International and Global Growth Funds

Q1 2020 COMMENTARY

CHAUTAUQUA CAPITAL MANAGEMENT
A DIVISION OF BAIRD

INTRODUCTION

First of all, we wish to express our deep appreciation for our clients and sponsors. Our hearts go out to those for whom the corona-related hardship is severe. Thanks to our partners at Baird, we are safe, properly supported and fully functioning.

For the first half of the quarter, global markets progressed sideways to slightly up. Then as the full weight of the spread of the COVID-19 virus spread around the globe, financial assets were battered. We experienced history-making selloffs and rallies netting in substantial (greater than 20%) declines which, by definition, means that we are in a bear market. Late in the quarter, "Big Bazooka" fiscal and monetary stimulus deployed around the world buoyed the market to some extent. This was an extraordinarily tough quarter for all market participants.

It is very difficult for us to come to grips with losing client's assets. These precious investments are used to secure retirement savings, fund scholarships and carry out important research, so in the face of significant absolute loss it may be cold comfort to know that we were successful in providing some downside protection.

In the first quarter of 2020, the Chautauqua International Growth Fund Net Investor Class returned -16.75%, outperforming the MSCI ACWI ex-U.S. Index® ND, which returned -23.36%. The Chautauqua Global Growth Fund Net Investor Class returned -14.35% during the quarter, outperforming the MSCI ACWI Index® ND, which returned -21.37%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index®, growth style outperformed value style. Within emerging markets, growth style also outperformed value style. Large capitalization stocks outperformed small capitalization stocks in the developed markets sub-index and in the emerging markets sub-index.

For the MSCI ACWI Index®, growth style outperformed value style, and large capitalization stocks outperformed small capitalization stocks. Within emerging markets, growth style also outperformed value style, and large capitalization stocks outperformed small capitalization stocks.

Sector and country performance were negative for the quarter.

MSCI Sector and Country Performances (QTD as of 03/31/2020)

Sector	Performance	Country	Performance	Country	Performance
Health Care	-11.22%	Denmark	-7.74%	Canada	-27.37%
Information Technology	-13.59%	China	-10.22%	Singapore	-28.19%
Consumer Staples	-13.83%	Switzerland	-11.12%	Italy	-29.21%
Utilities	-14.84%	Japan	-16.63%	India	-31.13%
Communication Services	-16.17%	Taiwan	-19.00%	Australia	-33.23%
Consumer Discretionary	-21.25%	United States	-19.65%	Indonesia	-39.44%
Real Estate	-23.53%	Netherlands	-20.63%	Austria	-42.88%
Industrials	-26.14%	Germany	-26.95%		
Materials	-27.10%				
Financials	-31.59%				
Energy	-43.76%				

**Performance data represents past performance and does not guarantee future results. The investment return and principal value of the investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the data quoted. A redemption fee of 2.00% is assessed on shares held for 90 days or fewer, as a percentage of the amount redeemed. Performance data does not reflect this redemption fee. For performance data as of the most recent month-end, please visit bairdfunds.com.*

INVESTMENT TEAM

- Generalists with specialized skills
- Averaging 23 years investment experience

INVESTMENT PHILOSOPHY

- The securities of advantaged, wealth-generating businesses are often mispriced because most investors do not fully comprehend the companies' potential for sustained high-growth and improved profitability. Several trends accentuate this phenomenon.

KEY PILLARS OF OUR INVESTMENT PROCESS

- Security selection drives returns
- Long-term focus
- Concentrated, conviction-weighted portfolios

ORGANIZED FOR INVESTMENT SUCCESS

- Autonomous institutional boutique
- Employee owners
- We invest alongside our clients
- Self-imposed limit on growth

We are often asked, “under what market conditions does your approach do best and under what market conditions does your approach do worst?” Our surprising answer is the same for both, “in times of great volatility.” As focused and disciplined managers of concentrated portfolios we know a select universe of stocks very well. This enables us to exploit mispricings stemming from indiscriminate selling or buying in a volatile environment, like right now. The portfolios generally are richly rewarded for these adjustments. In some cases, however, it can take a while before the markets adjust prices to what we have determined to be the intrinsic value. This makes it the best of times. Alternatively, when investors are piling in and storming out of the market based on headline news, it is hard to distinguish yourself. As active managers, charged with remaining mostly fully invested, we cannot sidestep a market crash. The emotional battle between bargain hunters and breakeven sellers in the face of a novel and deadly virus has made this the worst of times.

