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CAPITAL MANAGEMENT, LLC

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GLOBAL EQUITY COMPOSITE COMMENTARY

	2023			Annualized as of June 30, 2023				Since 9/30/1984
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	
<i>Polaris Global Equity Composite (net of fees)</i>	5.45%	1.83%	3.56%	11.79%	12.83%	4.69%	7.92%	10.69%
<i>Polaris Global Equity Composite (gross of fees)</i>	5.71%	1.95%	3.69%	12.35%	13.39%	5.22%	8.44%	11.52%
MSCI World Index, gross dividends reinvested	15.43%	7.00%	7.88%	19.13%	12.71%	9.62%	10.08%	9.95%

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

The Polaris Global Value Composite gained 1.83% for the second quarter of 2023, lagging the MSCI World and MSCI World Value indices, which returned 7.00% and the 3.30% respectively.

Growth stocks dominated with information technology companies leading the charge as investors projected slowing inflation. Investor enthusiasm for technology stocks, already popular on the back of advances in artificial intelligence (AI), reached new heights when U.S. chip supplier Nvidia reported a surge in profits and sales. Mega cap technology stocks increased the disparity between growth and value performance year-to-date (through June 30, 2023), as evidenced by the MSCI World Growth Index (gross) up 27.27% while the comparative MSCI World Value Index (gross) gained 4.46%. In this environment, the Composite gained 5.45%, ahead of the Value Index, for the six-month period.

The drivers behind the growth resurgence are tenuous at best. Speculation on slowing inflation may prove premature as June's U.S. labor report cited more than 200,000 jobs added. The U.S. economy's resilience continued to confound the Federal Reserve's drive to slow growth and inflation; future interest rates hikes are expected. Similar inflation pressures are evident elsewhere in the world, as the Ukraine-Russia conflict continues to keep energy and food prices elevated throughout much of Europe and Asia.

Information technology, financials, industrials, consumer discretionary and materials sectors were among the top contributors to performance in absolute terms. Health care and energy detracted most. At the country level, Japan was the top contributor on the back of Marubeni Corp., Honda Motor Co. and Daicel Corp. Holdings in South Korea, the United States and Canada also added to performance. Among the decliners were specific holdings in Ireland, Sweden and China.

SECOND QUARTER 2023 PERFORMANCE ANALYSIS

As would be expected in a cyclical growth market, holdings in the information technology sector dominated. South Korea's SK Hynix and Samsung Electronics benefited from a number of tailwinds: 1) new investment powering the AI infrastructure buildout, 2) troughing of the semiconductor cycle and 3) market share leverage as competitor Micron was banned as a supplier to the Chinese government.

OpenText, the Canadian software company, gained on upbeat second quarter results; importantly, the integration of Micro Focus did not impede OpenText's organic growth goals, alleviating concerns about this August 2022 merger. The acquisition closed and integration efforts proceeded, investors warmed to the financial and industrial logic of the deal.

Among U.S. technology companies, MKS Instruments reported better than anticipated quarterly results with good revenues from electronics, packaging and specialty industrial divisions. MKS also announced progress in acquisition integration of Atotech Ltd., the chemical consumables company purchased in July 2021. Chip and electronic components distributor, Arrow Electronics, continued to see good demand for its services. While an improving supply chain is moderating, new customers and design wins may deliver a structurally better margin than pre-pandemic levels. Microsoft capitalized on the AI, already implementing OpenAI, Bing/ChatGPT

integration and promoting an Azure AI platform. The company is well positioned among its other product lines as well, with a massive install base using Windows and Office ecosystems.

Recent regional bank failures in the U.S. caused tumult in the financial sector. Short-term concerns of other failures abated, but banks still face a balancing act in managing inflation. Inflation can be considered a boon for banks, on rising net interest income and profitability while boosting demand for bank credit. At the same time, banks' mortgage originations dwindle, deposit costs rise, loan provisions increase and banks encounter higher expenses. It is incumbent on the banks to properly position their portfolios to capitalize on inflation trends, while managing downside risk, especially as central banks continue to debate next steps.

