Information presented is supplemental to the annual composite report.
To view, please visit: www.polariscapital.com/international-equity/

INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2023		Annualized as of March 31, 2023				
	YTD	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris International Equity Composite (net of fees)	**8.58%**	**8.58%**	**-3.72%**	**15.53%**	**1.85%**	**5.56%**	**9.95%**
Polaris International Equity Composite (gross of fees)	**8.71%**	**8.71%**	**-3.24%**	**16.11%**	**2.39%**	**6.13%**	**10.77%**
MSCI EAFE Index, gross dividends reinvested	8.62%	8.62%	-0.86%	13.52%	4.03%	5.49%	8.55%

Composite returns are preliminary. Past performance is not indicative of future results.

A global banking crisis consumed the first quarter, centered on the collapse of U.S.-based Silicon Valley Bank and Signature Bank. Switzerland's Credit Suisse followed suit, after years of mismanagement led to a catastrophic liquidity crisis; UBS came to the rescue with a proposed merger. Initial fears of contagion dissipated, and global markets rebounded by the end of the quarter. In this environment, the MSCI EAFE Index advanced 8.62% for the quarter; the Polaris International Equity Composite returned 8.58% (net of fees) for the period.

The international portfolio had double-digit gains in the consumer discretionary, industrials, information technology, communication services and consumer staples sectors. IT stocks proved an unexpected safe haven, as investors hoped shares were better positioned to withstand an economic downturn. Portfolio holdings in OpenText Corp., Samsung Electronics and SK Hynix contributed measurably. These results were offset by declines in the hard-hit financial and health care sectors. On the country level, contraction came from Norway's banks and single stock holdings in Puerto Rico and Singapore. The portfolio benefitted from absolute positive performance in Japan, U.K., France, Sweden, Germany and the Netherlands, as well as gains from off-benchmark stocks in South Korea, Canada, China and Greece.

Three of the top 10 absolute contributors hailed from industrials, including SKF AB, Weichai Power Co. and Marubeni Corp. Other outperformers included South Korean auto manufacturer Kia Corp. and appliance/electronics producer LG Electronics, both of which reported strong sales despite lackluster consumer spending. Rounding out the list was German telecom Deutsche Telekom, French advertising firm Publicis Groupe, Canadian methanol producer Methanex, U.K. homebuilder Taylor Wimpey and the aforementioned IT company, OpenText.

FIRST QUARTER 2023 PERFORMANCE ANALYSIS

In the consumer discretionary sector, South Korea's Kia Corp. posted U.S. car unit sales up nearly 20% for the quarter, with its Sportage and Telluride SUVs leading the charge. New models in production also include the EV9, all-electric SUV; the CEO expects EV operating profit to improve markedly in 2023. Sony Corp. released PlayStation VR2, which served as a launch platform for other popular gaming and networking services. Sony's CFO also declared an aggressive strategic investment spend in 2023. U.K. retailer, Next PLC, traded positively as the company reported upbeat earnings and raised 2023 profit guidance, driven by higher sales, lower labor/freight costs and manageable operating expenses. Margins were stable, as the company baked cost inflation into the average selling price without retail customer attrition.

U.K. homebuilders had another consecutive quarter of strong gains, with Bellway and Taylor Wimpey reporting resilient home prices despite falling volumes on higher interest rates. In this environment, both companies deployed defensive business strategies, sitting on net cash, cutting operating costs and buying back stock. Many investors believe that the U.K. housing market is on the path to recovery, as the Bank of

England signaled its intention to stop raising rates in 2023. If so, mortgage rates should fall and sales reservations will pick up, benefitting those homebuilders with sizeable land banks.

Consumer discretionary sector absolute laggards were Inchcape PLC and Magna International, each of which had very modest declines. Magna International released a profit warning in late January, referencing higher EV engineering costs, warranty expenses, softer volumes on chip shortages and inflation headwinds. The subsequent earnings miss was widely expected, and came as little shock to the market. Magna's decline more likely stemmed from management's dour 2023 guidance on operating income margins and higher capital expenditures.

