



Bailard International Equity Strategy

Quarterly Recap

Executive Summary as of September 30, 2023^{1,2}

After a very strong first half of 2023, non-U.S. stocks faced a more challenging environment in the 3rd quarter. Developed market central banks regained a measure of credibility in their battle against inflation and appear to be near the end of their respective rate hike cycles (Japan is an exception here). Unfortunately, longer-term yields rose around the world, putting pressure on equity valuations. Adding to the challenge for U.S.-based investors, dollar strength weighed on overall returns as well. Still, earnings growth overseas has outstripped that in the U.S. in 2023 and valuations in the largest foreign markets are very cheap historically. Sentiment towards international stocks has improved dramatically, most notably for Japanese shares. We continue to be cautious with emerging market exposures, especially with respect to China, where the political and economic climate have weighed heavily on equities. With the normalization of central bank activity, the overvalued dollar could revert, providing a strong backdrop non-U.S. stock performance.

Market Commentary^{1,2}

The “higher [rates] for longer” chorus coming from central banks reverberated through markets this quarter. Economies have digested this monetary tightening cycle well thus far, and policymakers are not yet declaring victory over higher-than-target inflation. While the pace of rate hikes slowed this quarter, expectations for cuts in 2024 have become smaller and more distant. The resulting increase across the yield curve for many markets—10-year US treasuries rising from 3.84% to 4.57% over the quarter, for example—spooked equities (in particular, growth stocks). Though signs are still mixed, consumer confidence and housing market softness are suggesting that rate hikes may be slowing the economy in the U.S. and abroad. Data out of China has also been lukewarm, with inflation non-existent and cracks in their housing market.

The MSCI EAFE Index fell 4.11% in Q3, broadly in line with a 3.77% drop for the MSCI All-Country World ex USA Index, a 2.93% slide for the MSCI Emerging Markets Index and a 3.18% fall for the MSCI US Index (all indices in USD terms, net dividends). EAFE’s return was hampered by moderate dollar strength against all major currencies. Commodities showed varying degrees of weakness, with the notable exception of oil, which rose from just over \$70/barrel in June to \$90/barrel in September.

Composite Commentary^{2,3}

The Bailard EAFE Plus Composite’s -2.81% net of fee quarter return exceeded the EAFE Index developed market benchmark return of -4.11% and also outpaced the MSCI ACWI ex USA Index’s -3.77% return. EAFE’s Energy sector was the standout performer, up 11.7%—benefiting from tight global supply of oil

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 21.4% of total strategy assets as of September 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.

and consequently rising prices. EAFE Financials also eked out a small gain (0.9%), while the remaining nine sectors declined. The Composite did benefit from a moderate overweight to Energy through the quarter, but it was underweight Financials. Information Technology (down 10.7%) and Utilities (down 8.3%) performed worst; the Composite was overweight the former but underweight the latter.

Among countries, Denmark stood out, rising on the back of good trial results for Novo Nordisk's GLP-1 drugs—the market was also a portfolio overweight. Norway and Israel (both small in EAFE weight and not held in the portfolio) also delivered positive results for the benchmark. Among larger developed markets/regions, the United Kingdom and Japan limited losses, down 1.5% and 1.6%, respectively. The portfolio remained underweight the UK but was overweight Japan. Emerging Markets (EMs), driven by China, surged in July but then lagged in August and September, leaving them only slightly ahead of EAFE. The Composite continues to have historically low (under 5%) exposure to emerging markets.

Value factor strength in Q3 was a significant tailwind for the portfolio, which incorporates proprietary expressions of this theme in both country allocation and stock selection processes. EAFE's Value index outperformed EAFE Growth by over 9%, a gap seen rarely over the past 30 years—usually associated with market turning points such as the 2009 or COVID market recoveries, or dot-com downturn. This quarter, rising interest rates and oil prices provided a boost to value-heavy sectors (Energy and Financials) as well as putting pressure on more speculative growth companies in Technology and related industries.

Strategy Review⁴

By our measure, global volatility remained at low levels at quarter endm leading the country model to stay the course in markets with strong momentum and improving risks, emphasizing valuations somewhat less. Top-ranked developed markets at quarter's end were Denmark, France, Italy, Spain, Japan, the Netherlands, and Austria. During the quarter, underweights to the UK and Switzerland were reduced, and Sweden was brought from slight under-

COUNTRY RANKINGS AT QUARTER END

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

HIGHEST RANKED

Argentina	Hungary
China	Italy
Colombia	S. Korea
Denmark	Pakistan
Egypt	Spain
France	Turkey

LOWEST RANKED

Australia	Mexico
Canada	Morocco
Finland	New Zealand
Hong Kong	Singapore
India	Thailand
Indonesia	Vietnam

Source: *Bailard, Inc.*

weight to slight overweight. Sells in Hong Kong and Australia increased their underweights. The largest overweight sector exposures were in Information Technology (+2.5%) and Industrials (+2.1%), while Health Care (-2.7%) and Financials (-2.5%) were the largest underweights. This sector list is the same as last quarter, though the Tech and Health Care active positions were trimmed closer to neutral than three months ago, responding to shifting stock rankings among their constituents.

