



Bailard International Equity Strategy

Quarterly Recap

Executive Summary as of March 31, 2023^{1,2}

Economies worldwide have proved resilient in the face of stubbornly high inflation and monetary tightening, and equities were rewarded with strong returns in the first quarter of 2023. Heightened concern over banks' stability held back the financial sector, but elsewhere the rebound begun in the fourth quarter of 2022 remained in full swing. Europe's momentum continued, backed by exports to a re-opening China and ever-cheaper energy; the Eurozone is increasing in the strategy's model rankings and positioning. Despite Information Technology's preponderance in the US and market leadership for the quarter, overseas markets kept pace, supported by modest strength in currencies such as the euro and pound, and company fundamentals within sectors. We believe that this latter source of strength—resiliency of earnings and convergence of multiples towards levels seen in US peers—will prove a long-term tailwind for international equities' performance.

Market Commentary^{1,2}

The March failures of two major U.S. banks and the rescue of Credit Suisse by UBS in Switzerland sent tremors through financials globally. Concerns over the sector, however, resisted snowballing into broad market panic: equity returns ended mostly positive for the month and quite healthy for the quarter. Investors appeared to rather rationally change their outlook to anticipate reduced lending, softer economic data, and a gentler rate path by central banks. The MSCI EAFE Index returned 8.47% in Q1, compared to 6.87% for the MSCI All-Country World ex-USA Index and 3.96% for the MSCI Emerging Markets Index (all indices in USD terms, net dividends). European currencies—including the euro, pound, and Swiss franc—strengthened against the U.S. dollar, while the yen and Australian dollar weakened a bit. Past the one-year mark of Russia's Ukraine inva-

sion, natural gas futures continued their dramatic decline—falling by half, from \$4.48 at the start of the year to \$2.22 by quarter's end, after falling by a third the quarter before.

Composite Commentary^{2,3}

The Bailard EAFE Plus Composite's Q1 9.25% net of fee return exceeded the developed market benchmark return of 8.47% for the EAFE Index, and handily outpaced the 6.87% return for the MSCI ACWI ex-US Index. Europe ex-UK was the regional return leader, as lower gas prices—helped by mild winter weather and judicious stockpiling—allayed fears of an energy crisis and sharp recession on the continent. Several EAFE markets, all from Europe, enjoyed double-digit percentage advances. Asia ex-Japan tended towards the other extreme, with Australia up less than 3% and Hong Kong down more than 2% (MSCI country

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 21.7% of total strategy assets as of March 31, 2023. **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.

indices in USD terms). Emerging markets were held back by negative returns from commodity exporters Brazil and South Africa, as well as a middling result from China—where optimism around the reopening economy was offset by rising geopolitical tensions. The best-performing EAFE sectors were Information Technology (up 19.0%) and Consumer Discretionary (up 17.0%), while Real Estate (down 2.0%) and Energy (up just 0.8%) were the weakest.

Positive stock selection in Japan and the Eurozone drove strong relative results for the Composite overall. Country allocation was a net detractor overall due mainly to positions outside of the EAFE benchmark (Canada and emerging/frontier markets).

Strategy Review⁴

By our measure, global equity market volatility eased over Q1 to end just below its long-term average. This leads our country model to prefer markets with strong momentum and improving risks, and place somewhat less emphasis on valuations.

Our top-ranked developed markets at end of March were Denmark, Ireland, Italy, New Zealand, Japan, Germany, Portugal, and Spain. During the quarter, Japan and Denmark were each increased from underweight to overweight in the portfolio, Italy was brought further overweight, and new country positions were established in Finland and Ireland. Overweight positions in the UK, Canada, and Norway were trimmed back, while Singapore was taken from over to underweight, and the remaining holdings in Israel were sold. Total emerging and frontier market weight remained steady at just above 4%. The largest overweight sector exposures at quarter's end were in Information Technology (1.5%) and Industrials (1.4%); the largest underweights were in Health Care (2.8%) and Real Estate (1.9%).

Investment Outlook

Following the shocks from Silicon Valley Bank, et. al., central banks worldwide must now give due consideration to financial stability, alongside inflation targets and economic growth, when setting interest rates. Especially in the U.S., the expected tightening

COUNTRY RANKINGS AT QUARTER END

The environment as of March 31, 2023 favored countries with strong value and momentum characteristics.

HIGHEST RANKED

Argentina	Italy
China	Japan
Denmark	Korea
Egypt	New Zealand
Hungary	Poland
Ireland	Turkey

LOWEST RANKED

Australia	Morocco
Canada	Norway
India	Peru
Israel	S. Africa
Malaysia	Switzerland
Mexico	Vietnam

Source: Baidard, Inc.

of lending standards—representing a brake-pump on economic activity—may have partially “done the Fed’s job for it”, reducing the need for future rate hikes. Yet as stock markets meander through the first part of April, worries have resurfaced that the global economic porridge might cool to a less-than-palatable state before rates can come back down. Central bankers were only a month ago reiterating in no uncertain terms their commitment to the inflation fight.

