An umbrella fund with segregated liability between sub-funds

Registration number C142346

PERFORMANCE COMMENTARY – SECOND QUARTER 2023

The MSCI World and ACWI Indices advanced 7.00% and 6.35% respectively for the quarter; the institutional share class of the Polaris Global Value UCITS Fund ("the Fund") underperformed for the period, up 1.67% at net asset value.

Growth stocks dominated with information technology companies leading the charge as investors projected slowing inflation. Investor enthusiasm for technology stocks, already popular on the back of advances in artificial intelligence (AI), reached new heights when U.S. chip supplier Nvidia reported a surge in profits and sales. Mega cap technology stocks increased the disparity between growth and value performance year-to-date (through June 30, 2023), as evidenced by the MSCI World Growth Index up 27.27% while the comparative MSCI World Value Index gained 4.46%. In this environment, the Fund gained 5.07%, ahead of the Value Index, for the six-month period.

The drivers behind the growth resurgence are tenuous at best. Speculation on slowing inflation may prove premature as June's U.S. labor report cited more than 200,000 jobs added. The U.S. economy's resilience continued to confound the Federal Reserve's drive to slow growth and inflation; future interest rates hikes are expected. Similar inflation pressures are evident elsewhere in the world, as the Ukraine-Russia conflict continues to keep energy and food prices elevated throughout much of Europe and Asia.

Information technology, financials, industrials, consumer discretionary and materials sectors were among the top contributors to performance in absolute terms. Health care and energy detracted most. At the country level, Japan was the top contributor on the back of Marubeni Corp., Honda Motor Co. and Daicel Corp. Holdings in South Korea, the United States and Canada also added to performance. Among the decliners were specific holdings in Ireland, Sweden and China.

SECOND QUARTER 2023 PERFORMANCE ANALYSIS

As would be expected in a cyclical growth market, holdings in the information technology sector dominated. South Korea's SK Hynix and Samsung Electronics benefited from a number of tailwinds: 1) new investment powering the AI infrastructure buildout, 2) troughing of the semiconductor cycle and 3) market share leverage as competitor Micron was banned as a supplier to the Chinese government.

OpenText, the Canadian software company, gained on upbeat second quarter results; importantly, the integration of Micro Focus did not impede OpenText's organic growth goals, alleviating concerns about this August 2022 merger. As the acquisition closed and integration efforts proceeded, investors warmed to the financial and industrial logic of the deal.

Among U.S. technology companies, MKS Instruments reported better than anticipated quarterly results with good revenues from electronics, packaging and specialty industrial divisions. MKS also announced progress in acquisition integration of Atotech Ltd., the chemical consumables company purchased in July 2021. Chip and electronic components distributor, Arrow Electronics, continued to see good demand for its services. While an improving supply chain is moderating, new customers and design wins may deliver a structurally better margin than pre-pandemic levels. Microsoft capitalized on the AI, already implementing OpenAI, Bing/ChatGPT integration and promoting an Azure AI platform. The company is well positioned among its other product lines as well, with a massive install base using Windows and Office ecosystems.

Recent regional bank failures in the U.S. caused tumult in the financial sector. Short-term concerns of other failures abated, but banks still face a balancing act in managing inflation. Inflation can be considered a boon for banks, on rising net interest income and profitability while boosting demand for bank credit. At the same time, banks' mortgage originations dwindle, deposit costs rise, loan provisions increase and banks encounter higher expenses. It is incumbent on the banks to properly position their portfolios to capitalize on inflation trends, while managing downside risk, especially as central banks continue to debate next steps.

Banks successfully navigating inflationary trends included Norway's DNB Bank and Sparebank 1 SR, as well as U.S. institutions, Capital One Financial and JPMorgan Chase & Co. DNB hosted a pre-close earnings call to discuss second quarter dynamics and pointed to further net interest income uplift, a mix of higher fees and costs and the pending approval for a new share buyback. To date, the bank does not see any major credit impairments due to stress in the client base. Benefitting from the same underlying banking currents, Sparebank 1 also qualifies as a regional bank, with its profitability driven from net interest margins and the ability to pass on interest rate hikes by repricing its loan book. JPMorgan Chase exceeded expectations on both earnings and credit quality and their "fortress" balance sheet puts them in an enviable position during this crisis. The bank has been a beneficiary of deposit inflows from many of the U.S. regional banks, and acquired First Republic from the FDIC at very attractive terms. Capital One posted strong revenues due to its credit card portfolio; consumers continue to utilize credit cards even as card interest rates tick higher. Berkshire Hathaway also disclosed a stake in the company.

Elsewhere in the financial sector, SLM Corp. (Sallie Mae) reported a strong first quarter, with improving credit metrics, loan growth and floating rate assets that boosted margin expansion. German reinsurers, Munich Re and Hannover Re, noted firm policy prices, lower expected losses and higher investment income on their bond portfolios. Overall sector detractors included a small handful of U.S. regional and community banks, including Northern Trust, which was pressured by expense growth and higher deposit costs.

