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 info@polariscapital.com

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

	2012				Annualized as of September 30, 2012						
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since 9/30/1984
Polaris Capital Global Equity Composite gross	17.11%	7.08%	-3.73%	13.60%	24.91%	9.57%	-1.25%	10.99%	7.17%	11.35%	12.36%
Polaris Capital Global Equity Composite net	16.62%	6.94%	-3.87%	13.44%	24.21%	8.93%	-1.85%	10.19%	6.31%	10.46%	11.41%
Global Equity Benchmarks											
MSCI World Index, gross dividends reinvested	13.56%	6.83%	-4.86%	11.72%	22.32%	8.07%	-1.58%	8.61%	4.35%	7.24%	9.76%

Q3 2012 composite returns are preliminary pending the third-party review. Past performance is not indicative of future results.

Global markets recorded three consecutive months of gains, culminating with a quarter end return of 6.83% for the MSCI World Index. Much of this positive momentum was attributed to stimulus measures embraced by central banks worldwide. During the quarter, the European Central Bank (ECB) and People's Bank of China cut their benchmark borrowing costs. The Bank of England resumed buying bonds in a third round of quantitative easing. The U.S. Federal Reserve also signaled it could continue Operation Twist. ECB President Draghi's pledge to preserve the euro gave a further boost to global equities.

The Global Equity composite gross of fees returned of 7.08%, slightly outperforming the MSCI World Index benchmark. Top contributions came from consumer staples, industrial and consumer discretionary sectors. Drilling down to an individual stock level, 85% of the portfolio companies posted absolute positive returns for the quarter.

PERFORMANCE ANALYSIS

Consumer discretionary stocks led global portfolio performance, with U.K. homebuilders Persimmon and Barratt Developments posting returns in the double digits during the quarter. Persimmon reported a 65% pre-tax profit increase for the six month period ended June 30, 2012, validating their strategic plan of completing more new homes, attracting more viewers and selling homes for a higher fee. In similar fashion, Barratt announced a 159% jump in pre-tax profits while halving net debt in its annual results for the year ending June 30, 2012.

Many of the U.K. homebuilders had previously reduced operating expenses and debts, allowing even modest sales increases to translate to strong cash flows. Improved margins and higher cash generation allowed builders to invest in cheaper development land. While U.K. builders are relishing this progress, concerns remain about the general economy and low levels of mortgage availability. Housing volumes are not expected to return to pre-2008 standards until European banks resolve capital constraints, shore up their balance sheets and return to normal lending practices.

European banks rallied due to the ECB's bond buying program announcement. DNB Bank and Svenska Handelsbanken were both beneficiaries of this trend, further bolstered by healthy balance sheets and lower loan loss provisions. Among US financials, Southwest Bancorp was up, as the stock price reflected strong second quarter 2012 results. The U.S. regional bank with branches in Texas and Kansas reported earnings of $4.1 million ($9.3 million for the first half of 2012), while non-performing assets and potential problem loans continued to decline. Southwest recently completed the repurchase of all $70 million of its preferred securities previously sold to the Department of the Treasury, effectively reducing the bank's regulatory burden and saving the cost of preferred dividends.

Munich Re reported a consolidated profit of approximately $1 billion, improving on the same period last year. In addition to stronger-than-expected underwriting business, claims expenditures were lower than in the same period last year due to 2011's natural catastrophes. Hannover Re was similar positioned, reporting strong operating profit and net income as a result of increased renewals in non-life and life/health reinsurance, as well as fewer loss situations.

Valuations of many material holdings recovered during the quarter. Of particular note was Smurfit Kappa, the top individual stock performer for the second consecutive quarter. The leading containerboard and corrugated packaging producer in Europe was up substantially, reaping the benefit of cost cutting, better pricing, debt restructuring and better-than-expected second quarter 2012 earnings. Lower margins in recycled paper operations were offset by higher earnings in Europe thanks to stable volumes, and the company reaffirmed its full-year guidance for 2012. Smurfit went on to announce an interim dividend.