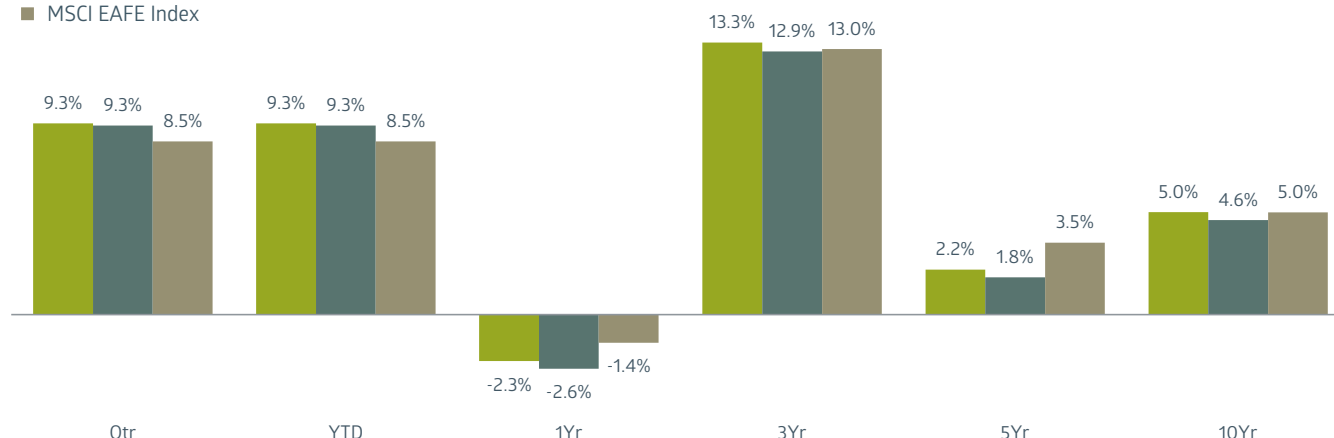
Labor strikes in Germany, France, and the UK—along with major pay increases in Japan—make clear that wages remain a primary challenge in fighting overall price pressures. Still, the indications are that inflation has passed its peak and is headed to more normal levels in a reasonable, if uncertain, timeframe. Each inflation data release showing continued softening should offer relief to investors as well as a key to freeing the hands of policymakers.

⁴ Data regarding holdings reflect ownership information as of March 31, 2023 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 March 31, 2023

- Composite Gross of Fees
- Composite Net of Fees
- MSCI EAFE Index



PERFORMANCE STATISTICS: 3-YEAR as of 3/31/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.5%	17.5%	17.9%
Active Return (Net of Fee) vs.			-0.1%
Tracking Error (Net of Fee) vs.			2.1%
Information Ratio (Net of Fee) vs.			-0.05

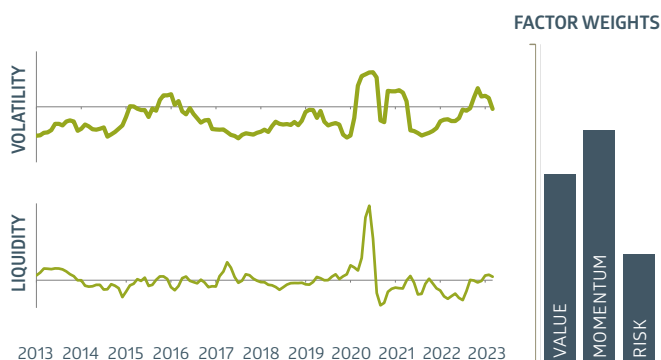
PERFORMANCE STATISTICS: 5-YEAR as of 3/31/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.6%	17.6%	17.5%
Active Return (Net of Fee) vs.			-1.7%
Tracking Error (Net of Fee) vs.			2.6%
Information Ratio (Net of Fee) vs.			-0.66

Environmental Variables and Style Factors

as of 3/31/23

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 March 31, 2023 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 Strategy⁸ as of 3/31/23

PORTFOLIO SUMMARY

# of Holdings	135
# of Developed Markets	18
# of Emerging, Frontier, and Other Markets	8
% Developed Markets	94.8%
% Emerging, Frontier, and Other Markets	4.2%
% Cash and Equivalents	1.1%

REGIONAL WEIGHTS

Continental Europe	48.0%
Japan	21.1%
United Kingdom	16.4%
Pacific ex-Japan	8.1%
Emerging Markets	3.9%
Other Developed	1.2%
Frontier and Other Markets	0.3%
Cash and Equivalents	1.1%



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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 \$785.1 million as of March 31, 2023. 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 March 31, 2023, the Composite consisted of a single mutual fund account with a market value of \$170.5 million or 21.7% of the strategies' assets, which has been managed using a quantitative methodology 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 fulfillment 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 March 31, 2023, 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.

Published April 2023

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