Q3 2022

Bailard International Equity Strategy

Quarterly Recap

Executive Summary as of September 30, 2022[1,2]

Non-U.S. equity investors continued to be pummeled by geopolitical anxieties and economic forces unseen since the 1980s. Russian aggression may be the proximate cause for a new wave of populism in Western Europe, leading to a far right-wing leader in Italy and a rightward shift in Swedish politics over the quarter. Liz Truss' disastrous forty-nine days as UK Prime Minister sent shockwaves through global debt markets that led to fears of a GFC-style unraveling. Fortunately, bond yields, which had risen dramatically after her botched tax reform, have largely reverted to previous levels with her ouster. Chinese leader Xi Jinping's ever-tighter control over his nation's institutions may mean a more militarist and less mercantilist China moving forward.

The world now awaits the results of historic global central bank tightening. The lag between monetary policy and its effects in the real economy is well-documented at anywhere between six and twenty-four months. The U.S. may be close to a peak in the rate hike cycle, but Europe and the UK may need to pull back the reins further to control wage and energy inflation. This likely points to a much harder economic landing there than elsewhere. In a time of slowing growth, the challenges for companies will be to maintain revenue growth and margins to support earnings gains. Dollar strength against all major currencies has made non-U.S. goods cheaper to global buyers; eventually that will be a tailwind for foreign producers. Additionally, as the Fed nears the end of its rate hike cycle sooner than other banks, the dollar strength may turn into weakness, leading to a tailwind for international equity investors.

Market Commentary[1,2]

After climbing in July, global stocks and bonds began to roll back downhill in August and picked up speed in September. In the quarter's final month, ACWI equity markets were uniformly negative for the first time since March 2020, driven by both local share declines and relentless U.S. dollar appreciation. Necessarily prioritizing the fight against inflation, all major central banks (aside from the Bank of Japan) aggressively raised rates, even as prospects for global growth deteriorated. Anticipated weaker demand pushed the price of West Texas Intermediate Crude down 25% over the quarter, from $105.76 per barrel to $79.49. Responding to tightened supply and inelastic demand for winter heating, natural gas went in the other direction, with generic futures rising 25% from $5.42 to $6.77 and breaking well above $9 along the way. Third quarter returns were -9.36% for MSCI EAFE, -9.91% for MSCI All-Country World ex USA, and -11.57% for MSCI Emerging Markets (all indices in USD terms, net dividends).

Europe as a whole had a rather tough time of it. Though Ukraine's battlefield position improved considerably with a stunning September counteroffensive, the response from Russia included a virtual cutoff of gas pipeline deliveries to Western Europe and renewed nuclear weapons threats from Vladimir Putin. In the UK, a large and unexpected tax cut by new Prime Minister Liz Truss caused government bond yields to spike and the pound to touch its weakest level ever versus the U.S. dollar. September also saw the euro break decisively below USD parity and the yen weaken to 145 per dollar.

Composite Commentary[2,3]

The Bailard EAFE Plus Composite's Q3 -9.07% net of fee return was slightly ahead of the benchmark return of

[1] Unless otherwise indicated, developed and emerging market returns and comments are based on the respective MSCI EAFE or Emerging Markets indices (U.S. dollar terms on a total return basis, reinvesting dividends after the deduction of withholding taxes). [2] Regional, country and sector returns and comments cited in the composite commentary section are based on their respective MSCI regional and country indices (U.S. dollar terms on a total return basis, reinvesting dividends after the deduction of withholding taxes). Any references to specific securities are included solely as general market commentary and were selected based on criteria unrelated to Bailard's portfolio recommendations or the past performance of any security held in any Bailard account or fund. [3] The Bailard International Equity and Emerging Markets Equity Strategies are implemented across three separate composites. The Composite performance commentary reflects the EAFE Plus Composite, which represented 22.1% of total strategy assets as of September 30, 2022. ***Past performance is no indication of future results.*** *All investments involve the risk of loss. Please see page 3 for additional performance data and page 4 for important disclosures.*

-9.36% for the EAFE Index. Asia-Pacific markets held their value relatively well, with all but Hong Kong (MSCI country index ex-Energy down 16.95% in USD terms) outperforming EAFE. Singapore was the top performer among developed markets, down just 1.50%. Outside of the EAFE benchmark, individual emerging markets such as India and Brazil provided positive returns—but the overall EM index underperformed developed indices, weighed down by the Asia region, notably China. Renewed big-city lockdowns illustrated that reopening cannot proceed predictably under the country's heavy-handed and inflexible zero-COVID policy, but will instead be stopped cold by any outbreak. All EAFE sector returns were negative; Energy (down 4.7%) and Consumer Staples (down 7.1%) held up best while Communication Services (down 13.7%), Real Estate, and Utilities (each down 12.9%) fell hardest.

