POLARIS CAPITAL MANAGEMENT, LLC

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INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2025		Annualized as of March 31, 2025				
	YTD	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Intl. Equity Composite (net of fees)	**5.72%**	**5.72%**	**2.36%**	**4.57%**	**12.86%**	**5.00%**	**9.90%**
Polaris Intl. Equity Composite (gross of fees)	**5.85%**	**5.85%**	**2.87%**	**5.09%**	**13.42%**	**5.54%**	**10.70%**
MSCI EAFE Index, gross dividends reinvested	7.01%	7.01%	5.41%	6.59%	12.31%	5.90%	8.65%

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

The first quarter of 2025 will be remembered for rapid change. U.S. presidential transitions typically focus on achieving one or two major policy objectives in the first 100 days. The Trump Administration has initiated so many far reaching and dramatic changes it is hard to keep count. But the target is clear: the U.S. Administration is attempting to reset decades of intricate global trade agreements, while also addressing tax policy and U.S. federal debt and deficit spending, all of which are interrelated. Amidst this upheaval, the DeepSeek announcement out of China led investors to question the Silicon Valley hype that U.S. tech giants dominate the world of artificial intelligence. This caused an unexpected market decline among the "Magnificent 7" names.

Not surprisingly, security markets experienced extremes in volatility. What is surprising: international markets have outperformed so far in 2025. Following the U.S. elections, general consensus suggested that the U.S. economy/markets would lead the world for years to come. Investors liquidated international equities to buy U.S. stocks, favoring benchmark heavyweights. The tides have turned; countries like Germany that epitomized the most negative sentiment are now among the best performing markets in 2025. Based on the March 26, 2025 Bureau of Economic Analysis Investment report, the value of non-U.S. investments in U.S. securities increased nearly $7 trillion over the past two years. Some of those investors may be rethinking their positions now; it would be reasonable to expect investment dollars to leave the U.S. and return to home markets as domestic economic activity picks up, while the U.S. markets lag.

On this backdrop, the Polaris International Equity Composite gained 5.72% (net of fees), while the MSCI EAFE Index returned 7.01%. Financials and industrials contributed most, followed by Index-beating results in health care, energy and consumer discretionary sectors. Materials was the only sector in absolute negative territory, as tariff concerns weighed heavily. Portfolio holdings in Germany, Norway, Sweden, Switzerland, China, Netherlands and Italy posted double-digit gains, while Canada and Ireland detracted on the back of underperforming materials companies.

FIRST QUARTER 2025 PERFORMANCE ANALYSIS

Five of the top 10 overall portfolio contributors hailed from the financial sector, led by Norwegian institutions, DNB Bank and Sparebank 1 Sor Norge. DNB's stock price rose more than 30% after announcing solid quarterly earnings, healthy profit margins and an interest rate/currency hedging strategy that solidifies its financial footing within a robust Norwegian economy. Sparebank 1 Sor Norge continued its stellar run, raising return-on-equity targets earlier in the year. Hannover Re focused on expansion, seeking out new European underwriting opportunities. Higher-for-longer interest rates improved Hannover's investment income. Fellow reinsurer Munich Re increased profitability in global specialty insurance, while maintaining pricing and underwriting discipline in the property & casualty market despite loss events. Munich Re will acquire Next Insurance, marking its first foray as a primary insurer to small/medium-sized U.S. businesses.

German discount brokerage flatexDEGIRO publicized better-than-expected earnings, while announcing ambitious plans to grow its user base and offer more products.

Among industrials, outsized gains from Loomis AB and Vinci SA were tempered by losses at International Consolidated Airlines Group (IAG). Swedish cash handling company, Loomis, cited good organic growth and margins, coupled with strong free cash flow. Loomis' legacy business continued to perform, while Loomis Pay adoption accelerated. Vinci SA rebounded from 2024 lows, as new management outlined global expansion, renewable energy integration, and tech advancements to improve efficiency and service. IAG reported solid results, driven by favorable pricing (tight capacity/high demand) in the North Atlantic region; the company subsequently launched a new $1.1 billion share buyback scheme. However, travel stocks slid after Delta Airlines and Southwest Airlines cut profit expectations on weakening travel demand.

