



POLARIS

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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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Information presented is supplemental to the annual disclosure presentation.
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GLOBAL EQUITY COMPOSITE REPORT

	2012					Annualized as of December 31, 2012						Since 9/30/1984
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	
<i>Polaris Capital Global Equity Composite gross</i>	21.18%	3.47%	7.08%	-3.73%	13.60%	21.18%	10.42%	0.81%	10.66%	7.85%	11.35%	12.38%
<i>Polaris Capital Global Equity Composite net</i>	20.51%	3.34%	6.94%	-3.87%	13.44%	20.51%	9.79%	0.20%	9.87%	6.99%	10.47%	11.43%
Global Equity Benchmarks												
MSCI World Index, gross dividends reinvested	16.54%	2.63%	6.83%	-4.86%	11.72%	16.54%	7.53%	-0.60%	8.08%	4.70%	7.39%	9.77%

Q4 2012 composite returns are preliminary pending the third-party review. Past performance is not indicative of future results.

Please refer to the enclosed performance report for your portfolio

Early in the quarter, security markets were affected by a confluence of events including the U.S. presidential election and “fiscal cliff”, the European recession and China’s leadership transition. However, global markets rebounded toward the end of December, entering modestly positive territory, as Greece passed its budget and world GDP growth drivers (China and the U.S.) showed signs of stability. The Global Equity Composite (gross of fees) outperformed the benchmark at 3.47%, with numerous individual stocks posting double digit returns during the quarter. The MSCI World Index was up 2.63%.

Continued success against the benchmark could be attributed to stock performance in cyclical sectors such as consumer discretionary, materials and energy. On an individual stock level, the global portfolio’s best returns came from French luxury goods designer Christian Dior, U.K. homebuilder Barratt Developments, Irish convenience food producer Greencore Group and U.S.-based Questcor Pharmaceuticals. U.S. information technology companies Western Union and Hewlett-Packard underperformed, as did Italian ground engineering services firm Trevi Finanziaria.

For the year ended December 31, 2012, the global portfolio was up 21.18%, outperforming the benchmark at 16.54%. The global portfolio outperformed the benchmark in all four quarters this year.

PERFORMANCE ANALYSIS

Consumer discretionary stocks led returns during the quarter, backed by some of the top individual stock performers. Christian Dior had strong quarter results in a relatively lackluster retail environment, further substantiating our conviction that luxury goods thrive even in depressed economic environs. In December, the company announced six-month (ending October 31, 2012) revenues, which increased 18% over the same period in 2011. Nearly all of Christian Dior’s diversified business lines proved fruitful, with robust demand in wine and spirits, double-digit revenue growth for the Louis Vuitton fashion brand, momentum in its perfume and cosmetic lines and a nearly 26% boost in revenues for Christian Dior Couture.

U.K. homebuilders added to the consumer discretionary results. In November, U.K. mortgage approvals rose to the highest level in 10 months, adding to signs that the Bank of England’s credit-boosting program “Funding for Lending” is helping to ease strains in lending. Barratt, Taylor Wimpey and Bellway were beneficiaries of the scheme, achieving strong quarterly returns and capping off a stellar year. During the housing crisis, many homebuilders retrenched, shoring up balance sheets, raising capital, reducing debt and focusing on margins over volumes by buying lower priced land and building higher-priced houses versus apartments. With the pending rebound in the U.K. housing market, these lean-operating homebuilders are well positioned to leverage even modest volume increases.

Most of the material holdings were in positive territory, with containerboard manufacturer Smurfit Kappa capturing substantial returns. Independent paper packaging companies unable to absorb cost increases resulting from Chinese demand for recycled paper have closed or reduced production. With fewer competitors and fewer products in the market, Smurfit Kappa was able to marginally increase prices on its product lines, thereby dissipating raw material costs.

Among other materials companies, Belgian chemical company Solvay announced healthy third quarter earnings, led by the plastics segment, and reiterated full year guidance despite a predicted fourth quarter slowdown in some end markets. BASF completed the acquisition of Becker Underwood for \$1 billion, further cementing its global leadership position in

biological seed treatments and crop protection. On a fundamental basis, both of these specialty chemical companies also capitalized on their non-commodity product lines and their emerging market exposure.

Energy stocks benefited from higher oil prices and refining margins. French oil and gas explorer Maurel et Prom was up, as expectations rose that the CEO, who owns 24% of the company, is looking for a buyer or partner to provide greater financial security. U.S. refiner Marathon Petroleum delivered positive returns driven by better access to cheaper crude oil feedstocks.

Hurricane Sandy, the October storm that battered the U.S. Northeast, allowed reinsurers to maintain and, in some cases, raise renewal prices for property-catastrophe reinsurance, after a year in which natural disaster costs fell. Hannover Re and Munich Re saw increased renewal rates, further reinforced by good quarterly numbers, improved combined expense ratios and healthy investment income. Investor AB, a Swedish holding company, also contributed to the financial sector performance. The company, in conjunction with EQT IV Fund, signed an agreement to divest Gambro to the medical technology company Baxter International; total proceeds to Investor AB will be \$1.6 billion. Webster Financial Corporation lessened sector performance, as the stock dropped on news that its largest shareholder sold stock late in the quarter in an approximate 4 million share public offering.

Irish convenience foods producer Greencore Group was the star performer in consumer staples. In late November, the company issued results for the year ended September 2012, announcing 44.5% revenue growth due to acquisitions, increasing volumes in convenience foods and the successful integration of Uniq. Greencore also established a scale food-to-go business in the U.S. and signed sandwich supply agreements with Starbucks and 7-Eleven. The extra volume may improve U.S. revenues materially in 2013.