The Composite's country allocation was a modest detractor overall due mainly to overweight positions in China and Norway, and offset country positioning successes in underweighting Germany (along with continental Europe as a whole). Helping to navigate the quarter's tumultuous total return environment, our stock selection factors proved effective indicators of relative merit. Account holdings outperformed their respective country indices nearly everywhere, with the greatest positive impact coming from the UK, the Netherlands, France, Singapore, and Brazil.

Strategy Review[4]

Our country model's six-month volatility measurement has risen to its long-term norm—"average" for a data history that stretches back to the 1970s and encompasses many wide swings and cycles. The top-ranked developed markets at end of September were the UK, Norway, Portugal, Australia, Israel, Hong Kong, Canada, and France. Over the quarter, increased allocations narrowed Japan's underweight and brought Australia from underweight to neutral. New country positions were established in Portugal and Israel. Reductions to Spain, the Netherlands, and France, and the sale of the remaining Ireland position, increased the Eurozone's regional underweight. Switzerland's underweight was widened, and—on the emerging market side—the remaining Hungary position was liquidated. Total emerging and frontier market weight edged down further, ending the quarter just above 5%. The largest overweight sector exposures at quarter's end were in Materials (2.8%) and Energy (1.2%); the largest underweights were in Financials (2.4%) and Real Estate (1.6%).

COUNTRY RANKINGS AT QUARTER END

The environment as of September 30, 2022 favored countries with strong value and momentum characteristics.

HIGHEST RANKED		LOWEST RANKED	
Brazil	Korea	Australia	Japan
Canada	Mexico	Colombia	Netherlands
China	S. Africa	Denmark	Norway
Finland	Sweden	France	Portugal
India	Switzerland	Hong Kong	Spain
Indonesia	Taiwan	Italy	UK

Source: Bailard, Inc.

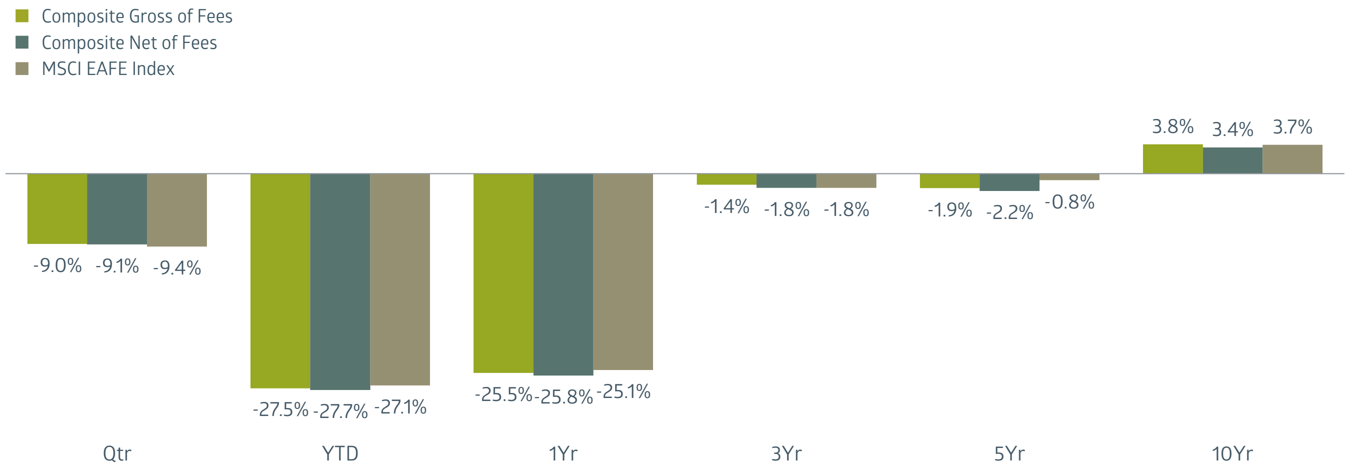
Investment Outlook

The pathway to containing inflation while avoiding recession has begun to look more like a walk on knife's edge (or possibly water). Immediately following a September that proved true to its historic bearish tendency, October's first two days were impressively bullish; the month is still finding direction but is positive on balance so far. The third-quarter's declines are evidence of investors having fully walked back their summer optimism—hopes that rate hikes would soon give way to rate cuts in 2023 having fueled the mid-June to mid-August rally. Meanwhile, data from consumer surveys and from TIPS/Treasury breakeven rates suggest that the Fed has inflation expectations back under control compared to the situation six months ago. Oil and gasoline prices are up so far in October but down significantly from mid-year. A slight cooling of the U.S. labor market points to the Fed's actions having the desired dampening effect, which should reduce wage pressures. Starting from a position of inflation-fighting credibility, and with markets priced for pessimism, any surprise policy shifts are more likely to be in the dovish direction and a welcome positive for investors.

