



An umbrella fund with segregated liability between sub-funds

Registration number C142346

COMMENTARY – 1st QUARTER 2017

The first quarter of 2017 saw the MSCI World Growth Index outperform its Value Index counterpart, a reversal from 2016 when value stocks outperformed growth stocks by more than 10%. The Polaris Global Value UCITS Fund ("the Fund") was underweight traditional "growth" sectors, primarily information technology, which accounted for most of the difference relative to the MSCI World Index benchmark. U.S. financials also relinquished some of their late 2016 gains. As a result, the Fund returned 4.48% in the first quarter of 2017, underperforming the MSCI World Index, which returned 6.53%.

Although lagging the benchmark, the Fund posted positive absolute returns attributable to gains in the vast majority of holdings. Top performers included Samsung Electronics, Asahi Group Holdings and U.K. homebuilders. Better-than-expected economic developments in Asia and China helped stabilize prices in the materials sector, benefiting Showa Denko, Imerys and Methanex. Detractors were mainly relegated to the telecom industry, with declines from Frontier Communications and Verizon, select U.S. banking institutions and website services provider, Web.com.

PERFORMANCE ANALYSIS

Samsung Electronics was up more than 20% during the quarter after reporting strong results backed by rising prices and volumes for semiconductor chips and TV panels. As the dominant player and price leader in semiconductors, Samsung eased off price competition, effectively increasing cash flow in that business line. Management anticipated accelerated sales in the mobile phone business upon the launch of the Galaxy S8. Samsung committed to shareholder-friendly actions, including raising its dividend, conducting a share repurchase and returning 50% of 2017 free cash flow to investors.

Japanese brewery and soft drink company, Asahi Group Holdings, had double-digit gains after beating fourth quarter earnings expectations and announcing plans to increase its overseas business. Asahi's acquisition of SABMiller's central and eastern European brands in 2016 and its pending stake in Vietnam's biggest beer maker, Saigon Beer, may drive this expansion. Asahi also signaled intentions to sell its 20% stake in China's Tsingtao Brewery, worth about \$1 billion, as the asset had proven to be a disappointment. The market lauded this strategic development.

British homebuilders were in positive territory. Taylor Wimpey continued its bullish post-BREXIT updates, projecting full-year profits to come in at the upper end of market forecasts. Persimmon reported a jump in revenue and sales for the second half of 2016. Barratt Developments delivered solid six-month financial metrics, with pre-tax profits up, home completions outside of London at their highest level in nine years, and a record forward order book. Steady demand, mortgage availability and affordability, along with the U.K. government's help-to-buy scheme, may continue to support this growth. Pockets of weakness were limited to the high-end London market, where some of the Fund's builders have limited exposure. Elsewhere in the consumer discretionary sector, gains were realized at Christian Dior, Regal Entertainment and Michelin. International Game Technology declined after releasing decent full year earnings, but revising 2017 guidance lower, citing modest single-digit sales and a sizeable debt load.

With the exception of Yara International, all of the materials sector holdings had positive returns. Diversified Japanese chemical producer, Showa Denko, released improved forecasts in all of its divisions due to a waning Yen currency, better ethylene spreads and higher shipments of hard drives. Cloud storage demand has begun to compensate for softness in PC hard disk drive sales. Canada's Methanex achieved higher fourth quarter 2016 earnings and record production rates. Methanol pricing improved significantly on solid supply and demand fundamentals led by new methanol-to-olefins inventories. Imerys delivered solid 2016 results, pointing to higher

revenues, net income from current operations and free operating cash flow. The French industrial minerals manufacturer pointed to higher organic growth and accretive benefits from its 2015 acquisition of S&B, while referencing the potential acquisition of calcium aluminate technology supplier, Kerneos.

The stock price of global concession and construction firm, VINCI SA, increased more than 15% for the quarter, due to successes in its two main business lines: airport concessions in Portugal and Japan and toll road ownership in France. In March 2017, VINCI was awarded the concessions (operations, maintenance and extension upgrading of the terminals and runways) for a Brazilian airport, following on recent entries in other Latin American countries. Another industrial sector holding, U.S.-based General Dynamics reported robust fourth quarter profits and revenues, and expected accelerated sales toward the end of the decade. This bullish projection comes in advance of higher defense spending pledged by President Trump. Conversely, Finnish building construction company, YIT Oyj, declined on slower sales in the Russian housing market. Aware of stagnant regional demand, YIT scaled back the business and reduced capital in Russia.

From the outset, investors and analysts raised concerns about the proposed merger between U.S. health insurers, Anthem, Inc. and Cigna. In early January 2017, a federal judge blocked the proposed merger, siding with the Department of Justice. Anthem stock rose in the ensuing three months, up more than 15% at the end of March, as investors were relieved about the deal cancellation. In February, the Centers for Medicare & Medicaid Services proposed rules aimed at stabilizing the Affordable Care Act (ACA) individual and small group insurance markets. This bodes well for Anthem Inc., and other health insurers, as the rule may help stem the tide of financial losses currently associated with ACA participation.

