POLARIS
GLOBAL VALUE UCITS FUND

An umbrella fund with segregated liability between sub-funds

Registration number C142346

COMMENTARY – 3rd QUARTER 2020

Global equity markets rose in the third quarter of 2020, building on the prior quarter's gains. Most countries and sectors advanced, supported by governments' stimulus measures intended to mitigate the economic impact of COVID-19. Corporate results have become progressively "better", as companies report modest losses in the third quarter.

While infection rates subsided from May to August, the expected second wave of COVID-19 cropped up in many countries by September. Yet the economic impact of this second wave may be muted, as health care systems begin to understand how to treat the disease and potential vaccines progress quickly. Investors appear to be expecting more progress and recovery, as evidenced by upbeat market returns.

For the third quarter of 2020, the Polaris Global Value UCITS Fund ("the Fund") gained 4.16%, underperforming the MSCI World and ACWI Indices, which gained 8.05% and 8.25% respectively. The Fund was in line with the MSCI World Value and ACWI Value Indices, which was up 4.05% and 4.16% respectively. The Fund had absolute positive gains in most sectors, with notable outperformance in consumer discretionary and materials, where the Fund was overweight. Detractors included energy, communication services and financials, the latter being an overweight Fund position. While the portfolio's U.S. allocation contributed meaningfully to returns, the large underweight relative to the benchmark (32% vs. 67%) continued to hamper results. The Fund's more heavily-weighted holdings in the U.K., Canada, Norway and Belgium outperformed country benchmarks.

Several of the top holdings were investments made at the beginning of the pandemic. Polaris had conducted extensive research in January and February, deliberately redeploying capital to subsectors historically unattainable due to valuation. When stocks such as Dometic Group AB, Darden Restaurants Inc., Bunzl PLC, Ryanair Holdings PLC and Zhongsheng Group Holdings dropped precipitously, Polaris snapped up these cash-flow heavy companies on the expectation of participating in a rebound. The decision was prescient as all five posted double-digit returns, most in excess of 20%, during the quarter. Detractors like Trevi Finanziaria Industrial, Taylor Wimpey PLC and Marathon Petroleum Corp. retrenched somewhat following the prior quarter's outsized gains.

THIRD QUARTER 2020 PERFORMANCE ANALYSIS

For the second consecutive quarter, the Fund's consumer discretionary holdings contributed most to performance. The stock price of L Brands, Inc. nearly doubled during the quarter, as its Bath & Body Works division delivered stellar returns. Online sales of home fragrances, shampoos, soaps and hand sanitizers ramped up considerably. Investors also reacted favorably to management's ongoing efforts to separate the Victoria's Secret brand, while committing to cost cutting measures. South Korean automaker, Kia Motors Corp., beat expectations with strong sales of premium and sport SUVs in the U.S. and Korea, as well as auto introductions in India. Climate control and convenience products maker for recreational vehicles (RVs), Dometic Group, capitalized on the RV travel craze as consumers sought vacation alternatives in light of COVID-19. Dometic's aftermarket sales held up well, while its cost cutting and efficiency measures improved margins. U.K. retailer Next PLC noted strong first half results, and raised its outlook on the back of continued online sales growth; simultaneously, the company reined in cost controls and warehouse capacity. Darden Restaurants, the parent of Capital Grille, Olive Garden and Longhorn Steakhouse restaurant chains, noted positive sales trends in its takeout/delivery service and slowly began re-opening brick-and-mortar sites with much success; the stock gained 28% for the quarter. L Brands, Dometic and Darden were sold at a healthy profit, as each reached Polaris' valuation limits. The only sector detractor of note was U.K. homebuilder Taylor Wimpey, which declined after the company announced lower housing completions in fiscal year 2020 due to COVID-19 distancing restrictions. This short-term headwind is expected to reverse course in the second half of 2021, with Taylor Wimpey's management projecting firmer order books as construction resumes.

Most of materials sector holdings were in positive territory, led by Methanex Corp., Mondi PLC and Linde PLC. Canadian methanol producer, Methanex, posted steady gains as methanol prices recovered from second quarter 2020 lows. The company referenced improving methanol demand within Europe and Asia, specifically in China.

Diversification was key for Linde's continued success: the company delivered gases to a worldwide client base, grew its U.S. home/hospital oxygen therapy business and signed deals in China to produce green hydrogen.

The information technology (IT) sector dominated returns for the MSCI World Index, with a 22% weighting. The Fund's underweight in IT (and other high-momentum stocks) hampered overall portfolio performance. Nevertheless, there were numerous bright spots in the sector, including Infosys Ltd., Samsung Electronics and Arrow Electronics, Inc., all of which advanced in excess of 10% for the quarter. Infosys reported profits above expectations, citing good cost controls and flexibility/adaptation in serving clients in a COVID-19 contactless environment. Infosys also announced several complementary acquisitions during the quarter. Samsung's DRAM chip spot prices turned positive, with major customers placing orders to rebuild inventory before the end of 2020, when demand is expected to outstrip supply. Additionally, Samsung's foundry business became the sole provider for Qualcomm's application processor for premium 5G smartphones. In contrast, Catcher Technology Co. Ltd. declined after selling two of its Chinese plants used to manufacture Apple iPhone cases. While this business approximated 40% of revenue, it was only 10% of profit as a high-volume, low-margin production. Catcher kept the more profitable Apple MacBook business inhouse. With the $1.4 billion plant sale to China's Lens Technology, Catcher now has more than $4.4 billion net cash. Investors are in a holding pattern, awaiting Catcher's next strategic moves to deploy the cash.