In late September, Smurfit announced the acquisition of Orange County Container Group, a private corrugated/containerboard manufacturer with operations in Mexico and Southern U.S., for $340 million. The transaction, which will be funded from Smurfit's existing cash resources, is expected to increase demographic exposure into Latin America, boost earnings and create nearly $14 million in synergies within two years.

German chemical and oil company BASF SE posted healthy gains for the quarter, after announcing plans to acquire Iowa-based Becker Underwood. Becker is a provider of technologies for biological seed treatment, seed treatment colors and polymers, as well as products in the areas of biological crop protection, turf and horticulture, animal nutrition and landscape colorants and coatings.

Japanese chemical company Showa Denko suffered from slowing demand for petrochemicals, especially in China. Showa's diversified materials product base extends to electronics, specializing in hard disc drive media for personal computers. Sluggish PC sales negated demand for hard disc drives; however, Showa is expanding its marketing/sales to high volume servers and cloud systems to avoid reliance on personal computer demand.

Japanese brewery Asahi Group and refrigerated food storage and transport company Nichirei propelled the performance of the consumer staples sector. Asahi lowered interim operating profit guidance mainly due to heavy sales promotional spending for domestic soft drinks. However, the company posted an extraordinary gain on a change in equity in Chinese soft drink affiliate, Tingyi-Asahi Beverages, which entered a strategic alliance with PepsiCo. Nichirei continues to see stable demand for its convenience foods and food logistics services, and could benefit from eased U.S.-produced beef import restrictions later this year.

In August, shares of J.M. Smucker rose after its fiscal first-quarter profit beat expectations and the company projected full-year earnings higher than previously forecast. Higher prices for certain products, along with a mix of more profitable products, helped lift its results. In particular, Jif peanut butter sales rose 48% during the fiscal first-quarter. Sales for the international, foodservice and natural foods unit jumped 40% following the Sara Lee foodservice acquisition.

In the energy sector, U.S. oil refiners such as Marathon Petroleum benefitted from a structural edge against European and Asia-Pacific competitors. As North American oil and gas production from shale and sands deposits has risen, the price of oil has fallen, resulting in lower raw material costs for refiners.

After a protracted integration of Verizon's rural lines, U.S. telecommunications company Frontier Communications began to reap the benefits of its systems conversion, promoting new products and plans to compete with cable offerings. Internal restructuring resulted in better customer service, quality control metrics and employee incentive programs – all of which bode well for future sales.

Although Japanese telecommunications provider KDDI experienced weak first quarter results on greater discounting to attract mobile subscribers, its strategic decision is already reaping rewards. Higher volumes of non-iPhone products are offsetting lower pricing and, combined with cost reductions, confer modest operating profit growth. The company has also started wireless service bundling, a process that can't be easily replicated by competitors.

Among the global portfolio industrial holdings, Finnish companies Kone OYJ, YIT OYJ and Konecranes OYJ all produced double digit returns. In particular, YIT's construction business was bolstered by continued infrastructure and homebuilding in Russia and Finland. Mac-Gray, a U.S. provider of laundry facilities management services for multi-family housing, detracted from better industrial sector returns. Though apartment occupancy rates continue to trend in Mac-Gray's favor, sales fell 1% in the second quarter, due to lower consumer discretionary spending. However, tight cost controls resulted in an improvement in the operating profit margin.

While Samsung Electronics posted gains during the quarter, seemingly impervious to the recent $1 billion verdict against them for intellectual property infringement, the overall IT sector returns were modest. Brooks Automation missed September quarter guidance, on weakness in its two major divisions: 1) semiconductor equipment and 2) life sciences. Brooks' life sciences division, which employs wafer handling technology to handle cold bio samples, remains in its infancy with large capital expenditures. However, with cash equivalent to 30% of market capitalization and a likely improvement in margins for the product solution business, further downside in the shares looks limited.

Hewlett-Packard's third quarter results included an $8 billion write-down on the value of its 2008 acquisition of EDS. With the consumer PC and printing businesses weak, and software unit Autonomy still on the ropes, H.P. will increase layoffs to unlock value.