Our consumer discretionary portfolio outperformed the sector benchmark, as a handful of stocks posted returns in excess of 15%. Next PLC saw its share price rise due to strong financial performance, an upgraded 2026 profit forecast and online sales growth (both within the U.K. and overseas). China e-commerce site, Vipshop Holdings, had impressive fourth quarter earnings, with earnings per share and revenue surpassing expectations. The company's focus on discounted apparel offerings and high gross margins boosted investor sentiment. Other top contributors included Sony Group Corp., Swedish food packaging producer Duni AB and South Korean retailer, F&F Co Ltd.

The sector was not without its detractors. Canada's Magna International fell on the threat of 25% tariffs on auto parts, potentially disrupting supply chains and increasing costs. Magna's 2-year vehicle production outlook also underwhelmed. In late 2024, Inchcape lost distribution rights for two Chinese brands, Geely and JAC Autos. To counter this loss, the British automotive distributor strengthened ties with Changan in Chile and added smaller brands like Deepal, Avatr, and Nevo. Continued tariff discussions could impact LG Electronics in the near term, as the company plans to pass along tariff prices to the consumer. However, LG Electronics has largely hedged the risk through its geographically diverse manufacturing sites.

All energy sector holdings gained for the quarter. ENI SpA's 2025 capital market update was well received, as the Italian energy company fired on all cylinders: solid upstream organic volume growth, non-core asset sales, and increased shareholder returns via dividends and share buybacks. ENI also hosted a tour of the Commonwealth Fusion Systems facility in Devens, MA where they are building the SPARC tokamak, a machine that harnesses fusion energy -- the holy grail of clean energy. We were impressed by the progress of this production facility and will be monitoring the commercial fusion reactor being built in Virginia. TotalEnergies alluded to resilient global energy demand as the shift to renewables is balanced by legacy energy sources.

Barbell results defined the communication services sector, with Deutsche Telekom gaining more than 20%, driven by a solid earnings outlook, growth in its U.S. subsidiary T-Mobile, upside in B2B offerings, and resiliency in the local German market. By contrast, Publicis Groupe lost more than -10% even though the company had solid results and new business wins during the quarter. Skepticism surrounds competitive advantages afforded any one company in the advertising space; however, we believe that Publicis is well positioned to capture market share, ready to poach clients disrupted by the Omnicom/Interpublic acquisition.

In the wake of DeepSeek news, investor appetite shifted from the U.S. dominant, large-cap "Magnificent 7" tech names to a much broader set of global IT companies. This boded well for the likes of SK Hynix and Samsung Electronics, both of which are derivative plays in the AI space at much more attractive valuations. South Korean semiconductor manufacturer SK Hynix had robust quarterly earnings, with its high-bandwidth memory (HBM) now comprising 40% of sales. Samsung was up on DRAM demand and tight HBM supply, resulting in a recovery in average selling prices. The sole sector detractor was Canada's OpenText Corp., which released underwhelming quarterly numbers and cut full-year revenue guidance, with management referencing global economic challenges, a contract termination and slower sales in select business lines.

Methanex Corp. dragged down materials sector results. The Canadian methanol producer addressed an unplanned outage in its Geismar 3 plant; downtime will impact second quarter results. Smurfit Westrock's stock price trended down since releasing mixed fourth quarter 2024 results. Net sales and earnings per share increased from the prior year quarter; however, these figures fell short of Street expectations. The bigger concern is the impact of tariffs, as Smurfit has notable footprints in Mexico and Canada.

