POLARIS
GLOBAL VALUE UCITS FUND

An umbrella fund with segregated liability between sub-funds

Registration number C142346

PERFORMANCE COMMENTARY – FOURTH QUARTER 2024

Global markets experienced a quarter of volatility and general malaise, ending a strong rally observed in the preceding months. The period was marked by substantial geopolitical tensions in France, South Korea and other global economies, along with the protracted Ukraine-Russia and Israel-Hamas conflicts. The U.S. was one of the bright spots, as election results heralded a period of potential tax cuts, deregulation and policy shifts expected to boost corporate activity. This comes on the backdrop of a robust U.S. labor market and healthy holiday season spending trends.

The Federal Reserve cut rates by 1.00% since September, sparking a runup in growth stocks. However, the narrowly-approved FOMC rate cut (of 0.25%) in December suggested that policymakers are concerned about stubborn inflation in a resilient U.S. economy. Questions also swirled about trade and immigration under the new U.S. administration, which could lead to faster inflation and slower growth (the makings of stagflation). Central banks around the globe followed suit with modest rate cuts on the backdrop of inflationary concerns; namely, the European Central Bank pointed to mounting energy production pressures amidst the Ukraine-Russia conflict in a wait-and-see approach to 2025. In this environment, we expect "higher-for-longer" interest rates to stick around, which should favor value stocks with strong <u>current</u> earnings and cash flows. However, this transitional quarter still tilted toward growth stocks, with the MSCI World and ACWI Indices (gross dividends reinvested) returning -0.07% and -0.89% respectively, while the value-oriented Polaris Global Value UCITS Fund ("the Fund") returned -5.97% at net asset value.

Positive absolute performance in an overweight financial sector provided ballast in an otherwise underwhelming quarter, where both the Fund and the benchmark suffered declines across most sectors. At the country level, the Fund was weighed down by double-digit losses in South Korea, France, U.K. and Switzerland, modestly offset by outperformance in Ireland and Singapore, along with positive gains from holdings in out-of-benchmark Colombia and Chile.

FOURTH QUARTER 2024 PERFORMANCE ANALYSIS

Consumer spending kept pace in the fourth quarter of 2024, although lower-income consumers felt a greater pinch from the still-high interest rates. This played out in Sally Beauty Holdings, the DIY-hair coloring and beauty supplier, that noted lackluster purchasing behavior in the aforementioned target demographic. Effective cost control measures and growth initiatives should materialize into improved performance going forward. U.S. footwear manufacturer, Crocs Inc. declined after management issued downward guidance revision for its HEYDUDE segment in the fourth quarter of 2024. North American sales growth decelerated, while increased expenses exerted pressure on margins; Crocs did point to strong legacy sales however, which portend opportunity in 2025. LG Electronics was down on disappointing third-quarter earnings, resulting from weaker appliance sales and lower operating profit margins in its auto parts division. France-based Michelin faced headwinds, as consumers traded down to lower priced tires, impacting the business mix. Investors also became concerned over the possibility around increased local taxes. One sector standout was Sony Group Corp., as the company gained more than 10% on the back of solid gaming and music revenues.

The Fund outperformed the benchmark in the health care sector, but it was a hollow win in an industry that was largely negative on the back of rising medical care costs and lower Medicaid margins. Such metrics impacted Elevance Health, which posted weaker third quarter earnings and a muted outlook for 2025. The tragic death of UnitedHealth CEO Brian Thompson opened up public discourse on health care insurance companies and the complexity around customer usage. Despite the tragedy, UnitedHealth is on track to report a strong year of financials. CVS Health Corp. was down commensurately with health insurance peers. Losses were partially offset by strong biopharmaceutical gains from Jazz Pharmaceuticals and Gilead Sciences. Jazz received accelerated FDA approval of Ziihera for HER2 positive biliary tract carcinoma; expectations ran high that Ziihera may be approved for HER2 breast cancer treatment. Gilead Sciences' HIV drug continued to drive sales/earnings growth as the preeminent treatment option that outperforms generic options (as a long-acting prophylaxis treatment).

Information technology results were skewed by geopolitical concerns in both the U.S. and South Korea. SK Hynix and Samsung Electronics, South Korean memory makers, declined on the concerns that the incoming Trump administration may impose chip trade restrictions. In December, the President of South Korean declared martial law, whereafter the opposition party began impeachment proceedings. Investors sold off the South Korean market, impacting the likes of SK Hynix, Samsung Electronics and even the aforementioned LG Electronics. The Korean stock market has begun to rebound in early 2025, with the semiconductor industry leading the way.

