Q2 2022 Commentary and Market Outlook

International and Global Growth Equities

CHAUTAUQUA CAPITAL MANAGEMENT
A DIVISION OF BAIRD

MARKET RECAP

Equity markets declined significantly in the second quarter and exhibited heightened volatility in reaction to an increasingly gloomy outlook. It was only several months ago that the world economy was on track for a strong, albeit uneven, recovery from the pandemic. However, supply chain disruptions, the war in Ukraine, and shutdowns in China have dealt a serious blow. Central banks are aggressively tightening in order to moderate inflation. Growth is set to be markedly weaker in almost all economies. Countries are being hit by higher commodity prices, which add to inflationary pressures and curb real income and spending, further dampening the recovery.

Our investment philosophy, which emphasizes businesses that benefit from secular trends and possess strong competitive advantages, means that portfolios should be able to outgrow the market over the long-term. Furthermore, in response to the inflationary environment, we have made ongoing adjustments to portfolios by emphasizing holdings we believe are well-suited to transmit pricing power or are valued more attractively. These attributes should help protect against two of the most pernicious effects of inflation for equity investors, namely the compression of profit margins and the compression of valuation multiples. Thank you for entrusting us to invest your precious capital and to navigate this increasingly uncertain market environment.

In the second quarter of 2022, the Chautauqua International Growth Equities composite declined -13.25% (gross of fees), outperforming the MSCI ACWI ex-U.S. Index® ND, which declined -13.73%. The Chautauqua Global Growth Equities composite declined -16.58% (gross of fees) during the quarter, underperforming the MSCI ACWI Index® ND, which declined -15.66%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index, growth style underperformed value style. Within the MSCI ACWI Index, growth style significantly underperformed value style, and large capitalization stocks outperformed small capitalization stocks. In emerging markets, growth style also underperformed value style.

Sector performance was negative and country performance was mostly negative for the quarter.

MSCI Sector and Country Performance (QTD as of 06/30/2022)

Sector	Performance
Energy	-4.98%
Consumer Staples	-6.03%
Utilities	-6.96%
Health Care	-7.15%
Real Estate	-13.83%
Financials	-15.63%
Industrials	-16.05%
Communication Services	-18.09%
Materials	-19.70%
Consumer Discretionary	-20.15%
Information Technology	-21.61%

Country	Performance	Country	Performance
China	3.50%	Canada	-15.58%
Hong Kong	-1.12%	Singapore	-16.75%
Indonesia	-8.82%	United States	-16.78%
Denmark	-11.92%	Australia	-18.08%
India	-13.52%	Netherlands	-18.86%
Switzerland	-14.12%	Ireland	-19.46%
France	-14.28%	Taiwan	-19.59%
Japan	-14.60%	Israel	-19.93%

Source: FactSet. Based on select MSCI country returns.

The Federal Reserve (Fed) is watching each incoming data point on inflation worriedly and is rapidly raising interest rates to wrestle this problem under control. Personal consumption expenditures (PCE) inflation, which the Fed officially targets, climbed 6.3% on an annual basis and 0.6% on a sequential basis in May. While these figures showed a glimmer of moderation, they were far from conclusive. Consumer price index (CPI) inflation, which is calculated differently and tends to be higher than PCE inflation, jumped 8.6% in May. That was the fastest increase in more than forty years. According to the University of Michigan consumer sentiment survey, longer-term inflation expectations have remained fairly steady, although short-term expectations have surged.

The Fed took its most aggressive step yet to try to tame inflation, raising interest rates by 75 basis points in June to a range of 1.5% to 1.75%. More interest rate increases are coming, and there could be a similar sized move in July. Prior to this, the Fed had lifted rates by

*Performance data is preliminary, represents past performance and does not guarantee future results. Current performance data may be lower or higher than the data quoted. For performance data as of the most recent month-end, please contact Chautauqua directly at 303-541-1545.

25 basis points in March and by 50 basis points in May. The U.S. economy remains strong for now. Job openings are plentiful, and consumers have built up savings buffers during the pandemic. However, the Fed expects growth to moderate in the coming months and years as its actions are beginning to have a real-world impact. Already, demand for consumer goods is beginning to show signs of slowing, and retail sales declined in May. Also, job growth has begun to moderate.

