



## PEAR TREE POLARIS FOREIGN VALUE FUND

**FOR THE QUARTER ENDED DECEMBER 31, 2018** the Pear Tree Polaris Foreign Value Fund's Ordinary Shares (the "Fund") underperformed its benchmark, the MSCI EAFE Index (the "Index"). During that period, the Fund had a return of (13.70%) at net asset value compared to (12.50%) for the Index.

### Market Conditions and Investment Strategies

Macro-economic pressures overrode company fundamentals, leading to a depressed global market. Materials sector returns were far worse than the commentary received from companies. Most of the Fund's Materials companies had strong third quarter earnings, offering guardedly optimistic guidance. However, U.S.-China trade tensions started to impact industrial production at quarter end, with sluggish manufacturing output reported in China, the Euro Zone and the U.S.

Methanex noted solid quarterly earnings, citing higher volumes and average realized prices. The Canadian methanol producer re-opened its Chile IV plant, completed within the stated timeframe and budget. Yet, the stock was down in anticipation of weaker methanol prices due to lower oil prices. LANXESS reported good quarterly results backed by higher selling prices, acquisition synergies and contributions from its U.S. phosphorus additives business. Guidance was equally compelling, but the stock faltered on industry-wide pricing softness in chemicals. One positive was the long-expected Linde-Praxair merger, which closed at the end of October.

Unusually warm weather, competitors' sales warnings and the proposition of new import tariffs dragged down U.K. retailers. NEXT PLC fell in line with the broader retail market, but NEXT's results were decidedly more upbeat. U.K. home builders, Taylor Wimpey and Bellway, published strong trading updates, with rising sales rates and healthy order books. Yet Taylor Wimpey warned that the March BREXIT deadline may weigh on consumer confidence; both stocks dropped on the news.

Fund performance in Financials was better than the benchmark, albeit in negative territory. German reinsurers, Hannover Rueck and Muenchener Rueckvers, were the bright spots in a sector hampered by oil-dependent Scandinavian banks. DNB ASA had lackluster third-quarter results, with lower investment banking fees. Svenska Handelsbanken was down due to consistently higher costs, credit losses in the bank's British arm and branch closings.

Utilities, including Japan's Kansai Electric Power, and Consumer Staples, like tobacco/ginseng company KT&G Corporation, proved to be defensive safe havens. In Communication Services, Deutsche Telekom held its value after reporting a strong third quarter. The telecom cited customer growth, higher earnings across all operating segments and increased guidance.

### Portfolio Changes

During the quarter, we sold German telecom, Freenet AG, based on a change in their strategy that included recent investments outside of the company's core business. Proceeds from the sale were reallocated to existing holdings.

### Outlook

In early 2018, we noted a favorable supply-demand balance in sectors like Materials and Industrials. Now, trade tensions have started to impact actual industrial activity. The silver lining to this situation: the more near-term pain inflicted on various parties, the more likely that there will be compromises in trade and political negotiations globally. When and if a favorable compromise is reached, investors may anticipate a new period of global economic cooperation. Meanwhile, volatility will likely continue and we could see more declines in global markets before conditions improve. In this environment, companies are trading at single-digit multiples to earnings and many stocks are down 20% to 50%. We believe that this is an opportune time to purchase watch list stocks at attractive prices. ❖

## TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.51%	1.41%
Institutional Shares	1.26%	1.04%
R6 Shares	1.10%	0.94%

\* Per Prospectus dated August 1, 2018, as amended. Reflects all fee waivers currently in effect. Fee waivers may not be amended, rescinded or terminated before July 31, 2019 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. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. 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.

### Investment Products

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

## PEAR TREE POLARIS FOREIGN VALUE FUND PORTFOLIO HIGHLIGHTS

as of December 31, 2018 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### Top Ten Holdings

Percentage of total net assets	24.1%
Novartis AG	2.7%
Nexon Co., Limited	2.5%
Hannover Rueck SE	2.5%
Popular, Inc.	2.5%
KDDI Corporation	2.4%
Siam Commercial Bank PCL	2.4%
Deutsche Telekom AG	2.3%
Standard Chartered plc	2.3%
Kansai Electric Power Company Inc.	2.3%
LG Uplus Corporation	2.2%

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 12/31/2018:

Linde	2.2%
Muenchener Rueckvers	2.2%
Svenska Handelsbanken	2.1%
Methanex	1.9%
Bellway	1.9%
Next PLC	1.8%
Taylor Wimpey	1.8%
DNB ASA	1.8%
Lanxess	1.6%

## PERFORMANCE

as of December 31, 2018

### Average Annual Total Returns at Net Asset Value

	Unannualized		Annualized					Since Inception	Inception Date
	Q4	Calendar YTD	1-Year	3-Year	5-Year	10-Year	15-Year		
Ordinary Shares	-13.70%	-13.27%	-13.27%	4.33%	1.34%	10.74%	6.33%	5.94%	05/15/98
Institutional Shares	-13.64%	-12.93%	-12.93%	4.67%	1.65%	11.01%	6.60%	7.28%	12/18/98
R6 Shares	-13.66%	-12.93%	-12.93%	—	—	—	—	2.71%	02/06/17
MSCI EAFE <sup>1</sup>	-12.50%	-13.36%	-13.36%	3.38%	1.00%	6.81%	5.22%	4.06%	—

<sup>1</sup>The Morgan Stanley Capital International Europe, Australasia, and Far East ("MSCI EAFE") Index is an unmanaged index comprised of stocks in countries other than the United States. It is widely recognized as representative of the general market for developed foreign markets. Index returns assume the reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. You cannot invest directly in an Index. For comparative performance purposes, the beginning date for the Index is 05/29/98.

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.pearreefunds.com](http://www.pearreefunds.com).