POLARIS
GLOBAL VALUE UCITS FUND

An umbrella fund with segregated liability between sub-funds

Registration number C142346

PERFORMANCE COMMENTARY – FIRST QUARTER 2023

A global banking crisis consumed the first quarter, centered on the collapse of U.S.-based Silicon Valley Bank and Signature Bank. Switzerland's Credit Suisse followed suit, after years of mismanagement led to a catastrophic liquidity crisis; UBS came to the rescue with a proposed merger. Initial fears of contagion dissipated, and global markets rebounded by the end of the quarter. In this environment, the MSCI World and ACWI Indices advanced 7.88% and 7.44% respectively for the quarter; the institutional share class of the Polaris Global Value UCITS Fund ("the Fund") underperformed for the period, up 3.35% at net asset value.

The Fund had double-digit gains in the consumer discretionary, industrials, information technology and communication services sectors. IT stocks proved an unexpected safe haven, as investors hoped shares were better positioned to withstand an economic downturn. Portfolio holdings in OpenText Corp., Arrow Electronics, Microsoft Corp, Samsung Electronics and SK Hynix contributed measurably. These results were offset by declines in the hard-hit financial sector, where the Fund's overweight position dragged on performance. Health care holdings also hampered results, as the industry relinquished some of its heady results from 2022. On the country level, contraction came from the United States, followed by Norway, Puerto Rico and Switzerland. The Fund benefitted from absolute positive performance in overweight geographies including Japan, U.K., Canada, France, Sweden and Germany, as well as gains from off-benchmark stocks in South Korea and China.

Three of the top 10 absolute contributors hailed from industrials, including SKF AB, Weichai Power Co. and Marubeni Corp. Other outperformers included South Korean auto manufacturer Kia Corp and U.S. footwear distributor Crocs Inc., both of which reported strong sales despite lackluster consumer spending. Rounding out the list was German telecom Deutsche Telekom, French advertising firm Publicis Groupe, Canadian methanol producer Methanex and a few of the aforementioned IT companies.

FIRST QUARTER 2023 PERFORMANCE ANALYSIS

In the consumer discretionary sector, South Korea's Kia Corp. posted U.S. car unit sales up nearly 20% for the quarter, with its Sportage and Telluride SUVs leading the charge. New models in production also include the EV9, all-electric SUV; the CEO expects EV operating profit to improve markedly in 2023. U.S. footwear retailer, Crocs Inc., continued its upward trajectory as the company released fourth quarter and full-year 2022 financials, recording 60% year-over-year revenue growth due to strong sales of its Crocs and HEYDUDE brands. Sony Corp. released PlayStation VR2, which served as a launch platform for other popular gaming and networking services. Sony's CFO also declared an aggressive strategic investment spend in 2023. U.K. retailer, Next PLC, traded positively as the company reported upbeat earnings and raised 2023 profit guidance, driven by higher sales, lower labor/freight costs and manageable operating expenses. Margins were stable, as the company baked cost inflation into the average selling price without retail customer attrition.

U.K. homebuilders had another consecutive quarter of strong gains, with Bellway and Taylor Wimpey reporting resilient home prices despite falling volumes on higher interest rates. In this environment, both companies deployed defensive business strategies, sitting on net cash, cutting operating costs and buying back stock. Many investors believe that the U.K. housing market is on the path to recovery, as the Bank of England signaled its intention to stop raising rates in 2023. If so, mortgage rates should fall and sales reservations will pick up, benefitting those homebuilders with sizeable land banks.

Consumer discretionary sector absolute laggards were Inchcape PLC, Carter's Inc. and Magna International, each of which had very modest declines. Magna International released a profit warning, referencing higher EV engineering costs, warranty expenses, softer volumes on chip shortages and inflation headwinds. The subsequent earnings miss was widely expected, and came as little shock to the market. Magna's decline more likely stemmed from management's dour 2023 guidance on operating income margins and higher capital expenditures.