[4] *Data regarding holdings reflect ownership information as of September 30, 2022 and are not intended to represent any past, present, or future investment recommendations. Holdings are subject to change.*

Bailard EAFE-Plus Composite Statistics[5,6,7]

PERFORMANCE total return (%) for periods ending September 30, 2022



PERFORMANCE STATISTICS: 3-YEAR as of 9/30/22

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	18.7%	18.7%	18.9%
Active Return (Net of Fee) vs.			0.0%
Tracking Error (Net of Fee) vs.			2.2%
Information Ratio (Net of Fee) vs.			0.01

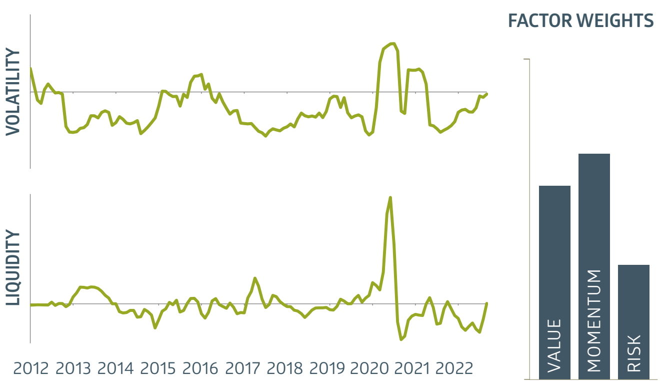
PERFORMANCE STATISTICS: 5-YEAR as of 9/30/22

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	16.6%	16.6%	16.5%
Active Return (Net of Fee) vs.			-1.4%
Tracking Error (Net of Fee) vs.			2.7%
Information Ratio (Net of Fee) vs.			-0.52

Environmental Variables and Style Factors

as of 9/30/22

The charts below represent two variables that influence our assessment of the global investment environment and, in turn, dynamically affect the factor weights that are determinant in country selection.



Sources: MSCI, Federal Reserve, Bailard.

[5] *Sources: Bailard, MSCI/Datastream.* ***Past performance is no indication of future results.*** *All investments involve the risk of loss. Please see page 4 for important disclosures.* [6] *Three-, five- and ten-year return statistics are annualized.* [7] *Performance data shown reflect the EAFE Plus Composite.* [8] *Data regarding holdings reflect ownership information as of September 30, 2022 and are not intended to represent any past, present or future investment recommendations. Holdings are subject to change.*

Representative Portfolio, Bailard EAFE-Plus International Equity Strategy[8] as of 9/30/22

PORTFOLIO SUMMARY

# of Holdings	135
# of Developed Markets	16
# of Emerging, Frontier, and Other Markets	7
% Developed Markets	94.2%
% Emerging, Frontier, and Other Markets	5.1%
% Cash and Equivalents	0.7%

REGIONAL WEIGHTS

Continental Europe	36.5%
Japan	21.8%
United Kingdom	18.9%
Pacific ex-Japan	12.6%
Emerging Markets	4.8%
Other Developed	4.5%
Frontier and Other Markets	0.3%
Cash and Equivalents	0.7%

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RISKS

In addition to the possible loss of investment value due to general market price movements, international investments might suffer losses due to unfavorable exchange rate movements or economic and/or political instability in foreign countries. In some cases, financial statement information might not be readily available or might not be reliable for certain foreign markets. International accounting standards might be different from U.S. accounting standards, and financial data might be subject to misinterpretation. Trading in international markets can be more expensive than trading in domestic markets. Stock markets of certain foreign countries, particularly emerging and frontier markets, may be illiquid, and settlements can be delayed. Emerging and frontier markets have greater risks and can have higher transaction costs than their developed market counterparts. There can be no guarantee that this or any investment strategy will achieve its objective.

