



POLARIS

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

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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

| | 2017 | | | | | Annualized as of December 31, 2017 | | | | |
|--|--------|-------|-------|-------|-------|------------------------------------|--------|--------|--------|-----------------|
| | YTD | QIV | QIII | QII | QI | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Since 9/30/1984 |
| <i>Polaris Capital Global Equity Composite gross</i> | 22.32% | 6.09% | 4.65% | 5.09% | 4.83% | 22.32% | 12.05% | 14.58% | 7.47% | 12.70% |
| <i>Polaris Capital Global Equity Composite net</i> | 21.79% | 5.98% | 4.54% | 4.97% | 4.72% | 21.79% | 11.55% | 14.07% | 6.91% | 11.82% |
| MSCI World Index, gross dividends reinvested | 23.07% | 5.62% | 4.96% | 4.21% | 6.53% | 23.07% | 9.87% | 12.25% | 5.63% | 10.13% |

Q4 2017 composite returns are preliminary. Past performance is not indicative of future results.

The Polaris Global Equity Composite returned 6.09% for the fourth quarter of 2017, outperforming with the MSCI World Index, which gained 5.62%. Global macro-economic growth was on an upswing, as evidenced by strong corporate earnings, heated M&A activity and increased consumer spending. As would be expected in such an environment, the composite's consumer discretionary and consumer staples holdings dominated performance, led by Regal Entertainment Group, Carter's Inc., Asahi Group Holdings Ltd., Greencore Group PLC and Tyson Foods Inc. Corporate takeover activity further boosted share prices: Regal became a target of U.K.-based Cineworld Group, while Asahi bulked up on European beverage brands and divested from less profitable Asian assets.

Higher commodity prices drove stock returns in the materials sector, with gains from Methanex Corp., BHP Billiton and Symrise AG. The merger between portfolio companies, Linde and Praxair, cleared shareholder hurdles, as 75% of Linde's shares were tendered prior to the deadline, allowing for the next step in the complex German transaction. Financials were buoyed by U.S. institutions, Capital One Financial Corp. and JPMorgan Chase & Co, both of which announced solid earnings. Detractors were generally limited to two IT companies, Web.com Group, Inc. and Xerox Corp; non-U.S.-based banks, Bancolumbia SA, DNB ASA and Svenska Handelsbanken; and pharmaceutical company, Allergan PLC.

For the year ended December 31, 2017, the Global Equity Composite was up 22.32%, while the MSCI World Index returned 23.07%. Annual results were admirable in a market heavily skewed toward growth stocks, as the MSCI World Growth Index gained 28.49% vs. 17.95% for the World Value Index. The composite achieved benchmark-beating performance over all longer time periods as reflected above.

PERFORMANCE ANALYSIS

U.S. movie theater operator, Regal Entertainment, gained on news of Cineworld Group's interest in acquiring Regal for a large premium. With this acquisition, Cineworld will become the second largest theater chain in the world, with a foothold in the U.S., Central/Eastern Europe and the U.K. We began the purchase of Cineworld during the quarter, as the company presented a compelling investment opportunity, with an attractive valuation, healthy cash flows, proven business operations and history of immediately accretive acquisitions. Elsewhere in the consumer discretionary sector, Carter's gained nearly 20% after announcing good third quarter 2017 earnings, with increasing net sales and steady cash flows. Guidance was equally promising, with an increase in 2018 sales expected from Simple Joys by Carter's, a kids clothing line exclusively sold via Amazon.

In consumer staples, Asahi Group Holdings, the Japanese beer and beverage maker, performed well as investors warmed up to the company's mid-term strategy of divesting out of less profitable businesses in Indonesia and China, and shifting their focus to M&A in Europe where they have already established themselves as a serious player in the beer market. The company also plans to sell its Japanese soft drink unit, LB Co, Ltd. More interestingly, after almost a decade, Asahi is planning to raise prices by 10% for alcoholic beverages sold in returnable containers in Japan. U.K.-based Greencore Group climbed during the

quarter after the company declared full-year results that beat expectations. The British food-to-go business had strong sales growth due to commercial launches. Peacock Foods, Greencore's acquired U.S. business, gained traction with large new customers and business wins projected in 2018. Shares of Tyson Foods rose, driven by consensus-beating earnings and a robust 2018 demand outlook. The stock also benefitted from Tyson's acquisition of food service company AdvancePierre, as investors expect that the integration will lead to greater sales and profitability.