Elsewhere in the healthcare sector, drug maker Allergan divested its Actavis Global Generics line and Anda, Inc. distribution business to Israel's Teva Pharmaceutical in 2016. Allergan has since redeployed nearly \$30 billion of that capital for a share buyback, debt pay-down and R&D investments. The strategy paid off, as Allergan posted strong quarterly results, powered by product introductions and a solid pipeline of seven new drug launches in 2017. Teva did not fare as well, as it trimmed its 2017 profit forecast amid an unanticipated slowdown in its introduction of new generic medicines. Teva's management misjudged the pace of new product launches stemming from the purchase of Allergan's generics business. The company also lost a ruling that invalidated four patents on its top-selling multiple sclerosis drug, Copaxone.

The Fund's non-U.S. banks, largely targeted to a burgeoning Asian customer base, topped financial sector performance. The fourth quarter 2016 investment in United Overseas proved timely, as the conservatively run Singapore bank gained more than 10% this quarter. United Overseas received approval to establish a foreign-owned subsidiary bank in Vietnam, thereby expanding its footprint in Southeast Asia. Siam Commercial Bank announced solid net profits and improving non-performing loan ratios for 2016. Rumors circulated that Siam is seeking bids for its life insurance business in a sale that could raise about \$3 billion. Should a deal emerge, Siam will likely use capital for new technology, digital payment platforms and staff training. Standard Chartered had double-digit returns this quarter after completing operational efficiencies, cleaning its balance sheet and investing for growth. The British and Asian centered bank also signed an agreement with Allianz to distribute insurance products through its Asian outlets, a deal which may add \$1 billion in revenue over the 15-year contract.

U.S. banks lost momentum, as lighter federal regulations and lower taxes have yet to materialize under the new Administration. As we referenced in the prior quarterly report, many U.S. bank valuations rose to untenable levels without new regulations and/or tax reform enacted. The pace of regulatory change has proven more protracted than markets originally anticipated; therefore, many of the Fund's bank holdings returned to normalized levels this quarter. During the quarter, we re-assessed our financial sector holdings and sold Independent Bank at a profit. Although we consider it one of the best run financial institutions in New England, Independent Bank's very high valuation was unsubstantiated on a fundamental basis. We reallocated the capital to more attractively-valued portfolio companies.

In the energy sector, Australian engineering and design company, WorleyParsons, was up after it received a tendered bid by Dubai-based engineering firm, Dar Group. Dar pledged that the 13.4% stake in WorleyParsons would not be a precursor to a takeover bid at least in the short term. Dar's stake was secured at \$10.35 per share, which was a 28% premium above the market price as of February 27, 2017. Thai Oil's quarterly earnings topped analyst expectations as the oil refiner capitalized on tightened regional supply and favorable end demand to exact greater product sales, volumes and refined product spreads.

German telecom and web content provider, freenet AG, exceeded targets for its fiscal year 2016. The company highlighted organic growth, a 20% increase in cash flow and notable advances in its TV media business and digital lifestyle offerings. Good results at freenet AG couldn't offset losses elsewhere in the telecom sector. Verizon

Communications missed fourth quarter earnings estimates, as it added significantly fewer mobile subscribers, even after heavy price cuts and promotions. The company is slated to adopt unlimited data plans to meet competitive threats, which may further erode margins in the near-term. To reinvigorate business, Verizon approached Liberty Media about a merger with Liberty's Charter Communications, which would create a behemoth with the biggest wireless and internet subscriber base, as well as the third largest television customer base. During the quarter, we exited our position in U.S.-based local telecom provider, Frontier Communications. Weak revenue and a high customer churn rate after the Verizon wireline acquisition has impeded results.

INVESTMENT ENVIRONMENT AND STRATEGY

Over the past 30 plus years in the investment industry, we have found the materials sector to be a reliable indicator of pending worldwide demand. Demand trends can signal the direction of the global economy. During the quarter, our materials holdings reported higher prices and volumes, largely attributable to firming commodity prices and supply-demand constraints in emerging Asian markets and China.

Although we have concerns about capital flight, China has seemingly stabilized its economy. Ongoing stimulative efforts are likely to focus on infrastructure spending and domestic consumption. In the U.S., a confident economic outlook has spurred on the Federal Reserve to raise interest rates. Positive forecasts from the world's largest two economies have created market optimism. Headwinds still exist, due to a tepid European economy potentially impacted by several crucial elections on the horizon. We keep all of these issues in mind, while remaining focused on fundamental, bottom-up stock picking. Modest portfolio changes will unfold in the months ahead, as we seek to enhance the valuation profile of the Fund and achieve long-term outperformance that our shareholders have come to expect.

Regards,

Polaris Capital Management, LLC

*Directors: Bernard R. Horn, Jr. (American); Kathleen Jacobs (American); Jason Crawshaw (American); Neil Clifford; Frank Kenny.
Registered Office: George's Quay House, 43 Townsend Street, Dublin 2, Ireland*