The current inflationary environment is not just a U.S. phenomenon but a global one. In addition to roiled supply chains, Russia's invasion of Ukraine and the recent wave of Covid lockdowns in China have added to the complexity. Nearly four dozen central banks have raised interest rates in the last six months in order to contain rapidly rising prices. Even the European Central Bank (ECB), which has been reluctant to raise rates for more than a decade, said it would end asset purchases and raise interest rates at its upcoming meeting in July and possibly do even more in September.

PERFORMANCE ATTRIBUTION

Stock selection was a positive contributor to relative outperformance in the Chautauqua International Growth strategy, particularly in health care and financials holdings. Relative overweight in health care also contributed. Relative overweight in information technology was the largest detractor to relative performance while lack of exposure to consumer staples and energy were also detractors. Regionally, holdings in North America and Europe contributed most to performance—particularly in Canada and Denmark—while holdings in Asia and the Pacific Basin, namely Japan and Australia, detracted. The largest contributors to the portfolio were Novo Nordisk, Prosus, and Fairfax Financial. The largest detractors were ASML, Atlassian, and Recruit Holdings.

The Chautauqua Global Growth Equity strategy underperformed its benchmark during the quarter. Selection effect was a detractor to returns, particularly in the information technology sector. Allocation effect was also a drag on relative performance, especially the overweighting in information technology and lack of exposure to consumer staples and energy. Holdings in the consumer discretionary and financials sectors contributed to relative performance. Regionally, holdings in North America and Asia and the Pacific Basin detracted most from performance—particularly in the U.S., Japan, and Australia—while holdings in Europe, namely Denmark, contributed to returns. The largest detractors to the portfolio were NVIDIA, Recruit Holdings, and Atlassian. The largest contributors were Novo Nordisk, Prosus, and Fairfax Financial.

COMPOSITE PERFORMANCE AS OF JUNE 30, 2022*

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01/01/2006)
Chautauqua International Growth Equity - Gross	-13.25	-21.73	-20.48	7.62	7.85	8.49	7.68
Chautauqua International Growth Equity - Net	-13.38	-21.96	-20.90	7.13	7.38	8.03	7.37
MSCI ACWI ex-U.S. - ND Index	-13.73	-18.42	-19.42	1.35	2.50	4.83	3.62
MSCI ACWI ex-U.S. Growth - ND Index	-15.71	-24.79	-25.80	1.62	3.43	5.71	4.28
Excess Returns (Gross vs MSCI ACWI ex-U.S. - ND Index)	*0.48*	*-3.31*	*-1.06*	*6.27*	*5.35*	*3.66*	*4.06*

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01/01/2007)
Chautauqua Global Growth Equity - Gross	-16.58	-23.75	-18.03	10.18	10.58	12.32	9.36
Chautauqua Global Growth Equity - Net	-16.75	-24.06	-18.48	9.78	9.98	11.71	8.95
MSCI ACWI - ND Index	-15.66	-20.18	-15.75	6.21	7.00	8.76	5.28
MSCI ACWI Growth - ND Index	-20.15	-27.92	-23.46	7.62	9.16	10.29	6.81
Excess Returns (Gross vs MSCI ACWI - ND Index)	*-0.92*	*-3.57*	*-2.28*	*3.97*	*3.58*	*3.56*	*4.08*

*These are preliminary figures from our portfolio accounting system. Returns over one year are annualized unless otherwise specified. Performance data represents past performance and does not guarantee future results. Current performance data may be lower or higher than the data quoted. For performance data to the most recent month end, contact Chautauqua directly at 303-541-1545.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth strategy, 71% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

For the Chautauqua Global Growth strategy, 69% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

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.

In the International strategy, we reduced positions in Constellation Software and Tata Consultancy. Proceeds were used to increase positions in Coloplast, Hong Kong Exchanges, and Kering.

In the Global strategy, we reduced positions in Alphabet, Constellation Software, Fairfax Financial, Mastercard, and Novo Nordisk. Proceeds were used to increase positions in Coloplast, Hong Kong Exchanges, and Kering.

