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/global-equity

# GLOBAL EQUITY COMPOSITE REPORT

| | 2014 | | | | | Annualized as of December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **YTD** | **QIV** | **QIII** | **QII** | **QI** | **1 Yr** | **3 Yrs** | **5 Yrs** | **10 Yrs** | **20 Yrs** | **Since 9/30/1984** |
| ***Polaris Capital Global Equity Composite gross*** | **4.30%** | **2.09%** | **-4.60%** | **2.61%** | **4.37%** | **4.30%** | **19.37%** | **13.58%** | **7.35%** | **12.10%** | **12.77%** |
| ***Polaris Capital Global Equity Composite net*** | **3.83%** | **1.97%** | **-4.71%** | **2.49%** | **4.25%** | **3.83%** | **18.79%** | **12.98%** | **6.69%** | **11.22%** | **11.85%** |
| MSCI World Index, gross dividends reinvested | 5.50% | 1.12% | -2.05% | 5.05% | 1.40% | 5.50% | 16.13% | 10.81% | 6.61% | 7.56% | 10.17% |

*Q4 2014 composite returns are preliminary. Past performance is not indicative of future results.*

The Polaris Global Equity Composite, gross outperformed the MSCI World Index, gross benchmark in the quarter, up 2.09% while the Index advanced 1.12%. The positive result for the quarter in the index was almost exclusively due to the 4.8% U.S. gain, partially offset by losses in nearly all non-U.S. markets.

At the start of 2014 we reflected on the strong equity market returns in 2012 and 2013 and felt investors should be pleased if equity markets advanced in 2014, and if so, single-digit returns should be appreciated. For the year 2014, the Polaris Global Equity Composite was up 4.30%, lagging the MSCI World Index's return of 5.50%.

## PERFORMANCE ANALYSIS

In the fourth quarter, the global portfolios' top contributors were diversified across country and industry. Positive contributions came from companies such as Greencore Group Plc, an Ireland-based producer of convenience foods; U.S. utility Allete; two U.S. banks; three U.K. homebuilders; U.S. based UnitedHealth Group; Meiji Holdings, a Japanese dairy products company; and Symrise AG, a German maker of ingredients in the beverage, food and fragrance industry. Detractors were more concentrated among energy and material sector stocks impacted by the commodity price declines, including Sasol Ltd, Maurel et Prom and Tullow Oil Plc, as well as Canadian methanol producer Methanex Corp.

The majority of sectors were in absolute positive territory, led by consumer discretionary, consumer staples, financials and information technology. Many of the consumer discretionary holdings produced robust returns because of good earnings. Encouraging sales and profit numbers at Duni were attributable to organic growth, recent product launches, the completion of a recent acquisition and efficiency programs that have effectively strengthened margins. U.K. homebuilders announced healthy results, on increased demand due to improved mortgage availability. Land bought inexpensively during the recessionary period is now coming into production, which should result in higher-margin house sales in the coming quarters. French tire maker Michelin was added to the consumer discretionary sector during the quarter. With lower gas prices, increased driving mileage may boost the demand for replacement tires.

Consumer staples holding Greencore reversed course from last quarter's decline, adding gains after reporting results that reflected its participation in food-to-go (FTG) business, the fastest growing segment in UK grocery sales. The company also announced plans to build out its U.S. FTG business with the acquisition of Lettieri's LLC and new site construction in Rhode Island and Washington State. In Japan, Meiji Holdings Co Ltd. reported healthier margins and rising profitability. The integration of the 2009 merger of its dairy and pharmaceutical divisions is finally achieving better results. The company has successfully reorganized the business, implemented structural reforms and increased overseas operations. With an aging population eating more probiotics, Meiji's dairy division more than offset

Japanese drug price cuts impacting the pharmaceutical division. We expect that the decrease in oil prices will have a beneficial effect on disposable income, leading to further consumer demand in Japan, and in all non-oil producing countries.

Most of the global portfolios' U.S. financial holdings were in absolute positive territory this quarter. The end of the Federal Reserve quantitative easing program signaled the potential for higher interest rates (and possibly improved net interest margins) in 2015; many investors looked favorably on this prospect. However, this trend has yet to materialize, with several banks still reporting stagnant net interest margins at the end of 2014. Increasing loan balances and decreasing loan loss provisions buoyed net income at financial institutions over the past few quarters. In addition to these metrics, U.S.-based Ameris Bancorp and Independent Bank Corp capitalized on recent acquisitions or realized synergies from integrations. U.S. reinsurer The Chubb Corp. posted satisfactory returns, due to better renewal pricing and fewer catastrophic losses. In similar fashion, German reinsurer Hannover Re: announced fewer catastrophe losses in 2014, while gaining subscribers to its life and health business. During the quarter, the global portfolios' position in Univest Corp of Pennsylvania was sold as it reached its valuation limit.

