



POLARIS

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GLOBAL EQUITY COMPOSITE REPORT

	2013				Annualized as of September 30, 2013							Since 9/30/1984
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs		
Polaris Capital Global Equity Composite gross	20.91%	7.10%	2.57%	10.06%	25.11%	14.02%	11.66%	10.08%	10.37%	11.75%	12.78%	
Polaris Capital Global Equity Composite net	20.49%	7.00%	2.44%	9.92%	24.51%	13.40%	11.02%	9.34%	9.52%	10.87%	11.84%	
MSCI World Index, gross dividends reinvested	17.81%	8.29%	0.85%	7.87%	20.90%	12.46%	8.46%	8.16%	5.64%	7.24%	10.13%	

Q3 2013 composite returns are preliminary. Past performance is not indicative of future results.

Global equity markets resumed their upward trajectory this quarter, bolstered by macro-economic strength in the U.S., tentative recovery in Europe and stabilization of growth trends in China. The MSCI World Index (gross) was up 8.29%; the Global Equity Composite (gross of fees) gained 7.10%. Year-to-date, the global portfolio is up 20.91% compared to 17.81% for the Index.

Eight of 10 sectors made absolute positive contributions to the global portfolio's performance, led by cyclicals such as materials, consumer discretionary, financials and industrials. Defensive sectors turned in less robust, albeit positive performance; utilities and energy were the only sectors in absolute negative territory. On an individual stock basis, Methanol producer Methanex, convenience food producer Greencore, tabletop accessories supplier Duni, luxury goods company Christian Dior and telecom Deutsche Telekom were among the top performers; U.S. based companies, including Hewlett Packard, Marathon Petroleum and Colony Bancorp detracted.

PERFORMANCE ANALYSIS

Construction activity appears to be picking up in the second half of the year (partially due to economic recovery in the U.S. and China), rallying from slower weather-related activity in the first six months of 2013. As a result, materials and industrials sector holdings were up, including building materials company CRH. The Ireland-based company was up more than 18% during the quarter, after announcing stable first half 2013 results in the face of substantial headwinds. Focused on organic growth, CRH has built a healthy balance sheet, revenue diversification, and strong international operations, all of which should position the company to capitalize on a rebound in U.S. construction activity.

Within industrials, elevator and escalator maker KONE capitalized on its large exposure to residential construction within China's strengthened affordable housing market. Konecranes announced plans to adjust its fixed cost base, given the tough pricing environment and its lower volume outlook. The company also will reduce variable costs through rationalization of the supply chain. At the same time, Konecranes is developing a new product family mainly for emerging markets, and introducing new technology that enables real time visibility into various aspects of the business. YIT's European building systems segment was demerged into Caverion at the end of June, adding to industrial sector performance.

The lead contributor to materials sector performance was Methanex, the world's largest methanol producer. The Canadian company reached a record high on strong methanol demand not only for paints and plastics but also for fuel additives and adhesives. As oil prices rise, consumers switch to methanol as an alternative to gasoline or as an additive in blended fuels. Additionally, Methanex's new growth projects are expected to expand annual operating capacity by 60% over the next three years.

Small U.S. banks contributed strongly to the global portfolio's results. In late 2012, Ameris started consolidating less profitable branches; in May 2013, it also announced the acquisition of Prosperity

Banking Company. The multi-pronged growth strategy paid off, with Ameris reporting strong second quarter 2013 earnings. Southwest Bancorp also announced positive results, while repurchasing TARP assets and redeeming Trust Preferred Securities. Sweden's Svenska Handelsbanken saw second quarter profits rise on the back of net interest income growth from overseas. Swedish investment holding company Investor AB was up after Baxter International, a leading maker of dialysis products, won conditional approval from the E.U. to buy Gambro from Investor and EQT. Detracting from sector results was Colony Bankcorp of Georgia; no negative news triggered the decline. Colony reported strong net income for the quarter and six-month period ended June 2013, and announced increases in net interest income, non-interest income and loan pipeline, as well as reduced loan loss provisions.

Flush with cash, luxury goods companies, including Christian Dior, sought acquisition targets to bolster product lines, which subsequently boosted stock performance. Italian lottery/gaming operator GTECH posted modest year-on-year gains in the second quarter, highlighting increase revenues in its Americas segment driven by a record Powerball jackpot during the period. Cross sales of Powerball in California and Mega Millions in Florida, which both launched in the second quarter, should support future like-for-like sales. Duni AB added to gains in the consumer discretionary sector, announcing increased second quarter sales within Meal Service packaging, as well as export markets growth. The company acquired Song Seng in Singapore, which specializes in single-use products on the rapidly growing take-away market in Southeast Asia.

Among the global portfolio's best performing individual stocks were Greencore Group and Deutsche Telekom. Greencore Group, saw its stock price rise after September inclusion in the FTSE 250 and Irish Stock Brokerage Goodbody raised Greencore's rating to a "buy". The German telecom company achieved double digit returns this quarter, going on the offensive in the U.S. market through its T-Mobile USA subsidiary, with competitive rates, a strong LTE network and an iPhone offering.

Utilities detracted from performance, with weakness partially due to interest rate sensitivity stemming from most companies' leveraged capital structures. On a company-specific basis, U.S. power provider Allele was impacted when its power customer Essar Steel Minnesota delayed the opening of its Nashwauk taconite plant to late 2014.

In the energy sector, Marathon Petroleum continued to drift lower after reaching a record high share price in March, on concerns that shrinking Brent-WTI spreads (from \$17 per barrel average in 2012 to \$6 currently) might hurt refiner margins. Refiner Thai Oil declined on weaker oil prices, inventory losses and foreign exchange losses.

In information technology, Hewlett-Packard's share price retreated after announcing revenue growth was unlikely in the next fiscal year. We agree with H-P management that the company is only halfway through a turnaround which will take five years to implement. Meanwhile the valuation is supported by strong cash flows.

CURRENT ASSET ALLOCATION

In the third quarter, our research screens were dominated by attractively valued companies in the U.S. and Asian economies. While we did not conduct any new purchases or sales during the quarter, we did add to positions in the consumer discretionary sector.

The table on the following page shows the asset allocation for a representative global portfolio as of September 30, 2013.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom. Services	Cash
N. America	57.7%	40.3%	2.2%	2.7%	3.4%	2.6%	2.1%	1.4%	5.8%	12.8%	5.4%	1.9%	0.0%
Japan	9.1%	5.2%	0.0%	0.0%	0.9%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	1.7%	0.0%
Other Asia	5.3%	5.3%	0.9%	1.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%
Europe & Middle East	25.3%	35.1%	0.8%	0.0%	8.4%	2.2%	9.8%	2.8%	2.9%	4.1%	1.4%	2.6%	0.0%
Scandinavia	2.6%	9.9%	0.0%	0.0%	0.0%	4.1%	1.7%	0.0%	0.0%	4.1%	0.0%	0.0%	0.0%
Africa & S. America	0.0%	1.2%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
Portfolio Totals		100.0%	5.1%	3.7%	13.7%	8.9%	13.6%	6.8%	8.7%	21.0%	9.4%	6.3%	2.9%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Macro-economic conditions worldwide appear to be slightly improving, with marginal growth evident in China, Europe and the U.S. However, there are any number of mitigating factors, including the U.S. government shutdown, currency concerns in emerging markets and China's potential liquidity crisis. We continue to de-risk the global portfolio, ensuring that we have holdings that can weather volatility and grow admirably in positive markets.

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.