Weichai Power, the heavy-duty engine equipment manufacturer, posted full-year results that beat estimates as infrastructure demand ramped up in a recovering Chinese economy. The company is likely to scale up manufacturing of diesel engines, while raising profitability on higher unit prices and improved product mix. Weichai also released the world's first commercialized high power solid oxide fuel cell, a key clean energy power source. Elsewhere in industrials, Japan's Marubeni Corp. reported strong earnings, pointing to organic growth in its key divisions: food/grains, metals and mining. The company continued to "push the envelope" on environmental initiatives; in March alone, Marubeni announced nearly a half dozen partnerships or efforts related to corrugated container recycling, biomethane production/sales, and clean hydrogen. Marubeni raised its 2023 profit targets while boosting planned returns to shareholders. SKF AB, the Swedish bearing and seal manufacturer, reported strong quarterly earnings on impressive organic growth, product mix and volumes. The market's concerns about industrial production activity were for naught, as SKF reported solid industrial and auto sector demand, specifically highlighting their ball bearing applications in the burgeoning EV marketplace.

Among IT companies, Microsoft hosted an event on the future of artificial intelligence (AI), introducing Security Copilot as next-generation AI for cybersecurity. A multibillion-dollar investment in OpenAI, an AI-powered version of Microsoft's Bing search engine and the integration of ChatGPT within the Copilot software were all welcomed developments. Market skepticism originally surrounded OpenText's acquisition of U.K.-based Micro Focus. By February 2023, the deal closed and OpenText reported robust quarterly earnings, with strong cloud bookings and revenue. With concerns assuaged, OpenText's stock price rebounded. Longer-than-expected sustainability of the semiconductor sector helped Arrow Electronics. Pricing remains firm on strong demand; Arrow continues to earn at elevated margins relative to history. SK Hynix reported earnings at the end of January, cutting sales and operating profit forecasts; however, investors already accounted for these trough numbers and are looking ahead to possible sales and profit recovery in 2023.

Both Publicis Groupe and Deutsche Telekom posted double-digit returns for the quarter, boosting communication sector performance. French advertising company Publicis released full-year earnings, highlighting 2022 organic growth backed by its productive Epsilon and Sapient divisions. Seemingly resistant to macroeconomic concerns, the company laid out upbeat full year 2023 organic growth strategy, pointing to continued client investment in non-traditional marketing venues (data, technology, and digital transformation). Acquisitive growth was also on display with their recent acquisition of Practia, one of Latin America's leading tech and digital business transformation providers. Europe's largest telecom group, Deutsche Telekom, reported strong 2022 earnings with total revenue increasing, free cash flow up 30% and healthy guidance for 2023. The company reported strong customer growth in Germany, while its T-Mobile division continued to usurp market share from AT&T and other U.S. providers. LG Uplus was the only notable sector laggard, as the South Korean company faced competition in the IPTV and VOD markets, as well as possible regulatory hurdles on local budget rate plans.

In a softening methanol price environment, the market was pleased with Methanex's solid cash position despite substantial capital expenditures on the Geismar 3 project. With a fourth quarter 2023 completion date, Geismer 3 is touted to be one of Methanex's lowest-cost plants with access to abundant natural gas; the ramp up of Geismar 3 may expand cash flows and shareholder returns. Elsewhere in the materials sector, Lundin Mining was up after declaring its intent to buy a majority stake in the Caserones Copper Mine. Many considered this an advantageous acquisition, as copper supply-demand (from the EV market) constraints favor the few industry suppliers.

The health care sector lived up to its reputation as a defensive play in 2022 on the tail end of the COVID crisis and rising inflation. Pricey valuations from 2022 are finally being re-evaluated as investors return to fundamentals. As a result, the health care industry in general has stagnated so far this year. Health insurers, Elevance and UnitedHealth Group, released strong top-line and bottom-line earnings, while reaffirming fiscal year 2023 guidance. Yet the stocks came under pressure as Medicare Advantage signaled its intent to cut rates. CVS Health Corp. completed two meaningful acquisitions in the past year (Signify Health and Oak Street Health); although these look to be strategic assets, the market penalized CVS on the premiums paid. United Therapeutics was the single largest absolute detractor, embroiled in a patent battle over its vasodilator for pulmonary arterial hypertension. ANI Pharmaceuticals, Inc. is seeking to market a generic version of this vasodilator in the United States. One bright spot in the sector was Novartis AG, the Swiss pharmaceutical, which publicized promising outcomes from a new clinical trial for breast cancer drug, Kisqali. The combination of Kisqali and hormone therapy proved better at halting aggressive metastasized tumors than standard treatment with chemo drugs.

