



## PEAR TREE POLARIS FOREIGN VALUE FUND

**FOR THE QUARTER ENDED JUNE 30, 2020** the Pear Tree Polaris Foreign Value Fund's Ordinary Shares (the "Fund") outperformed its benchmark, the MSCI EAFE Index (the "Index"). During that period, the Fund had a return of 17.33% at net asset value compared to 15.08% for the Index.

### Market Conditions and Investment Strategies

Outperformance was due to benchmark-beating results in the U.K., Germany, Sweden, France, Norway, Italy, Finland and Australia. At the sector level, Cyclical like Materials, Consumer Discretionary and Industrials topped results, while Utilities and Consumer Staples lagged. In total, 95% of portfolio holdings were in absolute positive territory; detractors were few and far between.

Materials sector holdings contributed most to quarter-end results, with 12 of 13 holdings posting double-digit returns. French minerals supplier, Imerys, and German specialty chemicals company, LANXESS, noted resilience due to their respective diversified businesses. LANXESS' weakness in the automotive sector was offset by robust results in consumer protection and specialty additives. Imerys' industrial market losses were mitigated by its paper market and consumer divisions.

Similarly, diversification was key to auto part supplier Magna International's results. Although car volumes fell 20-30% in early 2020, Magna's auto tech sales remained stable due to the company's broad mix. Elsewhere in Consumer Discretionary, British home-builders, Taylor Wimpey PLC and Bellway PLC, recouped some of their losses from the first quarter, with both issuing positive trading updates.

The portfolio outperformed in the Industrial sector, led by Italian engineering and foundation driller, Trevi Finanziaria. The company underwent a complete financial and operational restructuring, in which Polaris Capital Management, the subadvisor to the Fund, played an instrumental role. Swedish bearings/seals manufacturer, SKF AB, rallied on prospects for a quicker recovery that could help stabilize margins and volumes. U.K. engineering services firm, Babcock International, declined even though the company's divisions were declared COVID-19 critical. Profits declined due to distancing requirements on worksites. Concerns also arose about Babcock's forward orders considering an anemic British defense budget for 2021.

Japanese utility, Kansai Electric Power, was sold during the quarter due to high leverage and continuous cash outflow to meet ever-changing nuclear safety regulations. Greencore Group, the Irish/U.K. sandwich maker, lost ground after announcing lackluster first half results.

### Portfolio Changes

During the quarter, four long-term holdings were sold in favor of companies with better valuations. New purchases included: Consumer Discretionary firm, Capri Holdings; Zhongsheng Group, one of the largest Chinese car dealership; Coca-Cola European Partners; Sony, the Japanese electronics and entertainment group; three publicly listed airports in Mexico; Jumbo SA, a Greek retailer of toy and children products; D'leteren SA, a Belgian Volkswagen distributor, which also has a dominant position in the auto glass repair business; and Dometic AB, an equipment supplier for the RV and marine markets.

### Outlook

While we can't predict the macro-economic impact as we enter each new wave of COVID-19 infection, we can prepare for it and work through it with careful stock research, cash generation and opportunistic buys. We expect that portfolio turnover could be higher than normal, as our research screens and subsequent due diligence lead us to invest in companies that have long been on our watchlist, but out of reach due to valuation. Conversely, we will be keeping a close eye on certain industries potentially sensitive to market volatility. We expect the global economy to re-open slowly, in measured phases, a subsequent recession and eventual recovery beginning in 2021. As such, we are being nimble in our approach, structuring the portfolio accordingly. ❖

### TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.50%	1.40%
Institutional Shares	1.25%	1.03%
R6 Shares	1.10%	0.94%

\* Per Prospectus dated August 3, 2020, as amended. Reflects all fee waivers and expense reimbursements currently in effect. Fee waivers and expense reimbursements may not be amended, rescinded or terminated before July 31, 2021 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 June 30, 2020 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### Top Ten Holdings

Percentage of total net assets	22.0%
Taylor Wimpey plc	2.5%
Bellway plc	2.4%
Samsung Electronics Company Limited	2.4%
Linde plc	2.4%
Mondi plc	2.3%
Magna International Inc.	2.3%
Hannover Rueck SE	2.0%
SKF AB-B	1.9%
Muenchener Rueckversicherungs-Gesellschaft	1.9%
Vinci SA	1.9%

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 06/30/2020:

Lanxess AG	1.7%
Trevi- Finanziaria Industriale SpA	1.6%
Sony Corporation	1.5%
Zhongsheng Group Holdings Limited	1.5%
Imerys S.A.	1.4%
Babcock International Group plc	1.4%
Coca-Cola European Partners plc	1.4%
Dometic Group AB	1.3%
Greencore Group plc	1.1%
Capri Holdings Limited	1.0%
Jumbo S.A.	0.5%
D'leteren SA	0.4%

### PERFORMANCE

as of June 30, 2020

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

	Unannualized		Annualized						
	Q2	Calendar YTD	1-Year	3-Year	5-Year	10-Year	15-Year	Since Inception	Inception Date
Ordinary Shares	17.33%	-21.59%	-16.64%	-4.13%	-0.54%	5.81%	3.99%	5.15%	05/15/98
Institutional Shares	17.46%	-21.41%	-16.34%	-3.76%	-0.21%	6.12%	4.27%	6.39%	12/18/98
R6 Shares	17.49%	-21.40%	-16.27%	-3.69%	—	—	—	-0.59%	02/06/17
MSCI EAFE <sup>1</sup>	15.08%	-11.07%	-4.73%	1.30%	2.54%	6.22%	4.57%	4.19%	—

<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).