SECOND QUARTER 2024 INTERNATIONAL EQUITY COMPOSITE

POLARIS CAPITAL MANAGEMENT, LLC

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INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2024			Annualized as of June 30, 2024				
	YTD	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Intl. Equity Composite (net of fees)	**4.08%**	**0.29%**	**3.78%**	**14.08%**	**1.77%**	**5.19%**	**4.36%**	**10.04%**
Polaris Intl. Equity Composite (gross of fees)	**4.33%**	**0.41%**	**3.90%**	**14.63%**	**2.27%**	**5.72%**	**4.91%**	**10.85%**
MSCI EAFE Index, gross dividends reinvested	5.75%	-0.17%	5.93%	12.09%	3.43%	6.97%	4.83%	8.67%

Composite returns are preliminary. Past performance is not indicative of future results.

The MSCI EAFE Index returned -0.17% for the quarter, while the Polaris International Equity Composite outperformed at 0.29% (net of fees). The Composite's outperformance was due to holdings within materials, information technology, consumer staples and consumer discretionary. Holdings within communication services, industrials and health care hampered results Geographically, a majority of countries added to gains; contributors included an out-of-benchmark allocation to South Korea, along with holdings in Ireland and Singapore. . Canada and France detracted.

"Higher-for-longer" interest rates stirred discontent early in the year; however, we have witnessed a slow shift towards less restrictive monetary policies on the back of reduced inflation; several central banks lowered rates. The U.S. remains an outlier, as the Federal Reserve held rates steady and signaled only one cut in 2024. Politics impacted portfolio performance especially in France where elections have been called; this will remain a theme for the rest of 2024.

SECOND QUARTER 2024 PERFORMANCE ANALYSIS

Copper producer Lundin Mining spearheaded material sector gains. Copper prices have been on an upward trajectory since the end of 2023, increasing over 20% from mid-February to late May. The contributory cause: tight supply and high demand from energy transition applications such as electric vehicles, as well as artificial intelligence (AI) and automation. Antofagasta PLC was also up on the same copper trends. Canadian methanol producer Methanex posted strong results, as methanol prices ticked higher. Methanol supply was constrained due to the seasonal diversions of natural gas in Iran and China and planned and unplanned outages in the Atlantic, leading to lower inventories and increasing methanol prices through the quarter. Methanex completed repairs on its Egypt plant, while work progressed to safely repair Methanex's Geismar 3 plant, on track for start-up in the third quarter of 2024. Yara International was down as investors grew concerned over end market nitrogen demand.

SK Hynix ensured positive returns in the information technology sector, benefitting from increasing demand for high-bandwidth memory (HBM) chips, which are crucial for AI applications. SK Hynix gained in excess of 25% for the quarter, dominating HBM while noting good price momentum in traditional DRAM and NAND markets. The South Korean chip manufacturer solidified its position as a leading supplier of HBM to NVIDIA. Open Text, a provider of enterprise software and solutions, was the largest sector detractor. Investors were initially optimistic as OpenText announced a $450-$500 million return of capital in fiscal year 2025. However, the company proceeded to dial back on these numbers, instead reinvesting capital in new cloud platforms and AI technology to meet its order book. As a result, guidance was lowered and earnings fell short of expectations.

Greencore Group was among the top five portfolio contributors for the quarter, up more than 35% after posting impressive operating income in its first half 2024 results. Operating margins also rose as cost inflation eased and efficiency measures boosted profitability. Greencore is continuing to execute on its turnaround strategy, exiting low margin business and increasing prices for its premium products. The consumer staples company announced a ~$63 million shareholder return program for the next 12 months, with a new buyback plan of $38 million starting immediately.

Consumer discretionary highlights were Kia Corp. and LG Electronics, both of which posted double-digit gains. Kia Corp. and Hyundai Motor Company signed a memorandum of understanding with Exide Energy to equip future EVs in the Indian market with LFP batteries. This marks the beginning of Kia's expansion into India's battery development and production market. Kia offered a monthly sales update, highlighting improving mix and low U.S. inventories (which should decrease incentives). LG Electronics posted solid earnings as incentives dropped, raw material costs leveled off and product mix funneled to higher margin sales. LG also cracked the AI data center cooling market, as news percolated that LG will supply a large-scale cooling system to a massive data center complex in the U.S. On these positive tailwinds, LG announced a shareholder-friendly buyback plan. Global auto parts manufacturer Magna International adjusted its 2024 outlook, premised on no additional Fisker Ocean production (Fisker filed for bankruptcy protection in June) and lower sales on program delays and mix. The stock declined as a result of this news. To note: loss of the Fisker Ocean platform will result in revenue erosion of less than 1% of Magna International's overall revenues.

Among financials, flatexDEGIRO, the online broker trading platform in Germany, was up on the back of an expected record year 2024 with a jump in revenues and earnings in the first quarter. It benefitted from both rising net interest income and a significant increase in commission income per transaction on a larger customer base. The company faced a contentious proxy battle at its annual shareholder meeting, hosted virtually in June. Munich Re reported strong number across its Property & Casualty and Life and Health reinsurance lines, while catastrophic and cybersecurity loss projections were muted. Solid solvency ratio, better combined ratio, and strength of underlying business are pointed in the right direction. United Overseas Bank, DNB Bank ASA, Shinhan Financial Group and Sparebanken Vest added to gains.

