

Q4 2024 Bailard International Equity Strategy

Quarterly Recap and Outlook

Executive Summary as of December 31, 2024^{1,2}

Non-U.S. equities faced meaningful headwinds in a quarter of political intrigue among some of the world's most critical democracies. Many central banks continued to lower short-term interest rates, reducing one strain on borrowers and the economy. At the same time, those same actions put downward pressure on currencies with only the Israeli shekel rising against the greenback in the quarter. Still, lower rates relative to the U.S. may be the driver of value recognition; even with earnings growth that isn't keeping up with U.S. companies', foreign stocks appear better than fairly priced.

Market Commentary^{1,2}

The quarter capped 2024's "Year of the Election" by further demonstrating voters' unhappiness with incumbents around the world. Donald Trump and the Republican party roared back into power in the November 5th U.S. elections, winning the popular vote for president as well as gaining control of the Senate and maintaining a House majority. Japanese prime minister Shigeru Ishiba's LDP-Komeito coalition lost its majority in late-October general elections—though he kept his job, he will have to govern with a minority, garnering support on a policy-by-policy basis. Facing pressure from worsening polls and disgruntlement between parties, German Chancellor Olaf Scholz collapsed his government by firing his coalition-partner finance minister; following the failure of a confidence vote, a federal election has been called for February. France's fragmented parliament could not agree on a budget and voted non-confidence in the government—Michel Barnier gave way to Francois Bayrou, who faces the same difficult task of uniting disparate parties to tackle the country's deficit. In South Korea, President Yoon Suk Yeol's sudden declaration of martial law on December 3rd, citing 'anti-state activities' of opposition politicians, was quickly reversed by the legislature and led to his subsequent removal from office. Far beyond our investable universe—but nonetheless important from humanitarian and geopolitical perspectives—Syria's Assad regime collapsed suddenly in the face of December rebel offensives.

Economic reports were rather upbeat—3rd quarter GDP growth came in at 1.5% (QoQ, annualized) for

the Eurozone, and 2.8% for the U.S. In a case of "good news is bad news", this led markets to anticipate fewer interest rate cuts, from the Federal Reserve in particular—leading to higher interest rates which dragged on stocks and foreign currencies. Earnings reports during the period were mixed, with many firms blaming China for weak demand. There, while Chinese policymakers in late September gave investors a spark of hope for animal-spirit-inducing stimulus, the measures outlined so far have failed to inspire, and their markets faded after the first week of October.

Market reactions to the U.S. election results echoed November 2016: a strong dollar and U.S. equity returns, leaving stocks elsewhere in the world behind. Combined with the aforementioned higher interest rates, the net result was a disappointing drop in foreign indices: MSCI EAFE fell 8.11%, MSCI All Country World ex-USA fell 7.60%, and MSCI Emerging Markets fell 8.01% (all indices in USD terms, net dividends). These declines can almost entirely be attributed to currency weakness—for example, EAFE's fall in local terms was just 0.62%. Not facing this headwind, the S&P 500 rose 2.4% for the quarter.

Composite Commentary^{2,3}

The Bailard EAFE Plus Composite's -6.89% net of fee quarter return was well ahead of the MSCI EAFE Index developed market benchmark return of -8.11%. Some sectors of the market fared better than others—for example, banks rose in anticipation of benefits from higher interest rates, and e-commerce related firms reported strong earnings growth. By contrast, Materials

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 20.4% of total strategy assets as of December 31, 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.

firms struggled as Chinese growth remains sluggish, and several of EAFE's past high-fliers (Novo Nordisk and ASML) pared back their gains from earlier in the year. Among developed countries, only Israel (+14.1%) and Singapore (+3.2%) surpassed the US gain (+2.7%)—those two having significant e-commerce constituents—with Austria (+1.1%, significant bank exposure) and Canada (-1.8%, again e-commerce) not far behind. Japan (-3.6%) was a notable outperformer given its size, despite the political setbacks to its governing party. Among emerging markets, Taiwan (+3.3%) benefited from Taiwan Semiconductor Manufacturing Company's continued strength. South Korea (-19.2%) was a laggard (in addition to its political surprise, Samsung continued to struggle), along with Brazil (-19.4%, driven by commodities firms). Developed market laggards included Portugal (-22.7%), Denmark (-21.5%, driven by Novo Nordisk), and Sweden (-14.0%).

