



*An umbrella fund with segregated liability between sub-funds*

*Registration number C142346*

## **PERFORMANCE COMMENTARY – FOURTH QUARTER 2025**

Global equity markets posted steady gains in the fourth quarter of 2025, capping a year when international equities outperformed the S&P 500 Index. This is the first reversal in market leadership in the 2020s, driven by three converging forces: a weaker U.S. dollar, more attractive valuations abroad, and slowing momentum in U.S. tech. The Polaris Global Value UCITS Fund gained 6.90% for the quarter at net asset value vs. 3.20% and 3.37% (gross dividends reinvested) for the MSCI World and ACWI Indices respectively. The outperformance gap was similar at the annual level, with the Fund up 26.14%, while the World and ACWI Indices returned 21.60% and 22.87%.

Some “Magnificent Seven” stocks fell sharply due to concerns about AI overinvestment and high valuations. While U.S. indices remain overly concentrated in communication services and tech, there were some signs of sector broadening with industrials, financials, health care and utilities. European markets demonstrated resilience, as regional indices traditionally have lower tech concentration and more “defensive” sector composition. Strength was underpinned by solid earnings growth, easing inflation, and expectations that major European central banks would continue cutting rates in 2026. Korea was the best-performing emerging market for the quarter, driven by strong demand for AI memory technology and industrials, as well as an advantageous new U.S. trade agreement.

In line with global macro trends, the Polaris Global Value UCITS Fund posted double-digit gains from Switzerland, Ireland, Canada, Spain, Italy, Hong Kong and emerging markets, South Korea and Chile. The Fund also outperformed in the U.S., Japan and a handful of other countries, while China, Taiwan, Puerto Rico and Belgium declined. At a sector level, the Fund dramatically outperformed in information technology (IT), followed by health care, industrials, consumer staples and utilities. Consumer discretionary, energy and real estate were in 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. U.S. based MKS Inc. delivered on earnings and guidance, driven by accelerating AI demand across semiconductor and advanced electronics end markets; investors also appreciated MKS’ efforts to sell its specialty chemical business and focus on core products. 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. Despite satisfactory revenues, Arrow Electronics declined due to ongoing margin compression and cautious guidance.

In health care, Lantheus Holdings was up nearly 30% after reporting quarterly results with revenue exceeding expectations and flagship prostate cancer imaging agent Pylarify performing well. Lantheus secured a licensing deal with GE Healthcare to bring Pylarify to Japan, while its new formulation is expected to meet U.S. FDA approval in March 2026. 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. United Therapeutics (UTHR) climbed on record third quarter 2025 results, good uptake on Tyvaso regardless of generic competition and promising Tyvaso clinical trial results for idiopathic pulmonary fibrosis. UTHR also conducted the first successful UKidney transplant, generating excitement about its organ manufacturing firm.

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. Investors lauded Allison Transmission Holdings on its closing of the Dana Off-Highway acquisition; the deal materially expands

Allison's addressable markets and improves long-term growth visibility. Japanese trading/investment companies Marubeni Corp. and Itochu Corp. both posted 10% gains 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.

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. U.S.-based Capital One Financial achieved solid quarterly results, with delinquencies and net charge-offs coming in line with expectations and loan growth stronger than anticipated. Chalease 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. Tyson Foods' management pointed to a structural demand shift to lower-priced protein (chicken instead of beef); the company is the largest poultry provider in the U.S. Ingredion's quarterly net sales declined. Production challenges at the Argo facility constrained volumes and weighed on North America food and industrial performance.

"Defensive" rotation was starkly illustrated by the consumer sectors, where staples (see above) 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. U.S. beauty supplier, Sally Beauty, reported strong same store sales, recovering from prior quarter lows; subsequent profit taking and consumer spending concerns in the wake of the U.S. government shutdown pressured the stock. 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.

The single worst performer was U.S. oil refiner Marathon Petroleum Corp., dragging down energy sector returns. Investors voiced concerns about narrowing refining margins driven by a broad decline in crude oil prices. Elevated maintenance costs at Marathon further compounded negative sentiment.

During the quarter, Chinese online discount retailer Vipshop Holdings Ltd., U.S. based investment firm The Carlyle Group, 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.

## **2025 YEAR IN REVIEW**

After a slow start to 2025, the MSCI World and ACWI Indices both had three straight quarters of gains, as international stocks finally outperformed after a decade of American dominance. For the year, the MSCI World and ACWI Indices were up 21.60% and 22.87% respectively (gross dividends reinvested); the Polaris Global Value UCITS Fund bested the benchmarks, up 26.14% (net of fees).

The performance patterns varied by region and investment style. The U.S. favored heady growth tech stocks; results were mixed with many U.S. mega-cap stocks lagging behind. In other developed markets, value stocks outpaced growth counterparts, on improving bank profitability, strong earnings growth, and European fiscal stimulus/government spending. Emerging markets profited from the hype surrounding AI; the Fund identified tertiary value plays in the AI space (i.e. chip suppliers like SK Hynix and Samsung). This country and sector rotation once again validated the need for diversification, instead of home bias.

At the sector level, the Fund outperformed in industrials, information technology, health care, consumer discretionary, energy and consumer staples, while financials contributed most to gains. Real estate was the only absolute detractor. From a country perspective, emerging markets had outsized returns, with South Korean and Chilean holdings up more than 100%. The Fund outperformed in Japan, Norway, Canada, Sweden and the Netherlands, while the U.S. contributed measurably. Relative detractors were few and far between, namely Belgium, Singapore, Hong Kong and Ireland.

## **INVESTMENT ENVIRONMENT AND STRATEGY**

As we enter 2026, international equities remain compelling following a structural performance shift over the past year. 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. We look at everything from German infrastructure and defense spending to resource-rich South American markets to AI-focused companies in Asia. And we would be remiss in not also researching good companies in the U.S., with values most noticeable among financials and select defensives.

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 identify 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.

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***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. 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. The "Magnificent Seven" stocks are comprised of Apple, Microsoft, Google parent Alphabet, Amazon, Nvidia, Meta Platforms and Tesla.*

## 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 purposes, 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](http://pcmglobalfundsicav.com) and is available in English. The KIIDs can be obtained from [pcmglobalfundsicav.com](http://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](http://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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