

## PEAR TREE POLARIS SMALL CAP FUND

**FOR THE QUARTER ENDED DECEMBER 31, 2023**, the Pear Tree Polaris Small Cap Fund's Ordinary Shares (the "Fund") underperformed its benchmark, the Russell 2000 Total Return Index (the "Index"). The Fund had a return of 11.00% at net asset value compared to 14.03% for the Index.

### Market Conditions and Investment Strategies

November saw a strong rally that followed on in December, as investors anticipated a "soft landing" for the economy backed by 2024 rate cuts on cooling inflation. Cyclical performed best in this environment, led by Financials, Consumer Discretionary, Industrials and Materials. Defensives, like Energy and Real Estate, lagged in comparison.

Financials turned a corner as the Fed shifted its narrative for 2024; 10 of 12 Financials in the portfolio had double-digit gains, including SLM Corp., International Bancshares and Colony Bankcorp. Puerto Rican bank, OFG Bancorp, announced strong third quarter earnings, backed by loan growth, stable core deposits and digital transaction activity in a strong regional economy. Barrett Business Services was the top overall portfolio contributor, as the business outsourcing provider achieved customer growth and improved profitability metrics. Other Industrials sector double-digit gainers included Wabash National, Science Applications International, Kforce Inc., Applied Industrial Tech and a half dozen other names. Continued strength in building material demand, especially cement, boosted Eagle Materials. Cabot Corp., the specialty chemicals and performance materials company, reported its strongest quarter of its fiscal year 2023, citing record reinforcement materials earnings combined with cost controls. Despite slower consumer spending, The Buckle Inc. continued to generate strong profits and cash flow, so much so that it paid out a special shareholder dividend.

In Health Care, Computer Programs and Systems retrenched as it focused on an organic investment cycle, moving away from legacy to cloud-based software for its community hospital clients. Harmony Biosciences reported a failed phase 3 INTUNE study of its idiopathic hypersomnia drug. Weaker energy prices weighed on industry sentiment, as did supply chain constraints in the offshore rig market. However, capital equipment demand looks promising, which should benefit both Dril-Quip Inc. and NOV Inc. in coming quarters. Aerospace and defense company V2X Inc. reported stable earnings, leveraging a spate of business wins earlier in the year; however, management guided for a slower pace of award activity in 2024.

### Portfolio Changes

During the quarter, the Fund did not sell any of its portfolio companies. After extensive research in the Real Estate sector, Global Medical REIT Inc. was purchased; the company maintains a premium book of assets in high quality medical office buildings and outpatient clinics that differentiate from competitors. Capital equipment demand (as referenced above) was inspiration for the purchase of NOW Inc., which distributes downstream energy and industrial products for petroleum refining, chemical processing, LNG terminals and power generation utilities.

### Outlook

Our portfolio is weighted toward high-quality defensive names that have generally performed well in downtrodden markets, but may lag in whipsaw rallies like the fourth quarter of 2023. We continue to diversify our portfolio, adding certain cyclicals and increasing our exposure in sectors like Real Estate. We believe the risk/return profile of the portfolio is well positioned for a potentially volatile 2024, which will be largely dictated by the timing of Fed rate cuts. Herein lies the opportunity, as lower rates should benefit small caps. ❖

## TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.53%	1.53%
Institutional Shares	1.28%	1.16%

\* Per Prospectus dated August 1, 2023, as amended. Reflects all fee waivers currently in effect. Fee waivers may not be amended, rescinded or terminated before July 31, 2024 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, 2023 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### Top Ten Holdings

Percentage of total net assets	
27.7%	OFG Bancorp
3.3%	South Plains Financial, Inc.
3.2%	Barrett Business Services, Inc.
2.7%	International Bancshares Corporation
2.7%	Graphic Packaging Holding Co.
2.6%	MKS Instruments, Inc.
2.5%	Cabot Corporation
2.5%	Ingredion Incorporated
2.5%	Hercules Capital, Inc.
2.5%	NOV Inc.

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 12/31/2023:

2.4%	Kforce Inc.
2.3%	Wabash National
2.3%	Applied Industrial Tech
2.3%	Eagle Materials
1.9%	Colony Bankcorp
1.9%	Science Applications International
1.8%	V2X Inc.
1.7%	Dril-Quip
1.5%	The Buckle Inc.
1.3%	SLM Corporation
1.1%	Harmony Biosciences
1.0%	Computer Programs and Systems
1.0%	Global Medical REIT Inc.
1.0%	NOW Inc.

## PERFORMANCE

as of December 31, 2023

### Average Annual Total Returns at Net Asset Value

	Unannualized		Annualized			
	Q4	Calendar YTD	1-Year	3-Year	5-Year	10-Year
Ordinary Shares	11.00%	12.84%	12.84%	9.98%	9.36%	5.11%
Institutional Shares	11.11%	13.23%	13.23%	10.37%	9.76%	5.46%
Russell 2000 <sup>1</sup>	14.03%	16.93%	16.93%	2.22%	9.97%	7.16%

<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.

**For information about the Pear Tree Polaris Small Cap Fund, obtain the Fund's prospectus by calling (800) 326-2151 or visiting [www.pearreefunds.com](http://www.pearreefunds.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.**