Weichai Power, the heavy-duty engine equipment manufacturer, posted full-year results that beat estimates as infrastructure demand ramped up in a recovering Chinese economy. The company is likely to scale up manufacturing of diesel engines, while raising profitability on higher unit prices and improved product mix. Weichai also released the world's first commercialized high power solid oxide fuel cell, a key clean energy power source. Elsewhere in industrials, Japan's Marubeni Corp. reported strong earnings, pointing to organic growth in its key divisions: food/grains, metals and mining. The company continued to "push the envelope" on environmental initiatives; in March alone, Marubeni announced nearly a half dozen partnerships or efforts related to corrugated container recycling, biomethane production/sales, and clean hydrogen. Marubeni raised its 2023 profit targets while boosting planned returns to shareholders. SKF AB, the Swedish bearing and seal manufacturer, reported strong quarterly earnings on impressive organic growth, product mix and volumes. The market's concerns about industrial production activity were for naught, as SKF reported solid industrial and auto sector demand, specifically highlighting their ball bearing applications in the burgeoning EV marketplace.

Market skepticism originally surrounded OpenText's acquisition of U.K.-based Micro Focus. By February 2023, the deal closed and OpenText reported robust quarterly earnings, with strong cloud bookings and revenue. With concerns assuaged, OpenText's stock price rebounded. SK Hynix reported earnings at the end of January, cutting sales and operating profit forecasts; however, investors already accounted for these trough numbers and are looking ahead to possible sales and profit recovery in 2023.

Both Publicis Groupe and Deutsche Telekom posted double-digit returns for the quarter, boosting communication sector performance. French advertising company Publicis released full-year earnings, highlighting 2022 organic growth backed by its productive Epsilon and Sapient divisions. Seemingly resistant to macroeconomic concerns, the company laid out upbeat full year 2023 organic growth strategy, pointing to continued client investment in non-traditional marketing venues (data, technology, and digital transformation). Acquisitive growth was also on display with their recent acquisition of Practia, one of Latin America's leading tech and digital business transformation providers. Europe's largest telecom group, Deutsche Telekom, reported strong 2022 earnings with total revenue increasing, free cash flow up 30% and healthy guidance for 2023. The company reported strong customer growth in Germany, while its T-Mobile division continued to usurp market share from AT&T and other U.S. providers. LG Uplus Corp. was the only notable sector laggard, as the South Korean company faced competition in the IPTV and VOD markets, as well as possible regulatory hurdles on local budget rate plans.

In a softening methanol price environment, the market was pleased with Methanex's solid cash position despite substantial capital expenditures on the Geismar 3 project. With a fourth quarter 2023 completion date, Geismer 3 is touted to be one of Methanex's lowest-cost plants with access to abundant natural gas; the ramp up of Geismar 3 may expand cash flows and shareholder returns. Elsewhere in the materials sector, Lundin Mining was up after declaring its intent to buy a majority stake in the Caserones Copper Mine. Many considered this an advantageous acquisition, as copper supply-demand (stemming largely from the EV market) constraints favor the few industry suppliers.

The health care sector lived up to its reputation as a defensive play in 2022 on the tail end of the COVID crisis and rising inflation. Pricey valuations from 2022 are finally being re-evaluated as investors return to fundamentals. As a result, the health care industry in general has stagnated so far this year. Irish biopharma, Jazz Pharmaceuticals, relinquished some of its fourth quarter gains, falling in line with most of its brethren. No fundamental news eroded Jazz's stock price; in fact, the opposite was true. Jazz's narcolepsy drug, Xywav, as well as the major growth drivers Epidiolex and Rylaze, continued to perform. Xywav's indication for idiopathic hypersomnia also gained traction. One bright spot was Novartis AG, the Swiss pharmaceutical, which publicized promising outcomes from a new clinical trial for breast cancer drug, ribociclib (Kisqali). The combination of Kisqali and hormone therapy proved better at halting aggressive metastasized tumors than standard treatment with chemo drugs.

Most financial sector declines stemmed directly from the SVB/Credit Suisse failures and concerns about a broader banking crisis, which hasn't come to pass to date. Toronto-Dominion Bank reported lumpy quarterly results, with record U.S. retail net income and a 7% increase in Canadian personal/commercial banking, but decreases in wealth management, insurance and wholesale banking income. Nearly 40% of TD's business is in the U.S., combined with its in Charles Schwab investment; as a result, TD suffered along with its U.S.-based counterparts, reeling from the recent bank failures. TD's pending acquisition of First Horizon is also in question, as the Tennessee bank's stock came down materially. Loan loss provisions at Nordic banks are set to climb in 2023, as macro-economic challenges (rising interest rates) weigh on commercial real estate exposure. Both DNB Bank and Sparebank 1 SR fell on this expectation.