Every economic sector and country sold off. Neither growth nor value, large capitalization nor small, developed or developing economy was spared. Quality sold off a little less. Healthcare companies, which were the perceived “bad guys” in the heat of election year rhetoric at the beginning of the quarter, became the “heroes” who might be able to develop better test kits, inhalers and potentially an effective vaccine. Healthcare was the best performing sector. The energy sector plummeted as demand for gasoline contracted in the “shelter at home” environment and as the Saudis and Russia ramped up crude oil production. By country, performance was a quality issue. Denmark, Switzerland, China, Japan then the U.S. did the best. Most of the worst performing countries were in the emerging markets universe. China, where the COVID-19 virus began, applied draconian containment rules then ramped up testing and treatment and was able to stem the spread and as a result at quarter end had reported economic data that demonstrates China has quickly come through the other side. Until the extraordinary monetary and fiscal measures were announced late in the quarter, quality growth out-performed economically sensitive and deep value stocks. The balance sheet strength and consistency of earnings of the quality growth firms were expected to fare better than businesses that must service high levels of debt and are dependent on economic strength to be profitable in this unprecedented crisis.

PERFORMANCE ATTRIBUTION

Selection effect was a positive contributor to the outperformance in the Chautauqua International Growth Fund, specifically in consumer discretionary holdings, but allocation effect–with an emphasis on healthcare and information technology, and exiting our exposure to energy–was a bigger factor. Investments in TAL Education, Novo Nordisk, Genmab and Wirecard were the most positive contributors to performance. Meanwhile, holdings in the financials and industrials sectors detracted from performance the most. Of these, the biggest decliners were HDFC Bank, Bank Rakyat, DBS Group and Recruit Holdings. For company specific reasons, technology holding AMS also detracted.

Selection effect was a positive contributor to the outperformance in the Chautauqua Global Growth Fund, specifically in consumer discretionary holdings, but allocation effect–with an emphasis on healthcare and exiting our exposure to energy–was a bigger factor. Investments in TAL Education, Regeneron, Novo Nordisk and Genmab were the most positive contributors to performance. Meanwhile, holdings in financials and information technology detracted from performance the most. Of these, the biggest decliners were HDFC Bank, DBS Group, Bank Rakyat and AMS.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth Fund, 75% of companies that reported results during the quarter beat estimates for revenues but only 52% exceeded earnings estimates. This connotes an environment where the cost of running businesses was rising.

For the Chautauqua Global Growth Fund, 82% of companies that reported results during the quarter beat estimates for revenues but only 62% exceeded earnings estimates. This connotes an environment where the cost of running businesses was rising.

Our conviction weighting process, which considers our estimates for growth, profitability, and valuation, is key to our portfolio management strategy and has been additive to returns over the long run.

Top 5 Average Weighted International Fund Holdings* for Q1 2020

Security	Avg. Weight	Contribution
TAL Education	6.50	0.58
Novo Nordisk	6.07	0.09
Genmab	5.46	-0.44
Alibaba	5.06	-0.35
ASML	4.95	-0.37

Bottom 5 Average Weighted International Fund Holdings* for Q1 2020

Security	Avg. Weight	Contribution
BeiGene	0.10	0.00
SolarEdge	0.19	-0.04
Core Laboratories	0.26	-0.03
Trip.com	0.90	-0.27
BYD Company	1.06	-0.05

