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

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

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

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THIRD QUARTER 2022 GLOBAL EQUITY COMPOSITE COMMENTARY

POLARIS
CAPITAL MANAGEMENT, LLC

Information presented is supplemental to the annual composite report.
To view, please visit: www.polariscapital.com/global-equity/

GLOBAL EQUITY COMPOSITE COMMENTARY

	2022				Annualized as of September 30, 2022				
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 9/30/1984
***Polaris Global Equity Composite** (net of fees)*	**-24.14%**	**-9.30%**	**-12.91%**	**-3.95%**	**-22.05%**	**0.91%**	**1.45%**	**7.30%**	**10.31%**
***Polaris Global Equity Composite** (gross of fees)*	**-23.85%**	**-9.19%**	**-12.81%**	**-3.83%**	**-21.66%**	**1.41%**	**1.96%**	**7.82%**	**11.14%**
MSCI World Index, gross dividends reinvested	-25.13%	-6.08%	-16.05%	-5.04%	-19.25%	5.06%	5.84%	8.69%	9.47%

Composite returns are preliminary. Past performance is not indicative of future results.

The third quarter began with a brief global market rally as bond yields declined amid hopes that inflation had passed its peak; August inflation numbers dispelled that optimism. Inflation remained stubbornly high across most goods, materials and commodities, exacerbated by the Russia-Ukraine conflict. European natural gas prices climbed to unsustainable levels, as Russia shut down the flow of gas via the Nord Stream 1 pipeline into Germany, while the G-7 vowed to cap prices on Russian oil purchases. Faced with decades-high inflation, the U.S., U.K. and South Korea raised key policy rates by 150, 50 and 25 basis points respectively during the quarter; the European Central Bank raised its interest rates by a historic 75 basis points. Earnings warnings from many companies across industries and geographies added to the data points of a slowing global economy.

These macro-economic data and interest differentials in the developed world resulted in foreign exchange (FX) market changes. The Euro, Japanese Yen, Korean Won, British Pound, and resource countries' currencies fell relative to the U.S. dollar, some by margins not seen in decades. Consequently, FX had a detrimental impact on performance, as the global equity portfolio was overweight the U.K., South Korea, Canada and the Nordic regions, and underweight the U.S. relative to the benchmark. As a result, the Polaris Global Equity Composite dropped -9.30% (net of fees), while the MSCI World Index declined -6.08% for the quarter.

Economically-sensitive sectors saw declines, specifically consumer discretionary, materials and industrials holdings. Defensive sectors performed better, with energy and utilities posting gains. Japanese real estate company, Daito Trust Construction Co., recorded double-digit returns and was among the top contributors to performance. Taiwan was the lone portfolio country to post positive gains on the back of Catcher Technology, followed by relative outperformance in select developed and emerging countries. The United States was the largest detractor to performance, followed by the U.K. and South Korea.

The majority of top 10 contributors were U.S. companies broadly diversified by industry, including Marathon Petroleum Corp., Crocs Inc., M&T Bank Corp., Webster Financial Corp., International Bancshares Corp. and CVS Health Corp. Higher interest rates thus far have favored the outlook for banks. At the same time, some of the worst 10 performers also hailed from the U.S.: FedEx Corp., Tyson Foods Inc., Arrow Electronics Inc. and Cinemark Holdings Inc. Lackluster returns were also noted in the U.K., where the new government mini-budget with tax cuts and higher spending caused U.K. interest rates to jump. This led to declines in homebuilders Bellway PLC and Taylor Wimpey PLC and retailer Next PLC.

THIRD QUARTER 2022 PERFORMANCE ANALYSIS

Marathon Petroleum was the top overall contributor to portfolio performance for the quarter. Refining margins – the difference between the cost of a barrel of oil and the value of products made from it – reached multi-decade highs as supply of diesel and gasoline in a post-pandemic travel frenzy couldn't keep pace with demand. Global refining capacity declined in the past two years due to the pandemic, with less profitable operations shuttering. Sanctions on Russian oil tightened the market further. Marathon benefitted from this and reported record refining margins and profitability, using excess cash flow to buy back stock.

In July 2022, Daito Trust Construction Co. Ltd., the Japanese construction and real estate company, hiked the average selling price of its new construction buildings by 8%, the second such price hike of the year. Despite the price increase, orders have remained strong in the ensuing months, with order volumes up in August and September.

U.S.-based NextEra Energy Inc. boosted utility sector returns. The company reported good second quarter results, with adjusted earnings per share up 14% year over year as core divisions, Florida Power & Light and NextEra Energy Resources fired on all cylinders. NextEra subsequently announced a capital raise of $1.94 billion, intended for use to fund investments in new energy and power projects. In particular, the company is gearing up to boost renewable energy projects, which will be turbocharged by the clean energy tax credits introduced in the Inflation Reduction Act.

