International and Global Growth Funds

Q3 2020 COMMENTARY

CHAUTAUQUA CAPITAL MANAGEMENT
A DIVISION OF BAIRD

INTRODUCTION

Markets grinded higher in the third quarter. Gains were exceptionally strong in July and August, though there was a modest pullback in September. Strength was broad-based amongst sectors and geographic regions. In this environment, growth stocks outperformed substantially relative to value stocks.

We were able to again outperform in the third quarter, aided by the significant repositioning we had done in portfolios amidst the sell-off in March. However, we are wary of the risks to the market rally, including elevated valuation multiples, over-reliance on central banks, an uneven or stagnant economic recovery, resurgences in coronavirus cases, unresolved trade tensions, and uncertainty in the U.S. election. As markets have climbed higher, we have grown more concerned with the disconnect between stock prices and fundamentals.

Accordingly, we made changes in portfolios this past quarter, including taking proceeds from some high valuation "winners", redeploying to lower valuation holdings, and raising cash levels so we have more dry powder. On the margin, these changes should help mitigate some downside if markets become less hospitable, and we continue to contemplate further adjustments for a more conservative balance of growth, profitability, and valuation in the portfolios.

We thank you for entrusting us with your precious capital. This is an unprecedented market environment, and we are hard at work navigating the near-term uncertainty. Our investment process is selective and identifies durable and high-quality growth companies, which we believe can ride out and, in many cases, grow through difficult times such as this.

In the third quarter of 2020, the Chautauqua International Growth Fund Net Investor Class returned 12.83%, outperforming the MSCI ACWI ex-U.S. Index® ND, which returned 6.25%. The Chautauqua Global Growth Fund Net Investor Class returned 10.20% during the quarter, outperforming the MSCI ACWI Index® ND, which returned 8.13%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index®, growth style outperformed value style. Within emerging markets, growth style also outperformed value style.

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

Sector and country performance were mostly positive for the quarter.

MSCI Sector and Country Performances (QTD as of 09/30/2020)

Sector	Performance	Country	Performance	Country	Performance
Consumer Discretionary	18.01%	Taiwan	17.10%	Netherlands	5.97%
Information Technology	12.78%	Denmark	15.40%	Switzerland	5.10%
Materials	11.83%	India	15.11%	Australia	2.84%
Industrials	11.26%	China	12.57%	Singapore	-0.99%
Communication Services	7.37%	United States	9.64%	Israel	-1.96%
Consumer Staples	7.37%	Japan	7.08%	Austria	-4.74%
Health Care	4.75%	Canada	6.37%	Indonesia	-6.80%
Utilities	4.17%				
Real Estate	2.18%				
Financials	1.57%				
Energy	-12.49%				

Based on select MSCI country performance returns.

**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 24 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

The economic recovery in the U.S. has now stagnated after the initial recovery. Retail sales have lost momentum since August. Labor markets, unsurprisingly, are soft after extended unemployment benefits lapsed in July, and employers have been reluctant to add staffing in this reduced demand economy. Political stalemate over additional coronavirus relief continued, and there has been little progress on the next stimulus bill. Many state and local governments are facing budget troubles and would be hard-pressed to fill the gap.

The Federal Reserve (Fed) changed its policy framework so that it uses an average inflation target that can make up for past inflation shortfalls, provides outcome-based forward guidance, and potentially extends quantitative easing by changing the rationale of the program to stimulus from market-functioning. Overall, these changes will allow the Fed to remain accommodative for longer, and the Fed has communicated a preference to leave rates unchanged through 2023.

In Europe, the economic recovery is anything but smooth. A surge in coronavirus cases stoked fears of a second pandemic wave, as infection rates jumped back to peak levels from the spring. Full-scale lockdowns were avoided this time, but the most recent economic data suggests that the uptick in cases has weighed on economic output. Back in July, Purchasing Managers' Index (PMI) data increased markedly, showing expansion for the first time since the pandemic. However, PMI data slowed in August and again in September, hand-in-hand with an uptick in new cases and containment measures. Data on retail sales and factory orders followed a similar pattern, softening in the latter months of summer after a strong initial rebound.

