Q3 2023 Commentary and Market Outlook

International and Global Growth Equities

CHAUTAUQUA CAPITAL MANAGEMENT
A DIVISION OF BAIRD

MARKET RECAP

Equity markets started off strong in the third quarter, reaching year-to-date highs in July. However, an amalgamation of factors, with perhaps the most important being the growing acceptance of higher rates for longer, led equity markets lower in August and September. International developed, U.S., and emerging equity markets all finished negative in the quarter, and in that order from worst to best performing. Additionally, growth style stocks significantly underperformed value style stocks in international developed and emerging markets, but the same effect was less pronounced in the U.S. market.

Chautauqua's managed portfolios underperformed their respective indexes during the quarter, but they were more similar in performance to their respective growth style indexes. Not only was growth style a headwind overall, but there were also several holdings that were idiosyncratic detractors to performance. Additionally, there was no exposure to holdings in the energy sector, which was the best performing sector during the quarter.

Our investment philosophy emphasizes businesses that benefit from secular trends and possess strong competitive advantages and market positions. Additionally, we purposefully select portfolio companies that earn attractive profit margins, carry strong balance sheets, and generate cash on a consistent basis. We believe these attributes hold tack even if the macro backdrop is deteriorating. For these reasons, portfolios have the ability to outgrow market growth rates over the long-term.

In this inflationary environment, we have made ongoing adjustments to emphasize holdings that 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 third quarter of 2023, the Chautauqua International Growth Equities composite declined -8.06% (gross of fees)/-8.22% (net of fees), underperforming the MSCI ACWI ex-U.S. Index® ND, which declined -3.77%. The Chautauqua Global Growth Equities composite declined -5.21% (gross of fees)/-5.38% (net of fees), during the quarter, underperforming the MSCI ACWI Index® ND, which declined -3.40%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index, growth style underperformed value style, and large capitalization stocks underperformed small capitalization stocks. Within the MSCI ACWI Index, growth style underperformed value style, and large cap stocks performed in-line with small caps. In emerging markets, growth style underperformed value style, and large cap stocks underperformed small caps.

Sector performance, with energy a notable exception, was mostly negative, and country performance was mixed but leaned negative for the quarter.

MSCI Sector and Country Performance (QTD as of 09/30/2023)

Sector	Performance
Energy	10.94%
Communication Services	0.53%
Financials	-0.71%
Health Care	-2.60%
Materials	-3.65%
Consumer Discretionary	-4.78%
Industrials	-5.07%
Information Technology	-6.09%
Consumer Staples	-6.10%
Real Estate	-6.43%
Utilities	-8.41%

Country	Performance	Country	Performance
Israel	5.13%	Indonesia	-3.35%
India	2.87%	Canada	-3.83%
Denmark	2.48%	Switzerland	-5.31%
Singapore	-0.30%	France	-6.94%
Japan	-1.45%	Taiwan	-7.10%
China	-1.83%	Ireland	-7.51%
United States	-3.07%	Hong Kong	-11.08%
Australia	-3.33%	Netherlands	-13.50%

Source: FactSet. Based on select MSCI country returns.

*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. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the maximum management fee of 0.80% from inception through June 2021 and 0.70% from July 2021 forward. Actual investment advisory fees may vary across accounts and result in different net returns.

Among the primary concerns for the markets seemed to be the Fed's "higher-for-longer" monetary tightening mantra and the markets' growing acceptance of this. Additionally, in the U.S., there have been debates over to what extent consumers have exhausted their pandemic savings and how the coming resumption of student loan payments will also filter through spending. The spike in energy prices was also seen as a threat to consumers and the potential soft-landing scenario. Lastly, economic data from China has continued to come in weak.

The U.S. economy has so far proved surprisingly resilient to the steep rise in interest rates that commenced in the first quarter of 2022. Most recently, the Fed left interest rates unchanged at a range of 5.25-5.50%. The Fed also indicated that they are still likely to raise rates one more time this year and will cut rates more slowly in 2024 and 2025 than it had previously forecasted. U.S. economic growth has continued to come in stronger than anticipated, and the slowdown in inflation has given the Fed some time to assess when its next move may take place. The U.S. dollar has strengthened notably since July, as markets have reflected a lower likelihood of imminent U.S. rate cuts, and economic data has weakened somewhat in other large economies.

