



# POLARIS

CAPITAL MANAGEMENT, LLC

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## INTERNATIONAL EQUITY COMPOSITE COMMENTARY

	2025					Annualized as of December 31, 2025				
	YTD	QIV	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 6/30/1984
<i>Polaris Intl. Equity Composite (net of fees)</i>	35.37%	8.74%	4.77%	12.40%	5.72%	35.37%	18.18%	8.77%	8.23%	10.37%
<i>Polaris Intl. Equity Composite (gross of fees)</i>	36.09%	8.88%	4.92%	12.55%	5.85%	36.09%	18.78%	9.32%	8.80%	11.17%
MSCI EAFE Index, gross dividends reinvested	31.89%	4.91%	4.83%	12.07%	7.01%	31.89%	17.81%	9.46%	8.71%	9.03%

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

International equity markets posted steady gains in the fourth quarter of 2025, capping a year marked by substantial outperformance over the broad U.S. averages. This is the first reversal in market leadership in the 2020s, driven by converging forces: a weaker U.S. dollar, favorable international valuations and slowing momentum in U.S. tech. The Polaris International Equity Composite gained 8.74% for the quarter and 35.37% for the full year (net of fees), significantly outpacing the MSCI EAFE benchmark at 4.91% and 31.89% for respective periods.

The Composite posted double-digit gains in Switzerland, Ireland, Canada, Spain, Italy, Hong Kong and emerging markets, South Korea and Chile. The Composite also outperformed in Japan, Germany, France and a handful of other countries, while Belgium, Puerto Rico, China and Taiwan declined. At a sector level, the Composite dramatically outperformed in information technology (IT), followed by industrials, health care, consumer staples and energy. Consumer discretionary was the sole sector in absolute negative territory.

### FOURTH QUARTER 2025 PERFORMANCE ANALYSIS

SK Hynix and Samsung Electronics, the two largest global memory manufacturers in Korea, were the top two contributors for the quarter, topping IT sector results. Supply-demand constraints benefit memory chip suppliers; the market expects memory price increases in 2026, further supporting the performance of Samsung and SK Hynix. French IT/consulting company Capgemini Group advanced 15% after announcing better-than-expected quarterly revenues; demand is driven by cloud, data and AI, with a strong focus on efficiency and optimization.

In industrials, HD Hyundai Electric was up nearly 30% for the quarter, capitalizing on increased demand to expand/upgrade power infrastructure. The company will complete the construction of a new Korean power distribution equipment plant by the end of 2025. DHL Group reported quarterly results that beat profit expectations (despite a slight revenue dip), driven by cost efficiencies and e-commerce growth. Japanese trading/investment companies Marubeni Corp. and Itochu Corp. both posted gains in excess of 10% for the quarter, executing on both organic and acquisitive growth initiatives, while focusing on better shareholder returns. LATAM Airlines cited stronger earnings momentum, driven by resilient passenger demand, improving load factors, and upbeat 2025–2026 profitability guidance. International Consolidated Airlines gained on the same demand metrics, with better-than-expected earnings and balance sheet strength enabling strategic growth (new routes, fleet additions) and buybacks.

In health care, Ireland-based Jazz Pharmaceuticals announced record quarterly revenues (driven by Epidiolex and Xywav), FDA approvals of two drugs, and positive Phase 3 trial results for its potential blockbuster HER2+ cancer treatment Ziihera.

Japanese diversified financial services group ORIX Corp. gained on strong quarterly earnings, with record net income and earnings per share. The company collected large capital gains from asset sales, namely the divestment of its stake in Greenko, while also partnering with Qatar Investment Authority to launch a new private equity fund. ORIX management raised its full-year earnings forecast and expanded its share repurchase program, boosting investor confidence. Chailease Holding Co. had lackluster results, with lower revenues and higher credit losses; in this context, the company is taking a more cautious lending approach. These challenges are linked to a general slow macroeconomy (in China and Thailand) and intense market competition, which have impacted demand for leasing and financing services

Lundin Mining Corp. announced record third-quarter revenues, profiting from higher realized copper prices in an advantageous supply-demand environment. The Canadian miner struck a deal to sell Eagle Mine and Humboldt Mill to Talon Metals in exchange for an 20% stake in the U.S. pure-play nickel company. Elsewhere in materials, fertilizer company Yara International benefited from lower gas prices in Europe, while introducing an Air Products partnership for low-carbon ammonia projects in the U.S. and Middle East. These projects position Yara toward becoming an energy-transition and low-carbon fertilizer company while securing long-dated contracts. Sector performance would have been even higher if not for Smurfit Westrock and Linde PLC. Smurfit missed quarterly earnings estimates and management trimmed full-year guidance due to challenging demand for paper packaging. Linde issued a cautious outlook due to weakness in European business and fallout from U.S. tariffs.

In consumer staples, Barry Callebaut successfully navigated unprecedented cocoa price volatility while strengthening its balance sheet. The company partnered with Planet A Foods to scale cocoa-free chocolate alternatives; these efforts were lauded by investors.