Investment Outlook

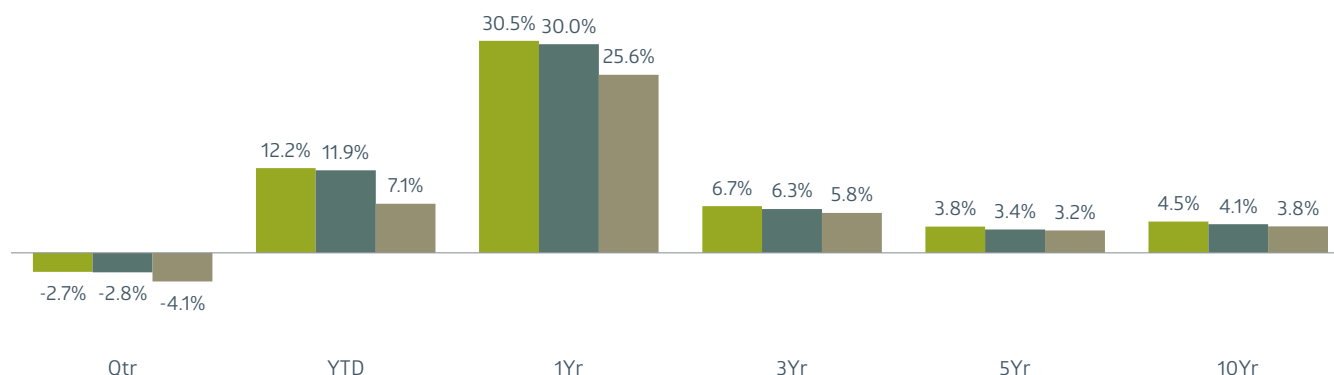
Markets will continue to grapple with a “higher for longer” stance from central banks and look for signs of elevated rates squeezing economic growth and company earnings at-large. This period feels very different to us than early 2022, when rising rates coincided with equity markets tumbling (EAFE fell 27% in the first three quarters of 2022, as 10-year Treasury yields rose from 1.5% to 3.9%). Rising inflation at that time caught central banks flat-footed, while supply-chain disruptions from the Russia-Ukraine conflict and the COVID recovery provided additional uncertainty. By contrast, central banks today have regained credibility against inflation (though it is not yet back to target levels and has had some recent upticks); COVID and Russia-Ukraine are still present (regrettably) but have faded from market focus. Equities have learned to live with higher rates, recovering nearly all of early 2022's losses before this quarter's slide. Non-U.S. developed markets continue to see valuation advantages over their U.S. counterparts, and have shown resilience in the macro environment thus far. We remain confident the portfolio's emphasis on quality, profitable companies at reasonable valuations will continue to resonate going forward.

⁴ Data regarding holdings reflect ownership information as of September 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 September 30, 2023

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



PERFORMANCE STATISTICS: 3-YEAR as of 9/30/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.4%	17.4%	18.0%
Active Return (Net of Fee) vs.			0.6%
Tracking Error (Net of Fee) vs.			2.4%
Information Ratio (Net of Fee) vs.			0.24

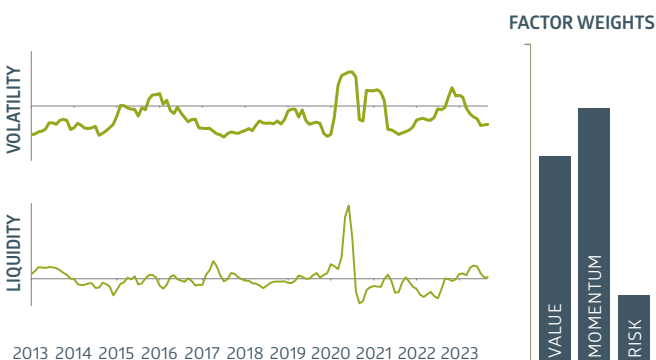
PERFORMANCE STATISTICS: 5-YEAR as of 9/30/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.9%	17.9%	17.8%
Active Return (Net of Fee) vs.			0.1%
Tracking Error (Net of Fee) vs.			2.5%
Information Ratio (Net of Fee) vs.			0.05

Environmental Variables and Style Factors

as of 9/30/23

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 September 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 Strategy⁸ as of 9/30/23

PORTFOLIO SUMMARY

# of Holdings	136
# of Developed Markets	18
# of Emerging, Frontier, and Other Markets	7
% Developed Markets	94.8%
% Emerging, Frontier, and Other Markets	4.4%
% Cash and Equivalents	0.9%

REGIONAL WEIGHTS

Continental Europe	52.7%
Japan	24.4%
United Kingdom	13.2%
Emerging Markets	4.1%
Pacific ex-Japan	3.1%
Other Developed	1.3%
Frontier and Other Markets	0.3%
Cash and Equivalents	0.9%



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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 \$790.2 million as of September 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 September 30, 2023, the Composite consisted of a single mutual fund account with a market value of \$169.3 million or 21.4% 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 September 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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