Recovering commodity prices, ranging from chemicals to methanol to iron ore, copper and oil, spurred on gains in the materials sector. Canada's Methanex gained more than 20% as methanol prices rose when a large Chinese methanol-to-olefin plant resumed operations and purchases of methanol. On the supply side, the Chinese reduced production of coal-to-methanol for environmental purposes, and competitors suffered unplanned plant outages, thereby tightening the market and increasing methanol prices. A new chairman was ushered in at BHP Billiton in early September. Under this leadership, BHP planned to divest its onshore shale business and sought a buyer for its Australian nickel business. Investors expect BHP will realize healthy valuations for these assets, as prices of nickel and oil are up 16% and 9% respectively since early 2017. Solvay was the only detractor of note in the materials sector, as the company missed earnings due to below-forecast core profits. The company was burdened by higher energy costs and foreign exchange conversion; yet management reaffirmed its optimistic outlook for 2018. Solvay management expects that the company's divestment strategy, selling polyamide, cellulose and other non-core businesses in favor of key chemical segments, will reap rewards in the coming year.

Capital One Financial was the top contributor in the financial sector, up more than 18% after posting better-than-expected earnings and launching plans to shutter the ultra-competitive mortgage and home equity operations. In late December, Capital One halved its share buyback program to mitigate the impact of a \$1.9 billion charge, effectively lowering its deferred tax assets in conformance with the new tax reform bill. Many other large financial institutions have instituted similar capital plans. Ultimately, this tax reform is expected to benefit banks, as the corporate tax rate drops from 35% to 21%, potentially increasing dividends, stock repurchases and acquisition deals at hefty premiums. Non-U.S. financials detracted from sector gains, as Scandinavian banks, DNB ASA and Svenska Handelsbanken, had single-digit losses. Fundamentals at DNB were stable, as the company announced good results on the back of recovering oil prices. Margins and volumes rose, loan loss provisions were modest and cost-cutting initiatives were on track. Yet, investors were concerned about the slowing Norwegian housing market and the potential impact on banks in the region. Svenska Handelsbanken suffered under the same premise, as skepticism arose about Swedish housing prices. The bank noted slowing corporate loan originations and declining capital ratios, proactively taking measures to reweight assets. Colombian bank, Bancolombia, SA, dropped 9% on the quarter. Margin compression and deteriorating asset quality, coupled with the International Monetary Fund's forecast of stagnant GDP growth in Latin America, weighed on the stock.

Energy holding, Marathon Petroleum, was up more than 18% for the quarter, as company earnings beat estimates due to higher refining volumes and margins. Marathon's Speedway gas stations reported stable income from operations, likely to be bolstered in future quarters by a new joint venture with Pilot Flying J. The company also executed a number of strategic actions, including the dropdown of refining logistics assets and fuels distribution services to its general partner, MPLX, in exchange for \$8.1 billion.

U.S. health care insurers, Anthem Inc. and UnitedHealth Group Inc., reported solid quarterly earnings, raising or reaffirming guidance for the year. UnitedHealth pointed to success in its Optum data analytics program, and growing revenues from employer-sponsored, Medicare and Medicaid benefit offerings. These gains partially offset losses incurred from Allergan. Allergan shares slid due to the loss of exclusivity of dry eye drug, Restasis, which makes up 10% of revenue, as generic competition joins the fray in early 2018. Five other Allergan products may face similar headwinds in 2018. However, the core aesthetics portfolio saw strong single-digit sales growth with abundant opportunities in international markets. With a promising pipeline in 2018, Allergan has no interest in splitting up the business. Rather, they will institute an aggressive cost cutting program, focus on generating free cash flow and temper M&A to preserve cash for shareholder dividends.

Other detractors included information technologies companies, Xerox Corp. and Web.com Group Inc. Cash flow momentum at Xerox typically stems from equipment sales, which thereafter dictate service,

maintenance, paper and supplies. Equipment sales faltered this quarter, resulting in lower revenues and gross profits. Xerox continued to make strides in cost cutting, but these efforts have yet to percolate to the top line. Among industrials, Italian foundation engineering and oil rig manufacturer, Trevi Finanziaria, fell after recording weak quarterly results. Unfavorable project and product mix, alongside continued weak order outlook in their oil & gas division, were the primary factors. The company also requested a standstill agreement from its main financing banks to enable the group to focus on development of a strategic plan and reorganization of its oil activities. In telecommunication services, Deutsche Telekom AG came under pressure after T-Mobile/Sprint merger talks ended without a deal; KDDI Corp. saw competition from online retailer Rakuten Inc., as it unveiled plans to become Japan's fourth major mobile-phone operator.