Allison Transmission Holdings and Marubeni Corp boosted industrial sector returns. Allison Transmission was up after the ISM New Orders Index rose 7% in June. The ISM is one of the leading indicators of freight trends, which may bode well for Allison's order volume in the coming months. The company also released its ESG report, which highlighted its outstanding electric vehicle technology innovation and propulsions solutions. Marubeni continued to perform exceptionally well through the first half of the year, attributable to underlying business fundamentals and a boost from Berkshire Hathaway's investment in five leading Japanese trading companies, of which Marubeni is one. Berkshire Hathaway announced its intention to invest up to the 9.9% reporting threshold in any of the varied Japanese trading companies; currently Berkshire holds 8.3% of the shares outstanding of Marubeni as of the latest June filing.

The majority of consumer discretionary holdings had notable gains, led by double-digit returns from Honda Motor Co. and Duni AB. Japan's Honda Motor Co. updated its operating profit guidance for the year on the back of expected higher sales volume and a strengthening supply chain. South Korea's Kia Corp. announced strong May global sales, with SUV models leading the way. Both automakers have raised their electric vehicle production targets as the EV market gains momentum. LG Electronics Inc. announced steady first quarter 2023 earnings thanks to stabilized material costs and sales of home appliances. LG is set to capitalize on the climate-friendly electrification trend, producing innovative heat pump technology and energy storage devices. Next PLC performed well as management released upgraded profit guidance on sales growth, modest salary increases and increased footfall at bricks and mortar stores due to better weather.

Canadian companies, Magna International and Canadian Tire Corp., also added to sector gains. Magna closed on the deal for Veoneer's active safety system segment that was announced December 20th 2022. Magna's management team reported a recovery trend in volumes, costs and improved execution within the supply chain. We have been waiting for a rebound in auto production to help the valuation of our auto sector concentration; it appears our patience is being rewarded as car and light production is increasing in the quarter. Canadian Tire and Microsoft announced a flagship strategic retail partnership in June to drive innovation across Canada's retail industry and contribute to the country's overall advancement and adoption of new technology. This solidifies the company's efforts to modernized their systems and capabilities within their digital transformation program.

The consumer discretionary sector was dragged down by lackluster performance among U.S. holdings including Sally Beauty Holdings Inc. and Crocs Inc. Beauty supply/hair color retailer Sally Beauty reported modestly positive sales growth but lower margins, as wages increased for in-store employees. Sally Beauty's high-touch sales expertise is a competitive differentiator making these investments necessary. Higher inflation has weakened spending, especially among lower income consumers; Sally Beauty shoppers are forgoing the higher margin "basket" items in favor of essentials. Crocs reported robust quarterly results, with revenues up globally across its traditional and HeyDude products. However, management guided lower for the second quarter of 2023, cognizant of slowing consumer spending trends. The market reacted negatively to this news, failing to account for Crocs raised full-year guidance as distribution facilities ramp up to meet demand for HeyDude footwear. U.K. homebuilders Bellway and Taylor Wimpey offered tempered guidance as questions swirled about home volumes in an intractably high interest rate environment. Bellway offered a trading statement in which management reiterated previous guidance; however, there was little communication around promotional strategies or margins.

NOV and Marathon Petroleum were down, bucking the energy sector uptrend. NOV is seeing very healthy demand and has a strong order book. However, the main steel supplier for NOV's drill pipe business experienced manufacturing issues in the quarter. The need to limit shipments and source alternative materials impacted NOV's profits in this division. We believe this is a temporary headwind that will be resolved in the near term. Marathon Petroleum is producing record earnings due to wide refining margins, but concerns about weaker gasoline and diesel demand led to profit taking by investors early during the quarter. One bright spot was Williams Cos., Inc., which was up markedly on the back of developed infrastructure and logistics in its gas pipeline to satisfy consumption needs; such efforts may provide a backstop in case of a lull in renewable energy production. Also notable: all three management teams presented at the late June 2023 JP Morgan Energy, Power and Renewables Conference. There was significant optimism around the stability of oil around these higher levels of +$70/barrel given the end demand, capital discipline and the continued uncertainty of the Russian Ukraine war.

In health care, Jazz Pharmaceutical and AbbVie Inc. detracted as both faced generic competition threats. It has long been forecast that AbbVie will lose its monopoly on arthritis drug Humira as the first generic biosimilar is slated to hit the market in the second half of 2023. Investors sold down the name; however, AbbVie has an impressive drug pipeline with three of four new drugs performing in line with expectations. AbbVie's aesthetics division, Allergan, continued to gain ground on popular names like Botox, Juvederm, Kybella, SkinMedica, CoolSculpting and more. Jazz Pharmaceutical filed a lawsuit with the FDA challenging the approval of a generic oxybate drug for narcolepsy. Jazz claims its orphan drug exclusivity was violated by Avadel's higher-sodium formulation, which does not demonstrate comparable safety. Regardless of the outcome of the lawsuit, our research models anticipated the market share losses on the generic high-sodium formulation. Jazz's low sodium alternative, Zywav, currently has no competition, mitigates co-morbidities related to high blood pressure, and is quickly gaining traction. Horizon Therapeutics declined during the quarter as its merger with Amgen was delayed again as the Federal Trade Commission filed a lawsuit to block the deal due to monopoly concerns.