Inflation has slowed down considerably in Europe too. Despite climbing oil prices, inflation in most European countries dropped in September, causing the overall rate to dip to an estimated 4.3%, which is its lowest level since before the start of Russia's invasion of Ukraine. Core inflation, which strips out volatile food and energy prices, has also been easing lately. The European Central Bank (ECB) raised interest rates to 4% in its last meeting. Slowing inflation will bolster assumptions that the ECB may pause its rate hiking campaign, but it also may not begin bringing rates down soon.

Recently, China released economic statistics that showed some modest improvement in retail sales and industrial production during August. The government has taken a series of small steps over the summer to stimulate the economy, including two rounds of interest rate cuts and lowering reserve requirements in the banking sector. However, policy easing remains piecemeal. Whether and how soon the real estate market can stabilize remains perhaps the biggest factor in the strength of China's recovery.

Within energy, supply concerns arose from production cuts estimated to last through the end of this year by Saudi Arabia and Russia. And with U.S. oil inventories already at relatively low levels, the price of oil gained almost 30% during the quarter, and the energy sector was far and away the strongest performing sector in the equity markets.

COMPOSITE PERFORMANCE AS OF SEPTEMBER 30, 2023*

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01/01/2009)
Chautauqua International Growth Equity - Gross	-8.06	2.98	17.72	3.08	6.04	6.93	10.52
Chautauqua International Growth Equity - Net	-8.22	2.44	16.92	2.33	5.24	6.11	9.66
MSCI ACWI ex-U.S. - ND Index	-3.77	5.34	20.39	3.74	2.58	3.35	6.19
MSCI ACWI ex-U.S. Growth - ND Index	-7.31	2.61	15.84	-1.86	2.54	3.92	6.62
Excess Returns (Gross vs MSCI ACWI ex-U.S. - ND Index)	*-4.29*	*-2.36*	*-2.67*	*-0.66*	*3.46*	*3.58*	*4.33*

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01/01/2009)
Chautauqua Global Growth Equity - Gross	-5.21	6.20	18.72	6.12	8.27	10.63	14.14
Chautauqua Global Growth Equity - Net	-5.38	5.64	17.90	5.35	7.45	9.78	13.26
MSCI ACWI - ND Index	-3.40	10.06	20.80	6.89	6.46	7.56	9.61
MSCI ACWI Growth - ND Index	-4.89	18.16	24.41	3.76	8.37	9.53	11.34
Excess Returns (Gross vs MSCI ACWI - ND Index)	*-1.81*	*-3.86*	*-2.08*	*-0.77*	*1.81*	*3.07*	*4.53*

*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. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the maximum management fee of 0.80% from inception through June 2021 and 0.70% from July 2021 forward. Actual investment advisory fees may vary across accounts and result in different net returns.

PERFORMANCE ATTRIBUTION

The Chautauqua International Growth Equity portfolios underperformed their benchmark during the quarter. Stock selection and allocation effect detracted from relative returns, particularly in the information technology sector and the lack of exposure to the energy sector, while holdings in health care contributed. Regionally, holdings in Europe and Africa and the Middle East detracted most from relative performance; holdings in North America contributed. The largest detractors to returns in the portfolio were Adyen, SolarEdge, and ASML. The largest contributors were Novo Nordisk, Fairfax Financial, and Atlassian.

The Chautauqua Global Growth Equity portfolios underperformed their benchmark during the quarter. Selection effect was a detractor to returns, particularly in the information technology sector, while holdings in health care contributed to relative returns. Regionally, stock selection in Europe and Africa and the Middle East detracted most from relative performance; holdings in North America contributed. The largest detractors to returns in the portfolio were Adyen, SolarEdge, and ASML. The largest contributors were Novo Nordisk, Fairfax Financial, and Regeneron Pharmaceuticals.

