POLARIS
GLOBAL VALUE UCITS FUND

An umbrella fund with segregated liability between sub-funds

Registration number C142346

COMMENTARY – 2nd QUARTER 2018

The Polaris Global Value UCITS Fund ("the Fund") gained +1.14% for the second quarter of 2018, lagging the MSCI World Index, which returned +1.93%. Underperformance was primarily driven by the Fund's significant benchmark-relative underweight to the U.S., during a period in which U.S. stocks performed well. At the end of the quarter, the Fund's U.S. allocation was 37% while the U.S. represented 61% of the MSCI World Index. Foreign exchange also weighed on performance during the period as both the Fund and Index were in substantially higher territory in local currency terms. With the U.S. dollar appreciating against most foreign currencies, returns were lower for non-U.S. equities in dollar terms. The Euro and British Pound both slipped more than (-5%) against the greenback, and emerging market currencies were even harder hit, compounded by trade disputes.

On a more social note, the 2018 FIFA World Cup was closely followed at Polaris; our team hails from a number of countries where soccer is a national sport. As a result, we could not resist integrating some of this excitement into the quarterly report. Seven of the Fund's top 10 country weightings were on the playing field, with England, Germany, France, South Korea, Japan, Sweden and Switzerland in competition. The last World Cup champion, Germany, suffered an early defeat; coincidentally, the Fund's German stocks proved middling, as evidenced by declines in Hannover Re, Munich Re and Freenet AG. By contrast, England made it to the semi-finals for the first time since 1990; equally promising were portfolio gains of U.K. holdings, including Next PLC, Babcock International and Cineworld Group Plc. France won the 2018 FIFA World Cup, a much better outcome than our French holdings, Michelin, Imerys SA and IPSOS, all of which declined during the quarter.

At the sector level, health care was the Fund's top contributor to performance, with double-digit gains from Teva Pharmaceutical and UnitedHealth Group. The materials sector was the second largest contributor, benefiting from holdings in Methanex, Linde and BHP Billiton. U.S.-based ALLETE and NextEra Energy, as well as Japan's Kansai Electric Power, benefitted from cold weather-related electricity demand. Within the information technology sector, the Web.com Group, Inc. sale to a private equity firm boosted the stock price nearly +43%, while Western Union, Microsoft Corp and Infosys added measurably to performance. Conversely, industrials detracted as General Dynamics faded on investor concerns about its Gulfstream business. Financial sector losses centered on emerging market banks and banks that cater to developing regions; these banks felt the jitters of an escalating trade war.

In the second quarter, we executed on a number of investment ideas. We sold our positions in Symrise AG, Asahi Group Holdings, Mixi Inc. and Sberbank. We purchased consumer discretionary stocks, Publicis Groupe and Inchcape, and two Korean companies, tobacco manufacturer KT&G Corp, and banking institution, Shinhan Financial Group.

PERFORMANCE ANALYSIS

Teva Pharmaceutical, the Israeli-based generic drug company, rebounded from prior lows, as it continued its restructuring and reduced debt. The company reaffirmed the long-term safety of its blockbuster branded drug, Copaxone, and expects its new migraine therapy to undergo FDA review in 2018. Elsewhere in health care, UnitedHealth Group reported solid revenues and earnings-per-share for the quarter and increased full year 2018 guidance. The company benefitted from health insurance tax reform, greater per member revenues in Medicare Advantage, strong OptumRx sales and the Empresas Banmedica acquisition in Brazil. Quest Diagnostics, faced headwinds after Medicare cut testing service rates. To counteract this government mandate, Quest expanded relationships with hospital systems and diversified via acquisitions. The company gained +10% in the quarter.

Methanex Corporation posted record quarterly results on strong underlying demand and higher methanol prices. Growing demand from olefin makers, greater use of methanol for clean fuel, and curtailed production of high polluting coal to methanol in China tightened the global methanol supply/demand balance. The Linde-Praxair merger remains on track and is expected to pass regulatory hurdles on a timely basis; both portfolio stocks gained during the quarter. French minerals company, Imerys SA, had a solid first quarter. Unfavorable foreign exchange rates and a recent U.S. verdict of $117 million against Imerys talcum powder unit have put pressure on the stock price.

