



POLARIS

CAPITAL MANAGEMENT, LLC

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GLOBAL EQUITY COMPOSITE COMMENTARY

	2026				Annualized as of September 30, 2026				
	YTD	QIII	QII	QI	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since 9/30/1984
<i>Polaris Global Equity Composite (net of fees)</i>	19.74%	-0.17%	13.26%	5.91%	28.12%	21.92%	11.22%	10.97%	11.33%
<i>Polaris Global Equity Composite (gross of fees)</i>	20.21%	-0.03%	13.40%	6.04%	28.78%	22.53%	11.78%	11.52%	12.15%
MSCI World Index, gross dividends reinvested	12.09%	1.96%	13.90%	-3.47%	15.68%	21.89%	12.39%	13.36%	10.61%

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

Global equities gained modestly in the third quarter, with the MSCI World Index returning 1.96%, but the path was uneven. Investors wrestled with shifting views on AI valuations, the escalating Middle East war, and higher oil prices and bond yields. These dynamics at times favored energy, financials, health care and utilities over momentum technology stocks, while at other times the reverse was true. Late in the quarter the U.S. Federal Reserve raised rates by 25 basis points to 3.75%–4.00%, its first increase since 2023, the 10-year Treasury yield topped 5%, its highest level since 2007, and Brent crude climbed back above \$100 per barrel.

The Polaris Global Equity Composite declined -0.17% (net of fees), trailing the Index. Year-to-date, the Composite remains well ahead, at 19.74% (net of fees) versus 12.09%. For the quarter, the Composite outperformed in seven of 11 sectors in absolute terms: energy, financials, communication services, consumer discretionary, utilities, consumer staples and industrials. Information technology (IT) accounted for essentially all of the quarter's underperformance, as the portfolio's memory-chip holdings sold off on doubts about AI spending returns, despite a late rebound. By country, Japan, Italy and France were the largest contributors, with additional outperformance in Germany, Spain and Sweden, while South Korea, home to our memory-chip holdings, and the United States were the weakest.

THIRD QUARTER 2026 PERFORMANCE ANALYSIS

Higher oil prices and interest rates were two forces that shaped quarterly results, and energy stocks were a clear beneficiary. Marathon Petroleum Corp., the portfolio's top contributor, posted wider diesel refining margins as supply disruptions boosted demand for U.S. fuels. Eni SpA rose as oil prices improved the prospect of a special dividend. TotalEnergies SE was up 11.9% on higher second-quarter profit and cash flow, reduced debt and a larger dividend.

Higher rates helped financials, where the portfolio outperformed. Shinhan Financial Group advanced after a record second-quarter profit driven by healthy fee and trading income and lower credit costs, and by expanding dividends and share repurchases. Mitsubishi UFJ Financial Group benefited from the Bank of Japan's latest rate hike to 1.25%, a 31-year high, which should widen the spread Japan's largest bank earns on loans after decades of near-zero rates; it also agreed to work with BlackRock on private credit. United Overseas Bank expected improved lending margins, as Singapore's short-term rates typically follow U.S. rates. Norway's SpareBank 1 Sør-Norge and DNB Bank ASA benefited from solid lending growth, with elevated rates supporting profitability.

In communication services, Publicis Groupe advanced on raised full-year guidance and new business wins, including PepsiCo's \$1.7 billion global media account. KDDI Corp. climbed on an expanded agreement with SpaceX to offer Starlink satellite connectivity directly to mobile phones.

In consumer discretionary, Sony Group reported solid quarterly results as operating profit rose on the back of image sensor and music profits; management also raised its forecast. Alibaba Group Holding bounced back after a difficult first half of 2026 as cloud revenue growth reached its fastest pace in 22 quarters and AI-related product revenue kept growing at triple-digit rates, allaying concern about AI capex. Booking Holdings pulled back on the risk of AI disruption (Meta's new Muse AI agent) to online travel booking, and LKQ Corp. lost ground after trimming guidance on European weakness and German ERP disruption, though North American organic growth turned positive for the first time in nine quarters.

Consumer staples were mixed. Irish convenience food producer Greencore Group reported strong trading, with sales volumes growing faster than the broader U.K. grocery market, positive cash generation and accelerating profitability, and raised full-year profit guidance as savings from its Bakkavor merger arrived earlier than expected. By contrast, Koninklijke Ahold Delhaize slipped as modest U.S. comparable sales growth and price competition, along with reduced SNAP benefits, limited near-term margins, and Tyson Foods lowered its profit outlook on deeper beef losses, though chicken remained the growth driver.

The portfolio's industrial holdings outperformed the benchmark in a challenging sector. Teleperformance SE rebounded sharply from a weak June, as quarterly results showed promise; management reaffirmed guidance. Itochu Corp. posted broad-based, non-commodity earnings growth on organic gains and investments in North American power, Descente and IT services subsidiary CTC, while its stock buyback and capital investment plans (for Japanese data centers) added to confidence. Fellow trading house Marubeni Corp. benefited from a rotation into cash-generative value stocks, along with elevated commodity prices and a weaker yen. Loomis AB beat earnings expectations on momentum in its combined cash and digital offering, which is winning contracts in new verticals.

Not every industrial holding fared as well. Demand for Astor Enerji's transformers remains robust, but the Turkish company fell hard after prosecutors froze its chairman's assets in a capital markets investigation; restrictions on the company itself were quickly lifted. Higher oil prices cut the other way for airlines: LATAM Airlines beat second-quarter expectations and raised guidance, though fuel costs weighed on the shares, and Ryanair Holdings reported lower quarterly profit as its unhedged fuel costs more than doubled.

