Q1 2025 Bailard International Equity Strategy

Quarterly Recap and Outlook

Executive Summary as of March 31, 2025[1,2]

Non-US assets found renewed vigor to begin 2025, in sharp contrast to late 2024. Echoing the first Trump administration eight years ago, U.S. policy uncertainty weighed on the dollar and U.S. equities, while stimulus and reform improved sentiment elsewhere (the Eurozone in particular). The resulting spread of MSCI EAFE over MSCI USA was the widest first-quarter return differential since 1986. While reduced policy visibility may dampen real investment and activity across many countries and industries in the short-term, we believe recent volatility may provoke broader re-examination of allocation to non-US equities, and a constructive starting point for longer-term performance.

Market Commentary[1,2]

Investor sentiment shifted this quarter, to the benefit of non-US equities and assets outside of the US in general. While the end of 2024 saw American dominance in equity returns and the dollar—propelled by expectations after the November presidential election—the first quarter reversed this trend, with US equities and the dollar falling significantly. This back-and-forth behavior echoed President Trump's first term, when high expectations for America-boosting policies between the November 2016 election and the January 2017 inauguration ultimately faced muddled implementation and dynamic geopolitical responses.

The most notable geopolitical shift during the quarter was sparked by Vice President J.D. Vance's February 14th speech at the Munich Security Conference, where he criticized European democracies' approaches to issues as various as freedom of speech, security, and immigration. This "wake-up call," in addition to a late-February German election and coalition-forming, furthered the case for greater defense spending in Europe and internal economic reform. Subsequent German legislation loosened fiscal restrictions and enabled significant investments in defense, infrastructure, and climate initiatives. European markets responded positively: German government bond yields increased sharply, the euro strengthened, and European stocks in Banking and Aerospace & Defense rallied (on top of greater than 100% returns over the past two fiscal years).

Broadly, investors previously anticipated that Trump's proposed tariffs would reduce American net imports—and hence supply of dollars to the world—while demand for American assets, ranging from its most innovative technology stocks to its government bonds, would remain strong. Both sides of this equation came into question during the quarter (setting aside, for now, events thus far in April). The initial choice of tariff targets (Canada and Mexico, in addition to China), broad/simplistic application, and stop-start implementation raised questions about their effectiveness to change trading patterns. Simultaneously, increased economic uncertainty, shifting growth prospects—particularly relative to Europe as previously mentioned—and the administration's approach to diplomacy may have weakened investors' appetites for US assets on a relative basis. (The rollout of Deep Seek, a more efficient, China-based AI model, also put some doubt in US tech exceptionalism.)

With this backdrop, the quarter's 6.86% return for the MSCI EAFE Index recovered much of late 2024's decline. EAFE's spread over US stocks (e.g. MSCI USA fell 4.60%) was the widest first-quarter differential since 1986. Emerging Markets (+2.93%) trailed slightly, despite China's rise (+15.02%). Currencies boosted non-US returns to varying degrees: the yen strengthened from 157.20/$ to 149.96/$, the euro from $1.035 to $1.082, and the pound from $1.252 to $1.292.

Composite Commentary[2,3]

The Bailard EAFE Plus Composite's 8.81% net of fee quarter return was well ahead of the MSCI EAFE Index developed market benchmark return of 6.86%. European stocks were the strongest over the three months, particularly the Eurozone, as measured by MSCI country index total returns, net dividends: Spain (+22.4%), Italy (+17.2%), Ireland (+15.8%), Germany (+15.5%), Finland (+13.3%), and Austria (+13.2%) – but

[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 20.7% of total strategy assets as of March 31, 2025. ***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.*

also including Norway (+20.7%) and Sweden (+12.3%). Pacific countries lagged, with New Zealand (-8.9%) and Australia (-2.6%) posting declines and Japan a 0.3% rise; only Denmark (-12.1%) was worse, held back by Novo Nordisk's 20% fall. Rejuvenated hopes for Europe's economy boosted cyclical sectors such as Financials (+15.6%) and Energy (+15.4%), while Tech (-2.7%) and Consumer Discretionary (-0.6%) lagged. EAFE Value outperformed EAFE Growth by better than 9% (+11.5% vs +2.1%), reflecting this combination of improving economic expectations and investor repositioning towards underappreciated opportunities.

