

Executive Summary as of September 30, 2024^{1,2}

Political events continued to make headlines in the third quarter: the UK and France both held elections, while Japan's ruling party chose a new leader. Chinese policymakers announced new stimulus measures, which prompted a rally in mainland and Hong Kong markets. Despite these twists and turns, the economic backdrop overall remains favorable as most central banks are reducing rates and anticipated growth rates remain positive, though lukewarm. Company fundamentals remain strong across a variety of countries and industries, with foreign markets maintaining valuation advantages against their U.S. counterparts.

Market Commentary^{1,2}

The quarter saw a number of shifts, ranging from shorter-term dislocations to more lasting turns in trend. Most broadly and persistently, falling inflation statistics led markets to anticipate a dovish Federal Reserve—which followed through with a half-point rate cut near quarter's end. This brought it more in tune with other policymakers: the ECB's first cut in June, then again in September; the BoE's in August. The Fed's move may have precipitated a shift towards dollar weakness, especially punctuated by large rises in the yen. Equity indexes made sudden moves—most notably a one-day percentage decline in Japan's Nikkei Index on August 5th, larger than any seen since 1987, followed immediately by a double-digit rise on August 6th, but also including a quarter-end surge in Hong Kong and Chinese stocks. While Japan's moves may have been more monetary-driven, China's were more fiscal: in addition to rate cuts, the Politburo promised spending as needed to meet growth targets for the year, supporting consumer spending and its beleaguered property market. Various industries and companies saw expectations and prices shift as well.

Semiconductor firms' past performance leadership was shaken by concern over export restrictions to China, and several automakers forecasted declining results, while AI demand for space and power boosted many infrastructure-related firms.

Politics also saw several shakeups. Shortly after Donald Trump survived an assassination attempt in July, President Biden gave way to Vice President Harris as the Democratic nominee for the upcoming Presidential election. In France's parliamentary election, a first-round surge for the far-right RN party was blunted by moderate and left cooperation in the second round, eventually leading to the appointment of moderate Michel Barnier as Prime Minister with hopes of cobbling together a governing coalition. In Japan, Shigeru Ishiba's election as LDP party leader and thus Prime Minister caused another bout of market uncertainty at quarter's end, given his stance as a China hawk and push for fiscal discipline.

Despite this day-by-day turbulence through the quarter, stock indexes edged higher each month, with the MSCI EAFE Index rising 7.26% over the

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 20.8% of total strategy assets as of September 30, 2024. **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.

quarter and the MSCI All Country World ex-USA Index up 8.06%—both ahead of the S&P 500’s 5.9% return, though slightly behind the MSCI Emerging Markets Index’s 8.72% rise (all indices in USD terms, net dividends).

Composite Commentary^{2,3}

The Bailard EAFE Plus Composite’s 6.84% net of fee quarter return was slightly behind the MSCI EAFE Index developed market benchmark return of 7.26%. China (up 23.5% for the quarter / +23.9% in September alone) and Hong Kong (up 24.4% in Q3 / +17.1% in September) led emerging and developed countries, respectively, on the previously-mentioned stimulus surge. Singapore (Q3 +17.6%) was a regional beneficiary, in contrast to laggard Japan (+5.7%). Denmark (-10.3%) and the Netherlands (-4.5%) were the only developed countries that fell for the quarter—their previous star companies Novo Nordisk and ASML fell 18.6% and 19.6%, respectively. These names exemplified the market’s sectoral rotation: EAFE Technology fell 2.4% after leading for the first half of the year, trailed only by Energy (-5.5%); several of the year’s previous losers gained the most, including Real Estate (+17.4%) and Utilities (+15.6%).

Most notably China’s policy shift indicated at quarter’s end caused a rapid rally and resulted in a slight benefit against EAFE (which has 0% in China), while the Composite’s overweight to Korea versus the developed market benchmark detracted an equal amount. The Composite’s sector positioning detracted somewhat, particularly the underweight to Real Estate and overweight to Technology—though selection within the latter (avoiding many of the worst-performing Semiconductor companies) was additive.

Strategy Review⁴

The more localized nature of many of the quarter’s shocks—limited in geographic and temporal scope—left our global volatility measure at quarter end only marginally higher than past months, well below its long-run average. As a result, our country model’s primary focus is momentum, though as noted from countries, sectors, and individual stocks, leaders have begun to shift. Denmark and Norway’s rankings fell throughout the quarter, while France saw its rank improve as a government (albeit

COUNTRY RANKINGS AT QUARTER END

The environment as of September 30, 2024 favored countries with strong value and momentum characteristics.

HIGHEST RANKED

Argentina	Ireland
Austria	Italy
Colombia	Pakistan
Egypt	Peru
Greece	Spain
Hungary	Turkey

LOWEST RANKED

Australia	New Zealand
Canada	Norway
Czech Rep.	Portugal
Denmark	Switzerland
Indonesia	Thailand
Morocco	Vietnam

Source: Bailard, Inc.

a shaky one) forms, reducing political uncertainty. Top-ranked developed markets at quarter’s end were Euro-dominated: Ireland, Spain, Austria, Italy, and Germany, in addition to Singapore and Sweden.