Publicis Groupe led the communication services sector, posting single-digit gains. The French marketing/advertising firm noted business momentum, with Sapient and Epsilon organic growth improvement. The company reported new client wins, as large consumer packaging companies amped up their advertising and promotion to compete for a more cost-sensitive consumer. Publicis upgraded its outlook for the end of 2022, pointing to top- and bottom-line growth.

The global equity portfolio was overweight and outperformed in the financials sector, led by three U.S. banks that were among the top 10 contributors for the quarter: M&T Bank, Webster Financial and International Bancshares. Webster released second quarter earnings, highlighting strong loan book growth (8-10% range). M&T also released earnings, and the management subsequently updated guidance with higher net interest income, but higher core expenses due to the People's United Bank integration.

In general, the U.S. bank industry is expected to benefit from rising interest rates, of which there were two 0.75% hikes in the quarter. Higher interest rates may lead to higher net interest margins. The markets have baked this expectation into company valuations at many of the smaller banks and thrifts in the portfolio. However, we remain cautious about rising rates, which can prove a double-edged sword – revenues may rise on loans and other investments, but funding cost increases and higher loan defaults may factor into the outlook.

German reinsurers, Hannover Re and Munich Re, also added to financials sector gains. Inflation, limited capacity and higher demand will likely drive price increases through 2023. Both reinsurers have expressed a bearish outlook on natural catastrophe reinsurance, lessening their exposure in certain geographies. Thankfully, the hurricane season had been relatively benign throughout most of 2022; Hurricane Ian, while costly, is not expected to exceed the budgeted losses. Higher interest rates will boost reinsurers' conservative investment portfolios, which had been under pressure for the past few years.

In health care, CVS Health posted robust results from all three business divisions (retail, health care benefits and pharmacy services) in the second quarter. The company subsequently raised guidance and announced the acquisition of Signify Health in a $8 billion transaction. CVS' stated intention to move into the primary care space will come to fruition with this acquisition. Returns from health insurers, Elevance Health Inc. and UnitedHealth Group Inc., also bested the sector benchmark. Conversely, United Therapeutics Corp. and Jazz Pharmaceuticals PLC declined, relinquishing some of their gains from the second quarter.

A traditionally defensive sector, consumer staples did not moderate overall declines. Greencore Group PLC, Nomad Foods Ltd. and Tyson Foods had double-digit losses. Greencore slid in tandem with a competitor that revised down its top- and bottom-line guidance. U.K. frozen foods company, Nomad, was downgraded by two credit rating agencies, which postured that operating performance would be impacted by input costs and declining consumer confidence in the European Union and U.K. Investors were concerned that consumers will trade down Nomad brands to cheaper private label products; however, we have yet to see this in our data. Tyson Foods reported solid quarterly results, but failed to keep pace with the record protein sales/volumes of the past year. The company offered more normalized guidance, pointing to consumer preference for cheaper protein (rotation from beef to chicken) in the current inflationary market.

In the information technology sector, OpenText Corp.'s stock slid after announcing the acquisition of Micro Focus, a U.K. software company that has struggled with profitability following its own acquisition of Hewlett Packard's software business in 2018. OpenText purchased Micro Focus, rolling up two of the largest software companies into one, for a relatively cheap valuation but assumed its debt. OpenText management expects its organizational platform will greatly facilitate Micro Focus' turnaround. Although Arrow Electronics' earnings beat analyst expectations, the market was singularly focused on what is next in the cycle. Buildup of inventory in the distribution channel became a key concern, as did the hardware supply chain issues handicapping its Enterprise Computing Solutions business. One sector highlight was Catcher Technology, the Taiwanese electronics casing manufacturer, which reported good second quarter results.

Among materials, Yara International reported impressive second quarter results, nearly tripling operating income from the prior comparable period on higher fertilizer prices and strong performance of its overseas assets, which more than offset higher European feedstock costs. Yara hurdled the European gas price issue with its overseas hedge, yet market worries hurt the stock. Methanol prices remained resilient, as Methanex Corp. reported strong results ending the second quarter with $878 million in cash and returning $109 million to shareholders. Operating rates improved and demand increased, especially in the methanol to olefins business. Nevertheless, the stock dropped on higher U.S. natural gas prices, which have yet to materially impinge Methanex's net income. Methanex issued a September press release announcing a share buyback, taking advantage of its lower share price. Copper prices were down across the industry, with Lundin Mining Corp. falling in lock step with its competitors. However, the company took a big hit on news of a sinkhole near its Candelaria mine. From a production perspective, the impact is minimal; yet the fallout from a political and/or environmental perspective is much greater.

The industrial sector was dragged down by global shipper, Fed-Ex Corp., which missed August quarter end earnings expectations. The company raised prices to keep pace with cost inflation; the result was lower volumes across its three main divisions. Fed-Ex Express' operating profit fell by more than half on a year- over-year basis. The company offered a downbeat outlook for the rest of 2022. China's Weichai Power Co. declined as the heavy-duty truck market sales fell, along with its profits, on the back of continued lockdowns in China. Its overseas subsidiary, KION Group, also issued a profit warning. China's State Council rolled out 19 measures to tackle local economic challenges; a fresh injection of investment on infrastructure projects could benefit Weichai.