Banks doing a fine job of navigating inflationary trends included Norway's DNB Bank and Sparebank 1 SR, as well as U.S. institutions, Capital One Financial and JPMorgan Chase & Co. DNB hosted a pre-close earnings call to discuss second quarter dynamics and pointed to further net interest income uplift, a mix of higher fees and costs and the pending approval for a new share buyback. To date, the bank does not see any major credit impairments due to stress in the client base. Benefitting from the same underlying banking currents, Sparebank 1 also qualifies as a regional bank, with its profitability driven from net interest margins and the ability to pass on interest rate hikes by repricing its loan book. JPMorgan Chase exceeded expectations on both earnings and credit quality and their "fortress" balance sheet puts them in an enviable position during this crisis. The bank has been a beneficiary of deposit inflows from many of the U.S. regional banks, and acquired First Republic from the FDIC at very attractive terms. Capital One posted strong revenues due to its credit card portfolio; consumers continue to utilize credit cards even as card interest rates tick higher. Berkshire Hathaway also disclosed a stake in the company.

Elsewhere in the financial sector, SLM Corp. (Sallie Mae) reported a strong first quarter, with improving credit metrics, loan growth and floating rate assets that boosted margin expansion. German reinsurers, Munich Re and Hannover Re, noted weakness in property/casualty divisions, but robust life and health insurance business. Both companies noted firm policy prices, lower expected losses and higher investment income on their bond portfolios. Overall sector detractors included a small handful of U.S. regional and community banks, including Northern Trust, which was pressured by expense growth and higher deposit costs.

Allison Transmission Holdings and Marubeni Corp boosted industrial sector returns. Allison Transmission was up after the ISM New Orders Index rose 7% in June. The ISM is one of the leading indicators of freight trends, which may bode well for Allison's order volume in the coming months. The company also released its ESG report, which highlighted its outstanding electric vehicle technology innovation and propulsions solutions. Marubeni continued to perform exceptionally well through the first half of the year, attributable to underlying business fundamentals and a boost from Berkshire Hathaway's investment in five leading Japanese trading companies, of which Marubeni is one. Berkshire Hathaway announced its intention to invest up to the 9.9% reporting threshold in any of the varied Japanese trading companies; currently Berkshire holds 8.3% of the shares outstanding of Marubeni as of the latest June filing.

The majority of consumer discretionary holdings had notable gains, led by double-digit returns from Honda Motor Co. and Duni AB. Japan's Honda Motor Co. updated its operating profit guidance for the year on the back of expected higher sales volume and a strengthening supply chain. South Korea's Kia Corp. announced strong May global sales, with SUV models leading the way. Both automakers have raised their electric vehicle production targets as the EV market gains momentum. LG Electronics Inc. announced steady first quarter 2023 earnings thanks to stabilized material costs and sales of home appliances. LG is set to capitalize on the climate-friendly electrification trend, producing innovative heat pump technology and energy storage devices. Next PLC performed well as management released upgraded profit guidance on sales growth, modest salary increases and increased footfall at bricks and mortar stores due to better weather.

Canadian companies, Magna International and Canadian Tire Corp., also added to sector gains. Magna closed on the deal for Veoneer's active safety system segment that was announced December 20th 2022. Magna's management team reported a recovery trend in volumes, costs and improved execution within the supply chain. We have been waiting for a rebound in auto production to help the valuation of our auto sector concentration; it appears our patience is being rewarded as car and light production is increasing in the quarter. Canadian Tire and Microsoft announced a flagship strategic retail partnership in June to drive innovation across Canada's retail industry and contribute to the country's overall advancement and adoption of new technology.

This solidifies the company's efforts to modernized their systems and capabilities within their digital transformation program.

The consumer discretionary sector was dragged down by lackluster performance among U.S. holdings including Sally Beauty Holdings Inc. and Crocs Inc. Beauty supply/hair color retailer Sally Beauty reported modestly positive sales growth but lower margins, as wages increased for in-store employees. Sally Beauty's high-touch sales expertise is a competitive differentiator making these investments necessary. Higher inflation has weakened spending, especially among lower income consumers; Sally Beauty shoppers are forgoing the higher margin "basket" items in favor of essentials. Crocs reported robust quarterly results, with revenues up globally across its traditional and HeyDude products. However, management guided lower for the second quarter of 2023, cognizant of slowing consumer spending trends. The market reacted negatively to this news, failing to account for Crocs raised full-year guidance as distribution facilities ramp up to meet demand for HeyDude footwear. U.K. homebuilders Bellway and Taylor Wimpey offered tempered guidance as questions swirled about home volumes in an intractably high interest rate environment. Bellway offered a trading statement in which management reiterated previous guidance; however, there was little communication around promotional strategies or margins.