“Defensive” rotation was starkly illustrated by the consumer sectors, where staples took precedent over discretionary spends, as consumers were squeezed by elevated credit costs and persistent inflation even among necessities. Chinese e-commerce juggernaut Alibaba Group had impressive quarterly revenues, pointing to growth in its cloud division and “one-hour delivery” e-commerce business; however, the company faced profitability pressure due to the aggressive discounting in the aforementioned instant retail space as well as significant AI spending. The stock was already under scrutiny, as the *Financial Times* reported on November 14<sup>th</sup> that Alibaba might land on a Pentagon watchlist for ties to the Chinese military, renewing regulatory concerns. Sony Group beat expectations and raised guidance for the third quarter; yet the stock underperformed amid concerns surrounding its gaming and pictures businesses. French tire manufacturer Michelin lowered guidance as sales in North America fell more sharply than expected due to slower demand for trucks and heavy-duty vehicles used in agriculture.

A few bright spots in the discretionary sector: South Korean car manufacturer Kia Corp. fared well as sales volumes were expected to reach an all-time high in 2025. An upcoming key model refresh cycle and positive U.S.-Korea tariff resolutions portend strong sales volumes into 2026. U.K. clothing retailer Next PLC raised profit guidance for the fourth time in 2025 as sales held up better than expected.

During the quarter, Chinese online discount retailer Vipshop Holdings Ltd., Canadian auto parts manufacturer Magna International and Swiss pharma Novartis AG were sold as each reached target valuation limits. Japan’s Sony Financial Group Inc. (spin-off from Sony Group) was also exited.

Proceeds were deployed to three Asian companies: 1) Alibaba Group Holding is the largest Chinese e-commerce and cloud company, which has stabilized its e-commerce business and invested in the growing cloud business; 2) Asian insurance company AIA Group Limited is leveraging growing demand from Hong Kong, China and other Asian countries; and 3) Chinese company Ping An Insurance may be benefiting from the structural demand for health and protection products given the aging population and limited coverage of national insurance.

The following table reflects the sector and regional allocation for the Polaris International Equity Composite as of December 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%	5.1%	0.0%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%
Japan	22.1%	14.8%	0.0%	0.0%	0.4%	4.3%	1.8%	0.0%	1.9%	4.2%	0.4%	1.9%	0.0%	0.0%
Other Asia	10.3%	22.9%	0.0%	0.0%	0.0%	2.2%	4.1%	0.0%	0.0%	9.6%	7.0%	0.0%	0.0%	0.0%
Europe	60.3%	45.9%	3.6%	1.9%	3.1%	10.0%	5.9%	6.4%	3.8%	5.1%	1.9%	4.2%	0.0%	0.0%
Scandinavia	7.4%	10.0%	0.0%	0.0%	2.0%	3.3%	0.6%	0.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	1.1%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Portfolio Totals		100.0%	3.6%	1.9%	8.6%	20.8%	12.4%	6.4%	5.7%	25.0%	9.4%	6.1%	0.0%	0.2%
MSCI EAFE Weight	100.0%		3.1%	3.7%	5.6%	19.2%	9.8%	7.4%	11.4%	25.3%	8.4%	4.4%	1.8%	0.0%

Table may not cross foot due to rounding.

## 2025 YEAR IN REVIEW

Excellent 2025 international equity performance demonstrated the strategic advantages of diversification. The MSCI EAFE Index gained 31.89% vs. the MSCI USA Index at 17.75%, marking one of the largest performance gaps versus U.S. markets since the early 1990s. The divergence in returns is explained in the opening paragraphs of this commentary. Of equal import, international value outpaced international growth throughout the year, driven by a weaker U.S. dollar, strong Asian tech/chip demand (AI), European fiscal stimulus (defense/infrastructure), and improved corporate earnings globally, particularly in value-heavy sectors like European financials and South American/African commodities, offering compelling diversification and valuation. The Polaris International Equity Composite bested the EAFE benchmark by nearly 350 basis points, gaining 35.37% (net of fees) for the year.

At the sector level, the Composite outperformed in industrials, information technology, both consumer sectors, health care and energy, while financials contributed most to gains. There were no absolute detractors, although utilities, communication services and materials lagged benchmark returns. From a country perspective, emerging markets had outsized gains with South Korean and Chilean holdings up more than 100%. The Composite outperformed in Japan, Norway, Sweden, Netherlands and Switzerland. Decliners were few and far between, namely off-benchmark holdings in Colombia and Thailand.

## INVESTMENT ENVIRONMENT AND STRATEGY

As we enter 2026, international equities remain compelling. Attractive valuations, increasingly shareholder-friendly corporate behavior, and a weakening U.S. dollar make a strong case for diversification beyond U.S. assets. While we're mindful of headwinds like increased government intervention, fiscal pressures, and tariff constraints, we're finding excellent opportunities in targeted developed and emerging markets.

Our investment approach remains disciplined and focused on what we can measure today: strong cash flows from quality “picks and shovels” companies selling essential products/services and good management teams actively creating shareholder value and strategic reinvestment. In essence, we are not chasing trends, distant promises or future cash flows — we are seeking to identifying situations where attractive valuations meet genuine business momentum. Our 2025 results demonstrated how this value discipline paid off, and we will continue in this vein in 2026.

*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. The MSCI USA Index is designed to measure the performance of the large- and mid-cap segments of the U.S. market. With 544 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the U.S. One cannot invest directly in an index.*