Country allocation was strong due to an emphasis on the Eurozone rather than Asia. Against the ACWI ex-US secondary benchmark, the portfolio's limited investment in emerging markets was also beneficial, as the Asian giants in that space besides China (Taiwan, India, Korea) lagged. The Composite's sector positioning neither added nor detracted from active performance, with relatively small deviations from EAFE weights: underweights to Health Care and Real Estate added slightly, while an underweight to Financials and overweight to Consumer Discretionary detracted.

Strategy Review[4]

Our global volatility measure remains below average, though slightly increasing during the quarter. This may seem counterintuitive, as there had certainly been a great deal of higher-frequency noise in markets and headlines, but aggregated over months the signal was much calmer: moderate market returns each month, with reasonable dispersion among markets. Our country model's resulting emphasis on momentum was not misplaced (though valuation metrics also guided well), as many of the year-end top developed market rankings continued in strength during the first quarter: Singapore, Germany, Austria, and Spain. Israel was somewhat softer this quarter, but past outperformance was recent enough to maintain a decent momentum score and strong ranking. Norway joined the top ranks through the quarter, also on momentum, while Japan started to fade in January and consequently slid in its ranking through the rest of the quarter. Hong Kong and China remained highly-ranked on attractive valuations and improving momentum, though we remain cautious on government policy's heavy hand there and historically fleeting investor engagement. Finally, our ranking model did notice Canada's shift in political sentiment (a tick up in popular support of the current government, albeit with a new leader, heading into an April election). Alongside improving momentum, this boosted the out-of-benchmark country to the top tier of rankings at March month-end, though we did not invest in the country during the quarter.

Through the quarter, purchases increased Germany's

COUNTRY RANKINGS AT QUARTER END

The environment as of March 31, 2025 favored countries with strong momentum and value characteristics.

HIGHEST RANKED		LOWEST RANKED	
Argentina	Hong Kong	Australia	Peru
Chile	Hungary	Denmark	Portugal
China	Israel	Finland	Sweden
Colombia	Pakistan	India	Thailand
Egypt	Singapore	Indonesia	UK
Greece	Turkey	Netherlands	Vietnam

Source: Bailard, Inc.

overweight, brought Norway overweight, and decreased Switzerland's underweight. These were funded by sales that brought Japan from EAFE's weight to underweight, trimmed Sweden, and widened the Netherlands' underweight. Health Care remained the portfolio's largest sector underweight, with Communication Services and Consumer Discretionary (a slight add) the largest overweights. The portfolio's Information Technology overweight was trimmed slightly over the quarter.

Investment Outlook

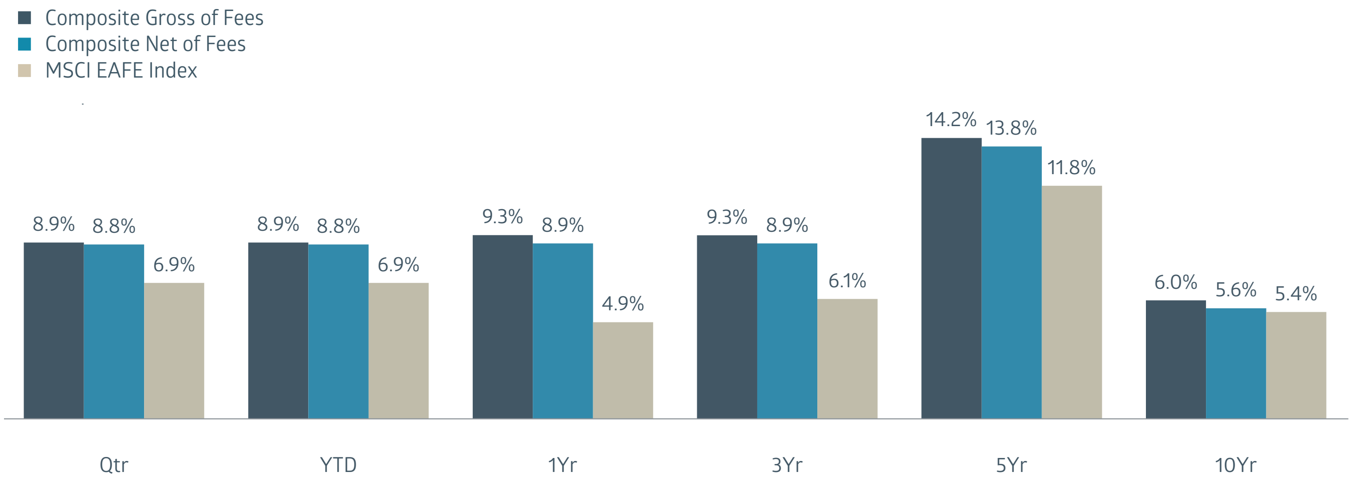
President Trump's April 2nd "Liberation Day" tariff announcement sent confidence and equity markets into a tailspin—on April 3rd, centered on America, then in subsequent days across the world. The April 9th "pause" on tariffs (although maintaining a 10% rate on most countries and higher rate on Chinese goods) provided some relief. One might infer that the initial announcement was more a gambit to protracted trade negotiations, designed to elicit shellshock, rather than figures meant to be built into economic projections. Regardless of the precise aims or eventual outcomes of this process, extreme policy uncertainty is having impacts that are likely to be seen in economic statistics in coming months and quarters: pulled-forward imports, delayed real investment, disrupted supply-chains. Company managers are likely to suspend guidance or widen forecasts, with the direction of revenue/earnings revisions likely to be negative (in local currency terms) across a broad array of industries.