Developed market allocation was particularly strong, avoiding many laggards such as Denmark, Australia (-11.4%), and Switzerland (-11.2%). The Composite did have a small overweight to underperformer Sweden. Emerging market positioning was mixed—holding Taiwan but also Korea. The portfolio's sector positioning was additive, underweight Materials and other laggards such as Health Care and Real Estate, preferring areas within Consumer Discretionary, Communication Services, and Information Technology that fared better.

Strategy Review⁴

At year-end, our global volatility measure rose slightly but remained below its long-run average. The resulting focus on momentum leads our country rankings to prefer several of the quarter's outperformers—namely Singapore, Israel, Austria, and Japan—but also suggests value opportunities such as Germany, Spain and Hong Kong. (Qualitatively, we remain quite cautious on Hong Kong / China stocks, given the sporadic history of investor engagement there.) The rankings' Euro-favoritism seen three months ago largely faded, with France seeing renewed political instability and Netherlands' momentum dissipating. Denmark and Sweden also saw ranking declines on worsening momentum trends.

Through the quarter, portfolio purchases brought Germany from neutral to slightly overweight, Japan to EAFE weight (significantly higher than ACWI ex-US and most competitors), Singapore more overweight, and Israel from neutral to overweight. These were largely funded by reductions in Denmark and Italy,

COUNTRY RANKINGS AT QUARTER END

The environment as of December 31, 2024 favored countries with strong value and momentum characteristics.

| HIGHEST RANKED | | LOWEST RANKED | |
|----------------|-----------|---------------|-------------|
| Argentina | Greece | Australia | Netherlands |
| Austria | Hungary | Denmark | New Zealand |
| Chile | Israel | Finland | Poland |
| China | Pakistan | France | Portugal |
| Colombia | Singapore | India | Sweden |
| Egypt | Turkey | Morocco | Switzerland |

Source: Baidard, Inc.

and selling our remaining Norwegian holdings. Sector positioning remained consistent with prior quarters—overweight Communications Services and Technology while underweight Health Care and Real Estate.

Investment Outlook

2025 will be a quieter year on the electoral front, though several countries are scheduled/due—Germany in February, Australia likely in the late spring, and Canada by the fall, as well as several smaller/emerging markets. Investor focus will turn towards the policy intentions of leaders and their ability to carry them out. In the case of the US, Republicans' hold on all three branches of government and consequent ability to legislate is clear, but priorities are fuzzy—principally for unpredictable incoming President Trump. For nations such as Japan and (particularly) France, split legislatures may lead to diluted policy, and possibly more elections in short order.

Economically, 2025 may continue themes from 2024: slowing but slightly-above-target inflation, combined with muted growth—perhaps tipping into recession in a few places, but not many. Central bankers are well-positioned to respond to signals, holding or cutting rates as the data suggest.

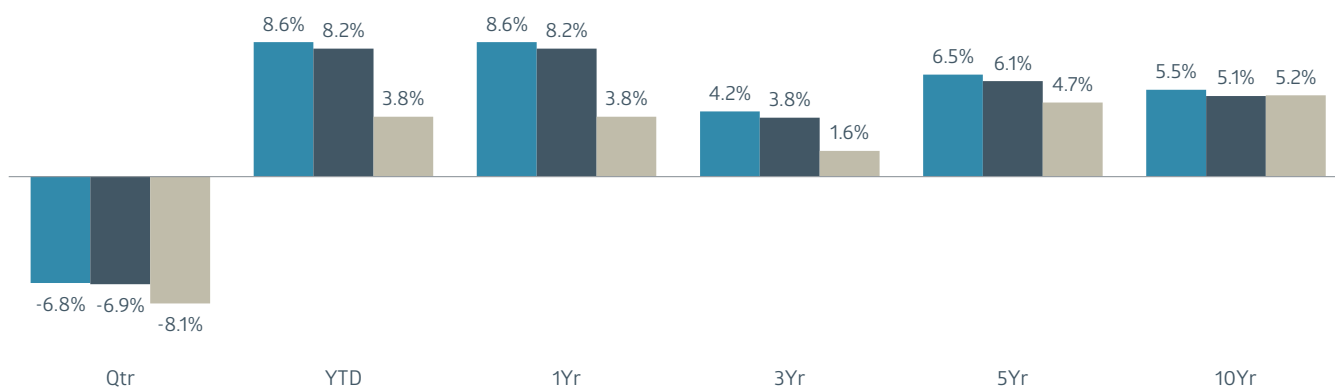
While the coming year will undoubtedly provide new surprises for investors, we remain optimistic on the outlook for non-US equities, given the range of opportunities available and their relative valuations. On an earnings-to-price basis, EAFE trades at a 45.7% discount to the US, and the Emerging index at 44.6% cheaper. Although portions of this discount may be explained by industry mix or anticipated near-term earnings trends, its scale is increasingly difficult to justify. We continue to find and invest in global leaders with potential for continued growth and/or valuation re-rating, as well as robustness to a variety of global environments. Remaining nimble to global shifts, but focused on industry and company fundamentals, we aim to continue the portfolio's performance track record.