Top 5 Average Weighted Global Fund Holdings* for Q1 2020

Security	Avg. Weight	Contribution
TAL Education	6.38	0.72
Genmab	5.29	-0.39
Novo Nordisk	4.76	0.09
Wirecard	4.08	-0.13
HDFC Bank	3.62	-1.74

Bottom 5 Average Weighted Global Fund Holdings* for Q1 2020

Security	Avg. Weight	Contribution
EPAM	0.06	0.06
SolarEdge	0.17	-0.05
Core Laboratories	0.25	-0.03
Allergan	0.59	0.00
Trip.com	0.66	-0.20

*The holdings identified do not represent all of the securities purchase, sold, or recommended for the funds; and past performance does not guarantee future results. To obtain information about the calculation methodology and a list showing every holding’s contribution, please contact Baird.

HDFC Bank had a 3.66%, Bank Rakyat 3.43%, Recruit Holdings 2.09%, AMS 0.75%, Naspers 0.00%, Constellation Software 3.05%, Allergan 0.00%, Pirelli 1.23%, Prosus 4.42%, Adyen 3.31%, Wirecard 0.48, DBS 3.92% and WuXi Biologics 3.91% weighting in the International Fund as of 03/31/2020. Regeneron had a 3.63%, DBS Group 2.78%, Bank Rakyat 1.41%, AMS 0.56%, Naspers 0.00%, Constellation Software 2.76%, Pirelli 0.78%, Prosus 4.19%, Adyen 2.21%, WuXi Biologics 3.01%, BeiGene 1.35%, Amazon 3.18%, Alibaba 1.83%, Incyte 4.03% and TJX 2.98% weighting in the Global Fund as of 03/31/2020.

In the International Fund, we eliminated Core Labs, Trip.com and Naspers. We reduced positions in TAL Education, Constellation Software, Novo Nordisk, Allergan and Pirelli. Proceeds were used to initiate positions in Prosus, Adyen, WuXi Biologics, SolarEdge and BeiGene. We also increased exposure in BYD.

In the Global Fund, we eliminated Core Labs, Trip.com and Naspers. We reduced positions in TAL Education, Constellation Software, Novo Nordisk and Pirelli. Proceeds were used to initiate positions in Prosus, Adyen, WuXi Biologics, SolarEdge, EPAM and BeiGene. We also increased exposure in Amazon, Alibaba and Incyte.

FUND PERFORMANCE FOR THE PERIODS ENDING MARCH 31, 2020* (%)

International

	Q1 2020	1 Year	3 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua International Growth- Net Investor Class	**-16.75**	**-7.34**	**2.27**	**3.18**	**13.18**
Chautauqua International Growth- Net Institutional Class	**-16.64**	**-7.07**	**2.54**	**3.43**	**14.28**
MSCI ACWI ex-U.S. Index® - ND	-23.36	-15.57	-1.96	1.17	4.71
Excess Returns (Institutional Net)	*6.72*	*8.50*	*4.50*	*2.26*	*9.57*
Morningstar Percentile Rank in US Fund Foreign Large Growth Category		**34%** *(488 Obs.)*	**36%** *(470 Obs.)*	**42%** *(457 Obs.)*	**42%** *(457 Obs.)*

Global

	Q1 2020	1 Year	3 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua Global Growth- Net Investor Class	**-14.35**	**-4.46**	**5.44**	**7.04**	**30.92**
Chautauqua Global Growth- Net Institutional Class	**-14.31**	**-4.25**	**5.72**	**7.31**	**32.23**
MSCI ACWI Index® - ND	-21.37	-11.26	1.50	4.40	18.58
Excess Returns (Institutional Net)	*7.06*	*7.01*	*4.22*	*2.91*	*13.65*
Morningstar Percentile Rank in US Fund World Large Stock Category		**13%** *(892 Obs.)*	**19%** *(820 Obs.)*	**19%** *(777 Obs.)*	**19%** *(777 Obs.)*

