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

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

# GLOBAL EQUITY COMPOSITE REPORT

| | 2013 | | | | | Annualized as of December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | YTD | QIV | 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* | 34.60% | 11.32% | 7.10% | 2.57% | 10.06% | 34.60% | 14.46% | 20.58% | 9.55% | 10.43% | 11.81% | 13.07% |
| *Polaris Capital Global Equity Composite net* | 33.99% | 11.20% | 7.00% | 2.44% | 9.92% | 33.99% | 13.86% | 19.91% | 8.82% | 9.60% | 10.93% | 12.13% |
| MSCI World Index, gross dividends reinvested | 27.37% | 8.11% | 8.29% | 0.85% | 7.87% | 27.37% | 12.13% | 15.68% | 7.56% | 4.84% | 7.57% | 10.33% |

*Q4 2013 composite returns are preliminary. Past performance is not indicative of future results.*

The Polaris Global Equity Composite (gross of fees) outperformed the MSCI World Index benchmark for the quarter, up 11.32% versus the benchmark's 8.11%. The vast majority of portfolio holdings were in positive absolute territory, with more than half posting double-digit returns.

For the year ended December 31, 2013, the Global Equity Composite was up 34.60%, as compared to the benchmark at 27.37%. We are pleased with the outperformance, attributable primarily to stock picking. The flexibility to invest in companies with strong sustainable free cash flows in any country (developed and emerging), industry and market cap, helped deliver satisfactory returns in 2013.

## PERFORMANCE ANALYSIS

The Global Equity Composite's largest sector weighting in financials outperformed the sector benchmark, resulting in the greatest contribution to quarterly results. Seventeen of 18 holdings were in positive absolute territory. Top sector performers, U.S.-based International Bancshares and Ameris Bancorp, produced strong earnings. Ameris also announced an acquisition that will boost assets and earnings in 2014. Svenska Handelsbanken remains one of the best-managed European banks, with solid cost controls and asset quality. Standard Chartered was in negative territory after releasing repetitive earnings downgrades.

The consumer staples sector was up for the quarter, far surpassing the benchmark sector result. While both Japanese brewery and dairy companies achieved healthy returns, the predominant story was Irish convenience food producer Greencore Group. As the top portfolio contributor this quarter, Greencore's stock advanced more than 50% after turning a profit on its U.S. operations, validating the geographic expansion.

In consumer discretionary, Duni AB continued to perform well with strong third quarter sales. A large price increase to customer Proctor & Gamble is expected to bolster Duni's earnings this year and next. British homebuilders posted double-digit gains, which slightly moderated toward quarter end as the U.K. government scaled back on its assisted home buying program. In our opinion, reduced government support for buyers who cannot otherwise afford property leads to better sustainability of the British housing market. U.S. children's clothing company Carter's Inc. dropped after announcing guidance below market expectations. In October, we purchased U.S. direct mail/geography targeted advertising company Valassis Communications. Less than two months later, Valassis stock rose on news of an acquisition bid by private equity company Harland Clarke Holdings. We believe that the bid price is too low and we will express our reservations to Valassis' management.

With an overweight position and strong outperformance compared to the benchmark, the materials sector was the fourth largest contributor to the Global Equity Composite's results. Imerys had double-digit returns backed by improving market conditions and strategic changes to its business, which included divesting non-core assets and focusing on growth segments. Canadian methanol producer Methanex was able to leverage higher prices (difference between gas and oil) and capture better margins due to methanol demand.

Industrial sector returns surpassed the benchmark, contributing substantially to the quarter's performance. Finnish building/industrial service company Caverion demerged from YIT. Caverion has since cycled through cost adjustments, enhanced its service business in Northern Europe and improved profitability, resulting in a stock jump of 50% during the quarter. Laundry systems service Mac-Gray saw its stock price advance from $15 to $21 during the quarter, after announcing its acquisition by CSC Fenway. The stock was subsequently sold at a profit.