Among other detractors, Yara International reported weak quarterly results as farmers awaited lower fertilizer prices. However, given fertilizer application can only be deferred for so long, the company is reporting stronger demand into the second quarter as buyers come back to the market. Swedish ball bearing manufacturer, SKF AB, retracted from recent market highs. The company delivered 10% organic growth with better margins but most of this was due to pricing. Volume growth slowed to about 1% although bearings for fast growing markets such as electric vehicles and wind turbines remain a tailwind. Global packaging company, Amcor PLC, was lower on weakening volumes. Amcor's customers are fast-moving consumer goods companies, many of which are ordering less packaging as they destock excess inventory acquired during the height of the supply chain crisis. Tyson Foods struggled with high input costs, primarily labor, that couldn't be fully offset with higher prices. While the company's prepared foods business remained steady, its pork, chicken and beef businesses fell under pressure.

During the quarter, Hyundai Mobis, a Korean auto parts company, was sold opportunistically following a strong stock price recovery. Four companies were added to the global portfolio including Teleperformance, TotalEnergies SE, Tecnoglass Inc. and Cullen/Frost Bankers, Inc.

Teleperformance is a global leader in customer interaction management, serving thousands of customers in 170 markets. Following a major acquisition coupled with AI concerns, the stock traded at a steep discount, offering a prime opportunity to buy. We believe AI will be an efficiency enabler for Teleperformance's business, not a disruptor. TotalEnergies adeptly navigates the transition from a traditional oil and gas company to an integrated energy company, comprising an upstream business that branches out into an LNG business with global reach and an enviable renewable energy portfolio. Tecnoglass is a U.S.-listed Colombian architectural glass supplier for commercial and residential construction primarily servicing the attractive Southeast market including Florida and Texas. The company has a sizeable cost advantage on labor and energy, resulting in significant market share gains and sector leading margins.

Following the recent banking crisis, some high-quality banks were trading at attractive valuations. San Antonio based Cullen/Frost is a leading independent bank in Texas. Founded in 1868, the bank has had 29 straight years of dividend increases. Its conservative culture is evidenced by its low loan to deposit ratio and ample liquidity, positioning itself for further profitable growth as peers pull back on lending. The bank has approximately 30% of assets in short term liquid investments that should allow it to benefit from higher rates. Expansion into Dallas and Houston is the next driver for this relationship bank.

INVESTMENT ENVIRONMENT AND STRATEGY

Global markets were resilient in the second quarter, and throughout the first half of 2023, on decent corporate earnings, bank stability post crypto failures and seemingly tempered central bank rate hikes. Yet, beneath the surface lies an environment of offsetting forces that investors face. Central banks have yet to curb persistent inflation, which has started to wear down the consumer. Anecdotal evidence suggests curtailed spending on housing, discretionary items and even some consumer staples. The global portfolio's exposure to consumer discretionary companies has tilted toward more "defensive" products, ranging from shoes to DIY beauty products – items that are considered "essential" to even the most discriminating shopper. Then there are some surprisingly resilient components of the economy. Auto sales rose more than 15% in the past three months, fueled by pent-up demand after two years of short supply due to semiconductor shortages. Buyers are unfazed by rising interest rates, buoyed by a tight labor market and steady wage growth.

For every bright spot in the economy, there appears an equal counterbalance. This also holds true at the country level. While a strong job market props up the U.S. economy, the backdrop in Europe is less promising. Industrial/manufacturing output in the Eurozone stalled, as concerns arose about demand, the impact of higher interest rates, the high cost of living and the subsequent possibility of a deeper recession. Yet the Eurozone services sector was in solidly expansionary territory. Asian growth depends on China's recovery and India's accelerated GDP, while the rest of Asia faces headwinds on weakening external demand, especially for tech exports.

Regardless of country or sector, most companies are echoing the same sentiment: there are high-cost pressures (related to labor, supply and/or raw materials) not likely to go away in the near term. Stubbornly-high inflation will require future rate hikes, bursting the bubble of some hyped-up growth stocks (AI and meme in particular). We expect a reversion to the mean, as a normalized environment and even playing field allow our value portfolio to perform as intended.

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 World Growth Index and MSCI World Value Index capture large- and mid-cap securities exhibiting overall growth and value style characteristics, respectively, across 23 developed market countries. 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.