The consumer discretionary sector was the largest detractor to portfolio results, with a smattering of stocks in the top and bottom 10 of the portfolio. Crocs Inc. gained in excess of 40% for the quarter, as the casual footwear company capitalized on myriad tailwinds: 1) the U.S. government is expected to reduce Chinese tariffs (China is a big importer of Crocs), 2) cheaper ocean shipping rates should improve Crocs' margins and 3) the HeyDude brand distribution channels are proving productive, with sales doubling in the second quarter. Another top contributor, Sally Beauty Holdings had higher margins, passing on higher material costs into consumer prices; sales remained resilient even with the price increases. Additionally, the company's e-commerce platform gained traction.

In contrast, British homebuilders Taylor Wimpey and Bellway each lost more than 25% during the quarter. The increase in U.K. interest rates raised concerns about future home buying. Next PLC announced strong first half results but guided down for the second half of the year. The U.K. retailer's stock price further declined on macro worries of rising inflation, higher mortgage rates and Pound weakness heading into 2023.

Three companies were sold during the quarter: Cineworld Group PLC, Bunzl PLC and Fresenius SE. Cineworld was sold on concerns of potential shareholder dilution or bankruptcy, the latter of which came true in September. Bunzl and Fresenius were sold to invest proceeds in more compelling valuations and defensive business models in today's economic environment. Bunzl was sold when it met Polaris' valuation target; the timing was fortuitous as we had concerns about Bunzl's forward operating margins due to higher operating costs and property cost inflation. Fresenius was sold amid the company's lowered top- and bottom-line guidance, as the German healthcare company cited short-term headwinds from material, supply chain and energy costs, staff shortages in dialysis clinics, higher wages from Fresenius Medical Care and fewer catalysts in its biosimilar pipeline.

Cash from sales was reallocated to more defensive companies with upside potential, including Smurfit Kappa Group PLC and Gilead Sciences Inc. With a reasonable debt load and risk profile, Smurfit is a different company than the one we owned more than a decade ago. The paper packaging company sits on the lower end of the cost curve thanks to its vertical integration and has proven its ability to raise prices in the current environment. Nearly 80% of Smurfit's customers are in the resilient, fast-moving consumer goods industry. Gilead is a U.S.-

based diversified biopharmaceutical company with an emphasis on human immunodeficiency, HIV/AIDS, liver diseases, hepatitis C and oncology. The company's flagship product is Biktarv, a fixed-dose combination antiretroviral medication for treatment of HIV/AIDS, but Gilead has a number of products in the oncology pipeline that could lead to top-line growth.

The table reflects the sector and regional allocation for the Polaris Global Equity Composite as of September 30, 2022.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*73.3%*	50.1%	4.6%	1.1%	3.3%	4.8%	4.4%	2.3%	9.8%	13.1%	4.8%	1.9%	0.0%	0.0%
Japan	*6.0%*	8.4%	0.0%	0.0%	0.6%	1.5%	1.8%	0.9%	0.0%	0.0%	1.3%	1.1%	1.2%	0.0%
Other Asia	*3.4%*	8.6%	0.0%	0.0%	0.0%	0.6%	2.6%	0.0%	0.0%	1.8%	2.8%	0.8%	0.0%	0.0%
Europe	*15.2%*	22.7%	0.0%	0.0%	6.2%	1.8%	4.1%	1.1%	2.3%	4.1%	0.0%	3.2%	0.0%	0.0%
Scandinavia	*2.1%*	5.5%	0.0%	0.0%	1.2%	1.9%	0.2%	0.0%	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.2%	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%
Portfolio Totals		100.0%	4.6%	1.1%	12.1%	10.6%	13.2%	4.2%	12.1%	21.8%	8.9%	7.0%	1.2%	3.4%
MSCI World Weight	*100.0%*		*5.2%*	*3.1%*	*4.2%*	*10.0%*	*11.3%*	*7.8%*	*14.0%*	*13.5%*	*21.1%*	*7.0%*	*2.8%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Higher interest rates have yet to tamp inflation. As rates rise, there is greater concern for economic growth. We have already seen downward revisions of gross domestic product throughout the world, and we expect tepid economic conditions for the next few quarters. Since the beginning of the year, we have been aligning our portfolio to adapt accordingly by adding more defensive and traditionally recession-proof stocks. We expect that such efforts will provide ballast against ongoing market volatility.

That said, markets have likely calculated the macro risks, pricing in the probability that a global recession is on the horizon. Year-to-date (through September 30, 2022), most global indices have teetered into bear market territory. As cautious value investors, we will continue to rebalance holdings as the economy progresses and seek to uncover companies that will benefit in the next three to five years.

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