Norwegian banks, Sparebank 1 SR and DNB Bank ASA, declined on oil-related concerns, although neither institution holds more than 10% of loan books in direct oil- and gas-related businesses. We believe that the stock price drops are more magnified than warranted. Although Norway is an oil-producing country, it has a very different structure for oil proceeds. In most OPEC countries, oil is the only resource and money from oil revenues is spent on current government programs. In Norway, oil revenues collected by the government are sequestered in an oil fund, which is explicitly banned from use to bolster the domestic economy. In our opinion, the Norwegian economy is fairly insulated by declines in oil prices, but might be affected at the margins.

The majority of information technology stocks were up, as many reported respectable earnings for the September 2014 quarter. Hewlett-Packard Co. was the sector's top performer, after announcing plans to split into two publicly traded companies: one that will focus on enterprise technology, storage, service and cloud platforms and one that will focus on consumer-driven products and printers. In an effort to reposition itself in the business-to-business space, Xerox Corp. struck a deal to sell its information technology outsourcing business to France's Atos for $1.05 billion. At Samsung Electronics, Lee Jae Yong has taken the reins of the company since his father's hospitalization. During his short tenure, he has already proposed a $2 billion buyback and disposed of stakes in chemicals and defense businesses. The market is optimistic that such restructuring will also lead to better corporate governance and a renewed focus on core markets, including consumer televisions, smartphones and smart home software. We look to new cell phone models from Samsung's research & development labs to lead its low-cost competitors.

Utility sector holdings had strong returns for the quarter. Allete's third quarter earnings were up, due to cost recovery revenue related to wind energy expansion and retrofit of an electric unit. In addition to capital expenditure projects coming to fruition, the company announced strong demand from its important industrial customers in the region. Hong Kong water utility Guangdong Investment Ltd. renewed its contract to supply water to Hong Kong, with higher-than-expected tariff increases of approximately 6% per year for each of the next three years.

Mixed performance characterized the industrial sector, with positive performance in most holdings offset by YIT OYJ and Trevi Finanziaria. Finnish elevator/escalator manufacturer Kone OYJ was among the top industry contributors, with gains after generating healthy results and order intakes. With an established foothold in China, Kone is expected to capitalize on relaxed Chinese real estate policies and the announcement of another 7 million affordable housing units. Italian ground engineering firm Trevi continued its downward trajectory. We believe that the company's stock depreciation is overdone. The company conducted a capital raise in the second half of 2014 to expand its oil drilling business. While lower oil prices may cause less drilling in certain locations, Trevi has yet to have any order cancellations. Company management recently announced all-time high order books for oil drilling and improved financial metrics for the nine months ended September 2014.

The European telecom sector generally produced better-than-expected earnings in the September 2014 quarter. In the global portfolios, German telecom and web content provider Freenet AG reaffirmed its outlook for 2015, and noted increased subscribers. Deutsche Telekom's stock price was up on news of merger & acquisition transactions, including BT Group's potential purchase of British wireless venture EE, currently owned by DT and Orange S.A. DT's T-Mobile remained an attractive asset for potential suitors, with Dish Network Corp. expressing interest. T-Mobile gained the most subscribers in the U.S. for 2014, although it is still struggling to turn a profit.

Commodity-driven sectors, namely materials and energy, were the main detractors to portfolio performance for the quarter. In materials, German fragrance, additives and flavors producer Symrise was the only standout. The company achieved good results across all divisions and geographies, including emerging markets. By contrast, Methanex has been hampered by natural gas supply constraints, causing reduced production at one Trinidad plant and restricted activity in Chile and Egypt. Lower commodity prices have also been at issue, both with methanol at Methanex and iron ore and oil at Australia's BHP Billiton.

During the year, we conducted extensive research on numerous stocks, including some in the materials sector. With the recent decline in foreign markets, two stocks became attractive, The Linde Group and Northern Star Resources, which we opportunistically purchased at better valuations than expected. Linde is a German multi-national industrial gases and engineering company. The company appears attractive, as it is a dominant player in a consolidated industry, with low downside risk, many long-term contracts and strong visible cash flows. Northern Star is a gold producer in Australia. We expect this small-cap stock to be a portfolio diversifier.

As would be expected by global oil price declines, the energy industry was severely impacted. The global portfolios' holdings were no exception, with Thai Oil, Marathon Oil, Tullow Oil, Maurel et Prom and Sasol down. One bright spot was Marathon Petroleum. The company differentiates itself from competitors with a business model that focuses on domestic refining and gas station franchises. Refining margins are up and refiners, like Marathon Petroleum, are increasing throughput ahead of expected additions to production in 2015. In the past year, Marathon Petroleum's division Speedway acquired Hess, expanding its retail station presence from nine to 23 states throughout the East Coast and Southeast. Recent lower gas prices may spur on more travel and subsequently more stops at gas stations.

