POLARIS
CAPITAL MANAGEMENT, LLC

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GLOBAL EQUITY COMPOSITE COMMENTARY

	2024				Annualized as of September 30, 2024				
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 9/30/1984
Polaris Global Equity Composite (net of fees)	**12.66%**	**6.86%**	**-0.72%**	**6.19%**	**26.71%**	**5.96%**	**9.41%**	**8.15%**	**10.93%**
Polaris Global Equity Composite (gross of fees)	**13.09%**	**6.99%**	**-0.59%**	**6.33%**	**27.35%**	**6.48%**	**9.95%**	**8.68%**	**11.76%**
MSCI World Index, gross dividends reinvested	19.28%	6.46%	2.78%	9.01%	33.03%	9.60%	13.57%	10.64%	10.32%

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

Global markets were in solidly positive territory for the third consecutive quarter of 2024, despite macro-economic volatility due to geopolitics, a "flash crash" in Japan, and concerns over an artificial intelligence (AI) bubble that disproportionally impacted South Korea. Much of the optimism surrounded lower headline inflation and the ensuing interest rate cuts, with markets pricing in a "soft landing" scenario at least in the near term.

In June, July and September 2024, the Bank of Canada made three back-to-back rate cuts, each at 25 basis points (bps); on August 1st, the Bank of England (BoE) made an introductory cut by 25 bps to 5%, the first interest rate drop in four years; and in early September, the European Central Bank lowered its deposit rate by 25 bps to 3.50%, following up on a similar cut in June. And in mid-September, the U.S. Federal Reserve slashed its benchmark interest rate by half a percentage point, the first and the biggest cut since March 2020 when COVID-19 was hammering the economy.

Over the past year, the headwind of higher interest rates weighed on more economically-sensitive cyclical sectors as well as small- and mid-cap stocks. With a more benign rate environment this quarter, we saw rotation out of tech companies and into tried-and-true cyclicals and a few defensives, where Polaris is more heavily weighted. As a result, the Polaris Global Equity Composite outperformed the MSCI World Index, gaining 6.86% (net of fees) vs. the benchmark's return of 6.46%.

At the sector level, the global portfolio captured double-digit gains in financials, health care, communication services, real estate and utilities. The portfolio also outperformed in both consumer sectors. Information technology (IT) and energy were the only detractors of note. On a regional basis, the portfolio outperformed in the United States (largest contributor due to weighting), the United Kingdom, Japan, Switzerland, Netherlands and Norway. Holdings in South Korea detracted, with semiconductor companies SK Hynix and Samsung Electronics hurt by Nvidia's weaker-than-expected quarterly earnings.

THIRD QUARTER 2024 PERFORMANCE ANALYSIS

On the backdrop of interest rate cuts, financials shined on expectations for loan demand and cheaper cost of capital; in fact, all sector holdings were in absolute positive territory. Shinhan Financial Group was the top contributor, with a second quarter earnings beat on better non-interest income with credit costs under control. An enhanced shareholder return policy was a pleasant upside surprise, as Shinhan committed to returning 50% of earnings to investors through dividends and share buybacks by 2027. M&T Bank Corp. reported higher net interest margins, on good investment yields and stable deposit and borrowing costs. The upstate New York based bank noted growth in commercial and industrial loans, outpacing its peers, while simultaneously reducing its commercial real estate exposure. Puerto Rican institution, Popular Inc., surprised the market with an aggressive capital return plan, raising the dividend and establishing a share buyback plan equivalent to 7%

of the shares outstanding. German reinsurer Hannover Re reported net investment income that beat second quarter estimates, while the mid-year renewal price was strong. Fellow reinsurer, Munich Re, reported better than expected results in advance of the hurricane season.