NOV and Marathon Petroleum were down, bucking the energy sector uptrend. NOV is seeing very healthy demand and has a strong order book. However, the main steel supplier for NOV's drill pipe business experienced manufacturing issues in the quarter. The need to limit shipments and source alternative materials impacted NOV's profits in this division. We believe this is a temporary headwind that will be resolved in the near term. Marathon Petroleum is producing record earnings due to wide refining margins, but concerns about weaker gasoline and diesel demand led to profit taking by investors early during the quarter. One bright spot was Williams Cos., Inc., which was up markedly on the back of developed infrastructure and logistics in its gas pipeline to satisfy consumption needs; such efforts may provide a backstop in case of a lull in renewable energy production. Also notable: all three management teams presented at the late June 2023 JP Morgan Energy, Power and Renewables Conference. There was significant optimism around the stability of oil around these higher levels of +\$70/barrel given the end demand, capital discipline and the continued uncertainty of the Russian Ukraine war.

In health care, Jazz Pharmaceutical and AbbVie Inc. detracted as both faced generic competition threats. It has long been forecast that AbbVie will lose its monopoly on arthritis drug Humira as the first generic biosimilar is slated to hit the market in the second half of 2023. Investors sold down the name; however, AbbVie has an impressive drug pipeline with three of four new drugs performing in line with expectations. AbbVie's aesthetics division, Allergan, continued to gain ground on popular names like Botox, Juvederm, Kybella, SkinMedica, CoolSculpting and more. Jazz Pharmaceutical filed a lawsuit with the FDA challenging the approval of a generic oxybate drug for narcolepsy. Jazz claims its orphan drug exclusivity was violated by Avadel's higher-sodium formulation, which does not demonstrate comparable safety. Regardless of the outcome of the lawsuit, our research models anticipated the market share losses on the generic high-sodium formulation. Jazz's low sodium alternative, Zywav, currently has no competition, mitigates co-morbidities related to high blood pressure, and is quickly gaining traction. Horizon Therapeutics declined during the quarter as its merger with Amgen was delayed again as the Federal Trade Commission filed a lawsuit to block the deal due to monopoly concerns.

Among other detractors, Yara International reported weak quarterly results as farmers awaited lower fertilizer prices. However, given fertilizer application can only be deferred for so long, the company is reporting stronger demand into the second quarter as buyers come back to the market. Swedish ball bearing manufacturer, SKF AB, retracted from recent market highs. The company delivered 10% organic growth with better margins but most of this was due to pricing. Volume growth slowed to about 1% although bearings for fast growing markets such as electric vehicles and wind turbines remain a tailwind. Global packaging company, Amcor PLC, was lower on weakening volumes. Amcor's customers are fast-moving consumer goods companies, many of which are ordering less packaging as they destock excess inventory acquired during the height of the supply chain crisis. Tyson Foods struggled with high input costs, primarily labor, that couldn't be fully offset with higher prices. While the company's prepared foods business remained steady, its pork, chicken and beef businesses fell under pressure.

During the quarter, Hyundai Mobis, a Korean auto parts company, was sold opportunistically following a strong stock price recovery. Four companies were added to the global portfolio including Teleperformance, TotalEnergies SE, Tecnoglass Inc. and Cullen/Frost Bankers, Inc.

Teleperformance is a global leader in customer interaction management, serving thousands of customers in 170 markets globally. Following a major acquisition coupled with AI concerns, the stock traded at a steep discount, offering a prime opportunity to buy. We believe AI will be an efficiency enabler for Teleperformance's business, not a disruptor. TotalEnergies adeptly navigates the transition from a traditional oil and gas company to an integrated energy company, comprising an upstream business that branches out into an LNG business with global reach and an enviable renewable energy portfolio. Tecnoglass is a U.S.-listed Colombian architectural glass supplier for commercial and residential construction primarily servicing the attractive Southeast market including Florida and Texas. The company has a sizeable cost advantage on labor and energy, resulting in significant market share gains and sector leading margins.