Largest Contributors

Novo Nordisk
Novo Nordisk announced headline results from the Wegovy SELECT cardiovascular outcome trial, which achieved reduction in major adverse cardiovascular events (MACES) of 20% for people treated with Wegovy vs. placebo. Expectations of Wegovy benefit had been 15%. With 20% reduction in MACE, which includes heart attacks and strokes, it increases willingness to adopt therapy and coverage from insurance companies, further increasing potential peak sales of the drug.

Fairfax Financial
Fairfax's core insurance operations positively surprised in the quarter by posting a return to double-digit gross written premium growth and continued strong underwriting results with a consolidated combined ratio of 94%. Fairfax's strong results reflect the strength and ongoing resilience of the current hard P&C insurance market. At quarter-end, Fairfax announced a share repurchase program of up to 10% of shares outstanding to be completed within a year.

Atlassian (International)
Atlassian reported strong beats across both top and bottom lines. Cloud growth, which had been a focus since last year, was better-than-expected at 30% (previous guidance was 26-28%). Atlassian had to give discounts to existing customers to migrate to cloud, which is a better model for Atlassian and its customers. As those discounts expire, Atlassian will have higher revenue growth and margins.

Regeneron Pharmaceuticals (Global)
Regeneron's high dose Eylea approval came earlier than expected. High dose Eylea is important because it has the least eye injection frequency among the competitors. Regeneron had a setback in late June '23 as the FDA did not approve the drug at that time due to issues at Regeneron's third-party supplier. The issues were resolved four months faster than previously expected. Thus, Regeneron has time to convert patients to the high dose Eylea product and protect the franchise value.

Largest Detractors

Adyen
Adyen's net revenue growth slowed to 23% YoY from the 30%+ YoY range previously. While growth slowed down across geographic regions, Adyen specifically called out aggressive competition in North America. Additionally, Adyen has continued to hire aggressively, which led to the double whammy that also pressured profit margins. Adyen is well positioned to grow faster than the industry because it offers a differentiated product for global, multi-region, and omni-channel merchants, with one payments integration for global acquiring and processing.

SolarEdge
SolarEdge's earnings were in-line with consensus expectations, but 3Q revenue and gross margin guidance fell significantly short of expectations on elevated channel inventories in Europe and the U.S., and weak U.S. residential solar visibility due to the impact of higher interest rates and uncertainty caused by changes in net metering policies in California. We view these issues as transitory as underlying demand remains strong and as industry sales models and consumers adapt to the higher rate environment and new regulations.

ASML
ASML's customers have become more cautious about a potential prolonged cyclical downturn and have been slower at expanding capacity for cutting-edge logic chips. Therefore, even though ASML raised 2023 revenue guidance from 25% YoY growth to 30% in July, the concern is more about the macro environment and that the semiconductor sector recovery would take longer to achieve. We remain positive on ASML's long-term growth potential.

Chautauqua International Growth Top & Bottom Contributors for Q3 2023

Top 5 Contributors

Security	Avg. Weight	Contribution
Novo Nordisk	5.10	0.67
Fairfax Financial Holdings	4.98	0.63
Atlassian Corporation	2.72	0.56
Suzuki Motor Corporation	3.59	0.54
Tata Consultancy Services	4.23	0.36

Bottom 5 Contributors

Security	Avg. Weight	Contribution
Adyen	3.27	-2.26
SolarEdge Technologies, Inc.	2.29	-1.50
ASML Holding	4.53	-0.51
Keyence Corporation	3.20	-0.51
Fanuc Corporation	2.18	-0.47

Source: FactSet. The holdings identified do not represent all the securities held, purchased or sold for the portfolios during the period; past performance does not guarantee future results. Contributions are based on a representative account relative to the benchmark and do not reflect the impact of fees. To obtain information about the calculation methodology and a list showing every holding's contribution, please contact Chautauqua.

