Information presented is supplemental to the annual composite report.
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INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2023			Annualized as of June 30, 2023				
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris International Equity Composite (net of fees)	10.77%	2.02%	8.58%	15.49%	10.27%	2.03%	5.71%	9.94%
Polaris International Equity Composite (gross of fees)	11.04%	2.14%	8.71%	16.06%	10.83%	2.57%	6.27%	10.75%
MSCI EAFE Index, gross dividends reinvested	12.13%	3.22%	8.62%	19.41%	9.48%	4.90%	5.91%	8.58%

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

Global equity markets advanced for the quarter as investors projected slowing inflation. This speculation 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.

The Polaris International Equity Composite gained 2.02% (net of fees) for the quarter ended June 30, 2023, whereas the MSCI EAFE Index advanced 3.22%. Information technology, financials and consumer discretionary sectors were among the top contributors to portfolio performance in absolute terms. Health care, materials and communication services were detractors. At the country level, Japan was a top contributor on the back of Marubeni Corp., Honda Motor Co. and Daicel Corp. Holdings in South Korea, Canada, Germany and Norway also added to performance. Decliners included 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. As the acquisition closed and integration efforts proceeded, investors warmed to the financial and industrial logic of the deal.

Recent U.S. bank failures caused tumult in the global 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 successfully navigating inflationary trends included Norway's DNB Bank and Sparebank 1 SR. 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. Among other top performing financials were German reinsurers, Munich Re and Hannover Re. Both reinsurers were able to capitalize on firm policy prices, lower expected losses and higher investment income on their bond portfolios.

The majority of consumer discretionary holdings had notable gains, led by double-digit returns from Honda Motor Co., Jumbo SA 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.

U.K. homebuilders lagged as 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.

Materials detracted on the back of underwhelming results from Methanex Corp., Amcor PLC and Yara International. 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. 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. Methanex declined after competitor Koch Methanol started up its new Louisiana plant; additional U.S. capacity will weaken methanol prices in the U.S. However, China's methanol/olefins market is better than expected, which should help Methanex in the coming quarter. A sector bright spot was copper miner, Lundin Mining, which posted notable gains on higher commodity prices. Lundin continues to work through its acquisition of Josemaria Resources and the integration of the Caserones Copper Mine is a near-term priority.

Industrials were relatively weak, attributable to losses from SKF AB and Weichai Power. 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. Weichai Power reported strong quarterly results and equally optimistic guidance, pointing to recovery in the heavy-duty truck industry. However, investors remain skeptical as China's recovery story has been protracted. One sector standout was Marubeni Corp., which continued to perform exceptionally well through the first half of the year. Much of Marubeni's success stemmed from 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.

Jazz Pharmaceuticals was a detractor within the health care sector. The company 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.

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

Teleperformance is a global leader in customer interaction management, serving thousands of customers in 170 markets. 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.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of June 30, 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%*	13.9%	0.0%	0.0%	4.3%	0.0%	4.1%	0.0%	0.0%	3.3%	2.2%	0.0%	0.0%	0.0%
Japan	*22.4%*	12.3%	0.0%	0.0%	1.0%	2.8%	4.7%	0.0%	0.0%	0.0%	0.0%	2.0%	1.7%	0.0%
Other Asia	*11.4%*	17.1%	0.0%	0.0%	0.0%	2.2%	4.4%	0.0%	0.0%	4.2%	4.8%	1.5%	0.0%	0.0%
Europe	*58.4%*	43.6%	1.9%	0.0%	7.8%	4.5%	11.2%	3.2%	4.0%	5.2%	0.0%	5.9%	0.0%	0.0%
Scandinavia	*7.8%*	9.2%	0.0%	0.0%	1.5%	2.9%	0.6%	0.0%	0.0%	4.2%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.3%	0.0%	0.0%	0.9%	0.3%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%
Portfolio Totals		100.0%	1.9%	0.0%	15.4%	12.8%	25.0%	3.2%	4.0%	17.0%	7.0%	9.4%	1.7%	2.6%
MSCI EAFE Weight	*100.0%*		*4.2%*	*3.5%*	*7.4%*	*16.2%*	*12.6%*	*10.1%*	*13.2%*	*18.3%*	*8.2%*	*4.1%*	*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 portfolio's exposure to consumer discretionary companies has tilted toward more "defensive" products (i.e. 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 International Equity Composite was established on April 1, 1995 with a performance inception date of June 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 EAFE Index, gross dividends reinvested, is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. One cannot invest directly in an index.