Among industrials, Allison Transmission Holding and Tecnoglass Inc. both gained in excess of 10% on the quarter. Allison stock surged following a strong earnings announcement that highlighted several key developments. The company plans to nearly double its manufacturing footprint, enhancing global production capacity, while expanding market share through strategic partnerships with LiuGong and Ashok Leyland. However, defense-oriented industrials, including General Dynamics (GD) and Science Applications International (SAIC), weighed down sector results. The creation of the U.S. Department of Government Efficiency has indeed raised concerns about potential budget cuts and policy changes that could impact government contractors. However, both GD and SAIC are well-positioned to navigate these potential changes due to their strong footholds in the defense industry and track records of quality service contracts.

U.S. financials anticipated a more friendly, less regulatory burdensome operating environment under a new administration. This, along with a higher-for-longer interest rate environment and improved economic growth outlook, spurred on banks during the quarter. In fact, all of the U.S. regional and commercial banks in the Fund portfolio posted absolute positive gains. Many of these institutions reported strong earnings, exemplified by Cullen/Frost's projections of 2-3% net interest income growth and double-digit average loan growth in the third quarter, indicating strong demand in their core banking operations. Capital One Financial's earnings showcased higher-than-anticipated net interest income and net interest margin expansion. In addition, Capital One signaled that expected credit losses have peaked. JPMorgan Chase released stellar quarterly results, with net interest income and trading revenues exceeding expectations. In addition to the favorable financial sector tailwind, education loan provider SLM Corp. was further boosted by Trump administration possibly limiting various government student lending vehicles, leading to higher loan origination for SLM's private student loans. Private equity firm, The Carlyle Group Inc., announced a spate of lucrative deals. Conversely, German reinsurers underperformed for the quarter, due to elevated insured natural catastrophe losses, including Hurricanes Milton and Helene. South Korea-based Shinhan Financial posted lower-than-expected third quarter results, with net profit falling short of forecasts due to derivative trading losses. Problems compounded due to the aforementioned civil unrest in the country.

The Fund outperformed the benchmark in real estate and materials, the latter of which was led by Canadian methanol producer Methanex Corp. and Irish paper packaging supplier Smurfit Westrock. Methanex affirmed its fourth quarter outlook, capitalizing on a fully operational Geismar 3, higher sales volumes, and a firmer pricing environment. Methanex's pending acquisition of OCI Global's methanol business creates incremental capacity to come online when demand is expected to pick up substantially. Smurfit Westrock had impressive third-quarter financial results that highlighted revenue and earnings growth. Notably, Smurfit Westrock surpassed its merger synergy targets by $400 million.

One honorable mention for the quarter: The Williams Companies, Inc. was the single largest contributor to Fund gains, up nearly 20% as investors continue to appreciate the value of its natural gas distribution infrastructure. Additionally, JPMorgan Chase released an optimistic research report on Williams, expecting an upward revision to the company's 2024 EBITDA guidance.

During the quarter, we exited Antofagasta, Daito Trust and Bellway PLC at a healthy profit, as all three reached the upper valuation thresholds. To add color: the Polaris team ran various bull and bear case scenarios on Bellway and believed the valuation on the decision date had priced in a very bullish scenario for the company. Capital was redeployed to purchase four new holdings: LATAM Airlines Group, Sanofi SA, Chailease Holding and Vipshop Holdings. LATAM Airlines stands as the preeminent airline conglomerate in South America, with market dominance and strategic positioning across the region. France's Sanofi is a leading global biopharmaceutical company with a robust portfolio of oncology and immunology treatments protected by long-term intellectual property rights. Chailease Holding Co. offers financial services to small and medium businesses, including leasing, installment sales, factoring, and direct financing in a burgeoning Taiwanese economy. Vipshop is the only discounted apparel online platform in China with a strong affinity from both brands and customers. They have over 50% exposure to tier 2-3 cities, which are more resilient given a weaker macro backdrop in China. Attractive valuation aside, Vipshop rewards shareholders via buybacks and dividends, which are a rare combination among Chinese companies.

2024 YEAR IN REVIEW

While the fourth quarter faltered slightly, annual results for the MSCI World and ACWI Indices (gross) landed in resoundingly positive territory, up 19.19% and 18.02% respectively for the year. A more comprehensive breakout of World Index results showed that growth and U.S. stocks prevailed while small-cap, value and non-U.S. companies lagged. This proved out among the large-cap technology and consumer stocks such as Nvidia, Amazon and Apple, which drove World Index results. And the World Index skewed heavily toward U.S. stocks (at nearly 74%), while the more diversified Polaris Global Value UCITS Fund held only 40% of U.S. stocks. That diversity extended throughout the Fund portfolio, with more small/mid-cap names and markedly more value plays than the World Index, resulting in underperformance for the year, with the Polaris Global Value UCITS Fund returning 5.33%.

