



# POLARIS

## CAPITAL MANAGEMENT, LLC

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### GLOBAL EQUITY COMPOSITE COMMENTARY

	2026		Annualized as of March 31, 2026				
	YTD	Q1	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 9/30/1984
<i>Polaris Global Equity Composite (net of fees)</i>	5.91%	5.91%	28.99%	16.84%	8.94%	10.33%	11.15%
<i>Polaris Global Equity Composite (gross of fees)</i>	6.04%	6.04%	29.63%	17.42%	9.48%	10.87%	11.96%
MSCI World Index, gross dividends reinvested	-3.47%	-3.47%	19.39%	17.27%	10.77%	12.36%	10.35%

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

2026 started out well, with global growth tracking slightly above expectations. The U.S. Federal Reserve held its benchmark rate at 3.5%–3.75% following a December cut, and several other G20 central banks maintained or reduced rates, creating a broadly supportive macro backdrop through January and February. Cyclical drove strong early returns, even as U.S. tariff threats continued. March brought a decisive turn. The war in Iran and the closure of the Strait of Hormuz sent energy prices sharply higher. Both the European Central Bank and Bank of Japan held rates steady but cautioned that the ongoing conflict poses risks of rising inflation and slowing economic growth. The pivot reshuffled sector leadership — lifting energy and defensive positions while tamping down AI-adjacent cyclicals.

On this backdrop, the Polaris Global Equity Composite gained 5.91% (net of fees), outperforming the MSCI World Index which declined -3.47%. The Composite outperformed in most sectors including double-digit gains from energy, information technology (IT), materials and utilities. Absolute detractors included consumer discretionary and communication services; however, the Composite still outperformed the benchmark in both sectors. Notwithstanding a significant underweight relative to the benchmark, the United States was a notable source of strength. Other regions of similarly strong gains included Norway, Canada, Italy, Netherlands and off-benchmark regions such as South Korea. China declined on its own domestic challenges (constrained manufacturing, lower consumption), while a handful of U.K. stocks in unrelated industries (Nomad Foods, International Consolidated Airlines) tempered results.

#### FIRST QUARTER 2026 PERFORMANCE ANALYSIS

Energy stocks were among the best contributors to performance in absolute terms. ENI SpA, Marathon Petroleum Corp., and TotalEnergies SE all advanced strongly as the market repriced energy businesses in response to the Strait of Hormuz closure and surging oil prices. Both ENI and TotalEnergies entered the period having reported robust 2025 annual earnings, driven by strong operational performance and production growth. Both companies have focused on strong cash generation and ongoing shareholder returns, reinforcing investor willingness to hold in a heated commodity market.

Stocks within the IT sector had a strong start to the year, driven by the AI boom creating genuine shortages in advanced computer chips and memory. SK hynix Inc. controls 57%+ of the high bandwidth memory (HBM) market, and its entire 2026 HBM production is already sold out. Samsung Electronics confirmed its next-generation HBM4 chips are on track for delivery to NVIDIA in early 2026. U.S.-based MKS Inc. had a record year for wafer fab equipment orders, with double-digit sales across semiconductor, advanced packaging and photonics end markets. Arrow Electronics beat consensus as the electronics distribution industry recovered from the 2023–2024 inventory correction, with stabilizing orders and improving lead times. We exited

Capgemini SE, a French tech consulting firm, after growing concern that its corporate clients would handle more IT work inhouse rather than outsource it.

When the Strait of Hormuz closed, it disrupted roughly 30% of the world's nitrogen supply — a key ingredient in fertilizer — sending prices higher. Norwegian fertilizer producer Yara International was largely insulated from the disruption, and picked up market share from competitors who couldn't deliver. Methanex Corp. was another strong contributor in the materials sector, benefiting from supply disruptions on two fronts — first from natural gas shortages, then from the Hormuz closure — both of which pushed methanol prices higher. Crucially, the company had more product to sell at those elevated prices, having added over 20% to its global production capacity through the 2025 acquisition of OCI Global's methanol business. More volume at higher prices proved to be a powerful combination, and we sold the position at a healthy profit having reached our valuation target. Lundin Mining capitalized on tight copper supply and strong performance at its Caserones mine, while the Vicuna joint venture bolstered the long-term growth outlook.

Within the healthcare sector, Gilead Sciences gained more than 14% after publishing promising cancer treatment results, and expanding its oncology franchise through a partnership with Kymera Therapeutics. United Therapeutics Corp. rebounded at the very end of March after announcing that its TETON-1 pivotal study of nebulized Tyvaso met its primary endpoint in idiopathic pulmonary fibrosis. Lantheus Holdings Inc. gained after earnings beat expectations and the FDA approved a new formulation for its PSMA PET imaging agent, Pylarify. Elevance Health shares fell as the company faced a confluence of headwinds, including a regulatory threat from the Centers for Medicare & Medicaid Services over its Medicare Advantage enrollment practices and a weaker-than-expected 2026 profit outlook.

The Composite's holdings in financials held up better than the benchmark's sector returns. Double-digit gains from Webster Financial and DNB Bank were largely offset by declines from Capital One Financial, SLM Corp. and Ping An Insurance Group. Spanish conglomerate Banco Santander made a play for Webster, paying out \$75 per share of WBS, a 14% premium to the pre-announcement price. DNB stock ticked higher, driven by strong earnings, a robust Norwegian economy, and upward analyst revisions. SLM Corp. had a volatile quarter: shares faced pressure in February on modest increases in early-stage delinquencies and labor market softening, but rebounded in March after the company priced its first student-loan ABS transaction of the year and announced a \$200 million accelerated share repurchase. Ping An Insurance Group underperformed as a proxy for China macro pessimism, while Capital One Financial fell sharply in January after earnings missed consensus estimates, with net income declining 51% year over year largely due to Discover acquisition costs.