PERFORMANCE DISCLOSURES

The Bailard International Equity and Emerging Markets Equity Strategies are implemented across three separate composites with a total AUM of $621.3M as of September 30, 2022. All data and performance presented in this publication reflect the EAFE Plus Composite, previously called the Bailard International Equity Composite (the “Composite”), which consists of all discretionary fee-paying accounts that are invested primarily in non-U.S. securities both in developed and emerging markets. As of September 30, 2022, the Composite consisted of a single mutual fund account with a market value of $137.3M or 22.1% of the strategies' assets, which has been managed using a quantitative strategy in an advisory or sub-advisory capacity since 1995. Prior to that time, the account was managed using a different strategy. The Composite’s returns are presented both gross and net of management fees, and assume reinvestment of dividends and other earnings. The returns also reflect transaction costs. Three-year, five-year and ten-year returns are annualized. Composite returns do not reflect a fiduciary fulfilment fee payable to Bailard (where applicable), or custody and other expenses not payable to Bailard which the composite account incurred.

Through June 2009, gross of fee performance was calculated by grossing up the NAV performance by the annual expense ratio. Through March 2006, net of fee performance was calculated by netting down the gross return by a model fee of 0.95% on first USD 250M (applied by reducing monthly returns by 1/12 of 0.95%); 0.90% per annum thereafter. From April 2006 through June 2009, net of fee performance was calculated by netting down the gross return by a model fee of 0.475% on first USD 250M (applied by reducing monthly returns by 1/12 of 0.475%); 0.45% per annum thereafter. This model fee represents the highest management fee for the composite. From July 2009, both gross of fee and net of fee returns are taken directly from Bailard’s portfolio accounting system, and net of fee performance was calculated by netting down the gross return by our actual management fee as of the date paid from each account. The composite’s complete return history and a complete list of Bailard’s composites are available upon request.

Individual account management and construction will vary depending on each client’s investment needs and objectives, including liquidity needs, tax situation, risk tolerance, and investment restrictions. Individual accounts may not have the same management fees, expenses, diversification, distributions, cash flows and currency hedging policies as the Composite account. As a result, an account’s actual performance may differ from the performance presented in this piece due to among other things, timing of investment, contributions and withdrawals, and the client’s restrictions, such as restrictions of currency hedging. In addition, performance does not reflect the effects of taxation, which can result in lower returns to taxable investors. An investment in this strategy involves risk of loss, and the value of an investment may decrease as well as increase. No representation is made that any account will obtain similar results to those shown here.

Other Performance Definitions: Standard deviation is the annualized standard deviation of monthly returns. “Information ratio” is the ratio of added value to tracking error. “Tracking error” is the annualized standard deviation of monthly added value, where added value is [Composite return – benchmark return]. Valuations are computed and performance reported in U.S. dollars.

Market Indices: The MSCI EAFE, MSCI Emerging Markets, and MSCI ACWI ex USA indices are free float-adjusted market capitalization indices. The MSCI EAFE Index is designed to measure equity market performance of international developed markets. The MSCI Emerging Markets Index is designed to measure equity market performance of international emerging markets. The MSCI ACWI ex USA Index is designed to measure equity market performance in international developed (excluding the U.S.) and emerging markets. These indices are presented in U.S. dollar terms on a total return basis, reinvesting dividends after the deduction of withholding taxes (if any). The indices are unmanaged and uninvestable and do not reflect any transaction costs.

Unlike the MSCI EAFE Index, the Composite account invests in emerging and frontier markets. Unlike the MSCI Emerging Markets Index, the Composite account invests in developed and frontier markets. Unlike the MSCI ACWI ex USA Index, the Composite account can invest in frontier markets. Unlike all of these indices, the Composite account invests in cash equivalents, depository receipts and exchange-traded funds, and may engage in currency hedging. The Composite often employed different country weights than these indices. The Composite's country weights, security weights, and security holdings may differ materially from these indices.

Past performance is no indication of future results. All investments have the risk of loss.

OTHER DISCLOSURES

The information in this publication is based primarily on data available as of September 30, 2022, and has been obtained from sources believed to be reliable, but its accuracy, completeness and interpretation are not guaranteed. In addition, this publication contains the opinions of the authors as of that date and such opinions are subject to change without notice. We do not think this publication should necessarily be relied on as a sole source of information and opinion. This publication is not a recommendation of, or an offer to sell or solicitation of an offer to buy any particular security or investment product. It does not take into account the particular investment objectives, financial situations or needs of individual clients. Bailard cannot provide investment advice in any jurisdiction where it is prohibited from doing so.

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