Industrial sector returns formed into a barbell, with Bunzl, Wesco International Inc. and Ryanair Holdings up in excess of 20%, while Babcock International and Trevi Finanziaria detracted. Bunzl reinstated dividends after reporting higher pre-tax profits in the first half of 2020, as its grocery and cleaning/safety divisions rose. The company also announced two acquisitions. U.S. electrical goods distributor, Wesco International Inc., posted a strong quarter where sales, margin, profit and cash generation exceeded management's expectations. Trevi, the Italian engineering and foundation driller, underwent a complete financial and operational restructuring. The stock jumped more than 150% in the second quarter as one of the Fund's top performers, but relinquished some of this gain in the third quarter. Trevi may face some near-term headwinds, as governmental infrastructure spending is postponed in deference to immediate COVID-19 related needs of citizens. However, the company reaffirmed guidance, pointing to strength of its order book. Babcock International, the U.K. engineering services firm that supports local defense, emergency services and civil nuclear sectors, noted declining profits due to new distancing requirements on ship repair worksites. The stock price slipped further after Babcock announced the end of its long-term contract with Britain's Nuclear Decommissioning Authority to clean up 12 Magnox reactor sites in the U.K.

Financials detracted most from returns in the quarter. Upon reopening the global economy post lockdown, financials saw a solid recovery in July and August; by September, this trend reversed course on increased COVID-19 cases. Many banks also encountered lower net interest margins and slower loan growth, while concerns swirled about stimulus running dry, raising the risk of defaults. To counteract these issues, banks have set aside large reserves and capital to absorb potential losses. In fact, many of the banks have the highest capital ratios and loan loss reserves in more than 20 years.

For example, Sweden's Svenska Handelsbanken shored up capital by deferring 2020 dividend payments, closing bank branches and restructuring the employees' profit-sharing plan. International Bancshares reported underwhelming quarterly earnings, due to added credit loss provisions and lower net interest margins. As one of the largest independent banks in Texas, International Bancshares remains in a position of relative strength, with a large capital position, strong liquidity and loyal deposit base. Many of these well-capitalized financial institutions are trading at single digit multiples, priced lower than assumptions for the industry's worst-case scenario. So, we believe the upside potential is substantial in an economic recovery, fits and spurts of which are already underway outside the U.S.

The stock price of oil refiner Marathon Petroleum trended in line with oil supply/demand volatility, jumping up more than 60% from the first to second quarter of 2020, only to lose momentum in the third quarter. Brent crude futures fell and Chinese demand lessened. Nevertheless, Marathon made strategic top-line (selling Speedway gas stations) and bottom-line (reducing expenses and headcount) decisions which should offer some protection against broader commodity market tumult. U.K.'s Cineworld Group declined due to delays in theatre re-openings as a result of COVID-19. After the quarter end, Cineworld announced plans to shut down all U.S. and U.K. theaters until movie studios release blockbuster movies and theater openings are permitted in New York and Los Angeles, where the majority of movie critics reside.

INVESTMENT ENVIRONMENT AND STRATEGY

Polaris added more than a dozen new stocks to the Fund portfolio in the early days of the COVID-19 pandemic, taking advantage of historic lows as an entry point. In the ensuing months, many of these companies rebounded dramatically and Polaris sold Darden, Ryanair, Dometic and Delta Airlines at hefty profits as they reached Polaris' valuation limits. The timing was opportune, as a second wave of COVID-19 infection in the Fall season has cast doubt on the robustness of the travel/leisure sector in the short-term.

Much discussion has surrounded the manner of the American economic recovery, with many pundits pointing to a "K" shape recovery, which is a bifurcated rebound with industries like technology, retail and software on the rise, while travel, entertainment, hospitality and food service continue their downward slide. There is little debate on the shape of recovery in Europe and Asia, as many of these countries are trending back to normal commerce. Germany's economy is improving faster than anticipated, helped by a mild and short coronavirus lockdown, large-scale fiscal stimulus and Berlin's close trade links with China. France's gross domestic product, which shrunk by a record 13.8% in the second quarter of 2020, was forecasted to grow by 17% in the third quarter. China is back up to pre-COVID-19 economic activity levels, as businesses reopen, mobility increases and consumer spending rises. On this backdrop, many companies are resuming full operations and are catching up with demand and adjusting production as needed based on future orders. Yet, business projections and investor optimism might be dampened as a second wave follows into a third wave of infection in late 2020.

With competing macro trends in mind, we have reconstructed the portfolio to add more defensive names with higher return profiles and lower downside risk. Among the new purchases are Alexion Pharmaceuticals Inc., a biologics manufacturing firm specializing in rare disease conditions; Science Applications International, which provides IT services to the U.S. government; and Ingredion Inc., which primarily refines corn to make sweeteners and starches. At the same time, we are holding onto some more depressed cyclical companies with strong cash flows, which may have significant upside potential as markets normalize. We believe that this multi-pronged investment approach may allow us to weather the pandemic, and lead to good performance in a recovery.

Regards, Polaris Capital Management, LLC

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 ACWI Index, gross dividends reinvested, captures large- and mid-cap representation across 23 developed markets and 26 emerging markets countries. The MSCI World Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across 23 developed market countries. The MSCI ACWI Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across 23 developed markets countries and 26 emerging markets countries. One cannot invest directly in an index.