As corporate governance gains traction in Japan, trading companies like Itochu Corp. and Marubeni are making moves. Itochu increased its dividends, authorized new share buybacks and outlined a remuneration plan closely linked to corporate performance. Among other industrials, Teleperformance rebounded strongly from prior lows, posting solid first quarter results, modest organic growth and stable full-year guidance. Concerns about AI disruption weighed heavily on the stock in prior quarters; however, Teleperformance indicated that its AI bots may actually improve customer service productivity, and CX outsourcing remains in high demand in remote work environs.

Overall industrial sector results were middling on the back of Daimler Truck, which dealt with a more normalized North American market post-pandemic. Even as subdued freight markets weigh on orders, build slots are largely filled through the third quarter of 2024. Daimler Truck improved margins despite lower unit sales, which was achieved via better pricing, product mix and good cost controls. Freight rates are also improving within Germany, and new manufacturing orders showed some growth in June. VINCI SA, the French concessions and construction company, reported robust first quarter 2024 results and reaffirmed guidance, with revenues up on higher passenger travel numbers and all-time high order books in the construction business. However, the stock trended down 15%; we can ascertain no reason for the decline other than geopolitical risk in the country. VINCI is one of the more exposed companies to French government contract work and infrastructure spend.

VINCI wasn't the only stock burdened by geopolitical turmoil in France. Communication services companies, Ipsos and Publicis Groupe, declined contrary of fundamental business strength. Publicis continued to win new business, with pitch activity picking up. During its Capital Markets Day, Ipsos discussed further capital expenditures to bolster capabilities in panels, platforms and technologies; Ipsos claims to have a competitive head start in this niche industry.

Barbell results defined the health care sector. Swiss pharma Novartis AG raised its forecast as sales of blockbuster medicines for heart disease and psoriasis outpaced expectations, giving the stock its biggest boost in nine months. Novartis also reiterated its confidence in chronic myeloid leukemia drug Scemblix becoming the standard of care for efficacy and safety. Management updated the peak sales guidance to $3 billion in sales; prior guidance was slated at $2 billion. Conversely, Jazz Pharmaceuticals, an Irish biopharmaceutical company, reported softer than expected sales due to patients' slow transition from Xyrem to clinically-superior Xywav. Jazz's stock dropped further after its experimental drug to treat a common movement disorder failed to reduce tremor severity in a mid-stage study.

China's Weichai Power Company, which primarily makes diesel engines for trucks, was sold after a strong run; we booked healthy profits. One new purchase was Swiss-based Barry Callebaut AG, the world's leading manufacturer of high-quality chocolate and cocoa products.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of June 30, 2024.

	MSCI EAFE Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*0.0%*	13.3%	0.0%	0.0%	4.4%	0.0%	3.5%	0.0%	0.0%	4.0%	1.6%	0.0%	0.0%	0.0%
Japan	*22.7%*	12.4%	0.0%	0.0%	0.8%	4.3%	2.0%	0.0%	1.8%	0.0%	0.0%	1.7%	1.8%	0.0%
Other Asia	*10.8%*	15.7%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	4.9%	5.8%	0.0%	0.0%	0.0%
Europe	*57.6%*	45.4%	3.9%	0.0%	6.3%	5.8%	8.8%	5.6%	4.0%	5.3%	0.0%	5.8%	0.0%	0.0%
Scandinavia	*8.8%*	9.5%	0.0%	0.0%	1.8%	3.1%	0.5%	0.0%	0.0%	4.1%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.6%	0.0%	0.0%	1.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%
Portfolio Totals		100.0%	3.9%	0.0%	14.5%	13.4%	19.8%	5.6%	5.9%	18.3%	7.4%	7.4%	1.8%	2.1%
MSCI EAFE Weight	*100.0%*		*4.1%*	*3.1%*	*6.8%*	*16.9%*	*11.5%*	*8.5%*	*13.5%*	*20.0%*	*9.5%*	*4.1%*	*2.0%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

We expect a period of continued slow growth, with more positive underlying growth shoots in Europe than headlines would suggest. The same could be said for the U.S., where efforts to reshore (move and provide back-up manufacturing and services closer to countries with end demand) may stimulate job creation and boost the domestic economy. Reshoring efforts in Mexico, Latin America and Canada are examples of the trend. Most Asian countries, with the exception of China, also appear to be powering along. Of course, geopolitical risks can sour even the most robust economy, as evidenced by the French elections. We have yet to see the outcome (positive or negative) from the recent Mexico elections, and the same caution will be in effect for the November U.S. elections. Also weighing on U.S. sentiment are comments from the International Monetary Fund, cautioning about an imbalance between Federal spending and tax revenues. As fundamental bottom-up stock pickers, we circumvent the "noise" of politics, focused on companies' cash flows and outlook; however, the political climate can exert some influence on both metrics… so we do pay attention.

Stepping beyond politics, inflation is slowly grinding lower. We anticipate that nominal interest rates will remain above inflation, which should create a normalized positive real interest rate environment favorable to more consistent equity and bond market behavior. In this scenario, we expect technology will remain firm, while financials should find more stable footing. We are tailoring the portfolio with other cyclicals with defensive characteristics, while adding to traditionally-defensive sectors including health care and energy.