At this time, the European Central Bank (ECB) is in a wait-and-see mode. The ECB left policy settings unchanged, but it has left the door open for further stimulus. Thus far, policies have been effective in easing financial conditions from the tighter levels following the initial coronavirus shock, and another tranche of pandemic asset purchases could be announced by the end of the year. Any notion of policy tightening seems off the table, as it could put the recovery at risk. Furthermore, the Fed's new stance would allow looser monetary policy for longer.

The Bank of Japan (BOJ) kept its monetary policy unchanged, confirming that its ultra-easy stance, which includes negative interest rates, zero yield long-term government bonds, and substantial asset purchases, backed by former Prime Minister Shinzo Abe, remains intact under his successor Yoshihide Suga.

PERFORMANCE ATTRIBUTION

Selection effect was a positive contributor to the outperformance in the Chautauqua International Growth Fund, specifically in health care and information technology holdings. Overweight allocation in the information technology sector was also a contributing factor. Investments in SolarEdge, Alibaba, Adyen, WuXi Biologics and BeiGene were the most positive contributors to performance. Holdings and a relative underweight allocation in the industrials sector, as well as lack of exposure to materials, detracted from performance. Within industrials, Fanuc and Recruit contributed the least. For company specific reasons, Temenos was the biggest decliner in the Fund.

Selection effect was a positive contributor to the outperformance in the Chautauqua Global Growth Fund, specifically in information technology and utilities holdings. Overweight allocation in the information technology sector was also a contributing factor. Within these, holdings in SolarEdge, Taiwan Semiconductor and Brookfield were the most positive contributors to performance. While some of the Fund's best performers were health care companies, holdings and overweight in the sector detracted from relative performance. Holdings and underweight allocation in industrials were also detractors. Of these, the biggest decliners were Incyte, Sinopharm, Recruit and Fanuc.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth Fund, 73% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

For the Chautauqua Global Growth Fund, 72% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

Top 5 Average Weighted International Fund Holdings* for Q3 2020

Security	Avg. Weight	Contribution
Adyen NV	5.38	1.37
Genmab	5.34	0.59
TAL Education	5.28	0.70
Alibaba	4.95	1.60
Bank Rakyat	4.64	-0.11

Bottom 5 Average Weighted International Fund Holdings* for Q3 2020

Security	Avg. Weight	Contribution
Fairfax Financial	0.36	-0.08
Brookfield Renewable	1.13	0.53
AMS AG	1.14	0.52
BYD Company	1.21	0.99
Recruit	1.36	0.14

Top 5 Average Weighted Global Fund Holdings* for Q3 2020

Security	Avg. Weight	Contribution
Genmab	5.05	0.43
TAL Education	4.25	0.57
Incyte Corporation	3.99	-0.56
Mastercard	3.68	0.52
Novo Nordisk	3.53	0.24

Bottom 5 Average Weighted Global Fund Holdings* for Q3 2020

Security	Avg. Weight	Contribution
Fairfax Financial	0.36	-0.08
Alteryx, Inc.	0.52	-0.07
Coherent, Inc.	0.65	-0.11
AMS AG	0.79	0.36
Bristol-Myers Squibb	0.84	0.04

*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.

SolarEdge had a 2.70%, WuXi Biologics 4.16%, BeiGene 3.88%, Fanuc 2.88%, Temenos 3.67%, ASML 4.10%, Prosus 3.49%, Recruit 1.20%, Constellation Software 3.58%, DBS 4.29%, Keyence 3.84%, Sinopharm 2.43%, Tata Consultancy 4.74%, and Waste Connections 4.28% weighting in the International Fund as of 09/30/2020.

