

Q4 2023 Bailard International Equity Strategy

Quarterly Recap and Outlook

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

In the 4th quarter, global equity markets found a new pillar to build upon 2023's already impressive investment results. Declining U.S. Treasury yields in the final two months of the year drove broad developed markets to within a hair's breadth of EAFE's all-time high. The year began with fears of global recession and high inflation in most major markets (excluding Japan). The year ended with "peak" optimism: that central banks, most critically the Fed, had brought inflation down to near normal levels without causing a recession. That optimism led to a broad expansion of global equity valuations in the 4th quarter. As we look to the new year, even though the residual effects of central banks' tightening cycles may slow economic growth, a pivot toward lower rates could sustain valuations. And, despite lower economic growth, forecasters are looking for further earnings growth. In combination, 2024 could again be a rewarding one for international equity investors.

Market Commentary^{1,2}

The quarter saw a clear shift in regime, with the monetary tightening cycle seen as ending, inflation subsiding, and increased expectations for rate cuts in 2024. October was a continuation of the "higher rates for longer" theme, with 10-year U.S. Treasury rates peaking just shy of 5% and equity markets selling off. The regime shift followed, with yields declining in both November and December—ending the year below 4%—and global equities rallying significantly. Longer-duration stocks such as in the technology sector were prime beneficiaries of lower discount rates, but various industrial and consumer sectors were also aided by greater confidence that central banks can engineer a 'soft landing': lower economic and earnings growth without a broad-based recession.

The MSCI EAFE Index rose 10.42% in Q4, outpacing the MSCI All-Country World ex USA Index's 9.75%

rise and the MSCI Emerging Markets Index's 7.86% gain (all indices in USD terms, net dividends). China was the primary drag on the latter indices, falling 4.22% amid a continued cloud of geopolitical tensions, tepid post-COVID economic recovery, and government interference in its business sector. Despite foreign currencies rising against the dollar, U.S. indices were boosted by their preeminent, long-duration megacaps, and outpaced non-U.S. counterparts.

Composite Commentary^{2,3}

The Bailard EAFE Plus Composite's 10.18% net of fee quarter return was slightly below that of the MSCI EAFE Index developed market benchmark return of 10.42%, but slightly outpaced the MSCI ACWI ex USA Index's 9.75% return. EAFE Growth stocks outperformed Value significantly, led by the Technology sector, up 21.3% for the quarter. Energy

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 December 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.

eked out the smallest gain of the 11 EAFE sectors, up just 0.4%. While oil fell from above \$90/barrel to just over \$71, other commodities fared better and led the EAFE Materials sector to a 17.1% gain. The Composite's moderate Energy overweight did detract from performance, but this was more than offset by its larger Technology overweight. Value factor underperformance did prove to be a headwind during the quarter, as it remains an important part of the systematic process for both country allocation and stock selection.

Sweden's 21.2% return led developed markets—seeing a rebound in many capital goods names, followed closely by the Netherlands' 19.9% return—led by Technology. Norway's concentration of Energy names held it back (up just 3.2%), while Hong Kong (3.4%) and Singapore (4.5%) were held back by the aforementioned China sluggishness. The 4.2% fall in China's index was better only than Turkey's 12.2% fall; non-developed market superstars included Poland (up 38%), Argentina (35.7%), and Pakistan (35.6%). The Composite did well in having only small positions in the laggards (and no exposure in Turkey), but had mixed results in capturing leaders (successfully exposed to Poland, Sweden underweight on average, Netherlands overweight).

Strategy Review⁴

While undoubtedly good for market direction, the quarter's apparent regime change was picked up by our global volatility measure—remaining below average but rising through the quarter. This does lead the country model to reduce its emphasis on valuation slightly, looking more for cheap valuations and improving risk metrics. Top-ranked developed markets at quarter's end were Denmark, the Netherlands, Spain, Italy, Norway, Ireland, and Australia. The most significant changes to country positioning during the quarter were a reduction in France's overweight to near neutral, initiation of Norway to bring it to slightly overweight, and additions to Germany and the UK. Sector positioning remained similar to three months ago, with Information Technology (+2.4%), Consumer Discretionary (+2.2%), and Industrials (+2.0%) most

COUNTRY RANKINGS AT QUARTER END

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

HIGHEST RANKED

Argentina	Korea
Colombia	Netherlands
Denmark	Pakistan
Egypt	Peru
Greece	Spain
Hungary	Turkey

LOWEST RANKED

Austria	Malaysia
Belgium	Mexico
Finland	Morocco
Germany	Portugal
Israel	Switzerland
Japan	Thailand

Source: *Bailard, Inc.*

overweight, and Health Care (-3.8%), Real Estate (-1.9%) and Financials (-1.9%) most underweight.

