

International and Global Growth Funds

Q4 2020 COMMENTARY

INTRODUCTION

Stimulus measures throughout the year have helped valuation multiples grow richer, despite a collapse in corporate earnings and economic fundamentals. This dynamic underlines the biggest source of market returns this past year: the expansion of valuation multiples.

In the fourth quarter, positive developments of a coronavirus vaccine improved market sentiment even further, forming the basis for a sustainable return to normalcy and sending stocks even higher. More so, this helped unleash a powerful “pro-cyclical” rotation, and value stocks substantially outperformed growth stocks.

We were able to again outperform in this market environment, aided by changes in portfolios, including taking profits from some high valuation “winners” and redeploying to lower valuation holdings. On the margin, we believe these changes should help mitigate some downside if markets become less hospitable or if the rotation from growth to value persists. 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. While some uncertainties are resolving, we remain wary of the risks to the market rally, including elevated valuation multiples, over-reliance on central banks, an uneven or shallow economic recovery, and resurgences in coronavirus cases. This is an unprecedented market environment, and we are hard at work navigating these uncertainties. 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 fourth quarter of 2020, the Chautauqua International Growth Fund Net Investor Class returned 18.17%, outperforming the MSCI ACWI ex-U.S. Index[®] ND, which returned 17.01%. The Chautauqua Global Growth Fund Net Investor Class returned 17.49% during the quarter, outperforming the MSCI ACWI Index[®] ND, which returned 14.68%.*

MARKET UPDATE

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

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

Sector and country performance were mostly positive for the quarter.

MSCI Sector and Country Performances (QTD as of 12/31/2020)

Sector	Performance	Country	Performance	Country	Performance
Energy	24.27%	Austria	47.89%	Singapore	18.88%
Financials	24.21%	Indonesia	31.83%	Netherlands	18.45%
Materials	18.44%	China	29.67%	Japan	15.29%
Industrials	15.76%	Taiwan	23.21%	Canada	14.14%
Information Technology	15.24%	Australia	22.94%	Denmark	14.05%
Communication Services	14.99%	India	21.17%	United States	13.15%
Consumer Discretionary	14.54%	Israel	19.26%	Switzerland	8.27%
Utilities	10.38%				
Real Estate	8.54%				
Consumer Staples	7.57%				
Health Care	7.50%				

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

New vaccine developments, such as efficacy results, initial distributions, and confidence on supply, improved market sentiment substantially. Some degree of coronavirus optimism had been baked into recent market returns, but nonetheless, vaccine news sparked another leg of the rally. Furthermore, market leadership rotated from growth and momentum factors to value and cyclicals. This rotation highlights the potential for a more broad-based rebound in fundamentals, but it was also exacerbated by relative valuation differences that had expanded consistently since March.

Pandemic cases surged in many parts of the world, causing governments to prioritize public health and reissue containment measures. Overall, restrictions are less strict than those imposed in the initial phase of the pandemic. However, they are headwinds for a limping economic recovery, and there is skepticism whether they can direct any sustainable downward trend in cases. Most economies, both developed and emerging, shrunk in 2020; the two notable exceptions are China and India, which grew modestly.

Significant political uncertainty has been removed after the U.S. presidential election. President-elect Joe Biden defeated President Donald Trump but in a much closer fashion than was anticipated. Overall, markets warmed to the prospect of the Biden administration, though control of Congress will be decided in a pair of runoff elections in January. In the more likely case that Congress is split, then a divided government would be less likely to disrupt pro-business tax and regulatory policies. On the other hand, if Democrats control Congress and complete the “blue wave”, then a single-party government would be more likely to enact more robust fiscal stimulus and a coordinated coronavirus response. Either way, the Biden administration is expected to deescalate global trade tensions accumulated during the Trump administration.

The policy environment remains supportive, and both monetary and fiscal stimulus have limited the economic impact. The Federal Reserve (Fed) left policies unchanged but reiterated its commitment towards monthly asset purchases of \$120 billion and zero interest rates until it achieves progress towards maximum employment and price stability. Given both these goals are still far off, conviction is high that monetary policy will remain ultra-accommodative in the near-term. Furthermore, the Fed retains \$750 billion of dry powder to backstop markets in the event of another disruption under its current pandemic stimulus authorities. With respect to fiscal policy, President Trump signed into law a new coronavirus stimulus package, something that had been a political stumbling block for many months. The new package is worth \$900 billion, with the largest tranches earmarked for small business relief, another round of direct payments, and additional jobless subsidies.

Eurozone interest rates were left unchanged, but the European Central Bank (ECB) reinforced its accommodative monetary stance through several measures. Most significantly, the ECB expanded its Pandemic Emergency Purchase Program by an additional €500 billion (approximately \$610 billion), taking the total envelope of the program to €1.9 trillion (approximately \$2.3 trillion). Additionally, the ECB loosened already generous terms on long-term funding available to banks, increasing the cap on this program and reducing collateral requirements, as a way to stimulate lending to the real economy. Both the Bank of England and Swiss National Bank kept policy settings unchanged.