Industrials had classic barbell returns, with Marubeni Corp. and Allison Transmission Holdings among the top 15 contributors, while International Consolidated Airlines and Teleperformance were laggards. Marubeni Corp. offered an upward revision to its full-year profit forecast on a bullish stance for copper prices, guiding for increasing annual dividends and committing to an additional share buyback. Allison Transmission issued an upbeat financial outlook for the year, underpinned by the completed acquisition of Dana's off-highway segment. Adding to the momentum, Allison reported stronger production schedules from key partners, including General Motors. International Consolidated Airlines Group faced pressure in March as oil's sharp move and the "risk-off" tone hit economically-sensitive transport names simultaneously. Teleperformance faced persistent investor fears that generative AI will structurally disrupt the customer service outsourcing industry.

Same theme, different industry: French communication services company Publicis Groupe entered 2026 ranked #1 in 2025 global new-business performance; however, the company declined as it could not shake investor fears that generative AI will structurally erode the profitability of traditional advertising agency models.

Within consumer discretionary stocks, Kia Corp. was a consistent bright spot, as solid U.S. sales, aggressive growth guidance, and enthusiasm around its hybrid EV expansion, robotics, and AI positioning helped the stock look past near-term tariff concerns. Record 2025 annual sales in both the U.S. and India, led by SUV and hybrid demand, bolstered the outlook. Offsetting this, Alibaba Group struggled as investors questioned the return on investment from its \$52 billion AI and cloud infrastructure commitment through 2027. Sony Group also declined, pressured by memory chip price spikes that threatened PlayStation 5 margins and the delayed release of several popular software titles. Over the course of the quarter, we exited four positions and initiated two new ones, trimming company exposure that either reached our target valuation level (Methanex Corp., Sally

Beauty Holdings) or no longer supported our original theses (UnitedHealth Group and Capgemini SE), while adding to industrial and materials names with near-term catalysts. On the buy side, we initiated a position in Eastman Chemical, a specialty chemical company that has streamlined its business and cut costs significantly. We also added Ryanair Holdings, Europe's largest budget airline and a name we previously owned during the pandemic. The oil-driven selloff pushed the stock to a price we found attractive, and while higher fuel costs are a headwind for all airlines, Ryanair's structural cost advantages and 80% hedged fuel costs give it more room to absorb the pressure than U.S. full-service carriers. With European air travel supply still tight relative to demand, we see Ryanair as well positioned to keep taking customers from weaker competitors.

The table reflects the sector and regional allocation for the Polaris Global Equity Composite as of March 31, 2026.

	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	74.8%	34.1%	3.0%	1.2%	1.8%	2.6%	0.9%	2.4%	9.1%	9.3%	2.7%	0.0%	1.1%	0.0%
Japan	5.7%	9.7%	0.0%	0.0%	0.5%	3.1%	0.9%	0.0%	1.3%	2.6%	0.2%	1.0%	0.0%	0.0%
Other Asia	2.7%	15.5%	0.0%	0.0%	0.0%	1.3%	2.5%	0.0%	0.0%	6.2%	5.5%	0.0%	0.0%	0.0%
Europe	15.0%	30.1%	3.4%	1.2%	2.2%	6.6%	3.4%	4.0%	2.6%	4.2%	0.0%	2.4%	0.0%	0.0%
Scandinavia	1.8%	5.8%	0.0%	0.0%	1.2%	1.8%	0.2%	0.0%	0.0%	2.6%	0.0%	0.0%	0.0%	0.0%
Africa & South America	0.0%	1.3%	0.0%	0.0%	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%
Portfolio Totals		100.0%	6.4%	2.4%	5.8%	16.7%	7.9%	6.4%	13.0%	24.9%	8.4%	3.5%	1.1%	3.5%
MSCI World Weight	100.0%		4.7%	2.9%	3.6%	11.8%	9.3%	5.7%	9.6%	16.3%	25.7%	8.5%	1.8%	0.0%

Table may not cross foot due to rounding.

## INVESTMENT ENVIRONMENT AND STRATEGY

The Middle East conflict and the Strait of Hormuz closure have introduced a level of volatility that is unlikely to resolve quickly. Oil prices at current levels are not sustainable for a global economy that is already soft in many regions, and the prospect of rate cuts — which markets were counting on — has effectively been taken off the table. That said, not everything about this environment works against us. Higher rates, while a drag on growth, tend to benefit our financial holdings and discourage speculative investing that has contributed to growth dominance over the past few years. We will continue to look selectively for opportunities where volatility creates dislocations, adding quality names at attractive valuations.

The more fundamental shift — and the one we believe has the most lasting significance — is the growing recognition that owning only U.S. stocks is no longer a winning strategy. For the better part of 18 months, geopolitical stress, dollar uncertainty, and uneven global growth have been quietly building the case for international diversification. That case is now impossible to ignore. Investors with a heavy U.S. bias are increasingly wary; the instinct to look beyond American borders is accelerating. This is precisely where we have been positioned, and we believe a genuinely global portfolio is as well-suited to the current environment as any we have seen in years.

**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. The S&P 500 Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. One cannot invest directly in an index.