

## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND

**FOR THE QUARTER ENDED MARCH 31, 2017** 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 10.74% at net asset value compared to 8.86% for the Index.

### Market Conditions and Investment Strategies

We are pleased with the Fund's outperformance for the quarter, with more than 80% of portfolio holdings contributing positively. Cyclical sectors, including industrials, consumer discretionary and information technology, did better than defensive sectors. Also noteworthy were the numerous takeover bids that positively impacted Fund results.

Taiwan Union Technology was up approximately 46%, after announcing stellar 2016 results with earnings per share at an all-time high. The company's guidance was equally encouraging as it referenced strong demand for high speed data center services. Japan's Prima Meat Packers posted solid annual results, noting revenue improvement in its convenience store business and cost cuts resulting from improved productivity. Although sales decreased at German medical/safety supplier, Draegerwerk AG, the company reported a significant profit increase on the back of continued cost rationalizations. The company also saw growth in its order book. Yageo Corporation rose nearly 50% as mergers & acquisitions activity among Yageo's affiliates is expected to strengthen its market position in the resistor and capacitor space.

Australian engineering and design company, WorleyParsons, was up after it received a tendered bid by Dubai-based engineering firm, Dar Group. Dar's stake was secured at \$10.35 per share, which was a 28% premium above the market price as of February 27. Spotless Group Holdings had equally strong stock price gains for the quarter, as the Australian cleaning and catering firm was the subject of a takeover proposal by Downer EDI.

One of the few detractors in the portfolio, The Go-Ahead Group, declined after it announced lackluster 2017 guidance. The U.K. transport company expects lower regional bus line profitability on a slowdown in passenger volumes, and has incurred substantial costs associated with a protracted labor union dispute within its London rail service. No negative news precipitated the drop at VTech Holdings this quarter; in fact, the LeapFrog acquisition passed anti-competitive hurdles and VTech has begun the integration. Carillion plc delivered very good results for the quarter and year end, but pension liability concerns weighed on the stock. Analysts downgraded Carillion, proposing that an equity rights issue might be necessary to overcome the pension shortfall.

### Portfolio Changes

PKC Group was acquired by Indian auto-component maker Motherson Sumi Systems, in a transaction worth \$610 million. At approximately \$25 per share, the deal offers a 51% premium over the \$16.60 price at which PKC Group closed on Jan. 19. We took this as an opportunity to sell out of PKC at a profit. We also exited Emperor Watch & Jewellery, as luxury goods sales waned in the aftermath of China's anti-corruption mandate. Cash was redeployed to purchase Elis SA, a French multi-services supplier of professional clothing, textiles and hygiene products to public and private sectors. The company was attractively valued, with a low debt load, great management and healthy expansion plans.

### Outlook

Global economic conditions appear to be improving as China's economy stabilizes, and emerging markets and developed Europe recover. Demand trends are promising, and many businesses are revising guidance upwards for 2017. In this environment, our screens have identified attractive companies, especially in Asia. Fundamental on-the-ground research continues as we expect to add new holdings in the months ahead. ❖

## PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND PORTFOLIO HIGHLIGHTS

as of March 31, 2017 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

### TOTAL EXPENSE RATIOS\*

	Gross Expense Ratio*	Net Expense Ratio*
Ordinary Shares	1.57%	1.47%
Institutional Shares	1.31%	1.09%
R6 Shares	1.16%	1.06%

\* Per Prospectus dated February 6, 2017. Reflects all fee waivers currently in effect. Fee waivers may not be amended, rescinded or terminated before July 31, 2018 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

### Top Ten Holdings

Percentage of total net assets	24.2%
Drägerwerk AG, Preferred	2.9%
WorleyParsons Limited	2.7%
Freenet AG	2.6%
Prima Meat Packers Limited	2.5%
BBA Aviation plc	2.3%
DFDS A/S	2.3%
Arcadis NV	2.3%
Taiwan Union Technology Corporation	2.2%
Spotless Group Holdings Limited	2.2%
De'Longhi SpA	2.2%

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 03/31/2017:

Vtech Holdings Limited	2.1%
Elis S.A.	2.0%
Go-Ahead Group plc	1.7%
Carillion plc	1.6%
Yageo Corporation	1.2%

### PERFORMANCE

as of March 31, 2017

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

	Unannualized		Annualized				Since Inception	Inception Date
	Q1	Calendar YTD	1-Year	3-Year	5-Year	10-Year		
Ordinary Shares	10.74%	10.74%	15.73%	3.04%	10.42%	—	6.67%	05/01/08
Institutional Shares	10.82%	10.82%	16.13%	3.32%	10.71%	—	6.92%	05/01/08
R6 Shares	—	—	—	—	—	—	6.30%	02/06/17
MSCI ACWI ex USA Small Cap Index <sup>1</sup>	8.86%	8.86%	12.67%	2.82%	7.06%	—	4.10%	—

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