

## PEAR TREE POLARIS SMALL CAP FUND

**FOR THE QUARTER ENDED JUNE 30, 2017** the Pear Tree Polaris Small Cap Fund's Ordinary Shares (the "Fund") underperformed its benchmark, the Russell 2000 Index (the "Index"). During the period, the Fund had a return of 0.91% at net asset value compared to 2.46% for the Index.

### Market Conditions and Investment Strategies

Healthcare sector holdings contributed most to performance, with Phibro Animal Health Corporation, Computer Programs & Systems and VWR Corporation each posting returns in excess of 15%. Animal feed company, Phibro, had good earnings backed by its nutritional specialty and vaccine business lines. Computer Programs announced healthy first quarter bookings, while forecasting strong adoption of its electronic record management systems. Lab product distributor, VWR, is expected to be acquired by Avantor for \$33.25 in cash per share, representing a 17% premium to the May 2 closing price.

In the Materials sector, coatings and pigments company Ferro Corporation gained 20%, citing organic sales growth and margin expansion. Revenues at U.S. Concrete Inc. were up nearly 22%, with volume growth and price increases in ready-mix and aggregate. The trend may continue as both commercial and residential construction remains strong in U.S. Concrete's core markets.

Dupont Fabros Technology was the subject of a takeover bid by fellow data center REIT, Digital Realty Trust. The \$7.6 billion deal, at approximately \$63.60 per share in stock, offered a 14.9% premium to Dupont Fabros' June 8 close price. In other M&A news, Swift Transportation's stock price jumped nearly 30% after an announced acquisition by Knight Transportation. Web.com Group Inc. gained as reports surfaced that the company was in early-stage talks with private equity firms regarding a leveraged buyout. The price is purported to be substantially higher than where it is currently trading, but as of now, this is purely market speculation.

During the quarter, non-bank ATM operator Cardtronics plc suffered operational issues, ATM software glitches and vending sourcing issues that impeded the roll-out of new ATMs. Electronics distributor WESCO International Inc. experienced lower margins as it was unable to immediately pass on price increases to its customers. National CineMedia Inc. reported waning demand for pre-movie advertising in theaters, especially spot sales from the auto industry and TV networks.

### Portfolio Changes

The Fund held its position in RH (previously Restoration Hardware) on the premise of a recovery. This strategy proved fruitful as the stock was up nearly 60% within two quarters. RH was sold to realize gains after the recent run. North Carolina's BNC Bancorp was acquired by Pinnacle Financial Partners, both of which are in the Fund's portfolio. BNC shareholders received 0.5235 shares of Pinnacle Financial Partners' common stock for every BNC share. This added to the Fund's stake in Pinnacle. There were no new purchases for the quarter.

### Outlook

The strength of equity markets over the past few years has raised valuations, shrinking the pool of attractively-valued quality U.S. small cap stocks. In the past six months, growth stocks dominated, as evidenced by the Russell 2000 Growth Index's 9.97% total return vs. 0.54% for the Russell 2000 Value Index. If this dispersion persists, we expect it will present some interesting buy candidates. We remain patient and disciplined, capitalizing when volatility presents investments to selectively add to the portfolio. ❖

### TOTAL EXPENSE RATIOS\*

|                      | Gross Expense Ratio* | Net Expense Ratio* |
|----------------------|----------------------|--------------------|
| Ordinary Shares      | 1.54%                | 1.54%              |
| Institutional Shares | 1.29%                | 1.17%              |

\* Per Prospectus dated August 1, 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

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 June 30, 2017 (The portfolio is actively managed. Holdings and weightings are subject to change daily.)

#### Top Ten Holdings

| Percentage of total net assets                  | 28.6% |
|---|-------|
| Pinnacle Financial Partners, Inc.               | 4.0%  |
| Ameris Bancorp                                  | 3.6%  |
| Ferro Corporation                               | 3.0%  |
| Computer Programs and Systems, Inc.             | 2.7%  |
| EPR Properties                                  | 2.7%  |
| DuPont Fabros Technology, Inc.                  | 2.6%  |
| VWR Corporation                                 | 2.5%  |
| Entravision Communications Corporation, Class A | 2.5%  |
| Deckers Outdoor Corporation                     | 2.5%  |
| Web.com Group, Inc.                             | 2.5%  |

The companies mentioned in the commentary on page one have the following percentage of total net assets as of 06/30/2017:

|                                  |      |
|----------------------------------|------|
| Phibro Animal Health Corporation | 2.5% |
| Swift Transportation Company     | 2.2% |
| U.S. Concrete, Inc.              | 1.9% |
| WESCO International, Inc.        | 1.7% |
| Cardtronics plc                  | 1.3% |
| National CineMedia, Inc.         | 0.9% |

### PERFORMANCE

as of June 30, 2017

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

|                           | Unannualized |              | Annualized |        |        |         |
|---------------------------|--------------|--------------|------------|--------|--------|---------|
|                           | Q2           | Calendar YTD | 1-Year     | 3-Year | 5-Year | 10-Year |
| Ordinary Shares           | 0.91%        | 2.03%        | 21.39%     | 5.96%  | 10.01% | 3.21%   |
| Institutional Shares      | 0.97%        | 2.17%        | 21.72%     | 6.22%  | 10.29% | 3.47%   |
| Russell 2000 <sup>1</sup> | 2.46%        | 4.99%        | 24.60%     | 7.36%  | 13.70% | 6.92%   |

<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.