POLARIS
CAPITAL MANAGEMENT, LLC

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INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2025				Annualized as of September 30, 2025				
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
Polaris Intl. Equity Composite (net of fees)	**24.50%**	**4.77%**	**12.40%**	**5.72%**	**13.66%**	**21.31%**	**12.12%**	**7.81%**	**10.21%**
Polaris Intl. Equity Composite (gross of fees)	**24.99%**	**4.92%**	**12.55%**	**5.85%**	**14.26%**	**21.92%**	**12.68%**	**8.37%**	**11.01%**
MSCI EAFE Index, gross dividends reinvested	25.72%	4.83%	12.07%	7.01%	15.58%	22.30%	11.70%	8.69%	8.96%

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

Global equity markets saw broad positive returns in the third quarter of 2025, buoyed by resilient corporate earnings, enthusiasm for artificial intelligence (AI) and the U.S. Federal Reserve's first interest rate cut of the year. Emerging markets led the charge, with China buoyed by a U.S. trade truce and AI-related strength. South Korea's benchmark KOSPI Index reached new heights on tech sector performance and domestic policy optimism.

In developed markets, weaker currencies supported export-oriented indices: Japan's TOPIX Index delivered an 11.0% gain for the quarter, while the U.K.'s FTSE All-Share Index was up 6.9%. Looking further afield, Spain, Netherlands, Italy, Belgium and Canada outperformed a rallying U.S. market, which gained more than 8% (S&P 500 Index) on tech and communication stocks. Conversely, France and Germany languished on geopolitical and fiscal concerns, further weighed down by tepid growth projects under new U.S. trade policy. International composite performance generally followed this geographic trend, with top contributions from Japan, Switzerland and Ireland, along with double-digit gains from select off-benchmark Asian economies and Canada.

At the sector level, financials contributed most, followed by other cyclicals including industrials, materials, consumer discretionary and information technology (IT). Underperformance in a heated communication services sector hampered results. The Polaris International Equity Composite gained 4.77% (net of fees) for the quarter, while the MSCI EAFE Index returned 4.83%.

THIRD QUARTER 2025 PERFORMANCE ANALYSIS

Among financials, Mitsubishi UFJ Financial Group capitalized on a supportive interest rate environment in Japan, strong fee income and lending growth, and gains from the sale of cross-held shares. Like many national peers, Mitsubishi is unwinding its cross-shareholdings as part of a shift toward more investor-friendly corporate governance. Shinhan Financial Group reported solid quarterly earnings, citing robust growth in non-interest income and capital ratio improvement. Japanese financial conglomerate Orix Corp. released quarterly results that exceeded plan, with key contributors from its real estate and energy divisions. Puerto Rico-based Popular, Inc. delivered strong earnings over the past few quarters, citing net interest margin expansion and higher net interest income from loan yields, fee generation and robust loan growth in commercial, mortgage, and construction lending.

Japanese trading company Marubeni Corp. closed in on its guidance targets, engaging in new investments, improving shareholder returns, and increasing the overall profit mix from non-resource businesses. The finance, leasing, and food/ agriculture divisions were particularly strong, while resource division profits declined. Elsewhere in industrials, U.K.-based International Consolidated Airlines gained more than 10%, driven by positive earnings results from U.S. peers and continued strength in air travel demand across core geographies. The tariff fallout is impacting the heavy-duty truck market, with Daimler Truck Holding cutting its key profit forecast for 2025 due to continuous North America market weakness as cautious buyers postponed orders. New duties on steel and aluminum imports from Mexico may also impact topline growth. Teleperformance's specialized services segment disappointed due to the loss of a large contract and a broader slowdown in its translation division.

In materials, Lundin Mining Corp. had solid results with copper/gold production tracking to full year targets. In addition, favorable gold prices are helping lower consolidated costs. The next big milestone will be the 2026 technical report outlining the Argentina project development. Methanex Corp. had decent earnings on strong methanol prices and efficient integration of the OCI business. The deal strengthens Methanex's access to affordable natural gas feedstock, helping to buffer against global disruptions. Mondi PLC disappointed as first half 2025 results fell below expectations due to soft volume in flexible packaging; management warned of macroeconomic reverberations through year-end. The stock was subsequently sold.

In consumer discretionary, Chinese online retailer Vipshop Holdings Ltd. guided for single-digit quarterly revenue growth, suggesting an inflection point. The company deployed a focused merchandise strategy targeting younger consumers and its high-value Super VIP base. Consumer engagement for Sony Group Corp.'s gaming platform and titles remained robust. The company continued to play into its strengths, investing in audio/video while divesting non-core business lines. Magna International Inc. traded higher as investors reassessed its earnings trajectory. Management revised up top-line guidance, supported by slightly stronger China production, while margins continue to benefit from restructuring initiatives. Among sector decliners, F&F Co.'s net profit declined and sales fell in the second quarter, as expenses rose and consumer spending on apparel slowed. Anticipation runs high that F&F will recover in the later part of 2025-early 2026 as consumption promotion policies ramp up in South Korea. D'Ieteren Group posted underwhelming half-year numbers; profit declined due to higher debt costs at subsidiary Belron and weak performance in the auto division.