Chautauqua Global Growth Top & Bottom Contributors for Q3 2023

Top 5 Contributors

Security	Avg. Weight	Contribution
Novo Nordisk	4.47	0.66
Fairfax Financial Holdings	3.98	0.48
Regeneron Pharmaceuticals	2.89	0.45
Atlassian Corporation	1.75	0.35
Suzuki Motor Corporation	2.35	0.35

Bottom 5 Contributors

Security	Avg. Weight	Contribution
Adyen	2.48	-1.78
SolarEdge Technologies, Inc.	1.55	-1.03
ASML Holding	2.87	-0.38
Fanuc Corporation	1.47	-0.34
Brookfield Renewable Corporation	1.58	-0.34

Source: FactSet. The holdings identified do not represent all the securities held, purchased or sold for the portfolios during the period; past performance does not guarantee future results. Contributions are based on a representative account relative to the benchmark and do not reflect the impact of fees. To obtain information about the calculation methodology and a list showing every holding's contribution, please contact Chautauqua.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

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

For the Chautauqua Global Growth strategy, 81% 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 Fairfax Financial, Novo Nordisk, and Sinopharm. Proceeds were used to increase the portfolio's position in Sea Limited.

In the Global strategy, we reduced positions in Fairfax Financial, Novo Nordisk, Sinopharm, and TJX Companies. Proceeds were used to increase positions in Charles Schwab and Sea Limited.

OUTLOOK

The start to 2023 was stronger than anticipated, helped by lower energy prices and the reopening of China. However, that pick-up may prove short lived. Global economic growth is presumed to moderate and remain below-trend both this year and next. The impacts of tighter monetary policy are becoming increasingly visible, business and consumer confidence have turned down, the rebound in China has lagged, and energy prices have risen higher.

According to the Organization for Economic Cooperation and Development (OECD), global GDP growth is estimated to slow from 3% in 2023 to 2.7% in 2024. The Fed has forecasted that U.S. GDP growth will slow down from 2.1% in 2023 to 1.5% in 2024, as tighter financial conditions moderate the demand pressures. In the eurozone, where demand is already subdued, the ECB has forecasted GDP growth to ease to 0.7% in 2023 and then edge up to 1% in 2024, as the adverse impact of high inflation on real income fades. The OECD is also forecasting that growth in China should be held back, easing to 5.1% in 2023 and 4.6% in 2024, due to subdued domestic demand and structural stresses in the property market.

Recent signals, especially from economic surveys, point to a loss of momentum. At a global level, the Purchasing Managers' Index (PMI) indicates manufacturing output and new orders are at levels normally consistent with stagnation or contraction. Service sector indicators are stronger but have also softened recently. The gradual recovery in consumer confidence over this past year has also stalled in many countries, with confidence still lower than pre-pandemic norms.

Labor markets generally remain tight, with unemployment at or near multi-year lows and job vacancies still high by historical standards in most major advanced economies. However, there are signs the labor pressures are easing. The number of job vacancies has slowed, and quit rates have started to ease. Real wage losses over the past two years and tighter financial conditions continue to restrain consumer spending in most major economies, though the U.S. has been a notable exception.

Among the large emerging market economies, China stands apart as having its own cyclical and structural stresses. High debt and the ailing property sector provide significant challenges, and consumer spending has been slow to recover after the reopening. Numerous policy initiatives have been announced recently to stimulate economic activity, but it remains unclear how effective these will be. Economic growth in China is seen as slowing through this year and next after an initial rebound earlier this year from the reopening. In contrast, GDP growth in the other major Asian emerging economies is projected to remain relatively steady in 2023 and 2024 (e.g., around 6% for India and 5% for Indonesia).

Over the last two-plus years, we have reduced Greater China weightings on a net basis, inclusive of holdings in Mainland China, Hong Kong, and Taiwan. In International portfolios, roughly 18% of assets are invested in Greater China holdings, which is modestly overweight relative to the benchmark. In Global portfolios, roughly 13% of assets are invested in Greater China holdings, which is overweight relative to the benchmark. We believe our Chinese holdings are at valuation levels, in the context of their long-term growth outlooks and competitive positioning, that more than compensate us for the risks. Our Chinese holdings are exposed to secular growth areas of the domestic economy (private consumption and health care) that align with government priorities, have strong balance sheets and resilient cash flows, and are not reliant on restricted Western technology inputs for future growth.