*Performance data represents past performance and does not guarantee future results. The investment return and principal value of the investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the data quoted. A redemption fee of 2.00% is assessed on shares held for 90 days or fewer, as a percentage of the amount redeemed. Performance data does not reflect this redemption fee. For performance data as of the most recent month-end, please visit bairdfunds.com. Morningstar rank peer group percentile is determined using cumulative returns for the time period shown in the performance chart. Annualized returns are used in the since inception ranking along with cumulative. Effective December 1, 2018, the investment advisory fee that the Fund pays to the Advisor was reduced from an annual rate of 0.80% of average daily net assets to an annual rate of 0.75% of the average daily net assets. For the Chautauqua International Growth and Global Growth Funds, the Gross Expense Ratios as of 12/31/2018 were 0.80% for Institutional shares and 1.05% for Investor shares. The Net Expense Ratio is the Gross Expense Ratio minus any reimbursement from the Advisor. The Advisor has contractually agreed to waive its fees and/or reimburse expenses at least through April 30, 2020 to the extent necessary to ensure that the total operating expenses do not exceed 1.05% of the Investor Class's average daily net assets and 0.80% of the Institutional Class's average daily net assets. Investor class expense ratios include 0.25% 12b-1 fee.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics.

OUTLOOK

In the most recent quarterly letters, we acknowledged that we were concerned about the fragility of global growth. After 10 years of economic expansion there was no longer a growth gap to fill. Late stage economic stimulus in the form of a tax cut for U.S. corporations did little to auger capital spending. Moreover, reductions to the benchmark borrowing rate did little to trigger borrowing. Government levers to stimulate growth did little to stimulate growth because there was little underlying demand. From the latter half of 2019 the world appeared to be in a mild production recession coupled with a mild consumption expansion. Generally, businesses were not expanding but confident consumers continued to spend. Inflation was absent in consumer prices but on full display in the prices of financial assets. The cost for a dollar of forward earnings was absolutely and relatively high. Stocks were expensive and the global economy was dependent on the fragile confidence of consumers. Accordingly, we remained fully invested with quality growth holdings but took an extra measure of care to ensure the companies we invested with would hold up operationally should the ever-fragile economy topple over. The catalysts for such things are unpredictable. This time the catalyst was a surprise coronavirus, like SARS and MERS before it, but more irksome because the contagious host can spread the disease for up to five days before they know that they are ill. As a result, the disease has spread all over the world and the best option for containment is to lock-down all activity so that the diseased do not overwhelm the hospital's ability to care for them. The lock-down is massively disruptive and results in stunningly high layoffs and immediate recession. The magnitude of this may prove surprising. In the face of this, we made adjustments such as the liquidation of Trip.com, which is wholly dependent on travel and event attendance. Their business will probably be challenged for a while. We have great respect for the company, and we can always revisit the stock at a later date. TJX represents our only direct exposure to traditional retail. While they have had to shutter their physical stores, we are confident they can survive and within the quarter they were able to augment their balance sheet. We also reduced exposure to Pirelli. Pirelli carries more debt than we are comfortable with currently. Policy makers are under pressure to address the disease and ensure that the economy can recover. In their haste there will be waste. The "big bazookas" guarantee banks ready cash, extend unemployment benefits, subsidize industry and small business but greatly expand public debt. The Treasuries can print bonds and the Central Banks can buy them up so money can be directed where it is needed and the Central Banks as lenders of last resort can prevent liquidity from drying up. All of this is necessary in the moment. But what happens when the lock-down is over? Will citizens who get "helicopter money" checks spend it or save it? When this was done in the U.S. in 2001 and 2008 most went into the bank. Importantly, will investors happily buy 10-year government bonds that yield less than 1%? If not, what happens to interest rates? If rates rise what is a dollar of earnings worth? Could the stupendous amount of new debt result in more, Japan since 1989 "zombie" economies? Or will it ultimately cause inflation to run away as it did in post WW1 Germany? At a minimum we reckon the global economy will emerge with a shallow "U" shaped recovery. But it's hard to predict as we are truly in unchartered territory.