Japanese dairy supplier Meiji and convenience food/ food logistics company Nichirei have recovered from the March 2011 earthquake. However, profits are being pressured at the brewery maker Asahi due to higher advertising spending on soft drinks due to intense competition in the domestic market. In addition, the yen weakened 11% versus the USD in fourth quarter, reducing returns on Japanese holdings in the U.S. dollar-denominated global portfolio.

Healthcare holdings outperformed, bolstered by the performance of Questcor, which was up approximately 47% during the quarter. The company reversed course from last quarter, when negative news of a sales practice investigation and insurance coverage questions followed heavy short-selling. The market ignored the company's inherent strengths. The stock rebounded when Questcor released third quarter results, with impressive revenue growth (\$140.3 million for the period ended September 30, 2012), substantial physician prescriptions, and a 92% increase in Acthar vial shipments from the same quarter in the prior year. The company also announced a share buyback program and a quarterly dividend.

Positive absolute performance in the majority of industrial holdings could not diminish the negative impact of Italian construction company Trevi Finanziaria. The company's third quarter earnings declined due to a Turkish customer who broke a contract to buy the remaining seven drilling rigs of nine in the contract. The customer had suffered an accident in its cash flow-generating mining division, which led to financial difficulties in their oil division. Trevi has since sold the seven rigs to other customers but quarterly results were hurt by the contract change.

Information technology and telecom sectors detracted from better performance. Among IT companies, Western Union reported sluggish results on slower economic growth and reduced volumes in the Mexico corridor due to new regulatory standards intended to prevent money transfer services from being used in illegal activities. The company will modify services and pricing to compete more aggressively and win market share, but had to cut guidance for 2013. Other competitors have since announced similar regulatory agreements. Hewlett-Packard's CEO lowered market expectations for a quick turnaround, saying the company will face continued challenges through 2016. The slowdown in government spending globally and tough conditions in the important financial sector are extending the recovery time. A rebound by ATM supplier Wincor Nixdorf could not offset weak sector performance.

Deutsche Telecom had better than consensus second quarter returns and sold the lease rights to 7,100 T-Mobile USA cellphone towers to Crown Castle International, using some of the proceeds to reduce net debt. However, the stock remained depressed, due to rumors that MetroPCS, which had agreed in October to merge with T-Mobile USA, had a counter offer from Sprint Nextel.

At the end of October, the market initially hailed Sumitomo Corp./KDDI's buyout -- at a 33% premium -- of the remaining shares jointly held of Jupiter Telecommunications. Although the deal could generate synergies with KDDI's existing cable operations, and contribute to mobile subscriber numbers, investors were concerned that it also adds to net liabilities and will cause a one-off equity valuation loss. The stock dropped, even though KDDI's iPhone 5 sales are surging, and the company is seeing good adoption of pricier LTE service.

U.S. telecommunications company Frontier Communications was one of the top performers last quarter, taking advantage of the synergies stemming from the Verizon rural line acquisition. The company promoted its enhanced customer

service, quality control and employee incentives; all of these rudiments remain intact. Yet, the stock price declined during the fourth quarter after an analyst downgrade and the resignation of the CFO.

CURRENT ASSET ALLOCATION

We continued to de-risk the global portfolio with the purchase of a relatively defensive company, U.K. beverage can maker, Rexam. The company is experiencing growth in emerging markets and consolidation of the global industry, now dominated by three companies. While our research has pinpointed a few defensive investment ideas such as Rexam, we are finding a wealth of very attractive, better-valued companies in some cyclical sectors such as technology.

The following table shows the asset allocation for a representative global portfolio as of December 31, 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	57.4%	41.1%	3.1%	2.7%	2.9%	2.5%	1.3%	2.6%	6.9%	12.3%	4.6%	2.2%	0.0%
Japan	8.5%	6.3%	0.0%	0.0%	1.2%	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	1.4%	0.0%
Other Asia	6.0%	6.9%	1.2%	1.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	0.0%
Europe & Israel	25.6%	33.7%	1.1%	0.0%	9.3%	1.4%	10.9%	2.2%	3.0%	3.1%	1.5%	1.1%	0.0%
Scandinavia	2.6%	10.0%	0.0%	0.0%	0.0%	3.7%	1.7%	0.0%	0.0%	4.6%	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%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Portfolio Totals	100.0%	100.0%	6.6%	3.8%	14.7%	7.6%	13.8%	8.6%	9.9%	20.0%	9.5%	4.8%	0.7%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

We are witnessing the beginning of a slow, protracted market recovery, with the U.S. and China driving growth forward. In the U.S., low cost energy and a healthier housing sector have helped buoy the economy; resolution of presidential elections and tax concerns may further steady U.S. markets. China's effective economic stimulus and seamless leadership transition have helped stabilize the country's economy, likely leading to a revival of material/industrial demand. Yet, we need to be cautious of credit-strapped European economies and the obvious deceleration in some emerging markets. Mixed markets will persist for the foreseeable future, with some countries and sectors doing better than others. Bottom-up stock selection, focusing on individual company fundamentals (healthy free cash flows, conservative balance sheets and strong management), remains the key to successful investing, especially when facing worldwide macro-economic volatility. In conducting research, we continue to find compelling valuations globally, although the top ranked companies in our screens have not passed further Polaris scrutiny. Nonetheless, higher quality and attractive valuations exist among companies further down our screens.

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 and EAFE Indexes, gross dividends reinvested, measure 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.