



## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND

**FOR THE QUARTER ENDED DECEMBER 31, 2018** 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 (13.41%) at net asset value compared to (14.38%) for the Index.

### Market Conditions and Investment Strategies

The Fund outperformed the benchmark in a down market that is grappling with BREXIT, U.S.-China trade wars and decelerating global growth. Positive performance from Utilities and Real Estate sectors did little to mitigate losses among cyclicals, including Consumer Discretionary, Industrials, Financials and Materials. At the country level, the Fund's limited exposure to Brazil, the Philippines and India modestly aided performance. Results were dragged down by holdings in the U.K., France and Japan. Currency exposure did not have any significant impact.

In Consumer Discretionary, U.K. Restaurant Group came out with a rights issue to finance the acquisition of Wagamama. Investors were not impressed with the news, with shares trading down. In Communication Services, IPSOS declined after reporting lower-than-expected organic revenues, due largely to lackluster sales in the Americas. Industrial holding, Galliford Try, noted slowing momentum in U.K. housing markets, with positive but waning prices and volumes. Keller Group issued a profit warning, citing deteriorating Asian market conditions that would result in higher losses. Another negative was South Korea's DGB Financial Group, which purchased HI Investment & Securities Co. below book value; the otherwise big gains from the acquisition will be reallocated to pre-emptive provisioning, making the deal net neutral.

Utilities and Real Estate holdings were in absolute positive territory for the quarter, contributing to Fund outperformance. Brazilian utility, Equatorial Energia, was up more than 33% on the quarter after executing two acquisitions that expands its operations in the country. Manila Water increased rates, approved by a market-friendly regulator. The company diversified outside of metropolitan Manila, announcing three joint ventures. Information Technology companies, Sercomm Corporation and Sitronix Technology Corporation, were two of the top three individual stock contributors for the quarter. Sercomm reported strong sales of its IoT gateway and enterprise Wi-Fi access products from U.S. and European customers. Sitronix's proximity sensor ICs were in high demand amongst smartphone manufacturers.

### Portfolio Changes

During the quarter, the Fund exited seven companies. Japanese rice cooker and vacuum flask manufacturer, Zojirushi Corp., was sold as it reached the Fund's target price. Others were sold on fundamental deterioration: Asaleo Care encountered higher raw material costs and competitive threats, while German medical equipment manufacturer, Draegerwerk AG, faced a protracted turnaround. Capital was redeployed to purchase three new Asian holdings, including a Korean company making process chemicals for the semiconductor industry, a Taiwanese cable modem company and a Japanese automotive/industrial chain manufacturer. The Fund also invested in Ireland's Greencore Group and U.K. automotive distributor, Inchcape PLC.

### Outlook

Valuation screens have become more attractive due to recent market volatility. In fact, many stocks on our watch list have entered value territory, and we intend to capitalize on this trend to purchase a handful of undervalued companies. Though we still see global growth, momentum is waning in many markets. Typically such periods of volatility and weakness are ideal for value investors, as we strive to enhance the valuation profile, and ultimately strong performance, of the Fund. ❖

### TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.52%	1.42%
Institutional Shares	1.27%	1.05%
R6 Shares	1.12%	1.02%

\* 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.

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

## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP 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	23.5%
The Restaurant Group plc	3.1%
Inchcape plc	2.4%
DFDS A/S	2.3%
Cineworld Group plc	2.3%
Wetherspoon (J.D.) plc	2.3%
Greencore Group plc	2.3%
Unipres Corporation	2.2%
Ratchaburi Electricity Generating Holding PCL	2.2%
Dowa Holdings Co., Limited	2.2%
Lancashire Holdings Limited	2.2%

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

Equatorial Energia	2.2%
Sercomm Corporation	2.1%
Ipsos	2.0%
Sitronix	1.7%
Galliford Try	1.6%
DGB Financial Group	1.6%
Manila Water	0.9%
Keller Group	0.8%

### 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			
Ordinary Shares	-13.41%	-19.09%	-19.09%	3.33%	2.97%	12.51%	5.27%	05/01/08	
Institutional Shares	-13.31%	-18.77%	-18.77%	3.66%	3.28%	12.81%	5.53%	05/01/08	
R6 Shares	-13.40%	-18.81%	-18.81%	—	—	—	2.08%	02/06/17	
MSCI ACWI ex USA Small Cap Index <sup>1</sup>	-14.38%	-17.89%	-17.89%	4.20%	2.33%	10.41%	3.38%	—	

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