During the quarter, we identified new investment opportunities, necessitating re-evaluation of existing holdings to make room for new purchases. We analyzed the composite's four U.K. homebuilders extensively, and although fundamentals remain stable, we decided other companies were better valued and represented less downside risk. Barratt Developments was sold on rich valuation, peak margins and higher priced London exposure where pricing remains weak. We exited Persimmon primarily on similar valuation/margin metrics, which were largely driven by Persimmon's heavy exposure to the U.K. government subsidized schemes. Thai Oil was sold at a profit on peak gross refining margins; timing was opportune, as we identified possible downside risks from fading industry trends and concerns about large capital expansion projects. Conduent, the Xerox spin-off, was also sold. Cash was redeployed to buy L Brands, the operator of Bath & Body Works, Victoria's Secret and Pink brands. Victoria's Secret's notable global brand, evolving online presence and focus on international market penetration, especially in China, may offer prime positioning for growth. Three other new buys included South Korean semiconductor company, SK Hynix, U.K. retailer, NEXT PLC, and U.K. engineering support service firm, Babcock International.

The following table reflects the sector and regional allocation for a representative global equity composite portfolio as of December 31, 2017.

| | 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 | 62.8% | 41.2% | 1.4% | 2.6% | 3.0% | 2.6% | 6.1% | 2.6% | 5.0% | 10.3% | 6.3% | 1.2% | 0.0% | 0.0% |
| Japan | 8.9% | 5.6% | 0.0% | 1.1% | 0.0% | 0.0% | 0.0% | 1.4% | 0.0% | 0.0% | 2.1% | 1.0% | 0.0% | 0.0% |
| Other Asia | 4.5% | 10.4% | 0.7% | 0.0% | 1.4% | 0.0% | 1.7% | 0.0% | 0.0% | 2.7% | 3.1% | 0.8% | 0.0% | 0.0% |
| Europe & Middle East | 21.6% | 31.0% | 0.0% | 0.0% | 8.1% | 5.2% | 6.0% | 1.2% | 2.6% | 5.5% | 0.0% | 2.4% | 0.0% | 0.0% |
| Scandinavia | 2.3% | 7.6% | 0.0% | 0.0% | 1.3% | 2.2% | 0.4% | 0.0% | 0.0% | 3.7% | 0.0% | 0.0% | 0.0% | 0.0% |
| Africa & South America | 0.0% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash | 0.0% | 3.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 3.1% |
| Portfolio Totals | | 100.0% | 2.1% | 3.7% | 13.7% | 10.0% | 14.3% | 5.2% | 7.6% | 23.3% | 11.5% | 5.4% | 0.0% | 3.1% |
| MSCI World Weight | 100.0% | | 6.3% | 3.0% | 5.2% | 11.6% | 12.3% | 9.0% | 11.8% | 18.1% | 16.8% | 2.8% | 3.1% | 0.0% |

Table may not cross foot due to rounding.

2017 PERFORMANCE ANALYSIS

Over the course of 2017, global growth stocks outperformed value stocks as the year marked the greatest dispersion between investment styles since 2007. Yet our value-oriented composite performed admirably, capturing strong returns relative to competitors. The Global Equity Composite's 22.32% annual return was attributed to positive absolute returns across 10 sectors, with greatest contributions from consumer discretionary and materials. U.K. homebuilders, Persimmon, Taylor Wimpey, Bellway and Barratt Developments, all had double-digit gains. After a lackluster 2016 due to lower commodity prices, materials surged this year with the majority of holdings up in excess of 20%. Utilities, telecom and health care holdings were modestly weak by comparison. Pharmaceutical companies were hamstrung by generic introductions, as Teva Pharmaceutical and Allergan PLC suffered declines.

INVESTMENT ENVIRONMENT AND STRATEGY

Supply-demand fundamentals remain resilient in the materials sector, with demand originating in Asia and translating into renewed economic growth in Europe and more recently, the U.S. The reduction in tax rates in the U.S. ultimately will be positive for corporate cash flows and valuations. We believe that freed-up cash flow will go into further investments and capital spending, which could stimulate investment growth in the world economy.

Portfolio turnover was higher than normal during the year due to strong equity market advances and concurrent increased M&A activity. Many stocks reached their full valuations. Weightings have changed slightly, with greater emphasis in the retail and auto sectors. We have positioned the composite portfolio with more attractively valued and conservatively managed holdings, which may limit downside risk in the event of a market correction yet provide the potential for appreciation.

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.