At the sector level, the Fund had double-digit gains from financials, consumer staples and utilities, partially offset by negative results in two heated sectors: information technology and consumer discretionary. From a country perspective, the U.S. contributed most to gains, but a significant underweight limited impact. Holdings declined in countries suffering geopolitical turmoil.

INVESTMENT ENVIRONMENT AND STRATEGY

Inflation, interest rates and tariffs mean 2025 is shaping up to be an interesting year for the global economy. Growth is expected to remain at a stable 3.2%, according to the International Monetary Fund, but may be stymied by the slowdown in interest rate cuts. Why? Inflation pushed up in the U.S., U.K. and Eurozone in November, outside of the 2% target of central banks. We believe the "higher-for-longer" stance cuts the right balance in the economy, which is no longer subjected to the artificially low rates that created liquidity traps and asset bubbles.

The biggest difficulty for global growth is geopolitical uncertainty, with the new U.S. administration pushing for tariffs, while the governments of France, Canada and South Korea (to name a few) are facing a transition of power. Traditional engines of economic growth, Germany and France, suffered poor performance amid political instability over the past year. China's domestic struggles are slowly being addressed, focused on the property sector and governmental stimulus plans; yet tariffs could impact China's export-based economy.

Market volatility should help boost our value portfolio, as we are finding and adding attractively priced companies to supplement an already compelling valuation profile. We continue to rotate into specific sectors and countries, making adjustments as needed, while giving current portfolio companies opportunity to shine.

This is a marketing communication.

IMPORTANT INFORMATION

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. 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 MSCI ACWI Index, gross dividends reinvested, captures large- and mid-cap representation across 23 developed markets and 24 emerging markets countries. One cannot invest directly in an index.

RISKS

Potential investors should be aware that an investment in a Fund may be exposed to other risks of an exceptional nature from time to time. Investment in the ICAV carries with it a degree of risk. There can be no assurance that a Fund will achieve its investment objective and there is potential for an investor to lose some or all of its investment in a Fund. Different risks may apply to different Funds and/or classes. Prospective investors should review the Prospectus carefully in its entirety and consult with their professional advisors before making an application for Shares.

The Fund is subject to the following risks, without limitation:

Equity Security Risk: the value of a company's equity securities is subject to changes in the company's financial condition and overall market and economic conditions.
FDI and Leverage Risk: FDI may fluctuate in value rapidly and leverage through FDI may cause losses that are greater than the original amount paid for the relevant FDI.
Emerging Markets Risk: emerging market securities may expose the Fund to more social, political, regulatory or currency risks than developed market securities and may be subject to heightened Liquidity Risk.
MLP Risk: MLPs expose the Fund to risks associated with the underlying assets of the MLPs and risks associated with pooled investment vehicles. There is also a risk that an MLP may not be treated as a partnership for U.S. federal income tax proposes, and the purpose of the Fund's investment in MLPs depends largely upon this.
Liquidity Risk: there may be insufficient buyers or sellers to allow the Fund to buy or sell certain types of securities readily, which may impact the Fund's performance or (in extreme circumstances) an investor's ability to redeem.
Counterparty Risk: a party with whom the Fund contracts for securities may fail to meet its obligations (e.g. fail to settle an FDI) or become bankrupt, which may expose the Fund to a financial loss.
Currency Risk: changes in exchange rates may reduce or increase the value of non-U.S. Dollar denominated assets held by the Fund. There can be no guarantee that currency hedging will be successful in mitigating such effects.
Operational Risk: material losses to the Fund may arise as a result of human error, system and/or process failures, inadequate procedures or controls.

For more information on these and other applicable risks see the sections "Investment Risks and Special Considerations" and "Investment Risks Applicable to each Fund" in the Prospectus.

DISCLOSURES

The Fund is actively managed and not constrained by any benchmark. The Fund invests in securities of foreign issuers, including issuers located in countries with emerging capital markets. Investments in such securities entail certain risks not associated with investments in domestic securities, such as volatility of currency exchange rates, and in some cases, political and economic instability and relatively illiquid markets. Options trading involves risk and is not suitable for all investors.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the Prospectus and Key Investor Information Documents (KIIDs). Please read the Prospectus and KIIDs carefully before you invest. A Prospectus is available for PCM Global Funds ICAV (the ICAV) and KIIDs are available for each share class of the Fund. The ICAV's Prospectus can be obtained from pcmglobalfundsicav.com and is available in English. The KIIDs can be obtained from pcmglobalfundsicav.com and are available in one of the official languages of each of the EU Member States into which the Fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from pcmglobalfundsicav.com. The summary is available in English. The Fund is currently notified for marketing into a number of EU Member States under the UCITS Directive. The ICAV can terminate such notifications for any share class and/or the Fund at any time using the process contained in Article 93a of the UCITS Directive.

The Fund is offered solely to non-U.S. investors under the terms and conditions of the Fund's current Prospectus. Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted.

The Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

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