Q2 2023

Bailard International Equity Strategy

Quarterly Recap

Executive Summary as of June 30, 2023[1,2]

Non-U.S. stocks traversed an unusual landscape during the year's second quarter. Wages continue to drive inflation globally, although the pressure is lessening in the U.S. relative to Europe. Policymakers everywhere need to remain vigilant as inflation is notoriously challenging to defeat. China's underwhelming economic reopening may help dampen global inflation but also diminish the nation's imports and exports in the near term. More broadly, emerging markets have weathered the developed world's rate hike cycle better than history would suggest, potentially leading investors back to this long-ignored sector. Japan remains high in our Strategy's model rankings, as higher-than-historical inflation may provide a backdrop for stronger spending. Local conditions broadly, combined with an overvalued dollar, provide long-term support for non-U.S. equities.

Market Commentary[1,2]

Resolution of the U.S. debt-ceiling crisis removed one potential hazard from the economy, though broader concerns about tightening monetary policy's effects remain. Global central bank policies diverged by quarter's end, with the U.S. pausing rate increases while Australia, Canada, the EU, and the UK continued to raise rates. Geopolitical risks rose: first and foremost, Russian military leadership showed, briefly, signs of fracturing. Elsewhere, both the U.S. and France made some conciliatory meetings with China, Indian Prime Minister Modi made a state visit to the White House, and Saudi Arabia and Iran restored diplomatic ties after seven years.

The MSCI EAFE Index returned 2.95% in Q2, compared to 2.44% for the MSCI All-Country World ex USA Index and 0.90% for the MSCI Emerging Markets Index (all indices in USD terms, net dividends). Currency returns were mixed, with yen weakness the biggest mover. Energy prices also diverged: natural gas recovered somewhat from sharp declines in Q1, while oil prices continued to slide.

Composite Commentary[2,3]

The Bailard EAFE Plus Composite's 5.38% net of fee quarter return outpaced the EAFE Index developed market benchmark return of 2.95% and exceeded the MSCI ACWI ex USA Index's 2.44% return by approximately 3%. Among developed market regions/countries, Japan was the leader, up 6.4% for the quarter (MSCI country index in USD terms). With inflation at 3.2%—generationally high for the country but envied by the rest of the world—the Bank of Japan stuck to ultra-loose monetary policy, weakening the yen in the process, but benefitting exporters and local sentiment. The country's Nikkei 225 Index hit its high-

*[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 21.5% of total strategy assets as of June 30, 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.*

est level (in local currency terms) since 1990. Asia ex-Japan, however, continued to lag, with Hong Kong and Singapore each down more than 5%. Geopolitics and a slower-than-expected economic recovery weighed on the Chinese market (down almost 10%), while countries deemed friendlier trading partners to the West (Korea, Taiwan, India) rose. Emerging markets outside Asia were strong: Latin America was up 14% and Emerging Europe was up 11.2%. The best-performing EAFE sectors were Industrials (up 6.4%) and Information Technology (up 5.9%), while Communication Services (down 2.5%) and Materials (down 1.9%) were the weakest.

Strong country allocation among developed markets and stock selection drove very strong relative results for the Composite overall. With a historically low allocation to emerging markets, the Composite's country allocation saw few missteps vs. EAFE, the worst of which was a small (less than 1%) allocation to China. Stock selection failures were also limited in number and size, and negative in a few markets (Australia, UK, and Canada) where value factors are less emphasized.

Strategy Review[4]

By our measure, global equity market volatility continued to ease over Q2, drifting further 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. The top-ranked developed markets at June's end were Japan, Italy, France, the Netherlands, Denmark, Ireland, Sweden, and Germany. During the quarter, Japan's overweight was increased, Sweden's underweight was reduced, and additions were made to the Eurozone (Netherlands, France, Italy). The UK was brought to an underweight, Australia's underweight increased, and Norway was sold from the portfolio. A small sell from India brought total emerging and frontier market weight to just below 4%. The largest overweight sector exposures at quarter's end were in Industrials (4.0%) and Information Technology (2.6%), while the largest underweights were in Health Care (4.5%) and Financials (2.6%).

COUNTRY RANKINGS AT QUARTER END

The environment as of June 30, 2023 favored countries with strong value and momentum characteristics.

HIGHEST RANKED		LOWEST RANKED	
Argentina	Hungary	Australia	Morocco
Colombia	Italy	Belgium	Norway
Denmark	Japan	Finland	Portugal
Egypt	Netherlands	Hong Kong	Switzerland
France	Pakistan	Israel	Thailand
Greece	Turkey	Malaysia	Vietnam

Source: Bailard, Inc.