A key factor shaping global growth is the rise in interest rates in most major economies since early 2022. Even if policy rates are not raised further, the effect of prior rate hikes will continue to work their way through economies for some time, as the rates on existing mortgages and corporate loans are adjusted or rolled over. Interest rates appear to be at or near peak in most economies, including in the U.S. and eurozone, but monetary policies will remain restrictive until there are signs that underlying inflation pressures have durably abated.

Risks remain tilted to the downside. Uncertainty about the strength and speed of monetary policy transmission and the persistence of inflation are key concerns. The adverse effects of higher interest rates could prove stronger than predicted, and greater inflation persistence would require additional policy tightening that might expose financial vulnerabilities. A sharper-than-anticipated slowdown in China is an additional key risk that would restrain economic growth around the world.

Our investment philosophy emphasizes businesses that should benefit from secular trends and possess strong competitive advantages and market positions. Over longer investment horizons, some of the most exciting growth areas can be relatively agnostic to the global picture or the specific situations impacting certain regions. 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.

We do not anticipate the current environment of weakening economic growth to dislodge the long-term staying power of these investment themes, nor the business models or market positions of portfolio companies. Furthermore, we purposefully select portfolio companies that earn attractive profit margins, carry strong balance sheets, and generate cash on a consistent basis; in other words, portfolio companies we believe are on solid footing, even when times are tough. For these reasons, portfolios have the potential to outgrow market growth rates over the long term.

We have also taken great care to try to insulate against the most pernicious risks that inflation poses to equity investments, namely 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 2021 and 2022.

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

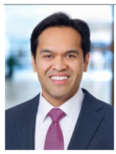
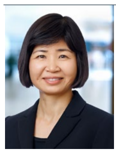
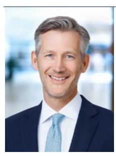
- Generalists with specialized skills
- Average more than 23 years investment experience

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 of growth

Investment Professional		Educational Background	Years of Experience	Prior Affiliation
	**Jesse Flores, CFA** Partner	MBA, Stanford University BS, Cornell University	17	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	22	TCW
	**David Lubchenco** Partner	MBA, University of Denver BA, The Colorado College	31	Marsico Capital Management Transamerica Investment Management Janus Capital
	**Nate Velarde** Partner	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	22	PIMCO Nuveen Investments TCW

This commentary represents portfolio management views and portfolio holdings as of 09/30/23. 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.

The Chautauqua International and Global Growth equities strategies invest in foreign securities, which 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. They may also hold fewer securities than other strategies, which increases the risk and volatility because each investment has a greater effect on the overall performance.

The MSCI ACWI Index® is a free float-adjusted market capitalization weighted index that is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets, including the United States. The MSCI ACWI Growth Index® captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 developed and 24 emerging markets. The MSCI ACWI ex-U.S. Index® is a free float-adjusted market capitalization weighted index that is designed to capture large- and mid-cap stocks across 22 of 23 developed markets countries, excluding the United States, and 24 emerging markets countries. The MSCI ACWI ex-U.S. Growth Index® captures large- and-mid cap securities exhibiting overall growth style characteristics across 22 of 23 developed markets countries and 24 emerging markets countries. Indexes are unmanaged and direct investment is not possible. "ND" represents net of dividends returns for the benchmark.

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Performance results will vary among client accounts. The actual return and value of an account will fluctuate and at any point in time could be worth more or less than the amount invested. The performance results displayed herein represent the investment performance records for the Chautauqua composites that include fully discretionary fee paying client accounts. The composites' returns are total, time weighted returns expressed in U.S. dollars. Composite returns reflect the reinvestment of dividends and other earnings. The net performance reflects the deduction of investment advisory fees and transactions costs and the gross performance is net of transaction costs, but gross of advisory fees.

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.

For additional important information about the fees, expenses, risks and terms of investment advisory accounts at Baird, please review Baird's Form ADV Brochure, which can be obtained from your financial advisor and should be read carefully before opening an investment advisory account.