



## PEAR TREE POLARIS SMALL CAP FUND

**FOR THE QUARTER ENDED DECEMBER 31, 2018** the Pear Tree Polaris Small Cap Fund's Ordinary Shares (the "Fund") outperformed its benchmark, the Russell 2000 Index (the "Index"). During the period, the Fund had a return of (18.47%) at net asset value compared to (20.20%) for the Index.

### Market Conditions and Investment Strategies

The Fund outperformed the benchmark in a down U.S. market that is grappling with trade war disputes, rising interest rates and decelerating growth. Relatively strong results from Utilities, Consumer Staples and Real Estate did little to mitigate losses among Cyclical, including Industrials, Financials and Materials.

NCI Building Systems Inc. declined after issuing an annual report that forecast slowing residential construction. The ill-timed November 2018 merger with debt-laden Ply Gem Parent LLC added to losses. Elsewhere in Industrials, Greenbrier Companies Inc. had solid annual results and improving backlog. Yet the company declined as investors worried about the impact of lower oil prices on future tank car demand. Deluxe Corporation disappointed, as its myriad acquisitions from 2016-2018 still have not offset declines in the legacy check business. Among Financials, Ameris Bancorp surprised investors with the purchase of Fidelity Southern Corporation. The stock fell as investors viewed the offer as too high. RBB Bancorp, which caters to an Asian-American customer base, noted weakness as a result of the trade conflict with China. Lower oil prices hampered Dril-Quip Inc.'s business, which is geared toward offshore oil field development. Another energy company, Diamondback Energy Inc., completed a large merger with an unconventional onshore shale player, Energen Corporation. The deal was struck prior to the collapse of oil prices; the market is now concerned about the timing of this acquisition.

Two of the top contributors hailed from Puerto Rico. Evertec Inc., the payment processor for debit cards, reported strong third-quarter results and upbeat guidance, backed by fiscal stimulus in the Commonwealth. OFG Bancorp was also a beneficiary of this post-hurricane recovery, reporting good loan growth, higher net interest margins and better credit metrics. In Consumer Discretionary, Deckers Outdoor Corporation posted solid third-quarter 2018 results, with better profitability on the back of increased sales of UGG boots, HOKA ONE ONE specialty running sneakers and Teva brand sandals. Integrated Device Technology, Inc. (IDT) held onto gains originally attributed to the September acquisition announcement by Japan's Renesas Electronics Corp. IDT is slated to be sold at \$49 cash per share, a healthy premium to recent close prices.

### Portfolio Changes

Acquisitions were at the core of changes in the portfolio. CoBiz Financial Inc. was acquired by BOK Financial Corp.; the Fund received a combination of cash and shares in BOK. Web.com Group Inc. was sold to private equity firm, Siris Capital, in a lucrative all-cash deal. We exited Spanish-language media company, Entravision Communications, following the sale of some of its spectrum licenses at good cash prices. Profits from sales were redeployed to two new holdings: chemical company, Cabot Corp., and online pet medication distributor, PetMed Express Inc.

### Outlook

As U.S. economic growth momentum slows and volatility continues, the Fund's valuation screens are ripe with investment opportunities. In fact, we haven't seen such a broad value set in quite a few years, and we intend to capitalize on the down market to add fundamentally strong, but attractively-priced companies to the portfolio. We anticipate that such efforts will enhance the valuation profile, and ultimately performance, of the Fund. ❖

## TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.55%	1.55%
Institutional Shares	1.30%	1.18%

\* 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

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 may invest in issuers in the real estate industry. Changes in real estate values or economic downturns can have a significant negative effect on these issuers. The Fund may invest in foreign issuers that trade on U.S. stock exchanges. These issuers may be subject to special risks including different corporate governance rules and bankruptcy laws.

(continued)

### Investment Products

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

## PEAR TREE POLARIS 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	26.8%
Integrated Device Technology, Inc.	3.3%
OFG Bancorp	3.0%
EVERTEC Inc.	2.9%
Deckers Outdoor Corporation	2.7%
Cinemark Holdings, Inc.	2.6%
Nexeo Solutions, Inc.	2.5%
Natus Medical, Inc.	2.5%
Regal Beloit Corporation	2.5%
WESCO International, Inc.	2.4%
ALLETE, Inc.	2.4%

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 12/31/18:

PetMed Express Inc.	2.1%
Greenbrier Companies Inc	2.0%
Diamondback Energy Inc.	2.0%
Cabot Corporation	2.0%
RBB Bancorp	1.8%
Dril-Quip Inc.	1.8%
Ameris Bancorp	1.7%
NCI Building Systems Inc	1.3%
Bok Financial Corporation	1.3%
Deluxe Corporation	1.0%

## PERFORMANCE

as of December 31, 2018

### Average Annual Total Returns at Net Asset Value

	Unannualized		Annualized			
	Q4	Calendar YTD	1-Year	3-Year	5-Year	10-Year
Ordinary Shares	-18.47%	-10.88%	-10.88%	4.66%	1.03%	10.46%
Institutional Shares	-18.37%	-10.52%	-10.52%	5.01%	1.33%	10.76%
Russell 2000 <sup>1</sup>	-20.20%	-11.01%	-11.01%	7.36%	4.41%	11.97%

<sup>1</sup> The Russell 2000 Index is a market capitalization-weighted index of 2,000 small company stocks. It is widely recognized as representative of the general market for small company stocks. 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 of the Index is 08/3/92.

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)

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.

**For information about the Pear Tree Polaris Small Cap Fund, obtain the Fund's prospectus by calling (800) 326-2151 or visiting [www.peartreefunds.com](http://www.peartreefunds.com). Before investing carefully consider the Fund's investment objectives, risks, charges and expenses. Please read the prospectus carefully before you invest or send money.**