U.S. biopharma/biotech companies topped the health care sector, with the majority of holdings posting returns in excess of 10%. United Therapeutics Corp. (UTHR) was upgraded by brokerage/investment bank Oppenheimer & Co. based on potential Tyvaso sales metrics in treating idiopathic pulmonary fibrosis. The U.S. Food and Drug Administration (FDA) also postponed until 2025 the final approval of Liquidia's Yutrepia inhalation powder to treat adults with pulmonary disease, which ensures a dearth of competition for UTHR's Tyvaso DPI for the next few quarters. Gilead Sciences Inc. had two big announcements during the quarter: 1) the FDA approved its new liver disease treatment for biliary cholangitis and 2) its phase III HIV drug trial reduced new infections by 96% when compared to background HIV incidence, which could be a game changer for the disease. AbbVie Inc. showed positive top-line growth from its immunosuppressive drugs, Skyrizi and Rinvoq. Abbvie's management continues to work through the loss of exclusivity from Humira, switching patients to Skyrizi or Rinvoq rather than Humira biosimilars.

Among consumer discretionary stocks, U.K. housebuilder Bellway PLC was up more than 30% after reporting better-than-expected annual results, while proffering an upbeat outlook for the housing sector on the back of BoE rate cuts. The U.K. government plan to increase home supply and reform the planning system was also encouraging. Investors lauded Bellway's organic growth objectives, which trumped acquisitive growth as it ended its bid to buy Crest Nicholson. Another U.K. company, clothing retailer Next PLC, raised profit guidance for the year after pointing to strong quarterly results with better full-price sales especially overseas. U.S.-based DIY hair care and beauty supply company, Sally Beauty Holdings, reported quarterly results that highlighted better-than-expected sales and profits. Comparable sales turned positive after declining for a few quarters. Canadian Tire Corp. (CT), which operates a diversified network of automotive, hardware, sports, leisure and houseware brands, posted better-than-expected quarterly results, pointing to gross margin strength and cost controls. Importantly, CT commented on stabilizing volumes and revenues within a customer base spending on essentials vs. discretionary items. The notable sector decliner was Kia Corp. The South Korean auto maker delivered record quarterly results; however, the market was concerned about Kia's ability to maintain peak margins on the back of decelerating raw material benefits, rising wage costs, rising incentives and lower unit sales volumes. U.S. presidential election banter on imported car tariffs also hurt expectations.

Allison Transmission Holdings was the top overall portfolio contributor, leading the industrial sector. The heavy-duty truck transmission supplier reported record quarterly net sales, driven by all-time highs in the North American on-highway end market. Performance was strengthened by year-over-year increases in defense and other end markets, while the company eyed up expansion partnerships in Vietnam and Indonesia, to name a few. Science Applications International (SAIC) announced tepid quarterly revenues, weighed down by some recompete losses. Management vowed to address the recompete bid process, while pointing to a fleet of new business wins. The market lauded SAIC's initiatives, with the stock ticking up 18% during the quarter. Loomis AB, the Swedish cash management company, delivered robust organic sales growth while increasing margins. Its U.S. business tops the market, while European operations improved in a difficult economic environment.

At the other end of the industrial sector spectrum: trading house Marubeni Corp. has yet to recover from the August 5th "flash crash" in the Japanese stock market. Weak demand in agricultural products (due in part to heavy rains delaying crop planting) didn't help, nor did the sharp increase in Japanese yen vs. U.S. dollar, as the Bank of Japan raised interest rates earlier in the summer… its first rate hike in 17 years. Germany's Daimler Truck Holding cut unit sales guidance in Europe and Asia, with the soft local market being the largest drag in Europe.