Web.com Group was among the largest contributors to the Fund's performance. Web.com's stock price advanced after it agreed to be acquired by an affiliate of Siris Capital Group in an all-cash transaction valued at approximately $2 billion. Elsewhere in the information technology sector, Xerox Corp.'s stock declined (-16%) after activist investors scuttled a proposed merger with Fuji Film. South Korea's Samsung Electronics was down (-9%), as display demand slackened and prices weakened in DRAM and NAND memory chips. Nexon, a Japanese gaming company, declined (-12%) after it reported results that missed analyst expectations. Another Japanese holding, Mixi Inc., was sold due to management turnover in conjunction with lowered cash flow forecasts.

UK-based fashion retailer, Next PLC, topped consumer discretionary sector results. Robust online sales surpassed analyst expectations, with the stock rising more than +19% during the quarter. U.K. movie theater operator, Cineworld Group, reported solid earnings, leveraging synergies from the recent Regal Entertainment acquisition. The consumer discretionary sector was dampened by losses from Hyundai Mobis, after the Korean auto components manufacturer terminated the restructuring of Hyundai Glovis, Kia and Hyundai Motors. The objective was to simplify the companies' cross-holding structure, yet activist shareholders demanded changes to the deal. Hyundai Mobis said an improved proposal is forthcoming.

Rebounding from first quarter lows, Irish convenience foods supplier Greencore Group Plc, delivered excellent results, ending the quarter as the third largest contributor to returns. In late May, the company announced half-year numbers, highlighting revenue growth from both its U.K. food-to-go grocery business and its U.S. Peacock acquisition. The stock rose +32% on speculation that the Peacock division may secure more U.S. outsourcing contracts. Conversely, U.S. food company JM Smucker was down. A sluggish consumer product industry and increasing competition, led to lower pricing power and higher promotional spending to defend market share. On a positive note, Smucker diversified into the pet food industry with the acquisition of Ainsworth Pet Nutrition.

The financial sector detracted most from second quarter performance, although our holdings outperformed the MSCI World Index financial sub-sector on a relative basis. On a global level, nearly half of systemically important financial institutions (SIFIs) have declined (-20% to -25%) from recent peaks. In an efficient market, such substantial declines may indicate problems in the financial system. We will continue to monitor this situation carefully. Turning to portfolio holdings, Thailand-based Siam Commercial saw its stock drop nearly (-20%). Although the bank accrued decent quarterly metrics, net profits shrunk. British multi-national bank, Standard Chartered, publicized good loan growth, increasing net interest margins and improving capital ratio. Nevertheless, the stock remained depressed on macro-economic concerns in core banking markets, namely China and the U.K. Sberbank, a Russian commercial bank, was sold due to concerns about asset quality, technical loan default and credit obligations likely impacted by new U.S. imposed sanctions.

In contrast, investor sentiment was positive for U.S. community banks, whose performance was responsible for the Fund's good relative financial sector results. Of note, regulators signaled a rollback of certain banking regulations, which investors viewed as a positive for smaller financial institutions. Webster Financial, the best sector contributor was up +15%, and had an impressive first quarter of 2018. International Bancshares (IBOC), up +10% during the quarter, announced solid earnings with net income up +67% on the back of higher loan volumes and increase in yield of the loan portfolio. Like many banks, IBOC also cited the decreased corporate tax rate, from +35% to +21%, for reducing income tax expenses by (-$9.5) million.

The second worst sector performance came from industrials, although Fund holdings beat the sector average. Babcock International Group, a top five individual stock contributor, cited a year-over-year increase in revenue and profit along with a growing order book and bid pipeline. Double-digit gains from Babcock were partially offset by a (-15%) decline in General Dynamics, impacted by postponed delivery of two Gulfstream planes.

INVESTMENT ENVIRONMENT AND STRATEGY

Most fundamental indicators that we track point to synchronized global growth. The majority of companies, regardless of geography or industry, with which we met have expressed optimism about the global economy. Yet, the recent declines among SIFI banks have given us pause. This current economic boom may be intermittently tested by the ongoing threat of trade wars or challenges in emerging markets. We will capitalize on periods of market volatility to add new investments to the portfolio.

Regards,
Polaris Capital Management, LLC