A lead contributor in this sector, France's Technip SA, was recently awarded a substantial refinery contract in Saudi Arabia. This example exemplifies a trend whereby reduced oil field construction costs have stimulated oil company demand for new refineries and liquid gas installations.

Comprising approximately 10-15% of the total portfolio, healthcare, telecommunications and utility stocks achieved positive absolute returns, but underperformed versus their respective sector benchmarks. The telecoms and utilities underperformance came from the Japanese holdings which were negatively impacted by their economy's inability to sustain stimulus, in the form of either stable employment or wages.

It is important to note that these "defensive" holdings, although posting only modest gains this quarter, offer good balance to the portfolio and reduce cyclical exposure. We will continue to opportunistically purchase select undervalued defensive names that offer more diversification and potentially strong returns over the long-term.

SECOND QUARTER 2009 ASSET ALLOCATION

Five new investments were initiated this quarter, including three geographically-diverse banks. We invested in one Indian bank, State Bank of India, based on the company's business model, in conjunction with research indicating that India is "under-banked" relative to more developed countries. In addition, the country has a large emerging middle class which will be actively saving/borrowing. A Swedish bank, Svenska Handelsbanken, which resisted overly aggressive lending policies and is now taking market share from competitors, was also added as was one northeast U.S. bank, Univest Corp of Pennsylvania.

In the materials sector, we added a German flavor and fragrance producer, Symrise AG, which sells product to food processors, cosmetics and other consumer staples companies. The company enjoys approximately 10% market share and offers very good value relative to its major competitors. Though categorized as a materials sector company, this holding adds excellent diversification to the portfolio because of its consumer non-durable product orientation. Likewise, we added a U.S. producer of food products, H.J. Heinz, as a diversifier at a very attractive price.

Preservation of capital remains a top priority in the current strategy. The portfolio remained underweight in the U.S. and overweight in Scandinavian countries. The following table reflects the September 30, 2009 sector and country allocation for a representative portfolio.

	<i>World Market Weighting</i>	<i>Portfolio Weighting</i>												
		Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Other	Cash	
N. America	52.45%	31.15%	1.26%	2.21%	3.11%	6.06%	0.00%	2.69%	4.10%	10.83%	0.00%	0.89%	0.00%	0.00%
Japan	10.20%	7.92%	0.00%	1.64%	0.67%	1.69%	0.40%	2.48%	0.00%	0.00%	1.03%	0.00%	0.00%	0.00%
Other Asia	5.72%	8.13%	1.79%	0.00%	1.85%	0.00%	0.00%	0.00%	0.00%	1.49%	2.01%	0.99%	0.00%	0.00%
Europe	29.10%	35.34%	2.08%	0.00%	9.54%	5.96%	10.11%	2.35%	1.27%	4.02%	0.00%	0.00%	0.00%	0.00%
Scandinavia	2.53%	13.87%	0.00%	0.00%	0.00%	7.98%	2.10%	0.00%	0.00%	3.79%	0.00%	0.00%	0.00%	0.00%
Africa & S. America	0.00%	1.93%	1.50%	0.00%	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	0.00%	1.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.67%
Industry Totals		100.00%	6.63%	3.85%	15.61%	21.69%	12.62%	7.52%	5.37%	20.13%	2.01%	2.91%	0.00%	1.67%
<i>Market Weighting</i>	<i>100.00%</i>	<i>10.83%</i>	<i>4.71%</i>	<i>6.98%</i>	<i>10.49%</i>	<i>9.26%</i>	<i>10.02%</i>	<i>10.11%</i>	<i>21.62%</i>	<i>11.51%</i>	<i>4.46%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>

INVESTMENT ENVIRONMENT AND STRATEGY

Maintaining a conservative outlook, we expect economic progress to continue as the market is better positioned now than it was this time last year. The extreme volatility and investor hysteria has subsided, as investors return to focus on fundamentals. Stock prices are beginning to return to normalized levels, as we have seen many of the portfolio holdings perform strongly in the second and third quarters of 2009. However, we caution investors that the perception of recovery and the resulting market performance may be volatile.

Recent research trips have confirmed our view of the general economy, whereby early-cycle companies like branded consumer goods are seeing a modest upturn. Mid-cycle companies continue to experience weeks and/or months of positive results, interspersed with some negative market retraction. Late-cycle companies, typically dependent on capital spending, have seen order rates and cash flows decline, without visibility of a recovery timeline. Much of the recovery will be dependent on consumer demand and consumption, which will not resume in full force until unemployment lessens.

Looking ahead, the portfolio holdings are well positioned to benefit from even a slight rise in consumer demand. Over the past year, companies restructured dramatically; many of the portfolio holdings can now produce strong cash flows and reach profitability with a much lower volume of business. The current portfolio reflects our goal of seeking out fundamentally-strong companies that can generate strong and stable free cash flows, easily manage debt service and provide shareholders with sustainable returns.

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 and EAFE Indexes, gross dividends reinvested measures the performance of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The MSCI World and EAFE Indexes measure the performance of stock markets in these geographic areas including reinvestment of gross dividends. The S&P 500 Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. The Lipper averages are compiled by Lipper, Inc., an independent mutual fund research and rating service. Each Lipper average represents an index of quarterly results for all global or international funds as published in the Lipper Special Quarterly Summary Report. The Lipper averages are not investment products available for purchase.