FUND PERFORMANCE FOR THE PERIODS ENDING SEPTEMBER 30, 2020* (%)						
International						
	Q3 2020	**YTD**	**1 Year**	**3 Year**	**Since Inception (04/15/2016)**	**Cumulative Since Inception (04/15/2016)**
Chautauqua International Growth- Net Investor Class	**12.83**	**17.94**	**26.96**	**9.21**	**11.16**	**60.33**
Chautauqua International Growth- Net Institutional Class	**12.94**	**18.23**	**27.28**	**9.51**	**11.43**	**62.08**
MSCI ACWI ex-U.S. Index® - ND	6.25	-5.44	3.00	1.16	5.91	29.19
Excess Returns (Institutional Net)	*6.69*	*23.67*	*24.28*	*8.35*	*5.52*	*32.89*
Morningstar Percentile Rank in US Fund Foreign Large Growth Category			***13% (486 Obs.)***	***21% (465 Obs.)***	***27% (442 Obs.)***	***27% (442 Obs.)***
Global						
	Q3 2020	**YTD**	**1 Year**	**3 Year**	**Since Inception (04/15/2016)**	**Cumulative Since Inception (04/15/2016)**
Chautauqua Global Growth- Net Investor Class	**10.20**	**17.41**	**27.44**	**11.23**	**14.01**	**79.46**
Chautauqua Global Growth- Net Institutional Class	**10.33**	**17.35**	**27.44**	**11.45**	**14.24**	**81.07**
MSCI ACWI Index® - ND	8.13	1.37	10.44	7.12	9.98	52.86
Excess Returns (Institutional Net)	*2.20*	*15.98*	*17.00*	*4.33*	*4.26*	*28.21*
Morningstar Percentile Rank in US Fund World Large Stock Category			***12% (851 Obs.)***	***24% (782 Obs.)***	***18% (726 Obs.)***	***18% (726 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. 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, 2021, 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 a 0.25% 12b-1 fee.

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 Fund, we reduced positions in ASML, BYD, Genmab, Prosus, Recruit, SolarEdge, TAL Education, and WuXi Biologics. Proceeds were used to initiate new positions in Brookfield Renewable and Fairfax Financial and increase positions in Constellation Software, DBS, Keyence, Sinopharm, Tata Consultancy, and Waste Connections.

In the Global Fund, we reduced positions in Alphabet, Amazon, BYD, Nvidia, Prosus, Recruit, TAL Education, and WuXi Biologics. Proceeds were used to initiate new positions in Alteryx, Brookfield Renewable, and Fairfax Financial and increase positions in Atlassian, Charles Schwab, Constellation Software, DBS, Mastercard, Silicon Valley Bank, Sinopharm, Tata Consultancy, and TJX.

OUTLOOK

The headwinds are easy to identify. Fiscal policy is a critical tool to support the economy in difficult times, but political gridlock has made it difficult to muster. In the U.S., both parties are still far apart on the size and scope of a potential plan, and odds are increasing that Congress will adjourn in October without a deal. This will further stress labor markets and consumption trends that have stagnated after a honeymoon rebound. Election uncertainty remains an overhang. Not only is the outcome still uncertain, but President Trump has also refused to say whether he would honor the transition of power if he loses in November.

There is still a lot of skepticism whether the Fed can improve inflation, and the Fed's job is now harder with such a depleted policy arsenal. The Fed's balance sheet ballooned to approximately $8 trillion in June but since then has been largely stagnant. Markets sold off when the Fed did not expand the size of its asset purchase program, even though it had

"For both the Chautauqua International Growth and Global Growth Funds, more than 70% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations."