Investment Outlook

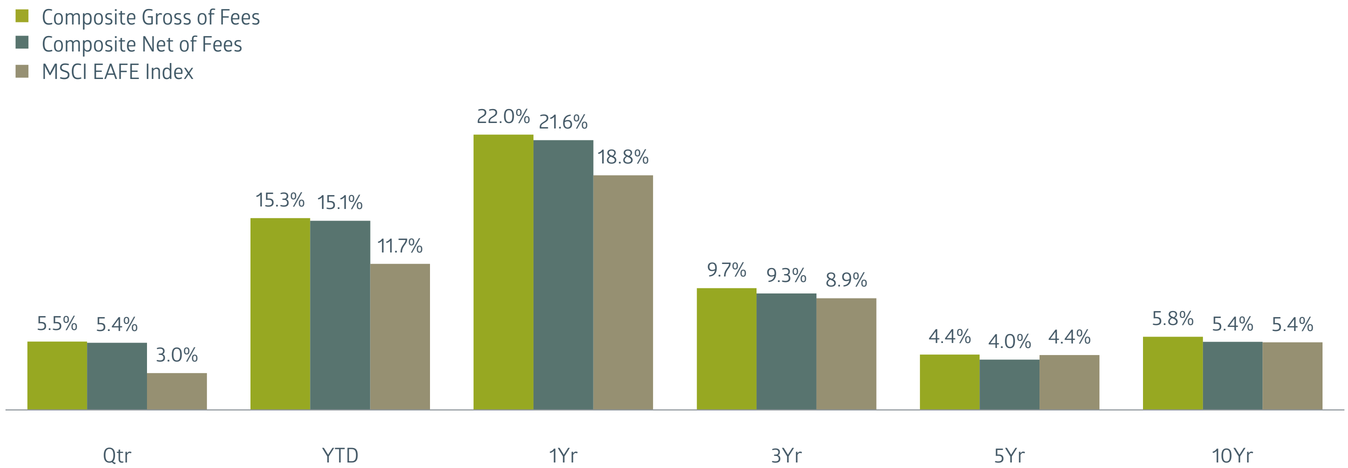
Equity market strength in 2023 has been underpinned in part by relief over cooling headline inflation (helped by energy price declines) which has taken place without a spike in unemployment or a much-feared global recession. On one hand, the continued hum of commerce has allowed corporate revenues and profits to exceed the expectations of the pessimists. On the economist's other hand, resilient labor markets have brought about robust wage growth—supporting stickier core inflation numbers and making central bankers less eager to begin reducing interest rates. June's closely-watched U.S. CPI print came in slightly better than forecasted at 3% year over year, versus 4% the month before and 9% at its peak last summer. Core inflation at 4.8% was also slightly better than expected; this measure may ease further in coming months due to slowdowns in housing prices and rents. Good news, to be sure, but still some distance from a sustainable 2%, the target and comfort zone for most central banks.

Economies—and company earnings—may have to soften before a downward shift in interest rates can lift the market's multiple on those earnings. Still, equity valuations outside of U.S. "mega-cap tech" are not stretched, and Japan is an important outlier and bright spot—a place where inflation has actually been a desirable move out of deflation, and monetary policy remains loose. We believe that whatever challenges the macro backdrop holds for the second half of 2023, Bailard's Strategy will continue to identify attractive non-U.S. markets and companies for investment.

[4] *Data regarding holdings reflect ownership information as of June 30, 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 June 30, 2023



PERFORMANCE STATISTICS: 3-YEAR as of 6/30/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.4%	17.4%	17.9%
Active Return (Net of Fee) vs.			0.4%
Tracking Error (Net of Fee) vs.			2.5%
Information Ratio (Net of Fee) vs.			0.16

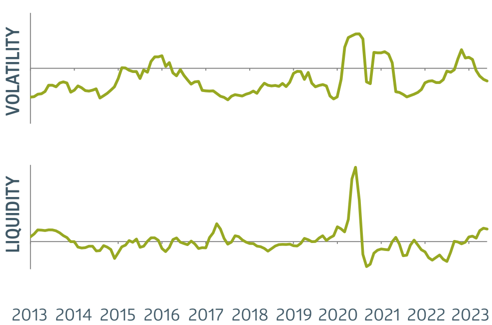
PERFORMANCE STATISTICS: 5-YEAR as of 6/30/23

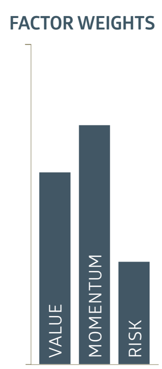
	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.7%	17.7%	17.7%
Active Return (Net of Fee) vs.			-0.4%
Tracking Error (Net of Fee) vs.			2.5%
Information Ratio (Net of Fee) vs.			-0.15

Environmental Variables and Style Factors

as of 6/30/23

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 June 30, 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 Strategy[8] as of 6/30/23

PORTFOLIO SUMMARY

# of Holdings	134
# of Developed Markets	18
# of Emerging. Frontier, and Other Markets	7
% Developed Markets	95.4%
% Emerging. Frontier, and Other Markets	3.6%
% Cash and Equivalents	1.1%

REGIONAL WEIGHTS

Continental Europe	51.9%
Japan	24.5%
United Kingdom	11.9%
Pacific ex-Japan	5.6%
Emerging Markets	3.3%
Other Developed	1.6%
Frontier and Other Markets	0.3%
Cash and Equivalents	1.1%

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 aacross three separate composites with a total AUM of $824.6 million as of June 30, 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 June 30, 2023, the Composite consisted of a single mutual fund account with a market value of $177.1 million or 21.5% 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 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.

<u>Other Performance Definitions:</u> 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.

<u>Market Indices:</u> 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 June 30, 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.

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