We exited Swiss generic drug/biosimilars pharmaceutical company, Sandoz AG, as it reached valuation limits. There were no other sales for the quarter. We completed the purchase of International Consolidated Airlines Group, as referenced above. IAG is a well-managed, diversified airline with global leadership positions, focusing on growth markets like the U.S., Latin America, and Spain. Its portfolio spans full-service, value, and low-cost segments. The company boasts a healthy balance sheet, robust capital allocation, and secured new aircraft capacity, shielding it from Airbus, Boeing and aircraft engine-related disruptions.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of March 31, 2025.

	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%*	9.8%	0.0%	0.0%	3.1%	0.0%	3.3%	0.0%	0.0%	2.0%	1.4%	0.0%	0.0%	0.0%
Japan	*21.7%*	12.8%	0.0%	0.0%	0.8%	3.8%	2.1%	0.0%	2.1%	1.8%	0.3%	1.9%	0.0%	0.0%
Other Asia	*10.5%*	15.5%	0.0%	0.0%	0.0%	0.0%	5.6%	0.0%	0.0%	6.1%	3.9%	0.0%	0.0%	0.0%
Europe	*60.0%*	45.0%	3.9%	0.0%	5.1%	7.4%	6.1%	6.2%	5.9%	5.4%	0.0%	5.0%	0.0%	0.0%
Scandinavia	*7.8%*	11.0%	0.0%	0.0%	1.8%	3.5%	0.6%	0.0%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	1.2%	0.0%	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.7%
Portfolio Totals		100.0%	3.9%	0.0%	10.7%	15.8%	17.6%	6.2%	8.0%	20.5%	5.6%	6.9%	0.0%	4.7%
MSCI EAFE Weight	*100.0%*		*3.7%*	*3.4%*	*5.8%*	*17.8%*	*10.4%*	*8.3%*	*12.2%*	*23.6%*	*8.0%*	*5.0%*	*1.9%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

The 2024 U.S. Presidential election fostered market optimism, particularly on expectations of deregulation, infrastructure spending, and energy improvements. However, concerns emerged over concentration in mega-cap tech and projected trade policies. Tariffs came to the forefront of every discussion in global markets, and with good reason. After the quarter end, on April 2nd, markets whipsawed in the wake of broader-than-expected tariffs, only to swing back the other way on April 9th, when tariff timelines were pushed out 90 days.

By disrupting the natural flow of trade and comparative advantage, tariffs can lead to reduced economic efficiency, production issues, higher prices, and slower economic growth globally. We have seen this firsthand in talking to some of our portfolio companies, as they seek to combat knock-on effects in their business models. So far, defensive sectors including consumer staples, health care, insurance, and utilities have proven agile and adaptable, eking out gains amid massive market volatility. There is also a running list of products the Administration exempted from tariffs (select minerals, energy products, chemicals used in energy/manufacturing), along with automotive goods covered under the USMCA Agreement.

Many sectors are not so lucky, namely materials, industrials and consumer discretionary. However, careful analysis of sub-industries may reveal companies with good growth prospects and strong underlying demand. A few spring to mind: Linde AB has quoted strong industrial gas demand; Yara International noted the need for farming fertilizers; and Vinci AB and Trevi Finanziaria are primed to help in the rebuild of war-torn countries. “Semi-discretionary” products (defined as goods that consumers can choose to purchase or forgo but are often considered more important than fully discretionary items and are less likely to be cut during economic downturns) won’t likely be on the chopping block either.

At the end of the day, we expect tariffs and non-tariff trade barriers to be negotiated and renegotiated as bargaining chips in an increasingly interconnected world. We must remember that global trade stands at the forefront of prosperity for all economies – including the U.S. To the degree global trading relationships become more frictionless, and based on underlying comparative economic advantages, this could be very positive for a new era of economic growth.

IMPORTANT INFORMATION: The Polaris International Equity Composite was established on April 1, 1995 with a performance inception date of June 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 EAFE Index, gross dividends reinvested, is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. One cannot invest directly in an index.*