⁴ Data regarding holdings reflect ownership information as of December 31, 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 December 31, 2024

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



PERFORMANCE STATISTICS: 3-YEAR as of 12/31/24

| | EAFE-PLUS COMPOSITE | | MSCI EAFE INDEX |
|------------------------------------|---------------------|------------|-----------------|
| | GROSS OF FEE | NET OF FEE | |
| Standard Deviation | 16.5% | 16.5% | 16.6% |
| Active Return (Net of Fee) vs. | | | 2.1% |
| Tracking Error (Net of Fee) vs. | | | 2.1% |
| Information Ratio (Net of Fee) vs. | | | 1.00 |

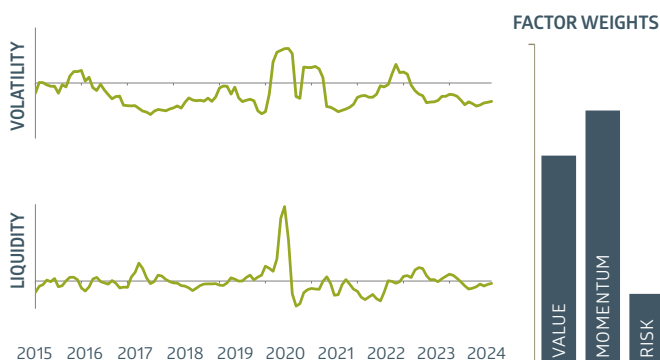
PERFORMANCE STATISTICS: 5-YEAR as of 12/31/24

| | EAFE-PLUS COMPOSITE | | MSCI EAFE INDEX |
|------------------------------------|---------------------|------------|-----------------|
| | GROSS OF FEE | NET OF FEE | |
| Standard Deviation | 17.5% | 17.5% | 17.7% |
| Active Return (Net of Fee) vs. | | | 1.4% |
| Tracking Error (Net of Fee) vs. | | | 2.2% |
| Information Ratio (Net of Fee) vs. | | | 0.63 |

Environmental Variables and Style Factors

as of 12/31/24

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 December 31, 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 12/31/24

PORTFOLIO SUMMARY

| | |
|--|-------|
| # of Holdings | 165 |
| # of Developed Markets | 16 |
| # of Emerging, Frontier, and Other Markets | 3 |
| % Developed Markets | 94.5% |
| % Emerging, Frontier, and Other Markets | 5.0% |
| % Cash and Equivalents | 0.5% |

REGIONAL WEIGHTS

| | |
|----------------------|-------|
| Continental Europe | 45.6% |
| Japan | 23.3% |
| United Kingdom | 16.7% |
| Pacific ex-Japan | 7.1% |
| Emerging Markets | 5.0% |
| Other Developed | 1.8% |
| Cash and Equivalents | 0.5% |

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 \$932.4 million as of December 31, 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 December 31, 2024, the Composite consisted of a single mutual fund account with a market value of \$190.5M or 20.4% 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, 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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For more information, please call 800.BAILARD (800.224.5273) or visit www.bailard.com.

Bailard Asset Management
950 Tower Lane, Suite 1900
Foster City, California 94404