SolarEdge had a 1.84%, Taiwan Semiconductor 2.38%, Brookfield Renewable 2.34%, Sinopharm 1.92%, Recruit 1.09%, Fanuc 1.87%, Alphabet 1.89%, Amazon 1.90%, BYD 1.53%, Nvidia 1.42%, Prosus 2.97%, Wuxi Biologics 2.90%, Atlassian 1.92%, Charles Schwab 2.45%, Constellation Software 2.78%, DBS 2.19%, Silicon Valley Bank 3.59%, Tata Consultancy 3.40%, and TJX 3.84% weighting in the Global Fund as of 09/30/2020.

formalized a new longer-term framework for accommodative policy, showing the effects of addiction to accommodative monetary policy.

The initial rebound in the European economy was not necessarily a good guide to the recovery, and overall, the ECB has set expectations for economic uncertainty and unevenness going forward. Inflation in the eurozone turned negative for the first time since 2016. The euro currency has appreciated to near all-time highs, but this has happened at the same time as economic data softening and inflation turning negative. This is a concern for the ECB. The combination of a strong euro and a moderation in the economic outlook should result in a downward revision in the inflation outlook. Even with another tranche of pandemic monetary stimulus, the ECB may struggle to curtail euro gains, given underlying dollar weakness and uncertainty heading into the U.S. election.

Member countries in the European Union (EU) remain fractionated, however leaders reached a deal for a long-term fiscal budget covering 2021-2027. Importantly, the budget included a pandemic recovery fund worth €750B, comprised roughly of an equal mix of grants and low-cost loans. Fiscally conservative countries such as Germany, Netherlands, Austria, Denmark, and Sweden pushed to link distributions of the recovery fund to enhancing growth reforms. On the other hand, countries such as Italy and Spain are in a weaker fiscal position but stand to receive the largest amounts from the program. The EU has indicated that distributions from the recovery will not occur until the second half of 2021, and these will be conditional on the submission of national recovery and resilience plans that meet guidelines of the European Commission.

In Japan, the new Prime Minister Yoshihide Suga is a strong advocate for structural reforms to increase the country's economic output, such as deregulation, digitization, and encouraging consolidation within the country's low profitability banking sector. Japan has suffered relatively few coronavirus cases and deaths compared to the U.S. and Europe, but its economy is recovering slowly from a state of emergency in April and May and the decline of global trade.

In spite of the risks and weak economic fundamentals, markets have grinded higher. Equity markets are expensive relative to current earnings power. In this recessionary economy, earnings have collapsed. The rise in stock prices has been accompanied by extraordinary levels of monetary accommodation, quantitative easing, and back-stopping of financial assets by central banks. On the one hand, policy support remains accommodative. On the other hand, policy arsenals are nearing exhaustion, and there is little fundamental support to belie high valuations and the exuberant market rally.

Therefore, we have made adjustments to portfolios, including realizing profits from some high valuation "winners", redeploying to lower valuation holdings, and raising cash levels so we hold more dry powder. On the margin, these changes should help mitigate some downside if markets become less hospitable, and we continue to contemplate further adjustments for a more conservative balance of growth, profitability, and valuation in the portfolios.

Valuations are high across the market, but on a relative basis, they are still most attractive for international stocks. The pandemic has delivered a global growth shock, but in doing so, it has accelerated the timeline for several mega trends that we have been actively investing in, such as productivity enhancement (robotics, automation, and software), e-commerce, electronic payments, and rapid drug development. Furthermore, many portfolio companies have been able to continue to deliver growth even in this recessionary environment, which is an exceptional trait.

BUSINESS UPDATE

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

Respectfully submitted,

The Partners of Chautauqua Capital Management – a Division of Baird

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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	14	Roth Capital Partners Blavin & Company Lehman Brothers
Haicheng Li, CFA *Partner*	MBA, Stanford University MMSc, Harvard Medical School MS, Harvard University BA, Rutgers University	19	TCW
David Lubchenco *Partner*	MBA, University of Denver BA, The Colorado College	28	Marsico Capital Management Transamerica Investment Management Janus Capital
Nate Velarde *Partner*	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	19	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 09/30/20. 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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