The following table shows the asset allocation for a representative global equity composite portfolio as of December 31, 2014.

| | *MSCI World Index* | *Portfolio Weight* | Energy | Utilities | Materials | Industrials | Consumer Discretionary | Consumer Staples | Health Care | Financials | Information Technology | Telecom Services | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N. America | *62.4%* | *40.7%* | 2.6% | 3.3% | 2.3% | 1.2% | 2.1% | 1.2% | 6.1% | 12.5% | 6.5% | 2.9% | 0.0% |
| Japan | *8.0%* | *4.7%* | 0.0% | 0.0% | 0.7% | 0.0% | 0.0% | 2.7% | 0.0% | 0.0% | 0.0% | 1.3% | 0.0% |
| Other Asia | *4.6%* | *5.9%* | 0.8% | 1.3% | 0.9% | 0.0% | 0.3% | 0.0% | 0.0% | 0.0% | 2.6% | 0.0% | 0.0% |
| Europe & Middle East | *22.7%* | *34.0%* | 1.4% | 0.0% | 8.8% | 2.1% | 10.1% | 1.7% | 2.9% | 3.8% | 0.9% | 2.3% | 0.0% |
| Scandinavia | *2.3%* | *12.0%* | 0.0% | 0.0% | 1.4% | 4.1% | 1.2% | 0.0% | 0.0% | 5.3% | 0.0% | 0.0% | 0.0% |
| Africa & South America | *0.0%* | *0.9%* | 0.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash | *0.0%* | *1.8%* | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.8% |
| Portfolio Totals | | *100.0%* | 5.7% | 4.5% | 14.2% | 7.5% | 13.7% | 5.5% | 9.0% | 21.6% | 9.9% | 6.6% | 1.8% |

*Table may not cross foot due to rounding.*

## INVESTMENT ENVIRONMENT AND STRATEGY

Crude oil prices dropped more than 40% over the last three months, as demand growth slowed while supplies and production continued to increase. The International Energy Agency reduced its demand forecast several times recently. The Organization for Economic Cooperation and Development stated that oil demand is expected to be lower on continued energy efficiency gains, while slower growth in demand from emerging markets reduced expected demand in 2014 and 2015. Simultaneously, supply continues to increase. Once investment in oil fields is committed, projects are not cancelled and continue to add to supply. On November 27, Saudi Arabia, a low-cost oil producer, announced it would not cut back production to prop up prices.

Our outlook has shifted as a result of these commodity price declines. We believe the net benefits to oil consuming economies outweigh the reduction in the growth of oil producing regions. Globally, only a small number of countries with small populations benefit from higher oil prices; most all others, including the U.S. and China, are net beneficiaries of lower prices.

In the U.S., lower gasoline prices may lead to more discretionary spending power, and indirectly boost consumer confidence. U.S. companies may see profit margins rise, as costs drop for logistics, utilities, running factories, and business and consumer travel. While areas like North Dakota may experience contraction from their torrid growth where unemployment is extremely low, most other regions in the U.S. will likely see long awaited improvement.

Lower commodity prices will also help China mitigate the decrease in its GDP growth rate for the near term, spurred on by new rail projects and building infrastructure. According to China Daily, China will target construction of 7 million affordable housing units, the same as 2014, although only 4.8 million units were built in the year. Commodity price declines will also mitigate the spending decline wrought from Japan's consumption tax hikes.

However, lower oil prices may not have a dramatic impact in regions like Europe where taxes are a large percentage of the retail pump price. Instead, we believe Europe will benefit from deflation in 2015, a view contrary to some policy makers and pundits. Inflation is a highly regressive tax for low and middle income earners, especially since real wages have not increased in more than 30 years. The only way these consumers have to advance their economic condition is through lower prices. If real wages are constant but the real cost of goods declines, consumers have more real disposable income and can choose to save, pay down debts, invest or consume the added income.

Deflation also proves to be the stimulus for disruptive technologies. The likes of Uber and AirBNB would not have a business if not for the ability to muster the resources of underemployed labor and assets, who are more than willing to introduce deflation into these industries and arbitrage the excess costs. Disruptive technologies are enabling surprisingly successful new business models like Uber, etc., which target entrenched monopolies protected by government regulations and overburdened cost structures that generate "excess" revenues for the governments. In our view, governments will eventually have to adapt to this new disruptive economic reality and learn to downsize as their revenue base is challenged.

The research effort at Polaris continues to look at the deflationary forces at work in the global economy, and the disruptive technologies that create deflation. In recent quarters, we have identified good value investment opportunities. The continuing challenge will be to select those values that prove sustainably good investments over the long-term.

As always, we welcome your questions and comments.

***DISCLOSURES & 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. The MSCI EAFE Index (Europe, Australia and the Far East) is an equity index, which captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada.*