Up until almost every government announced "Big Bazooka" strategies to address the abrupt slowdown a quality-oriented portfolio outperformed. The stock market regime is likely to shift in the near term as massive government stimulus designed to prevent bankruptcy will do exactly that. Therefore, small businesses and poor-quality companies with dangerously high levels of debt will be bailed out. This means, near term, deep value and small capitalization stocks will likely outperform large capitalization high-quality growth stocks. Should we pivot away from our time-tested successful philosophy and process to catch a short-term trade? That will not happen, and we may under-perform for a quarter or two. Yet, we know our approach will prevail. We were able to provide a bit of downside protection in the recent bear market selloff and this has enabled us to take advantage of attractive prices to initiate the investment in several companies that we have analyzed and have been monitored on our watchlist.

There are heightened risks and opportunities across the globe right now. The team at Chautauqua continues to do what we do well. That is to assess the broad forces, identify trends and then intensively vet those trend benefitting companies that may be able to parlay their advantage to become great wealth generating businesses for our client's long-term investment.

"There are heightened risks and opportunities across the globe right now. The team at Chautauqua continues to do what we do well… assess the broad forces, identify trends and intensively vet those trend benefitting companies that may be able to parlay their advantage to become great wealth generating businesses for our client's long-term investment."

BUSINESS UPDATE

During the latter part of the quarter, Chautauqua Capital personnel, in order to contain the spread of the COVID-19 virus, worked remotely. During this time each member of the staff had the technology resources to replicate our office environment. As such, we were able to have daily research meetings via video conference and we did so each day without exception. We were able to trade, reconcile and settle trades unimpeded. We were able to respond to client requests and supplied reports and communications without delay. The office NCAA “March Madness” basketball sweepstakes was canceled but the movie tickets supplied to the first, second and third place finishers would not have been readily useable anyway. We are all well and safe.

This is respectfully submitted with our very best wishes to you and the ones you hold dear,

The Partners of Chautauqua Capital Management – a Division of Baird

Investment Professional	Educational Background	Years of Experience	Prior Affiliation
Brian Beitner, CFA *Managing Partner*	MBA, University of Southern California BS, University of Southern California	40	TCW Scudder Stevens & Clark Bear Stearns & Company Security Pacific
Jesse Flores, CFA *Partner*	MBA, Stanford University BS, Cornell University	13	Roth Capital Partners Blavin & Company Lehman Brothers
Haicheng Li, CFA *Partner*	MBA, Stanford University MMSc, Harvard Medical School MS, Harvard University BA, Rutgers University	18	TCW
David Lubchenco *Partner*	MBA, University of Denver BA, The Colorado College	27	Marsico Capital Management Transamerica Investment Management Janus Capital
Nate Velarde *Partner*	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	18	PIMCO Nuveen Investments TCW

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information can be found in the prospectus or summary prospectus. A prospectus or summary prospectus may be obtained by visiting bairdfunds.com. Please read the prospectus or summary prospectus carefully before investing.

This commentary represents portfolio management views and fund holdings as of 03/31/20. Those views and fund holdings are subject to change without notice. The performance of any single fund holding is no indication of the performance of other holdings of the Chautauqua International Growth Fund and Chautauqua Global Growth Fund. Past performance is no guarantee of future results.

The Funds may hold fewer securities than other diversified funds, which increases the risk and volatility because each investment has a greater effect on the overall performance. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulations.

The MSCI ACWI Index® is a free float-adjusted market capitalization weighted index that is designed to measure the equity performance of developed and emerging markets. The MSCI ACWI Index® consists of 44 country indices, including the United States, comprising 23 developed and 24 emerging market country indices. The MSCI ACWI ex-U.S. Index® is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets excluding the United States.

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