Chautauqua International Growth Top & Bottom Average Weighted Holdings for Q2 2022

Top 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Novo Nordisk	6.43	0.80
Fairfax Financial Holdings	6.16	0.61
Constellation Software	5.25	-0.06
Waste Connections	5.06	0.12
Tata Consultancy Services	4.76	-0.08

Bottom 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
WuXi Biologics	1.38	0.29
Aptiv	1.66	-0.21
Coloplast	1.69	-0.18
Safran	1.70	-0.06
Kering	1.77	0.03

Chautauqua Global Growth Top & Bottom Average Weighted Holdings for Q2 2022

Top 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Fairfax Financial Holdings	4.33	0.50
Alphabet Inc.	4.25	-0.21
Novo Nordisk	4.15	0.59
Mastercard	4.03	0.13
DBS Group Holdings	3.48	-0.07

Bottom 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
WuXi Biologics	0.94	0.22
Safran	1.03	-0.01
BeiGene	1.09	0.01
Universal Display Corporation	1.09	-0.30
Illumina, Inc.	1.13	-0.40

Source: FactSet. 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.

OUTLOOK

The global economy is heading into a potentially grim period as rising prices, shortages of food and other commodities, and Russia's continuing invasion of Ukraine threaten to slow economic growth. As central bankers drive interest rates higher, spending and business expansion will likely become restrained and slow the broader economy. Other than a handful of oil-exporting nations, which are benefiting from prices above US$100 per barrel, there is barely a spot on the globe that has not seen its outlook dim. The months ahead could be volatile as the concerns that have driven panic in financial markets this year remain unresolved. It is far too soon to know if inflation has peaked, if central banks have charted the right path, or how well the economy will be able to hold up in the face of elevated inflation and rising interest rates.

Recently, the Organization for Economic Cooperation and Development (OECD) lowered its forecast for global economic growth to 3% in 2022 and then remaining at a similar pace in 2023. That is a significant downgrade from its prior forecast of 4.5% growth in 2022 made just six months ago. Additionally, the OECD has forecasted that global inflation will run close to 9% in 2022, which is double its prior forecast. The World Bank also revised its outlook downwards, forecasting global economic growth of 2.9% in 2022 and then remaining muted in 2023 as well. Additionally, the World Bank forecasted that global growth in the remainder of this decade will fall below the average achieved in the prior decade, which was 3%. The war in Ukraine, the fading of pandemic pent-up demand, and the withdrawal of policy support amid high inflation are all contributing reasons to the more muted economic outlook, with risks clearly to the downside.

Many countries in Europe are heavily dependent on Russian energy. Policymakers are in a bind because any tightening of the screws on Russia by limiting energy purchases worsens inflation and hurts growth in their own economies. Such sanctions, for all the moral justifications underpinning them, are exacting an increasing toll, and Europe is first in line amongst advanced economies to take the hit because of its energy dependence and the refugee flows. The fallout from a gas embargo has been the subject of spirited debate, with analyses ranging from manageable to catastrophic. The squeeze is being acutely felt in Germany, which has the largest economy in Europe and also has a significant dependence on Russian energy. Rising food prices are another matter causing anxiety. The interruption of wheat exports from Ukraine and Russia, which together supply nearly 30% of global exports, along with supply chain disruptions and the recent Covid lockdowns in China are also causing food prices to spike. The European Commission downgraded its forecast for economic growth in the region to 2.7% and raised its forecast for inflation to 6.8% this year.

Research by the Fed has found that demand has driven about one-third of the jump in inflation in the U.S., while issues tied to supply or some ambiguous mix of factors have driven about two-thirds. That means returning demand to more normal levels should help ease inflation somewhat. But it also means that if supply shortages fail to abate, the Fed could need to invoke a more punishing response that weakens the economy drastically to bring demand in line and inflation rates closer to the Fed's target. Monetary policy has been famously criticized as being a blunt instrument. Its impact on the economy is delayed, making it difficult for central banks to know whether they have gone too far before it is too late. The path to lower inflation without causing a recession—the so-called "soft landing" —has been made significantly more challenging by the events of the last few months. Whether the Fed can gently land the economy is likely to serve as a referendum on its policy approach over the past two years, and historically, the Fed has failed to achieve the soft landing more often than not.

