



## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND

**FOR THE QUARTER ENDED JUNE 30, 2017** the Pear Tree Polaris Foreign Value Small Cap Fund's Ordinary Shares (the "Fund") outperformed its benchmark, the MSCI ACWI ex USA Small Cap Index (the "Index"). During the period, the Fund had a return of 6.86% at net asset value compared to 6.40% for the Index.

### Market Conditions and Investment Strategies

Cyclical sectors contributed most to performance, with strong results from Information Technology (IT), Financials, Industrials and Consumer Discretionary. In IT, VTech Holdings, Yageo Corporation and NIIT Technologies each gained in excess of 30% for the quarter. VTech reported robust annual results, record sales and high margins, due to a better product mix as well as favorable costs and productivity gains. The company's three recent acquisitions, including LeapFrog, have been integrated and were accretive to earnings per share (EPS). Yageo exacted higher prices across its product lines, continuing to dominate in the resistor and capacitor space. Financials were led by two Indian banks, South Indian Bank and LIC Housing Finance, both of which noted fewer non-performing assets on their balance sheets. Satisfactory loan growth and net interest margin expansion also helped the banks' quarterly results.

Marketing campaigns by Japan's Prima Meat Packers boosted sales volumes in the ham and sausage market. Processed food sales increased, as Prima gained entry to more convenience stores. UDG Healthcare continued to grow in the outsourced healthcare services market. The company revised EPS guidance upward, increased capacity and announced plans for organic and acquisitive growth.

Netherlands architect engineering firm Arcadis NV produced encouraging quarterly results and offered an upbeat outlook for the business. Elis SA, the French laundry services group, agreed to acquire U.K. rival, Berendsen, in a \$2.8 billion transaction. As a result of the deal, Elis will gain a foothold in the U.K. and Scandinavian markets. Results in the Industrial sector were somewhat muted by underperformers, Carrillion PLC and Galliford Try PLC. Galliford Try walked away from its pursuit of Bovis Homes, as the company was unable to secure the support of the Bovis board. Large one-off costs linked to fixed price legacy contracts in the infrastructure space also impinged on the stock.

Asaleo Care was downgraded by two brokers after the CFO left the company. The CEO sold half of his position in the company, which was perceived as a red flag by investors. Hong Kong textile manufacturer Texwinca Holdings declined nearly 10% due to lesser demand in the U.S. and China in combination with higher cotton raw material prices yet to be passed through to customers. Equatorial Energia reported lackluster electricity volumes, attributable to the Brazilian recession and weak demand wrought by unusual rainfall and low temperatures.

### Portfolio Changes

During the quarter, investments were made in two Norwegian IPOs. Fjord1 AS is a leading player in the consolidated local ferry market, both in terms of market share and profitability. Sparebank 1 Oestlandet is the country's fourth biggest savings bank, which intends to use raised capital to expand in Oslo. No sales were executed.

### Outlook

The foreign small-cap value pipeline appears strong, with abundant opportunities in emerging markets and Asia, specifically China and Taiwan. Recent research travels have uncovered companies recovering on favorable macro-economic trends; valuations have not yet accounted for this upswing. We are capitalizing on this disparity to add fundamentally strong, but inexpensive stocks to the Fund portfolio. ❖

## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND PORTFOLIO HIGHLIGHTS

as of June 30, 2017 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.55%	1.45%
Institutional Shares	1.30%	1.08%
R6 Shares	1.14%	1.04%

\* Per Prospectus dated August 1, 2017. Reflects all fee waivers currently in effect. Fee waivers may not be amended, rescinded or terminated before July 31, 2018 without the consent of the Fund's Trustees.

### A WORD ABOUT RISK

Investing in foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments and can perform differently than the U.S. market.

Small company stocks may trade less frequently and in a limited volume, and their prices may fluctuate more than stocks of other companies. Small company stocks may therefore be more vulnerable to adverse developments than those of larger companies. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund.

(continued)

#### Investment Products

- Not FDIC insured
- May lose value
- No bank guarantee

### Top Ten Holdings

Percentage of total net assets	23.5%
Prima Meat Packers Ltd.	2.9%
Drägerwerk AG & Co. KGaA	2.6%
WorleyParsons Ltd.	2.5%
VTech Holdings Limited	2.4%
Arcadis NV	2.3%
UDG Healthcare plc	2.2%
Freenet AG	2.2%
BBA Aviation plc	2.2%
IBJ Leasing Company, Limited	2.1%
Loomis AB, Class B	2.1%

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 06/30/2017:

Elis SA	2.1%
Galliford Try plc	2.0%
Carillion plc	1.9%
LIC Housing Finance Ltd.	1.9%
Equatorial Energia S.A.	1.5%
South Indian Bank Ltd.	1.4%
Yageo Corporation	1.4%
Asaleo Care Ltd.	1.1%
Texwinca Holdings Limited	1.0%
Fjord1 A.S.	0.8%
NIIT Technologies Ltd.	0.7%
Sparebank 1 Oestlandet	0.5%

### PERFORMANCE

as of June 30, 2017

#### Average Annual Total Returns at Net Asset Value

	Unannualized		Annualized				Since Inception	Inception Date
	Q2	Calendar YTD	1-Year	3-Year	5-Year	10-Year		
Ordinary Shares	6.86%	18.34%	26.71%	4.28%	13.32%	—	7.26%	05/01/08
Institutional Shares	6.99%	18.56%	27.09%	4.57%	13.61%	—	7.52%	05/01/08
R6 Shares	6.96%	—	—	—	—	—	13.70%	02/06/17
MSCI ACWI ex USA Small Cap Index <sup>1</sup>	6.40%	15.83%	20.76%	3.68%	10.41%	—	4.69%	—

<sup>1</sup> The MSCI ACWI ex USA Small Cap Index, captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 2,372 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. You cannot invest directly in an index. For comparative performance purposes, the beginning date for the Index is 05/01/2008.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance, visit the Fund's website at [www.peartreefunds.com](http://www.peartreefunds.com).

### A WORD ABOUT RISK (CONTINUED)

Therefore, the Fund is more exposed to individual stock volatility than diversified funds. As a result, a decline in the value of the securities of one issuer could have a significant negative effect on the Fund. The Fund may have significant investments in one or more specific industry sectors, subjecting it to risks greater than general market risk. For example, adverse news from just one or two companies in a particular industry can hurt the prices of all stocks in that industry.