In health care, Takeda Pharmaceutical was up more than 17% for the quarter as multiple late-stage drugs moved from development toward commercialization, with new approvals and regulatory progress. In contrast, Cytokinetics fell despite a strong product launch and positive Phase 3 results for an expanded use, as investors focused on safety signals in the trial. CVS Health raised its 2026 earnings guidance after a large second-quarter beat, but the shares fell as the company flagged 2027 membership losses and reimbursement pressure. Lantheus Holdings gave back part of its second-quarter rally on takeover interest, as the cash portion of Curium's agreed acquisition came in below the stock's June close, with the remaining value tied to future milestones.

In IT, SK hynix Inc. and Samsung Electronics Co. Ltd. declined as profit-taking and doubts about AI spending outweighed strengthening fundamentals; both rebounded in late September as South Korea's chip exports hit a record. SK hynix, which expects memory demand to exceed supply through at least 2030, was further supported by its KRW 40 trillion share buyback, the largest in South Korean history, and Samsung announced a record shareholder return (mostly dividends) of about KRW 100 trillion for 2026. Adobe Inc. recovered as AI-disruption fears eased on better-than-expected results, despite a CEO transition.

We sold Gilead Sciences as the risk/reward shifted, with growth increasingly dependent on early-stage pipeline assets beyond its core HIV franchise. We also exited Webster Financial Corp. following its acquisition by Banco Santander. We bought Genpact Ltd., a business process outsourcing provider with a faster-growing technology business, trading at a discount to peers. We invested in Regeneron Pharmaceuticals, a biotech franchise; we like its durable Dupixent growth, pipeline and longer-term growth visibility. Both fit our focus on cash-generative businesses.

The table reflects the sector and regional allocation for the Polaris Global Equity Composite as of September 30, 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	76.2%	34.4%	3.3%	1.0%	1.6%	3.4%	1.8%	1.9%	9.6%	7.9%	3.0%	0.0%	0.9%	0.0%
Japan	5.9%	10.9%	0.0%	0.0%	0.0%	2.6%	1.1%	0.0%	1.2%	3.1%	1.8%	1.1%	0.0%	0.0%
Other Asia	2.5%	16.5%	0.0%	0.0%	0.0%	0.7%	2.1%	0.0%	0.0%	5.9%	7.7%	0.0%	0.0%	0.0%
Europe	13.8%	30.4%	2.9%	1.4%	2.4%	6.8%	3.5%	3.2%	2.3%	5.5%	0.0%	2.4%	0.0%	0.0%
Scandinavia	1.6%	4.6%	0.0%	0.0%	0.8%	0.9%	0.2%	0.0%	0.0%	2.7%	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%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%
Portfolio Totals		100.0%	6.2%	2.4%	4.8%	15.6%	8.7%	5.0%	13.2%	25.2%	12.5%	3.4%	0.9%	2.1%
MSCI World Weight	100.0%		4.0%	2.3%	3.2%	10.8%	8.4%	4.8%	9.2%	15.7%	31.8%	8.3%	1.5%	0.0%

Table may not cross foot due to rounding.

INVESTMENT ENVIRONMENT AND STRATEGY

The defining issue as the quarter closed, and the one we expect to dominate the coming quarters, is the global rise in interest rates, driven by two forces. The first, and nearer-term, is inflation: elevated energy prices tied to the Middle East war and Strait of Hormuz disruption, along with tariffs, are pushing up costs, and some of that pressure could ease with policy changes. The second is longer term: concern about government debt and deficits is leading investors to demand higher yields. Unlike inflation, the deficit problem is unlikely to be solved soon, and investors should not assume higher rates are temporary.

The evidence is in bond markets: since the end of February, the 10-year U.S. Treasury yield has risen from 3.96% to 5.27% (by September 28, 2026). Benchmark yields rose faster, in percentage or absolute terms, in the United States, France and Japan than in Greece, Ireland, Portugal or Spain, the countries rescued after the 2008 Global Financial Crisis. For the U.S., we estimate that, once payroll taxes earmarked for Social Security and Medicare are set aside, gross interest on federal debt absorbed more than a third of revenue in fiscal 2026 and will reach about 40% by fiscal 2030. Markets have looked past deficit warnings before, but a disorderly repricing of government debt could unsettle markets broadly. We will lay out our full case in an upcoming blog on our website: www.polariscapital.com/investing-insights.

Higher rates are already reshaping equity markets. Investors have grown more concerned about housing, construction, mortgage demand and autos, and have gravitated toward AI and technology businesses they believe are insensitive to rates. The result is global equity market indices are up double digits year-to-date, driven by a handful of very large and mega cap stocks; the ten largest S&P 500 companies now account for more than a third of that index's value. We view many of these stocks as trading at valuations that are difficult to sustain. That concentration leaves the market vulnerable: with higher rates raising the return investors require, any disappointment in earnings or AI spending, or a sharp rise in bond yields, could trigger a meaningful correction.

Our response is to be as selective as we have always been. We continue to hold a much smaller U.S. weighting than the benchmark and are especially attentive to government fiscal risk in this environment. Despite these economic headwinds, we have been pleased with the resilience of the earnings and cash flows of our portfolio companies, and because market gains are so narrow, the set of attractively priced, cash-generative businesses is expanding. Not all stocks are expensive, and we intend to pursue these opportunities carefully.

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.