Financials detracted most, with stock prices dropping precipitously at small U.S. banks such as Webster Financial, M&T Bank and Dime Community. Much, if not all, of the declines stemmed directly from the SVB/Credit Suisse failures and concerns about a broader banking crisis, which hasn't come to pass to date. Most U.S. banks are on solid footing, having shored up balance sheets and capital ratios after the Great Financial Crisis of 2008; SVB and Signature were outliers, heavily dependent on tech and cryptocurrency clients and overextended with longer-term maturity bonds. Their significant exposure to uninsured deposits didn't help matters.

Yet all banks were punished this quarter on the "crisis of confidence" in the banking sector, regardless of fundamentals. Our bank holdings have diversified deposit franchises and liability mix, while many offer insured cash sweep products that alleviate FDIC insurance concerns. Consider Webster Financial, which held its capital markets day during the quarter, where it announced robust guidance on long term growth around loans, deposits, net interest margin expectations and efficiency. Or look at Dime Community, which posted quarterly earnings with strong business loan growth, controlled expenses and non-performing assets/loans at only 0.26% of total assets. The only U.S. financial facing fundamental headwinds was SLM Corp., a private provider of education loans. The company announced earnings with higher-than-expected provisions, elevated net charge-offs (as pandemic year students come off forbearance), and a tepid 2023 outlook. We believe SLM struck an overly conservative approach to provisioning and guidance.

Among non-U.S. holdings, Toronto-Dominion Bank reported lumpy quarterly results, with record U.S. retail net income and a 7% increase in Canadian personal/commercial banking, but decreases in wealth management, insurance and wholesale banking income. Nearly 40% of TD's business is in the U.S., combined with its in Charles Schwab investment; as a result, TD suffered along with its U.S.-based counterparts, reeling from the recent bank failures. TD's pending acquisition of First Horizon is also in question, as the Tennessee bank's stock came down materially. Loan loss provisions at Nordic banks are set to climb in 2023, as macro-economic challenges (rising interest rates) weigh on commercial real estate exposure. Both DNB Bank and Sparebank 1 SR fell on this expectation. Chubb Ltd. announced good fourth quarter 2022 results, but missed on earnings expectations. The Swiss insurer reported higher catastrophe losses, lower property and casualty underwriting income and modestly higher costs reflecting labor and material expenses.

During the quarter, we exited our position in Intel Corp., the U.S.-based semiconductor chip manufacturer. With extensive capital expenditures and increased competition, Intel's cash flow profile began to deteriorate; a turnaround will likely be protracted. The remaining shares of Bancolombia were also sold. Sale proceeds were used to purchase Canadian Tire, one of the oldest and largest general merchandisers in Canada. Canadian Tire has a diversified business model, with ownership of their own real estate, credit card operations and other retail lines including Sport Chek, Mark's and Helly Hansen. The modest buys/sells for the quarter do not reflect the extent of portfolio change. Companies in more traditionally-defined "cyclical" businesses were trimmed preemptively in expectation of a demand slowdown; capital was reallocated to more defensive names.

INVESTMENT ENVIRONMENT AND STRATEGY

The torrid pace of inflation has moderated from late 2022 as supply bottlenecks and energy prices declined. Nevertheless, central banks will maintain restrictive monetary policies, albeit at smaller increments, for the foreseeable future, alluding to tight labor markets, low unemployment and nominal wage growth. A slowdown is likely, the speed and gravity of which is still in question considering the remarkably resilient markets.

But markets have begun to show their cracks. The recent U.S. banking crisis will likely manifest in worsening credit conditions for banks and tighter liquidity for consumers and corporates. China's post-pandemic recovery has not met expectations; consumption and infrastructure investment were up, but not at the trajectory expected due to weak global demand and a persistent downturn in the property sector. Europe is still coming to terms with its energy crisis; reliance on Russia's inflows have been supplemented by supply from Norway, Texas (U.S.) and Qatar. The ongoing Russia-Ukraine conflict clouds longer-term forecasts, especially looking into next winter.

On this backdrop, central banks worldwide seek to deliver the illusive "soft-landing" scenario, curbing inflation without tipping into a full-fledged recession. Already, the U.S. Federal Reserve and the Bank of England have signaled an end to tightening cycles in 2023. Yet headwinds persist, with recent figures from the BOE showing inflation unexpectedly shot up in February to 10.4%. In the U.S., inflation jumped 6% in the 12 months to February, while the cost of food and airfare surged even faster.