Through the quarter, portfolio purchases brought the UK from underweight to overweight and Germany from underweight to neutral. These were largely funded by trims to Denmark and the Netherlands. Sector positioning remains similar to prior quarters—overweight Technology while underweight Health Care and Real Estate—but also increased the overweight to Communication Services on the basis of individual companies’ evaluations.

Investment Outlook

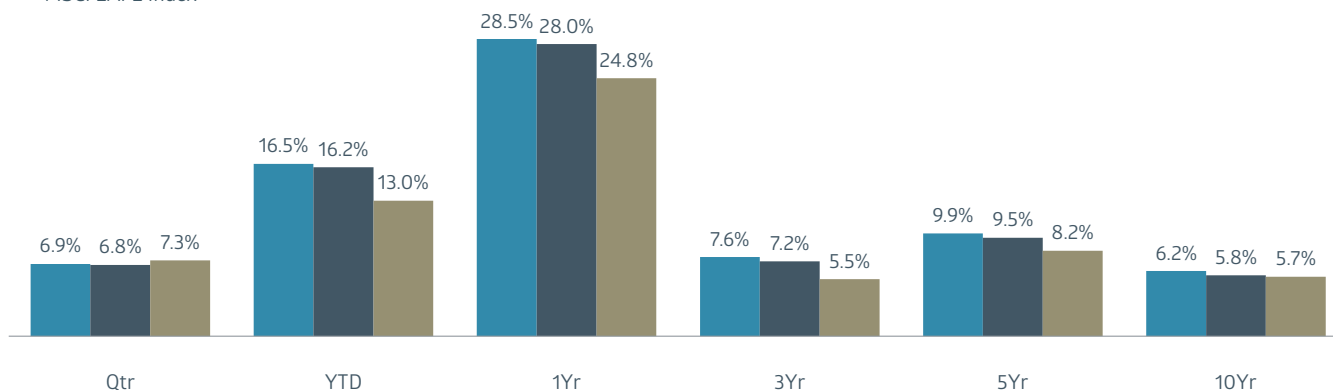
With inflationary pressures largely behind us, the market can expect central banks to continue easing and attempt to navigate a soft landing. The stimulus unleashed from the Chinese government gives renewed hope for a growth revival in the region; however, whether this translates into a real fundamental story or just another short-lived rally will be a focus point for the Strategy. While we see various tailwinds in international equities, there also remain a range of risks in this latter half of the year, including geopolitical uncertainty, Japan’s future rate hikes, US election outcomes, and a slowdown in European activities. On the latter, recent PMIs from the Eurozone have begun to show signs of weakness in demand along with Germany seeing signs of soft employment. We are confident in the Strategy’s position to balance out these risks while also capturing structural growth areas across markets (such as European tech levered to AI adoption, tailwinds in automation, and utilities in powering a data-heavy future) as well as capturing valuation advantages.

⁴ Data regarding holdings reflect ownership information as of September 30, 2024 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, 2024

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



PERFORMANCE STATISTICS: 3-YEAR as of 9/30/24

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	16.7%	16.7%	16.7%
Active Return (Net of Fee) vs.			1.7%
Tracking Error (Net of Fee) vs.			2.1%
Information Ratio (Net of Fee) vs.			0.81

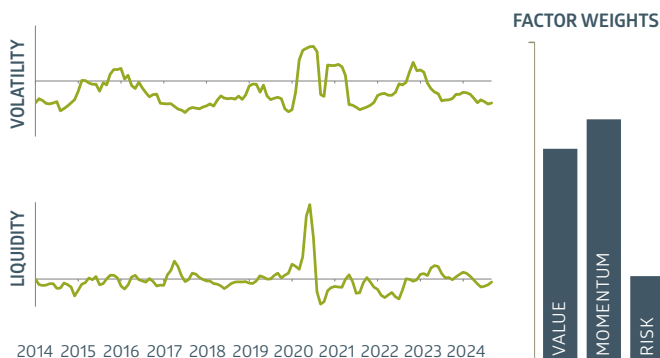
PERFORMANCE STATISTICS: 5-YEAR as of 9/30/24

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	17.4%	17.4%	17.5%
Active Return (Net of Fee) vs.			1.3%
Tracking Error (Net of Fee) vs.			2.2%
Information Ratio (Net of Fee) vs.			0.58

Environmental Variables and Style Factors

as of 09/30/24

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, Bailard.

⁵ Sources: FactSet and Morningstar. **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, 2024 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 9/30/24

PORTFOLIO SUMMARY

# of Holdings	168
# of Developed Markets	17
# of Emerging, Frontier, and Other Markets	5
% Developed Markets	93.6%
% Emerging, Frontier, and Other Markets	5.5%
% Cash and Equivalents	0.9%

REGIONAL WEIGHTS

Continental Europe	47.7%
Japan	22.2%
United Kingdom	16.6%
Pacific ex-Japan	6.0%
Emerging Markets	5.5%
Other Developed	1.1%
Cash and Equivalents	0.9%

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 \$1.0B as of September 30, 2024. 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, 2024, the Composite consisted of a single mutual fund account with a market value of \$209.6M or 20.8% 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, 2024, 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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