The composite's health care portfolio was one of only two sectors to underperform the benchmarks. Up more than 40% during the quarter, pharmaceutical maker Forest Laboratories benefited from company restructuring and a stock buyback, which signaled management's confidence in the product pipeline and cash flow generation capability. Quest Diagnostics was negatively impacted by fewer requests for tests nationwide, attributable to high-deductible consumer healthcare plans and the cost-conscious private health care system. Non-productive liver cancer drug trials and delayed announcement of a lung cancer Phase 2B trial by Transgene dampened the stock price.

As one of the smaller weightings in the portfolio, the energy sector was boosted by Marathon Oil, Maurel et Prom, Sasol Ltd. and Marathon Petroleum. Thai Oil was affected by the political turbulence in Thailand. However, we do not think the unrest should impinge future cash flows, as Thai Oil provides an important country resource. We also purchased one new energy investment, Tullow Oil, an independent oil explorer focused in emerging market countries throughout the African continent.

We are satisfied with the composite's return for the year, as this marks the second consecutive calendar year of substantial outperformance versus the benchmark. More than half the annual return was from companies in the U.S., U.K., Germany and Ireland. Performance for the year mirrored the results for the fourth quarter, with outperformance in 8 out of 10 sectors. Financials, consumer discretionary, consumer staples and materials were the top contributors to performance. Defensive sectors (primarily energy and utilities) added to full-year results, but to a lesser extent. Diversified across eight different sectors, the top individual stocks included Greencore, Methanex, Caverion, Forest Laboratories, British homebuilders and U.S. banks. Other noteworthy portfolio companies included Japanese telecom KDDI Corporation, which benefited from increased subscriptions and stable earnings. Information technology company Xerox bolstered its business services division and stepped up M&A transactions and share buybacks. During the year, we sold five holdings (at a profit) to make room for eight new portfolio companies.

## CURRENT ASSET ALLOCATION

The following table shows the asset allocation for a representative global portfolio as of December 31, 2013.

| | *MSCI EAFE Weight* | Portfolio Weight | Energy | Utilities | Materials | Industrials | Consumer Discretionary | Consumer Staples | Health Care | Financials | Information Technology | Telecom. Services | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N. America | 58.7% | 40.2% | 2.9% | 2.7% | 3.0% | 1.2% | 3.4% | 1.2% | 5.6% | 11.6% | 6.3% | 2.3% | 0.0% |
| Japan | 8.7% | 4.6% | 0.0% | 0.0% | 0.8% | 0.0% | 0.0% | 2.5% | 0.0% | 0.0% | 0.0% | 1.3% | 0.0% |
| Other Asia | 4.9% | 6.2% | 1.1% | 0.9% | 1.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.9% | 0.0% | 0.0% |
| Europe & ME | 25.1% | 37.1% | 2.4% | 0.0% | 8.9% | 2.1% | 10.1% | 1.4% | 3.0% | 4.2% | 1.7% | 3.3% | 0.0% |
| Scandinavia | 2.6% | 10.0% | 0.0% | 0.0% | 0.0% | 4.2% | 1.1% | 0.0% | 0.0% | 4.7% | 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% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.8% |
| **Portfolio Totals** | | **0.0%** | **9.4%** | **3.1%** | **5.7%** | **11.5%** | **12.3%** | **9.9%** | **11.3%** | **20.9%** | **12.1%** | **3.8%** | **0.8%** |

*Table may not cross foot due to rounding.*

## INVESTMENT ENVIRONMENT AND STRATEGY

As would be expected after a stellar year for world markets, with the MSCI World Index up 27.37%, MSCI Europe Index up 25.96% and MSCI EAFE Index at 23.29% (all data at gross values), fewer undervalued companies are present at the start of 2014 than at the beginning of 2013. Notwithstanding higher stock prices, our research team continues to pinpoint new investment opportunities, as evidenced by purchases of Valassis Communications and Tullow Oil. We made evolutionary improvements to our screening technology and investment process during 2013, which have allowed us to uncover companies not previously filtering through our screens. Currently, our screens are dominated by Asian companies, which is not surprising considering the MSCI Emerging Markets Index was down -2.27% (gross) in 2013, a dramatic underperformance relative to developed countries. Additionally, we are carefully assessing valuations of previously depressed European companies, many of which are reporting positive near-term industry trends.

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.*