During the quarter, the remaining shares held in Babcock International were sold, as the company no longer offered an attractive value proposition and encountered recent corporate governance concerns. With the work-from-home trend dwindling post-pandemic, Brother Industries is unlikely to see the same sales success for its home office printers or print supplies. We exited the stock in anticipation of this macro trend. Sale proceeds were used to purchase Canadian Tire, one of the oldest and largest general merchandisers in Canada. Canadian Tire has a diversified business model, with ownership of their own real estate, credit card operations and other retail lines including Sport Chek, Mark's and Helly Hansen.

The modest buys/sells for the quarter do not reflect the extent of portfolio change. Companies in more traditionally-defined "cyclical" businesses were trimmed preemptively in expectation of a demand slowdown; capital was reallocated to more defensive names.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of March 31, 2023.

	MSCI EAFE Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*0.0%*	12.7%	0.0%	0.0%	4.3%	0.0%	3.0%	0.0%	0.0%	3.3%	2.2%	0.0%	0.0%	0.0%
Japan	*21.5%*	11.8%	0.0%	0.0%	0.9%	2.7%	4.5%	0.0%	0.0%	0.0%	0.1%	2.1%	1.7%	0.0%
Other Asia	*11.9%*	18.7%	0.0%	0.0%	0.0%	2.7%	5.7%	0.0%	0.0%	4.5%	4.1%	1.6%	0.0%	0.0%
Europe	*58.5%*	41.5%	0.0%	0.0%	8.2%	2.6%	11.5%	3.3%	4.1%	4.9%	0.0%	6.7%	0.0%	0.0%
Scandinavia	*8.1%*	9.8%	0.0%	0.0%	1.8%	3.4%	0.5%	0.0%	0.0%	4.1%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.1%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Portfolio Totals		100.0%	0.0%	0.0%	16.0%	11.5%	25.3%	3.3%	4.1%	16.9%	6.3%	10.5%	1.7%	4.4%
MSCI EAFE Weight	*100.0%*		*4.5%*	*3.4%*	*7.7%*	*15.6%*	*12.0%*	*10.4%*	*13.2%*	*17.7%*	*8.6%*	*4.5%*	*2.4%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

The torrid pace of inflation has moderated from late 2022 as supply bottlenecks and energy prices declined. Nevertheless, central banks will maintain restrictive monetary policies, albeit at smaller increments, for the foreseeable future, alluding to tight labor markets, low unemployment and nominal wage growth. A slowdown is likely, the speed and gravity of which is still in question considering the remarkably resilient markets.

But markets have begun to show their cracks. The recent U.S. banking crisis will likely manifest in worsening credit conditions for banks and tighter liquidity for consumers and corporates. China's post-pandemic recovery has not met expectations; consumption and infrastructure investment were up, but not at the trajectory expected due to weak global demand and a persistent downturn in the property sector. Europe is still coming to terms with its energy crisis; reliance on Russia's inflows have been supplemented by supply from Norway, Texas (U.S.) and Qatar. The ongoing Russia-Ukraine conflict clouds longer-term forecasts, especially looking into next winter.

On this backdrop, central banks worldwide seek to deliver the illusive "soft-landing" scenario, curbing inflation without tipping into a full-fledged recession. Already, the U.S. Federal Reserve and the Bank of

England have signaled an end to tightening cycles in 2023. Yet headwinds persist, with recent figures from the BOE showing inflation unexpectedly shot up in February to 10.4%. In the U.S., inflation jumped 6% in the 12 months to February, while the cost of food and airfare surged even faster.

With competing macro trends at play, market volatility is inevitable. This bodes well for our portfolio, as we are able to identify and purchase fundamentally-strong companies at attractive prices. Our screens are ripe with opportunities in Asia and North America; we are also opportunistically constructive on Europe. We expect to continue our portfolio repositioning in the coming quarter, adding more undervalued companies with a lower risk profile and greater upside potential in a global market recovery.