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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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GLOBAL EQUITY COMPOSITE REPORT

	2016					Annualized as of December 31, 2016				
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 9/30/1984
Polaris Capital Global Equity Composite gross	**13.47%**	**5.13%**	**9.66%**	**-2.49%**	**0.93%**	**13.47%**	**6.26%**	**14.36%**	**5.09%**	**12.41%**
Polaris Capital Global Equity Composite net	**12.98%**	**5.02%**	**9.53%**	**-2.58%**	**0.82%**	**12.98%**	**5.78%**	**13.82%**	**4.51%**	**10.72%**
MSCI World Index, gross dividends reinvested	8.15%	1.97%	4.99%	1.21%	-0.19%	8.15%	4.38%	11.03%	4.41%	9.76%

Q4 2016 composite returns are preliminary. Past performance is not indicative of future results.

The Polaris Global Equity Composite gained 5.13% for the quarter, exceeding the MSCI World Index, which returned 1.97%. For the full year ended December 31, 2016, the Global Equity Composite's total return of 13.47% surpassed the MSCI World Index, which returned 8.15%. We are pleased with the outperformance in this volatile year, as well as over the longer time periods as reflected above.

Portfolio returns during the quarter would have been even higher, if not for the U.S. dollar's appreciation against all major currencies, including the British Pound, the Japanese Yen and the Euro. With currency devaluation hampering some non-U.S. equities, the global portfolio's top performers originated from the U.S.

President-elect Donald Trump's proposed corporate tax reduction and regulatory relief for banks, and the Federal Reserve's decision to raise rates, led to a banner quarter for U.S. banking stocks. Webster Financial, International Bancshares, JP Morgan Chase, Independent Bank Corp., Ameris Bancorp, Southwest Bancorp and Capital One Financial were among the top 10 contributors to portfolio performance. Elsewhere in the portfolio, cyclical value stocks performed admirably at the expense of more defensive companies. Information technology companies Web.com and Avnet Inc. announced business strategies that met with investor approval. Higher oil and coal prices increased costs for Chinese production of methanol and fertilizer; the supply-demand equation shifted favorably for low-cost commodity producers like Methanex and Yara International, each of which exacted higher prices and increased production. Currency was the defining factor in stock price declines of Ireland's Greencore Group and U.K. homebuilders, including Persimmon Plc, Barratt Developments and Taylor Wimpey. Japan's telecom operator KDDI Corp. and brewery Asahi Group Holdings were lower on the Yen's depreciation.

For the full year ended December 31, 2016, the Global Equity Composite's total return of 13.47% surpassed the MSCI World Index, which returned 8.15%. We are pleased with the outperformance in this volatile year, as well as outperformance over all longer time periods as reflected above.

PERFORMANCE ANALYSIS

The portfolio's U.S. bank holdings gained anywhere from 15-50% during the quarter, anticipating change with the Trump administration. The president-elect's plans call for lower corporate taxes, less restrictive regulations and economic recovery that stimulates consumers to invest and/or spend in the form of cars and homes. By consequence, bank loan growth could resume, a welcome reversal from years of shrinking balance sheets due to lesser asset-based lending. Additionally, banks are heralding the return of higher net interest margins on the back of rising interest rates. However, rates have yet to have a material impact and no actual revisions to regulations and tax rates have been realized. U.S. bank valuations are trading over 20 times earnings, a level unsubstantiated without any actual change. We will carefully assess this industry in the coming months to determine which current portfolio holdings justify their higher valuations on a fundamental basis. In the interim, we are pleased that our U.S. bank stocks led quarterly performance.

Among non-U.S. financials, Norway-based DNB Bank performed admirably as the company continued expense controls, which enabled it to reach its capital targets for 2017. The European Banking Authority conducted a stress test showing DNB had the greatest resilience to economic crisis among tested institutions. Fellow country competitor, Sparebank 1 SR, had similarly strong returns. Better oil prices bolstered earnings at Russia's Sberbank, which reported improving net interest margins and profitability. Investor AB was sold in preference to United Overseas Bank, a conservatively managed Singapore bank with an expanding footprint in southeast Asia.