Recently, conditions in China have improved, and the result has been a major snapback in market sentiment. Whereas Covid lockdowns in several major cities had added to supply chain headaches, these areas have now reopened after cases have gone back down. With the worst of the lockdown-induced economic shock behind them, the Chinese government has been eager to boost economic growth, but it is still projected to drop to 4.3% this year. Additionally, there has been some modest improvement in the regulatory environment. Last year, Chinese regulators sought to tighten their grip on data privacy issues, among other things, and consequently launched investigative probes and restrictions on acquiring new users for several internet companies. Now they have signaled removing those restrictions. Signs of progress follow repeated pledges of support by Vice Premier Liu He and may signal a softening of regulatory scrutiny that has ensnared almost every large Chinese technology company. While regulatory uncertainty has by no means been completely lifted, and actually is still far from it, the positive effect on sentiment has been palpable. Valuations for holdings in China have still compressed substantially, and yet we believe these businesses possess considerable competitive advantages and leading market positions. These reasons underlie our continuing investment in these companies.

With respect to managing the portfolios in an inflationary environment, we have taken great care to try to insulate against the most pernicious risks that inflation poses to equity investments: pressure on company profit margins and compression of valuation multiples. First, we have emphasized companies that we believe have pricing power because of the mission-critical or value-add nature of their products and services. Because of these features, these companies are able to transmit price in inflationary environments, and therefore protect their profit margins. Furthermore, we have made incremental adjustments to portfolios to emphasize companies with more attractive valuations, in light of higher market discount rates. We have implemented these adjustments in a long series throughout last year and this current year.

Our investment philosophy emphasizes businesses that should benefit from secular trends and that we believe possess strong competitive advantages and market positions. And some of the most exciting growth areas are agnostic to the growth potential of the global economy or of any geographic region. These include our many investments in and adjacent to cloud computing, software-as-a-service, digitalization, artificial intelligence, semiconductor advancement, e-commerce and payments, industrial automation, electric vehicles, and novel biologic and biosimilar therapies. Other exciting growth areas pertain to rapidly expanding consumer classes, broadly in emerging economies and especially in Asia, which are propelling the uptake of various consumer goods and financial products. Because of these reasons, we believe our managed portfolios can continue to compound wealth at faster-than-market rates over the long term, even when the economic environment is moderating.

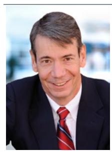
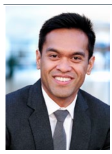
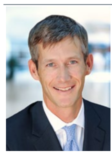
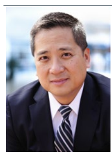
BUSINESS UPDATE

There have been no changes to the investment team at Chautauqua Capital Management nor have there been changes to the ownership structure of our parent company, Baird.

Respectfully submitted,

The Partners of Chautauqua Capital Management – a Division of Baird

INVESTMENT TEAM	KEY PILLARS OF OUR INVESTMENT PROCESS	ORGANIZED FOR INVESTMENT SUCESS
▪ Generalists with specialized skills ▪ Average more than 25 years' investment	▪ Security selection drives returns ▪ Long-term focus ▪ Concentrated conviction-weighted portfolios	▪ Autonomous institutional boutique ▪ Employee owners ▪ We invest alongside our clients ▪ Self-imposed limit of growth

	Investment Professional	Educational Background	Years of Experience	Prior Affiliation
	**Brian Beitner, CFA** Partner	MBA, University of Southern California BS, University of Southern California	42	TCW Scudder Stevens & Clark Bear Stearns & Company Security Pacific
	**Jesse Flores, CFA** Partner	MBA, Stanford University BS, Cornell University	16	Roth Capital Partners Blavin & Company Lehman Brothers
	**Haicheng Li, CFA** Managing Partner	MBA, Stanford University MMSc, Harvard Medical School MS, Harvard University BA, Rutgers University	21	TCW
	**David Lubchenco** Partner	MBA, University of Denver BA, The Colorado College	29	Marsico Capital Management Transamerica Investment Management Janus Capital
	**Nate Velarde** Partner	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	20	PIMCO Nuveen Investments TCW

This commentary represents portfolio management views and portfolio holdings as of 06/30/22. Those views and portfolio holdings are subject to change without notice. The specific securities identified do not represent all the securities purchased, sold or held for accounts and you should not assume these securities were or will be profitable.

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The separate accounts are available to institutions and persons with a minimum account asset value of $100,000,000, which is negotiable in certain instances.

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