On the side of fiscal policy, European Union (EU) leaders approved the largest stimulus package ever. Collectively, this included a long-term budget for 2021-2027 and a short-term emergency recovery program worth €1.8 trillion in total (approximately \$2.2 trillion). This package also has a special focus on funding faster green and digital transitions in Europe, which are two important investment themes we are already participating in with portfolio companies and continue to do further work on. Last, this package also paved the way for the EU to set ever more ambitious goals on climate change, now targeting cutting greenhouse gas emissions by 55% by 2030 compared to 1990 levels.

The UK and the EU reached a Brexit trade deal, bringing to a close years of economic uncertainty and fraught politics in the UK and calming the fears of a major economic disruption. Under the terms of the deal, both sides will continue to trade free of tariffs but there will be significant new bureaucracy for importers and exporters. The free flow of workers between the two economies will end and trade in services will be much reduced. The deal gives the UK significant freedom to depart from EU regulations and sign free-trade deals with other countries. But as the price for securing a deal without tariffs, the UK agreed that it would not seriously undercut EU standards on issues such as labor and the

“The policy environment remains supportive, and both monetary and fiscal stimulus have limited the economic impact.”

environment and would maintain similar constraints on the subsidization of private industry. The deal will result in greater friction to trade, making it a real-time experiment in deglobalization, as the UK formally exits from the EU's single market union.

PERFORMANCE ATTRIBUTION

Selection effect was a positive contributor to the outperformance in the Chautauqua International Growth Fund, specifically in financials, health care, and utilities holdings. Within these sectors, holdings in WuXi Biologics, Bank Rakyat, HDFC Bank, and Brookfield Renewable were positive contributors to performance. Overweight allocation in the information technology sector was also a contributing factor. Holdings in consumer discretionary and industrials detracted from relative returns. Of these, the biggest detractors were Alibaba, TAL Education, and Waste Connections. Our lack of exposure to energy and materials also detracted.

Selection effect was a positive contributor to the outperformance in the Chautauqua Global Growth Fund, specifically in financials, information technology, and utilities holdings. Within these sectors, holdings in SVB Financial Group, HDFC Bank, Brookfield Renewable, and Taiwan Semiconductor were positive contributors to performance. Holdings in consumer discretionary and industrials detracted from relative returns. Of these, the biggest detractors were Alibaba, TAL Education, and Waste Connections. While overall our health care holdings contributed positively to relative returns, our overweight in the sector detracted.

Top 5 Average Weighted International Fund Holdings* for Q4 2020		
Security	Avg. Weight	Contribution
Genmab	4.78	0.63
Tata Consultancy	4.63	0.79
ASML Holding	4.46	1.37
Alibaba	4.45	-1.00
TAL Education	4.44	-0.28

Bottom 5 Average Weighted International Fund Holdings* for Q4 2020		
Security	Avg. Weight	Contribution
Recruit Holdings	1.13	0.08
AMS AG	1.29	-0.03
SolarEdge	1.80	0.82
BYD Company	1.96	1.10
Julius Baer	2.04	0.70

Top 5 Average Weighted Global Fund Holdings* for Q4 2020		
Security	Avg. Weight	Contribution
Genmab	4.47	0.54
SVB Financial	4.24	2.19
TJX Companies	3.77	0.81
Mastercard	3.42	0.15
Tata Consultancy	3.35	0.57

Bottom 5 Average Weighted Global Fund Holdings* for Q4 2020		
Security	Avg. Weight	Contribution
Alexandria Real Estate	0.18	0.01
Coherent, Inc.	0.58	0.19
Bristol-Myers Squibb	0.74	0.04
Julius Baer	0.88	0.30
AMS AG	0.89	-0.01

FUND PERFORMANCE FOR THE PERIODS ENDING DECEMBER 31, 2020* (%)					
International					
	Q4 2020	1 Year	3 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua International Growth- Net Investor Class	18.17	39.37	13.41	14.52	89.46
Chautauqua International Growth- Net Institutional Class	18.28	39.84	13.75	14.81	91.71
MSCI ACWI ex-U.S. Index® - ND	17.01	10.65	4.88	9.16	51.17
<i>Excess Returns (Institutional Net)</i>	<i>1.27</i>	<i>29.19</i>	<i>8.87</i>	<i>5.65</i>	<i>40.54</i>
Morningstar Percentile Rank in US Fund Foreign Large Growth Category		9% (451 Obs.)	15% (430 Obs.)	21% (406 Obs.)	21% (406 Obs.)
Global					
	Q4 2020	1 Year	3 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua Global Growth- Net Investor Class	17.49	37.94	15.07	17.15	110.84
Chautauqua Global Growth- Net Institutional Class	17.58	37.97	15.27	17.39	112.90
MSCI ACWI Index® - ND	14.68	16.25	10.06	12.65	75.31
<i>Excess Returns (Institutional Net)</i>	<i>2.90</i>	<i>21.72</i>	<i>5.21</i>	<i>4.74</i>	<i>37.59</i>
Morningstar Percentile Rank in US Fund World Large Stock Category		9% (894 Obs.)	22% (833 Obs.)	17% (757 Obs.)	17% (757 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.