The Chinese government's plan to shrink its bloated coal industry, in combination with higher oil prices, resulted in coal prices advancing more than 50% in 2016. China's coal-based methanol and urea producers faced cost pressures, leading to lower production rates and fewer exports. With lesser Chinese competition, the supply/demand balance tightened, benefitting low-cost international methanol producer, Methanex. The Canadian company recorded a 5% increase in sales, with higher average realized methanol pricing. Urea market leader, Yara International, was also expected to capitalize on this trend, capturing market share from its Chinese rivals. Showa Denko was up more than 15% for the quarter, as its petrochemicals and hard drive media units logged gains. At a December conference, Showa Denko elaborated on its organic and acquisitive initiatives, while revising guidance upwards. Symrise was one of the few underperformers in the materials sector; however we can ascertain no material reason for the decline. The German flavor/fragrance producer posted solid earnings and increasing sales across nearly all geographies. It also made strategic changes to its corporate model, selling Pinova Holdings' industrial activities in favor of core businesses.

Web.com rationalized some sales programs within its acquired Yodel division, negatively affecting sales; subsequent quarterly results were underwhelming. However, at a December analyst day, Web.com offered a cogent strategy for value-added functionality and services, detailing how Yodel's integration fits with this plan. The market responded positively, and the stock rose more than 20%. Avnet divested its global IT solutions distribution business, selling it to Tech Data Corp for $2.6 billion. The money was redeployed to acquire Premier Farnell and Hackster.io, both of which enhance Avnet's component design and supply chain services. Avnet stock was up over 15% due to these corporate actions. XEROX was the main detractor in the IT sector. Early in 2016, the company stated it was splitting off the services division it acquired a bit more than five years earlier. XEROX separated into two publicly-traded entities: an $11 billion document technology company based around the namesake copier and scanner hardware; and a $7 billion business-services company, Conduent Inc. In October, XEROX's largest individual shareholder filed a lawsuit to block the spin-off, creating an overhang on the stock during the fourth quarter. The deal proceeded nevertheless, with a distribution date at December 31, 2016.

Three of the five largest U.S. health insurers, including UnitedHealth Group Inc., have pulled out of some Affordable Care Act (ACA) state exchanges. UnitedHealth Group, which lost $850 million on the state exchanges in 2016, made the decision to exit much of this business to reduce losses. Anthem echoed similar resolve. Both companies had double-digit gains, due partially to the ACA decisions as well as other initiatives. UnitedHealth announced a new drug distribution partnership with CVS. Anthem's prospects for the Cigna merger, previously opposed by the Department of Justice, looked more favorable under the new administration. Elsewhere in the healthcare sector, branded and generic drug pricing fell more than expected, causing stock declines at Allergan and Teva Pharmaceuticals. Teva sought to introduce three generic drugs to the market in the fourth quarter of 2016; the launch was postponed due to FDA delays.

The share price of Marathon Petroleum Corp. was up nearly 25% during the quarter, after activist investors campaigned for a company spin-off to supposedly unlock greater value. Marathon Petroleum currently works in three arenas: refining operations, pipeline transportation and retail (Speedway chain of gasoline and convenience stores). Activists, including Jana Partners, Corvex Management and Elliott Management, called on Marathon to follow its industry peers in separating its businesses, with a raft of suggestions ranging from the spin-off of just Speedway to accelerating the drop down of assets into Marathon's master limited partnership.

French luxury goods company, Christian Dior, was up approximately 18% during the quarter, rebounding from a two-year slump due to China's economic slowdown and the government's anti-corruption movement to dissuade displays of wealth. In the second half of 2016, China's penchant for fashion and leather goods renewed, with sales at the fastest pace in more than a year. LVMH, of which Christian Dior owns 41%, successfully took control of family-owned luxury luggage maker Rimowa in Germany. International Gaming Technology (IGT), the Italian gaming and lottery company, continued its winning streak, recording good gaming revenues on the back of lottery license extensions in Georgia and Texas. Strong results from Christian Dior and IGT could not counterbalance losses elsewhere in the consumer discretionary sector. U.K. homebuilder stock prices were generally flat during the quarter in local currency, but ended in negative territory in USD terms. No adverse financial or fundamental metrics were reported at our British homebuilder holdings. Kia Motors, which jointly handles orders with minority owner Hyundai Motor Co., underperformed due to too few consumer-friendly SUV models and slower sales in emerging markets, central/eastern Europe and Russia.