With competing macro trends at play, market volatility is inevitable. This bodes well for our Fund, as we are able to identify and purchase fundamentally-strong companies at attractive prices. Our screens are ripe with opportunities in Asia and North America; we are also opportunistically constructive on Europe. We expect to continue our portfolio repositioning in the coming quarter, adding more undervalued companies with a lower risk profile and greater upside potential in a global market recovery.

IMPORTANT INFORMATION

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. 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 24 emerging markets countries. One cannot invest directly in an index.

RISKS

Potential investors should be aware that an investment in a Fund may be exposed to other risks of an exceptional nature from time to time. Investment in the ICAV carries with it a degree of risk. There can be no assurance that a Fund will achieve its investment objective and there is potential for an investor to lose some or all of its investment in a Fund. Different risks may apply to different Funds and/or classes. Prospective investors should review the Prospectus carefully in its entirety and consult with their professional advisors before making an application for Shares.

The Fund is subject to the following risks, without limitation:

Equity Security Risk: the value of a company's equity securities is subject to changes in the company's financial condition and overall market and economic conditions.
FDI and Leverage Risk: FDI may fluctuate in value rapidly and leverage through FDI may cause losses that are greater than the original amount paid for the relevant FDI.
Emerging Markets Risk: emerging market securities may expose the Fund to more social, political, regulatory or currency risks than developed market securities and may be subject to heightened Liquidity Risk.
MLP Risk: MLPs expose the Fund to risks associated with the underlying assets of the MLPs and risks associated with pooled investment vehicles. There is also a risk that an MLP may not be treated as a partnership for U.S. federal income tax proposes, and the purpose of the Fund's investment in MLPs depends largely upon this.
Liquidity Risk: there may be insufficient buyers or sellers to allow the Fund to buy or sell certain types of securities readily, which may impact the Fund's performance or (in extreme circumstances) an investor's ability to redeem.
Counterparty Risk: a party with whom the Fund contracts for securities may fail to meet its obligations (e.g. fail to settle an FDI) or become bankrupt, which may expose the Fund to a financial loss.
Currency Risk: changes in exchange rates may reduce or increase the value of non-U.S. Dollar denominated assets held by the Fund. There can be no guarantee that currency hedging will be successful in mitigating such effects.
Operational Risk: material losses to the Fund may arise as a result of human error, system and/or process failures, inadequate procedures or controls.

For more information on these and other applicable risks see the sections "Investment Risks and Special Considerations" and "Investment Risks Applicable to each Fund" in the Prospectus.

DISCLOSURES

The Fund is actively managed and not constrained by any benchmark. The Fund invests in securities of foreign issuers, including issuers located in countries with emerging capital markets. Investments in such securities entail certain risks not associated with investments in domestic securities, such as volatility of currency exchange rates, and in some cases, political and economic instability and relatively illiquid markets. Options trading involves risk and is not suitable for all investors.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the Prospectus and Key Investor Information Documents (KIIDs). Please read the Prospectus and KIIDs carefully before you invest. A Prospectus is available for PCM Global Funds ICAV (the ICAV) and KIIDs are available for each share class of the Fund. The ICAV's Prospectus can be obtained from pcmglobalfundsicav.com and is available in English. The KIIDs can be obtained from pcmglobalfundsicav.com and are available in one of the official languages of each of the EU Member States into which the Fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from pcmglobalfundsicav.com. The summary is available in English. The Fund is currently notified for marketing into a number of EU Member States under the UCITS Directive. The ICAV can terminate such notifications for any share class and/or the Fund at any time using the process contained in Article 93a of the UCITS Directive.

The Fund is offered solely to non-U.S. investors under the terms and conditions of the Fund's current Prospectus. Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted.

The Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

The representative in Switzerland is ACOLIN Fund Services AG, succursale Genève, 6 Cours de Rive, CH-1204 Geneva, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de L'lle, 1204 Geneva, Switzerland. The Prospectus, the Instrument, the Key Investor Information Documents and the annual and semi-annual reports of the ICAV may be obtained upon request and free of charge from the representative in Switzerland. In respect of the shares distributed in and from Switzerland, the place of performance and jurisdiction is at the registered office of the representative in Switzerland. The shares of the ICAV shall be distributed in Switzerland exclusively to qualified investors.