*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.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth Fund, 64% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

For the Chautauqua Global Growth Fund, 74% 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 Fund, we reduced positions in Adyen, Bank Rakyat, DBS Group, and SolarEdge. Proceeds were used to increase positions in Brookfield Renewable, BYD, Fairfax Financial, Novo Nordisk, Sinopharm, TAL Education, Tata Consultancy, Temenos, and WuXi Biologics.

In the Global Fund, we reduced positions in Adyen, Atlassian, BYD, and SolarEdge. Proceeds were used to initiate a new position in Alexandria Real Estate and increase positions in Bank Rakyat, Brookfield Renewable, DBS, Sinopharm, Tata Consultancy, and WuXi Biologics.

OUTLOOK

Due to the vaccine developments, the most likely economic scenario is one that improves in the next year. And almost certainly, we have averted a disaster scenario in which the pandemic continues to grow unchecked. As the vaccine is administered to larger swaths of the population, herd immunity will increase, and the spread of the disease will decline. Vaccine manufacturers have announced expected availability in the billions of doses. The most uncertain aspects pertain to how much reach in the next year medical professionals will actually have administering the vaccines, and when emerging countries can obtain their share.

Central banks have become much more optimistic about a rebound, albeit shallower and choppier than originally anticipated, in the next year. Many macroeconomic indicators have stabilized and are no longer deteriorating, with the exception of services and consumption data that are more sensitive to weakness in domestic economies. However, the recent resurgence of coronavirus cases is expected to have follow-through effects on near-term economic growth. And while downside risks have been reduced in recent months, the most likely risks pertain to renewed containment measures. The availability of the vaccine is positive for the economic outlook and is further assisted by ongoing supportive measures by central banks and governments.

Monetary policy will continue to be an important component of the market narrative, but a depleted arsenal and general fatigue also play into worries that monetary policy is increasingly pushing on a string. Therefore, fiscal policy will play an even more critical role for supporting economies in these difficult times. Fortunately, recent important fiscal stimulus packages were passed and made it through political gridlock.

The rotation from growth outperformance to value outperformance was not terribly surprising. The interesting question is whether the rotation might be sustainable, especially as recent instances of growth to value rotations have tended to fizzle. The case that value stocks have more room to run revolves around expectations for more positive vaccine developments and a rebound in corporate earnings. Furthermore, cyclical sectors should be a beneficiary of the economic reopening. Valuation differences between growth stocks and value stocks are still near their widest point over the last ten years. And overall, market valuations have become expensive relative to current earnings power, and they are likely to stay elevated next year as central banks continue to ease into the recovery.

While valuations are high across the market, 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 exceptionally rare trait.

“While valuations are high across the market, on a relative basis, they are 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...”

We have made adjustments to portfolios, including realizing profits from some high valuation “winners” and redeploying to lower valuation holdings. 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.

BUSINESS UPDATE

Brian Beitner established our investment approach using internal funds while at TCW beginning in 2006. On January 1, 2009 he founded Chautauqua Capital. In January of 2016, the partners of Chautauqua Capital elected to join Baird. Haicheng Li and Nate Velarde joined Brian, as partners, in 2016 and 2019, respectively. Both of whom had worked for Brian at TCW in the application of a related domestic investment product. Jesse Flores has been a partner at Chautauqua since 2013.

Chautauqua Capital’s investment work is highly collaborative and decisions result from a careful application of the process. As such, early in 2020, Chautauqua added Jesse, Haicheng, and Nate as portfolio managers to their mutual funds and strategies. Haicheng was elected by her peers to a leadership role. In this role she has assisted Brian on business matters.

Effective January 4, 2021, in recognition of the confidence Haicheng has earned, as an investor and a manager, and to better balance Brian’s workload, Haicheng is assuming the role of Managing Partner, in charge of the Chautauqua Capital business unit. On the investment side, Chautauqua embraces its team approach. Brian remains a portfolio manager with Jesse Flores, Haicheng Li, and Nate Velarde. We remain committed to the time tested, thorough, focused, and nimble approach that now dates back 15 years.

We believe that this change will enhance our ability to achieve investment and business success. We will make every member of the investment team available to address any and all questions.

Respectfully submitted,

The Partners of Chautauqua Capital Management – a Division of Baird

Investment Professional	Educational Background	Years of Experience	Prior Affiliation
Brian Beitner, CFA <i>Partner</i>	MBA, University of Southern California BS, University of Southern California	41	TCW Scudder Stevens & Clark Bear Stearns & Company Security Pacific
Jesse Flores, CFA <i>Partner</i>	MBA, Stanford University BS, Cornell University	14	Roth Capital Partners Blavin & Company Lehman Brothers
Haicheng Li, CFA <i>Managing Partner</i>	MBA, Stanford University MMSc, Harvard Medical School MS, Harvard University BA, Rutgers University	19	TCW
David Lubchenco <i>Partner</i>	MBA, University of Denver BA, The Colorado College	28	Marsico Capital Management Transamerica Investment Management Janus Capital
Nate Velarde <i>Partner</i>	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 12/31/20. 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.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties or originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)