Investment Outlook

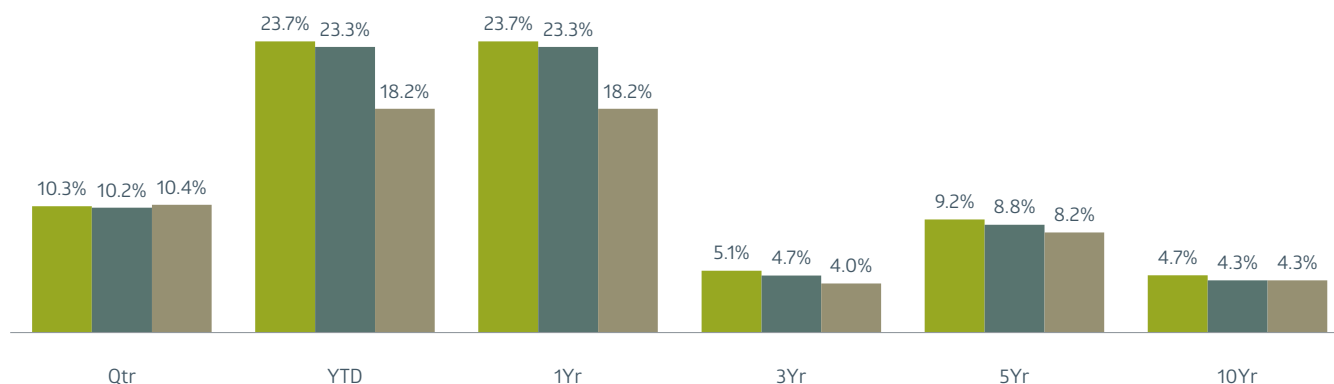
Although the past quarter—and 2023 more broadly—demonstrated a clear optimistic direction, many questions remain for 2024: can we avoid a recession; can we speak of inflation in the past tense; will the Fed lower interest rates (and if so, how much); and, perhaps most importantly, how will markets broadly fare? Politics worldwide will have many opportunities to surprise (for better or worse), as more than 60 countries go to the polls: over 4 billion people, generating a majority of the world's GDP. Will a resurgence of populism shake up markets, either through fiscal/monetary policy or broader geopolitical shifts? None of us has a crystal ball. We remain confident in our disciplined investing approach, emphasizing favorable country and stock characteristics that should persist in a variety of environments, while remaining vigilant to both these known macro risks and unknown ones which will surely emerge.

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

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



PERFORMANCE STATISTICS: 3-YEAR as of 12/31/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	16.6%	16.6%	16.6%
Active Return (Net of Fee) vs.			0.6%
Tracking Error (Net of Fee) vs.			2.1%
Information Ratio (Net of Fee) vs.			0.30

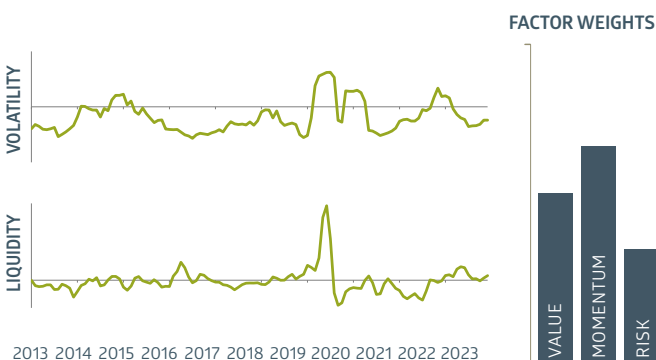
PERFORMANCE STATISTICS: 5-YEAR as of 12/31/23

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.8%	17.8%	17.9%
Active Return (Net of Fee) vs.			0.6%
Tracking Error (Net of Fee) vs.			2.4%
Information Ratio (Net of Fee) vs.			0.27

Environmental Variables and Style Factors

as of 12/31/23

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 December 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 12/31/23

PORTFOLIO SUMMARY

# of Holdings	144
# of Developed Markets	16
# of Emerging, Frontier, and Other Markets	7
% Developed Markets	94.1%
% Emerging, Frontier, and Other Markets	4.9%
% Cash and Equivalents	1.0%

REGIONAL WEIGHTS

Continental Europe	51.1%
Japan	24.4%
United Kingdom	14.3%
Emerging Markets	4.7%
Pacific ex-Japan	3.2%
Other Developed	1.1%
Frontier and Other Markets	0.2%
Cash and Equivalents	1.0%

Bailard International Equity Strategy

Quarterly Recap & Outlook

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 \$863.4 million as of December 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 December 31, 2023, the Composite consisted of a single mutual fund account with a market value of \$185.0 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 December 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.

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Published January 2024

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