



An umbrella fund with segregated liability between sub-funds

Registration number C142346

COMMENTARY – 2nd QUARTER 2016

Global markets experienced normal spurts of volatility during the quarter, with the MSCI World Index in positive territory. The Brexit vote on June 23rd, whereby Britain decided to leave the European Union, threw stock markets into turmoil, upended company forecasts and weakened the British Pound. Nearly all emerging and developed country currencies including the Euro and Scandinavian Krone/Krona depreciated against the U.S. dollar. By quarter end, U.S. markets edged higher following a rebound in oil and robust economic data. The MSCI World Index, gross, managed a small gain, up 1.21%. The Polaris Global Value UCITS Fund (the "Fund") underperformed the Index at -2.70%, mainly due to holdings in British homebuilders.

The Brexit vote immediately stressed U.K. stocks and those companies serving U.K. customers. British homebuilders suffered double-digit losses on heightened concerns about a possible national recession and housing slump. Greencore Group was down more than 20% on investors' concerns of lack of profitability in its U.S. operations. Price competition amongst U.K. supermarkets, and Greencore CEO's dour projections associated with the Brexit vote, also hindered the stock price.

Losses were moderated by positive performance in defensive sectors including utilities and healthcare. U.S. utilities ALLETE, Inc. and NextEra Energy, Inc. were up on decent earnings and lower interest rates. Three of the top 10 individual stock contributors came from the healthcare sector, with Quest Diagnostics, UnitedHealth Group Inc. and Novartis AG posting gains. J.M. Smucker Co. announced good earnings, with net sales increasing 25% on growth in the U.S. retail coffee segment and contribution from recently-acquired Big Heart Pet Brands. Japanese telecom KDDI Corp. had double-digit gains after its largest shareholder, Kyocera, decided to hold onto its 13% company stake. KDDI also announced new smartphone programs in June.

PERFORMANCE ANALYSIS

Quest Diagnostics was up after announcing satisfactory earnings and gaining FDA approval for a Zika virus test. Swiss pharmaceutical company Novartis reported strong quarterly earnings and confirmed its full year outlook. The company elaborated on its strategic plans to triple its number of biosimilar drugs by 2020, and to split the pharmaceutical division in two: one will focus solely on the cancer drug portfolio and the other will handle all remaining drug lines. UnitedHealth Group had better-than-expected revenues in the first quarter of 2016, with both UnitedHC and Optum divisions contributing. Conversely, Allergan Plc was down after the Pfizer-Allergan deal was terminated due to the U.S. Treasury's tax inversion regulations. The sale of Allergan's generics business to Teva Pharmaceutical is moving forward, although on a protracted timeline.

Numerous financials also added to quarterly results. Russia's Sberbank noted expanding net interest margins and lower loan loss provisions. One of the few U.K. banks impervious to the Brexit vote (due to an asset base in Asia), Standard Chartered Plc announced strong earnings. The company cut operational costs, while bolstering its credit quality by reducing risk assets and loan loss provisions. DNB Bank reported a capital ratio above 15%, making it one of Europe's best capitalized banks. DNB's earnings improved as its oil-related portfolio recovered on higher commodity prices. Detractors included German reinsurer Munich Re, which issued an earnings warning due to underperforming business divisions and equity portfolio markdowns; and asset manager Franklin Resources, which experienced continued outflows.

In energy, Australian engineering contractor WorleyParsons had double-digit returns after the company announced cost reduction programs and increasing customer demand. WorleyParsons was purchased cheaply on the assumption that tough times lay ahead, but that their asset-light business model could weather a metals, oil and gas downturn. The company has performed to expectations. On the opposite spectrum, Thai Oil PCL was negatively impacted by higher oil prices and expected lower Asian refining margins.

Industrial holdings had disparate results, with YIT Oyj, General Dynamics, BBA Aviation and Konecranes Oyj posting gains erased by Caverion Corp. and Loomis AB. YIT Oyj benefited from an improving Finnish housing market. BBA Aviation successfully divested some of its assets, as was required of the recent Landmark Aviation acquisition. Konecranes, the Finnish crane manufacturer, was slated to acquire the industrial and port crane division of Terex; cherry picking of the complementary business was well received by the market.

Caverion lowered its revenue guidance for 2016, due to weak performance in the technical installation and maintenance divisions. Two Loomis AB shareholders sold off large positions. The market viewed this as insider profit-taking, harboring concerns that the stock had reached maximum potential. However, the shareholders stated publicly that they support the long-term strategy at Loomis and will remain invested in the company.

Consumer discretionary stocks were the main detractor to Fund performance. The very high end of the London housing market experienced lower sales, partially due to a new tax on overseas buyers and fewer buyers from the weaker economies of China, Russia, and the Middle East. The Brexit vote further dampened homebuilder stocks. We believe the significant price decline was unwarranted; however these declines presented an opportunity to add to our positions in fundamentally-strong companies. Swedish consumer goods firm Duni AB was down more after it alluded to decreasing sales in its Central European tabletop business. A bright spot in the sector was Ipsos Group, the French market research firm, which reported its best quarter of growth since 2011.

INVESTMENT ENVIRONMENT AND STRATEGY

Positive news at the company level cropped up throughout the quarter, predominately related to sales and volume growth. Subsequent on-the-ground research further confirmed the projections of many of our portfolio companies. However, the Brexit vote muted global market optimism and some companies started marking down their yearly forecasts at quarter end. The turmoil that ensued caused stock markets to decline, and previously untenable stock prices came down to normalized levels. In fact, many companies that had been on our research screens have become more attractively valued. We began buying some new investments and will continue to proceed cautiously with opportunistic purchases in the coming quarters. In addition, we hope our extensive travel schedule will unearth new companies that will seed the Fund for future performance.

We appreciate your comments and feedback.

Regards,

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