Five of six consumer staples holdings had double-digit gains, led by Ingredion Inc. and Koninklijke Ahold Delhaize. U.S. food/beverage ingredient supplier, Ingredion, announced strong second quarter results, citing growth in its texture & healthful solutions, while its food and industrial segments responded to robust customer demand. In conjunction with sales growth, Ingredion's Cost2Compete program has proven a boon for the company, already realizing more than $18 million in run-rate savings in just one quarter. Ahold also had robust quarterly earnings and held firm to its 2024 guidance. The Netherlands-based grocery chain expanded its branded products, introduced cost savings initiatives and pushed sales in European stores. Last quarter purchase, chocolatier Barry Callebaut, was up as investors looked past the current supply challenges with the cocoa crop, while Greencore Group boosted annual profit guidance after reporting higher like-for-like sales along with profit conversion improvements in its third fiscal quarter.

KDDI Corp. and Deutsche Telekom topped communication services sector gains. Following the August 5 Japanese stock market "flash crash", investors flocked to defensive names like KDDI Corp. The telecom reported decent quarterly results, highlighting acquisitive gains from the Lawson deal and organic growth in its enterprise, digital transformation, IoT, data center businesses. Deutsche Telekom added new U.S. customers in the second quarter of 2024 via its U.S. subsidiary, T-Mobile; the U.S. business broke the 100 million post-paid mobile customer mark for the first time. The company raised its full year free cash flow estimates, indicating improved profitability and revenue while not skimping on network improvements or expansion partnerships.

Barbell returns defined the materials sector, with gains from Linde PLC, Yara International, Smurfit Kappa (now Smurfit Westrock), Antofagasta PLC and Mondi PLC offset by two Canadian companies, Methanex Corp. and Lundin Mining. Methanex shares fell after the company agreed to acquire the methanol business of OCI Global for a little more than $2 billion. Methanex is slated to get OCI's interest in two methanol facilities in Texas as well as a low-carbon methanol production business and idled facility in the Netherlands. Following the news, Barclays downgraded the stock, citing concerns about operating reliability, increased leverage and investor rotation. Lundin Mining followed the copper price lower in the third quarter, slumping after a substantial runup in in the preceding months. However, the Lundin-BHP joint venture looks promising, as the group intends to operate a number of copper rich assets in the Vincuna district of Argentina.

Oil prices softened during the third quarter, as did investor enthusiasm for oil production and service companies; NOV Inc. was negatively impacted by this industry trend. Demand metrics point to steady business, just not the strong growth of the past. Similarly, after a long period of incredibly high refining margins, Marathon Petroleum Corp.'s margins have begun to normalize. However, geopolitics can quickly change the trajectory for both companies: in early October, oil prices surged again as concerns mounted that a widening Middle East conflict could disrupt global crude flows.

Investor enthusiasm around AI cooled, as questions swirled about massive capital expenditures in AI and the return on investment. In the U.S., Microsoft Corp. and MKS Instruments Inc. both declined; the former in response to the concerns of AI-related capital expenditures, while the latter was in sympathy with softer semiconductor capital equipment stocks. As previously referenced, South Korean chip companies, Samsung Electronics and SK Hynix Inc., sunk as industry sentiment was hampered by Nvidia Corp.'s second quarter results. Perennial all-star Nvidia (with a $2.5 trillion market cap) beat estimates and revenues, but those beats have been getting smaller; concerns arose about margins and lower growth rates in upcoming quarters, while Nvidia faces an antitrust probe. Other factors also contributed to the South Korean companies' steep stock drop: 1) declining commodity dynamic random-access memory (DRAM) prices due to weak demand, 2) DRAM competition from China and 3) an oversupply of inventory in both DRAM and high bandwidth memory (HBM) on the narrative of an AI slowdown and new memory supplies entering the market in the next couple of years. Struggles at Samsung were compounded by a delayed HBM qualification at Nvidia and lagging foundry business.

