

## PEAR TREE POLARIS SMALL CAP FUND

**FOR THE QUARTER ENDED SEPTEMBER 30, 2021**, the Pear Tree Polaris Small Cap Fund's Ordinary Shares (the "Fund") outperformed its benchmark, the Russell 2000 Total Return Index (the "Index"). The Fund had a return of (2.22%) at net asset value compared to (4.36%) for the Index.

### Market Conditions and Investment Strategies

Outperformance in the quarter was due to the Fund's Health Care and Consumer Discretionary holdings; Information Technology (IT), Energy and Industrials were laggards. In Health Care, Harmony Biosciences was the top contributor, posting outsized gains on news that its narcolepsy drug continued to see strong commercial sales, and has potential off-label uses for central nervous system disorders. Sales were boosted on a pickup in prescriptions, as patients returned to doctors' offices post pandemic.

In the Consumer Discretionary sector, Crocs Inc. and Asbury Automotive had double-digit gains. Crocs recorded revenues that beat the highest estimates and raised its full year forecast despite supply disruptions. Asbury Automotive, a leading retailer of both new and used cars, noted extremely high margins as demand outstripped supply. At quarter end, Asbury announced the acquisition of the Larry H. Miller Dealerships, effectively expanding its footprint coast to coast.

Barbell-shaped returns defined the Financials sector, with OFG Bancorp, South Plains Financial and Cambridge Bancorp among the top 10 fund contributors, while FedNat Holding and United Insurance Holdings scraped the bottom of the portfolio. OFG Bancorp had strong quarterly results on the back of new loan originations, specifically for commercial and auto lending, a decrease in credit loss provisions, and a continued push to leverage their digital offerings. Cambridge Bancorp and South Plains Financial had similarly strong quarterly earnings, pointing to higher net income, loan growth and fewer loan loss provisions. By contrast, two Florida insurers, FedNat and United Insurance, declined after increasing catastrophe claims from Hurricane Ida while still dealing with the aftermath of the 2021 Texas Winter Storm Uri. However, both insurers have extensive reinsurance programs in place, which have capped their liability to manageable levels, while they wait for premium prices to filter through.

The Fund's IT sector holdings detracted most, with Methode Electronics and MKS Instruments each declining more than 14%. Methode performed fairly well through the first half of 2021, but offered guarded guidance due to supply chain disruptions. MKS' business has been strong year-to-date, but the chip-equipment supplier projected a slowdown as chip makers like Samsung and Intel face supply chain pressures. Dril-Quip declined as big oil companies curtailed drilling plans and budgets during COVID; we expect this trend to reverse course as oil demand remains high.

### Portfolio Changes

During the quarter, the Fund sold out of Southeast regional bank, Ameris Bancorp, and LCI Industries, which makes components for recreational vehicles. The Fund already has exposure to the RV space with Winnebago, and felt that near-term supply chain pressures could impact LCI; the company was exited at a healthy profit. There were no new buys during the quarter.

### Outlook

Volatility is expected to persist in the small cap market, with meaningful risks and headwinds in certain sectors. We believe the characteristics of our portfolio companies are supportive in periods of higher volatility, as would be expected of a traditional value portfolio. This past quarter was no exception; we outperformed on the back of a well-positioned, resilient portfolio of companies with quality cash flows and attractive valuations. We will continue to selectively purchase new companies as the opportunities arise. ❖

## TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.63%	1.63%
Institutional Shares	1.38%	1.26%

\* Per Prospectus dated August 2, 2021, as amended. Reflects all fee waivers currently in effect. Fee waivers may not be amended, rescinded or terminated before July 31, 2022 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 September 30, 2021 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### Top Ten Holdings

Percentage of total net assets	
25.7%	South Plains Financial, Inc.
3.1%	Colony Bankcorp, Inc.
2.9%	Diamondback Energy, Inc.
2.7%	Cinemark Holdings, Inc.
2.7%	EVERTEC Inc.
2.5%	Barrett Business Services, Inc.
2.5%	Graphic Packaging Holding Co.
2.4%	OFG Bancorp
2.4%	Exco Technologies Limited
2.3%	Kforce, Inc.

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 09/30/2021:

2.2%	Cambridge Bancorp
2.1%	Dril-Quip
2.1%	Methode Electronics
1.8%	Asbury Automotive
1.4%	MKS Instruments
1.3%	Crocs Inc.
1.3%	Harmony Biosciences
1.1%	FedNat Holding
0.8%	United Insurance

## PERFORMANCE

as of September 30, 2021

### Average Annual Total Returns at Net Asset Value

	Unannualized		Annualized			
	Q3	Calendar YTD	1-Year	3-Year	5-Year	10-Year
Ordinary Shares	-2.22%	17.94%	52.22%	4.18%	7.92%	10.14%
Institutional Shares	-2.15%	18.22%	52.79%	4.57%	8.31%	10.48%
Russell 2000 <sup>1</sup>	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%

<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 08/03/92.

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