Similar to U.K. homebuilders, Irish convenience foods producer Greencore Group retreated, as its share price decline was amplified by the British Pound depreciation. During the quarter, the company announced it would acquire U.S.-based Peacock Foods in a deal funded by an equity rights issue and new debt. This acquisition is expected to quadruple Greencore's U.S. revenues. Already impacted by a weaker Yen, Japan's Asahi Group Holdings dropped further on the acquisition of European beer brands from Anheuser-Busch InBev. Asahi defended the $7.8 billion deal, citing cost benefits and the ability to boost international sales. However, the stock price fell on concerns about the price paid and how the deal would be financed.

The following table reflects the sector and regional allocation for a representative global equity composite portfolio as of December 31, 2016.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom Services	Real Estate	Cash
N. America	*63.7%*	42.1%	1.3%	2.7%	2.7%	2.8%	2.2%	1.2%	5.1%	14.7%	7.1%	2.2%	0.0%	0.0%
Japan	*8.7%*	3.7%	0.0%	0.0%	1.4%	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%
Other Asia	*4.4%*	9.5%	2.3%	0.0%	1.4%	0.0%	0.9%	0.0%	0.0%	2.5%	2.4%	0.0%	0.0%	0.0%
Europe & Middle East	*20.9%*	32.5%	0.0%	0.0%	8.0%	3.9%	10.1%	1.1%	1.9%	5.1%	0.0%	2.3%	0.0%	0.0%
Scandinavia	*2.2%*	9.9%	0.0%	0.0%	1.2%	4.4%	0.5%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%
Portfolio Totals		100.0%	3.6%	2.7%	14.7%	11.1%	13.7%	3.5%	7.0%	26.2%	9.5%	5.6%	0.0%	2.4%
MSCI World Weight			*7.3%*	*3.2%*	*5.0%*	*11.2%*	*12.3%*	*9.8%*	*12.1%*	*18.0%*	*14.6%*	*3.4%*	*3.2%*	*0.0%*

Table may not cross foot due to rounding.

2016 PERFORMANCE ANALYSIS

In the first six weeks of 2016, global markets plummeted, only to reignite a positive upward trajectory through the rest of the year. Political events, like the U.K. BREXIT vote and the U.S. presidential race, had differing impacts on markets. The Federal Reserve's early indecisiveness on interest rates added to the volatility, as did banking crises in Europe and dour growth assumptions in China and India. In such an environment, we are pleased that the Global Equity Composite returned 13.47% for the year, outperforming the MSCI World Index by more than 530 basis points. U.S. financials contributed the most to performance, including International Bancshares, JP Morgan Chase and Webster Financial. The vast majority of materials sector holdings achieved double-digit stock price gains. In particular, German specialty chemicals company LANXESS AG and Australian commodity producer BHP Billiton benefitted from higher commodity (copper and iron ore) prices. The portfolio's holdings in eight sectors added to positive results. Pharmaceutical companies Allergan Plc and Teva Pharmaceuticals suffered losses for the year, much of which is outlined in this quarterly report. Consumer staples stock, Greencore Group, and British homebuilders were other notable detractors.

INVESTMENT ENVIRONMENT AND STRATEGY

Political uncertainty materially held back growth in 2016, as consumers and corporations were reticent to make long-term investment plans. With various governmental elections decided, focus has returned to economic development worldwide. In the U.S., companies have expressed optimism that operating conditions and regulations may improve under a pro-business president. Rising interest rates may provide a better real return to U.S. investors, incentivizing saving and investment. It may also stimulate consumer spending over the medium term. Conversely, rising interest rates have the potential to decrease the value of longer-term bond portfolios.

While U.S. prospects are promising, we are worried about European markets, in particular the banking environment. In prior reports, we voiced concern about European banks; this quarter, we got further validation supporting our position, as Italy's oldest bank Monte dei Paschi di Siena failed to raise equity to meet capital requirements forcing a bailout from the Italian state. Capital flight from China has also been troubling, although anecdotal evidence from our portfolio companies suggests that growth in China may be stronger than expected. We will be watching trends carefully.

Performance in 2016 was mainly attributable to the research done over the past several years. As the analyst team expanded, we conducted even more on-the-ground research, traveling worldwide to pinpoint companies added to our 250+ stock watch list. Pockets of volatility allowed us to buy companies previously relegated to the watch list. We capitalized on negative market events, opportunistically picking up companies at good valuations. We will continue to execute on this strategy throughout 2017, seeking continued strong portfolio performance.

As always, we welcome your questions and comments.

DISCLOSURES & FOOTNOTES

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