Polaris sold Toronto-Dominion Bank given the ongoing anti-money laundering investigation, which may hamper the future profitability and growth of the Canadian bank. Capital was re-allocated to two Japanese companies: ORIX Corp., a diversified financial services group and Macnica Holdings Inc., a semiconductor chip distributor. Both were purchased at attractive prices following the August 5th crash. Since the purchase date, Macnica has already jumped 15% (through 09/30/24), while ORIX should benefit from a normalized yield curve under a directive from new Prime Minister Shigeru Ishiba. The portfolio also added real estate investment trust (REIT) Gaming & Leisure Properties Inc. (GLPI). Historically a sector out of reach on high valuations, REITs derated materially in the 2023/2024 rising rate environment due to higher debt funding costs and lower underlying property valuations. We saw an opportunity to invest in GLPI, one of the few REITs serving a resilient casino/gambling industry.

The table reflects the sector and regional allocation for the Polaris Global Equity Composite as of September 30, 2024.

	MSCI World Weight	Portfolio Weight	Energy	Utilities	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Comm. Services	Real Estate	Cash
N. America	*74.9%*	47.3%	3.5%	1.4%	2.3%	4.4%	5.6%	2.4%	7.7%	13.0%	4.6%	1.0%	1.3%	0.0%
Japan	*5.6%*	8.9%	0.0%	0.0%	0.7%	2.4%	1.2%	0.0%	1.1%	1.1%	0.2%	1.1%	1.1%	0.0%
Other Asia	*2.9%*	7.5%	0.0%	0.0%	0.0%	0.0%	2.7%	0.0%	0.0%	2.7%	2.2%	0.0%	0.0%	0.0%
Europe	*14.5%*	27.6%	1.8%	0.0%	3.8%	3.0%	4.6%	3.8%	2.2%	4.7%	0.0%	3.5%	0.0%	0.0%
Scandinavia	*2.1%*	5.3%	0.0%	0.0%	1.0%	1.8%	0.3%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	0.5%	0.0%	0.0%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
Portfolio Totals		100.0%	5.4%	1.4%	8.0%	11.9%	14.3%	6.3%	11.0%	23.8%	7.0%	5.6%	2.4%	2.9%
MSCI World Weight	*100.0%*		*3.9%*	*2.7%*	*3.8%*	*11.1%*	*10.3%*	*6.5%*	*11.7%*	*15.4%*	*24.8%*	*7.6%*	*2.3%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

Interest rates finally peaked, with most central banks globally now initiating an interest rate easing cycle. The cuts that started in the third quarter (as discussed above) are not likely the last batch, dependent on job reports and other macro metrics. That is not to say that rates will drop to untenably low levels again; in fact, we think rates collectively will be higher than the prior rate cycle. In essence, the era of 0% interest and “free money” has ended. Our view is supported by a recent paper from the Richmond Fed in which senior economist Felipe Schwartzman points to a neutral interest rate for the economy at 1.2% to 1.4% higher than it was before the pandemic.

Keeping rates at more stabilized levels especially in real, after-inflation terms ensures more appropriately priced cost of capital. In basic terms, it now matters what you pay for things. This bodes well for value stocks, as investors turn their attention to fundamentally-strong, profitable companies that often trade at a discount to intrinsic worth. Current earnings and dividend payments become more valuable, while future earnings projections tagged to growth stocks become less so.

In a normalized rate environment, global economies should start to recover. We are already seeing signs of that in most of the developed world. China is also on the recovery tract, pushing aggressive fiscal stimulus measures to boost its local economy, although ongoing trade tensions may limit growth potential.

In general, global economic recovery will be especially helpful for cyclical stocks, where the portfolio is typically overweight. Our research pipeline continues to pinpoint a number of cyclicals, and a few defensives, that look promising. We will be adding a select number of names in the coming quarters, with the intent of enhancing the risk/return profile of the portfolio.

IMPORTANT INFORMATION: The Polaris Global Equity Composite was established on April 1, 1995 with a performance inception date of September 30, 1984. Performance from the inception date through March 31, 1995 represents the portfolio track record established by Portfolio Manager Bernard Horn while affiliated with a prior firm. 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. Please refer to the annual disclosure presentation. 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. One cannot invest directly in an index.