Following the recent banking crisis, some high-quality banks were trading at attractive valuations. San Antonio based Cullen/Frost is a leading independent bank in Texas. Founded in 1868, the bank has had 29 straight years of dividend increases. Its conservative culture is evidenced by its low loan to deposit ratio and ample liquidity, positioning itself for further profitable growth as peers pull back on lending. The bank has approximately 30% of assets in short term liquid investments that should allow it to benefit from higher rates. Expansion into Dallas and Houston is the next driver for this relationship bank.

The table reflects the sector and regional allocation for the Polaris Global Equity Composite as of June 30, 2023.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	72.6%	49.6%	3.3%	1.0%	3.8%	4.2%	5.7%	2.2%	8.6%	12.1%	7.4%	1.3%	0.0%	0.0%
Japan	6.1%	7.7%	0.0%	0.0%	0.8%	1.9%	2.7%	0.0%	0.0%	0.0%	0.0%	1.2%	1.0%	0.0%
Other Asia	3.1%	8.9%	0.0%	0.0%	0.0%	1.3%	2.3%	0.0%	0.0%	1.8%	2.7%	0.8%	0.0%	0.0%
Europe	16.0%	24.9%	0.8%	0.0%	4.2%	2.6%	5.0%	2.0%	2.4%	4.3%	0.0%	3.6%	0.0%	0.0%
Scandinavia	2.1%	5.4%	0.0%	0.0%	1.0%	1.7%	0.3%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	0.8%	0.0%	0.0%	0.5%	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%
Portfolio Totals		100.0%	4.1%	1.0%	10.3%	12.0%	16.0%	4.3%	11.0%	20.6%	10.1%	6.9%	1.0%	2.7%
MSCI World Weight	100.0%		4.6%	2.8%	4.1%	11.1%	11.1%	7.4%	12.8%	14.6%	22.2%	7.0%	2.3%	0.0%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Global markets were resilient in the second quarter, and throughout the first half of 2023, on decent corporate earnings, bank stability post crypto failures and seemingly tempered central bank rate hikes. Yet, beneath the surface lies an environment of offsetting forces that investors face. Central banks have yet to curb persistent inflation, which has started to wear down the consumer. Anecdotal evidence suggests curtailed spending on housing, discretionary items and even some consumer staples. The global portfolio's exposure to consumer discretionary companies has tilted toward more "defensive" products, ranging from shoes to DIY beauty products – items that are considered "essential" to even the most discriminating shopper. Then there are some surprisingly resilient components of the economy. Auto sales rose more than 15% in the past three months, fueled by pent-up demand after two years of short supply due to semiconductor shortages. Buyers are unfazed by rising interest rates, buoyed by a tight labor market and steady wage growth.

For every bright spot in the economy, there appears an equal counterbalance. This also holds true at the country level. While a strong job market props up the U.S. economy, the backdrop in Europe is less promising. Industrial/manufacturing output in the Eurozone stalled, as concerns arose about demand, the impact of higher interest rates, the high cost of living and the subsequent possibility of a deeper recession. Yet the Eurozone services sector was in solidly expansionary territory. Asian growth depends on China's recovery and India's accelerated GDP, while the rest of Asia faces headwinds on weakening external demand, especially for tech exports.

Regardless of country or sector, most companies are echoing the same sentiment: there are high-cost pressures (related to labor, supply and/or raw materials) not likely to go away in the near term. Stubbornly-high inflation will require future rate hikes, bursting the bubble of some hyped-up growth stocks (AI and meme in particular).

We expect a reversion to the mean, as a normalized environment and even playing field allow our value portfolio to perform as intended.

IMPORTANT INFORMATION: The Polaris Global Equity Composite was established on April 1, 1995 with a performance inception date of September 30, 1984. Performance from the inception date through March 31, 1995 represents the portfolio track record established by Portfolio Manager Bernard Horn while affiliated with a prior firm. 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 Index, gross dividends reinvested, measures the performance of a diverse range of global stock markets in the United States, Canada, Europe, Australia, New Zealand and the Far East. The MSCI World Growth Index and MSCI World Value Index capture large- and mid-cap securities exhibiting overall growth and value style characteristics, respectively, across 23 developed market countries. One cannot invest directly in an index.