Healthcare was impacted by Questcor's decline. Questcor's share price dropped due to a report from a short-selling research firm. In a subsequent conference call, the company refuted claims of any generic drug under development that would compete with its sole product, Acthar. The stock rebounded. Shares tumbled again on September 19th on news that health insurer Aetna was limiting reimbursement for Acthar for all but one indication. By comparison, the FDA has approved its use for 19 separate indications. The stock was further impinged by news of an investigation on the company's promotional marketing practices. Notwithstanding these headwinds, Questcor continues to increase sales and prescriptions for multiple sclerosis, infant spasms and dermatomyositis/polymyositis. The company also announced a dividend and boosted its stock buyback program to seven million shares.

Health insurers Wellpoint and UnitedHealth Group were also weak in a challenging operating environment of rising costs and higher pricing competition. Uncertainty on health care reform ahead of the U.S. presidential elections in November was a drag on their shares.

CURRENT ASSET ALLOCATION

In the third quarter, our research screens were dominated by attractively valued companies in the U.S. and Asian economies. In fact, we have begun a slight shift toward a higher U.S. weighting. While we did not conduct any new purchases or sales during the quarter, we did add to our positions in Hewlett Packard, KDDI and Italian industrial, Trevi Finanziaria.

The following table shows the asset allocation for a representative global portfolio as of September 30, 2012.

		Representative Global Portfolio											
	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash
N. America	*59.08%*	*42.89%*	*3.14%*	*3.05%*	*3.00%*	*2.13%*	*2.41%*	*2.92%*	*6.84%*	*10.96%*	*5.40%*	*3.04%*	*0.00%*
Japan	*8.21%*	*7.45%*	*0.00%*	*0.00%*	*1.17%*	*0.00%*	*0.00%*	*4.79%*	*0.00%*	*0.00%*	*0.00%*	*1.49%*	*0.00%*
Other Asia	*5.77%*	*6.95%*	*1.01%*	*0.97%*	*1.12%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*3.85%*	*0.00%*	*0.00%*
Europe & Middle East	*24.42%*	*26.46%*	*0.83%*	*0.00%*	*9.19%*	*0.88%*	*6.42%*	*1.26%*	*2.88%*	*2.68%*	*1.22%*	*1.09%*	*0.00%*
Scandinavia	*2.52%*	*10.21%*	*0.00%*	*0.00%*	*0.00%*	*4.83%*	*1.21%*	*0.00%*	*0.00%*	*4.17%*	*0.00%*	*0.00%*	*0.00%*
Africa & S. America	*0.00%*	*1.18%*	*1.18%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Cash	*0.00%*	*4.86%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*4.86%*
Portfolio Totals		100.00%	6.16%	4.02%	14.48%	7.83%	10.04%	8.97%	9.72%	17.82%	10.47%	5.63%	4.86%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Although global markets recorded healthy gains this quarter, stagnant macro-economic activity and slow global trade will be cause for concern in the quarters ahead. China GDP growth is slowing and export sales to Europe are lessening. In India, a lack of government productivity will materially slow project development. With the Brazilian currency especially strong, the export of the country's products will become less profitable. Among developed countries, the U.S. economy will continue to experience fits and starts, benefitting from low cost energy and service sectors, offset by a troubled housing market and mixed job reports.

As long as government stimulus measures artificially buoy economies, uncertainty will remain in the market. Slower sales/volumes will ensue, as businesses err on the side of caution, depleting inventory rather than creating demand. We expect no easy solution to these general macro-economic concerns, but rather anticipate continued volatility. It is at these moments that we conduct bottom-up research to pinpoint some of the most fundamentally-strong, but undervalued companies worldwide.

Four consecutive months of positive global market returns are clearly not reflective of current uncertain conditions. Rather, global markets are anticipating economic activity six to 12 months in the future -- and the outlook is decidedly brighter. Today, we seek out companies that can weather current tumultuous markets and potentially outperform when markets recover.

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 Index, 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.