In IT, Samsung Electronics outperformed as it made solid progress in HBM4 with improving yield, while its HBM3 cleared Nvidia's performance benchmarks. The NAND market also began to show strength in demand and pricing. In addition, Samsung's foundry business secured a $16.5 billion deal with Tesla to manufacture next-generation AI chips. Fellow South Korean chip producer SK Hynix Inc. finished mass production preparations for HBM4, which is expected to improve AI service performance by up to 69%. Despite solid quarterly numbers and honing in on full-year revenue guidance, Capgemini SE shares dipped after announcing the acquisition of WNS for $3.3 billion, as investors questioned demand for business process outsourcing. However, Capgemini has promoted this deal as foundational for global leadership in Agentic AI-powered intelligent operations.

Two other individual standouts: Swiss chocolatier Barry Callebaut gained 25%+ despite reporting weak volume and downgrading full-year guidance, indicative of a rebound from depressed valuation levels and some signs of cocoa price stabilization. Jazz Pharmaceuticals jumped more than 24% as investors lauded its innovative oncology and neuroscience pipeline, excited by the FDA approval for brain tumor drug Modeyso.

Composite holdings in communication services failed to keep pace with sector benchmark gains. Publicis Groupe's shares faced selling pressure despite beating quarterly estimates and raising annual revenue guidance, as management called out cautious client behavior, slowing ad market demand, and AI-induced deflationary pricing on the earnings call. Ipsos underwent a CEO leadership change in the quarter, as Ipsos' board demanded acceleration of digital transformation, data analytics, and AI capabilities to meet shifting client demands. Both French companies also suffered as political turmoil roils the country, with two prime ministers ousted in no confidence votes followed by another resignation.

During the quarter, we exited Canadian Tire and Tecnoglass, as good performance stretched valuations. Coffee company JDE Peet's was sold at a healthy profit when the company accepted an all-cash takeover offer at a 20% premium from Keurig Dr Pepper. Mondi was sold, as referenced above.

We invested in HD Hyundai Electric as utility grid demand for electrical transformers is driving a multi-year backlog. Global logistics provider DHL Group was added for its international division, DHL Express. 75% of DHL Express' shipments go to global markets outside the U.S., where it holds the leading market share. This international footprint reduces the company's exposure to U.S. trade policy and tariffs, while benefitting from supply chain re-routing across Asia.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of September 30, 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%*	6.5%	0.0%	0.0%	2.7%	0.0%	1.7%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%
Japan	*22.3%*	14.9%	0.0%	0.0%	0.6%	4.1%	2.0%	0.0%	1.8%	4.3%	0.3%	1.7%	0.0%	0.0%
Other Asia	*10.9%*	16.3%	0.0%	0.0%	0.0%	1.7%	4.3%	0.0%	0.0%	5.5%	4.8%	0.0%	0.0%	0.0%
Europe	*59.6%*	45.9%	3.6%	1.8%	3.5%	9.2%	5.7%	5.9%	5.3%	4.9%	1.7%	4.2%	0.0%	0.0%
Scandinavia	*7.2%*	9.3%	0.0%	0.0%	1.8%	3.2%	0.6%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	0.0%
Africa & South America	*0.0%*	0.9%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	*0.0%*	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.2%
Portfolio Totals		100.0%	3.6%	1.8%	8.6%	19.1%	14.3%	5.9%	7.1%	20.6%	6.9%	5.9%	0.0%	6.2%
MSCI EAFE Weight	*100.0%*		*3.2%*	*3.4%*	*5.6%*	*19.4%*	*10.2%*	*7.5%*	*10.8%*	*24.7%*	*8.3%*	*4.9%*	*1.9%*	*0.0%*

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

The current "two-speed" economy is characterized by a narrow AI-driven boom versus subdued growth across most other industries. While equity performance has been positive, it is heavily concentrated: just seven mega-cap U.S. tech stocks drove nearly 60% of the S&P 500 gains in 2025 to date. The frothy valuations in the AI tech sector should make investors cautious. Why? 1) If the AI boom busts, concentrated indices could be in for a material correction and 2) the market's enthusiasm for AI has overshadowed underlying global economic weakness – wrought from sticky inflation, high tariffs, moderating wage growth and geopolitical instability.

Amidst these macro concerns, we uncover attractively-priced opportunities in economically-sensitive sectors. Financials present an attractive case, with stable net interest margins and loan growth supporting earnings, even as credit and real estate risks linger. Defensives can also weather this storm: consumer staples may benefit from steady demand for essential goods and healthcare spending remains consistent. We certainly won't shun tangential opportunities in the AI space either, as evidenced by Samsung and SK Hynix above. Industrials are poised to gain from productivity improvements tied to AI integration and supply-chain modernization, without the "euphoria" pricing attached to tech leaders. Utilities also represent a defensive play, bolstered by the structural energy needs of AI data centers, offering stable growth in uncertain times. From a geographic perspective, Europe and emerging markets offer more balance, diversified across financials, industrials, energy, and consumer goods compared to tech-heavy U.S. indices.

Stripping AI from the equation, we see cause for action. Global economies must control inflation without stalling growth, restore fiscal discipline, invest in infrastructure and innovation, and strengthen real wages. Signs of recovery are already appearing in Asia, Spain, and the Nordic region, and we see the next leg of growth coming from multiple engines, not just one. As economies execute on these fronts, the stage is set for sustainable, broad-based global growth. We are positioned to capture that shift, with a clear target toward outperformance.

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.