While resolution of the current uncertainty may seem distant, it is often these foggiest points that create the largest opportunities, when viewed retrospectively. The first quarter gave one hint of a pathway forward, with respect to European structural reforms. Volatility often increases investor focus on valuations, seeking concrete/recent profits over speculative growth; such a focus should favor non-US equities, which trade at a discount across all eleven sectors and roughly 40% discount overall on a trailing earnings basis. A disciplined, objective, diversified, and nimble approach to navigate these day-to-day twists and turns, while finding new emergent trends, remains our aim.

[4] *Data regarding holdings reflect ownership information as of March 31, 2025 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 March 31, 2025



PERFORMANCE STATISTICS: 3-YEAR as of 3/31/25

	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	16.5%	16.5%	16.5%
Active Return (Net of Fee) vs.			2.8%
Tracking Error (Net of Fee) vs.			2.0%
Information Ratio (Net of Fee) vs.			1.42

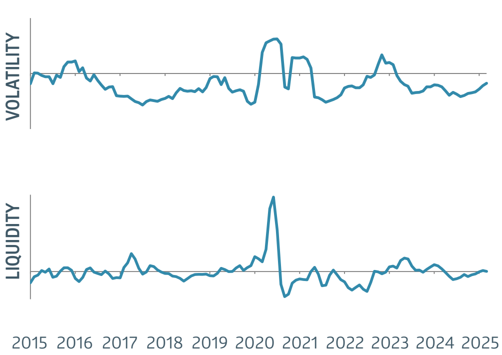
PERFORMANCE STATISTICS: 5-YEAR as of 3/31/25

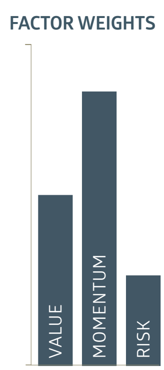
	EAFE-PLUS COMPOSITE		MSCI EAFE INDEX
	GROSS OF FEE	NET OF FEE	
Standard Deviation	15.6%	15.6%	16.0%
Active Return (Net of Fee) vs.			2.0%
Tracking Error (Net of Fee) vs.			2.2%
Information Ratio (Net of Fee) vs.			0.92

Environmental Variables and Style Factors

as of 3/31/25

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 March 31, 2025 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 3/31/25

PORTFOLIO SUMMARY

# of Holdings	166
# of Developed Markets	18
# of Emerging. Frontier, and Other Markets	3
% Developed Markets	94.0%
% Emerging. Frontier, and Other Markets	4.9%
% Cash and Equivalents	1.1%

REGIONAL WEIGHTS

Continental Europe	49.8%
Japan	19.6%
United Kingdom	16.1%
Pacific ex-Japan	7.2%
Emerging Markets	4.9%
Other Developed	1.4%
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 across three separate composites with a total AUM of $1.0 billion as of March 31, 2025. 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 March 31, 2025, the Composite consisted of a single mutual fund account with a market value of $209.7M or 20.7% 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.

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 March 31, 2025 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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