International and Global Growth Funds

Q1 2022 COMMENTARY

CHAUTAUQUA CAPITAL MANAGEMENT
A DIVISION OF BAIRD

INTRODUCTION

Equity markets declined in the first quarter and exhibited heightened volatility. Inflation has remained elevated, and its containment is the near-unanimous priority for the major central banks. The Federal Reserve (Fed) and others have responded by tightening. The war in Ukraine is the latest factor to upset the global economic picture, as it is likely to dampen growth and simultaneously push inflation even higher. And therein lies the challenge: higher inflation and softer growth.

In this inflationary environment, we have made ongoing adjustments to portfolios by emphasizing 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. Furthermore, our investment philosophy, which emphasizes businesses that benefit from secular trends and possess strong competitive advantages, means that portfolios can outgrow the market over the long-term. Thank you for entrusting us to invest your precious capital and to navigate this increasingly uncertain market environment.

In the first quarter of 2022, the Chautauqua International Growth Fund Net Investor Class returned -10.12%, underperforming the MSCI ACWI ex-U.S. Index® ND, which returned -5.44%. The Chautauqua Global Growth Fund Net Investor Class returned -9.02% during the quarter, underperforming the MSCI ACWI Index® ND, which returned -5.36%.*

MARKET UPDATE

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

Performance across sectors and countries was mixed for the quarter but leaned negative.

MSCI Sector and Country Performances (QTD as of 03/31/2022)

Sector	Performance	Country	Performance	Country	Performance
Energy	21.46%	Indonesia	9.90%	Switzerland	-6.07%
Materials	2.87%	Australia	7.27%	Japan	-6.45%
Utilities	1.36%	Canada	4.76%	Taiwan	-6.53%
Financials	-0.29%	Singapore	-1.71%	Israel	-6.80%
Health Care	-3.63%	India	-1.81%	France	-8.64%
Consumer Staples	-3.89%	Hong Kong	-1.82%	China	-14.19%
Real Estate	-5.34%	United States	-5.21%	Netherlands	-17.37%
Industrials	-5.89%	Denmark	-6.01%	Ireland	-19.95%
Information Technology	-10.22%				
Communication Services	-10.53%				
Consumer Discretionary	-11.29%				

Based on select MSCI country performance returns.

After weeks building up a large military force along its border with Ukraine and in neighboring Belarus, Russia launched a full-scale invasion of Ukraine in late February, marking a grim new chapter for the European continent. Russia's aim is to threaten any future ambitions of the North Atlantic Treaty Organization (NATO) and to overrun Ukraine and depose its pro-Western government.

**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. For performance data as of the most recent month-end, please visit bairdfunds.com.*

INVESTMENT TEAM

- Generalists with specialized skills
- Averaging 25 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

Russia is the 11th largest economy in the world. It is a major supplier of energy to Europe, accounting for 40% of the eurozone's natural gas supply, and it is also an important source of metals, fertilizers, and wheat worldwide. The U.S. and its Western allies have imposed a wide array of economic penalties to punish Russia. President Biden has said they were designed to weaken the ruble, crash the Russian stock market, and erode the Russian economy. These penalties have included blocking the Bank of Russia from accessing foreign currency reserves and removing some Russian banks from the Swift network of international interbank payments. Additionally, many large multinational corporations have curtailed, or stopped outright, their business operations in Russia. So far, Russia has been undeterred by Western sanctions, proceeding further with the invasion of Ukraine on multiple fronts.

Inflation has continued to broaden out. U.S. personal consumption expenditure (PCE) inflation reached 6.1% in January and has stayed above the Fed's target inflation rate of 2%. The bout of inflation has several causes, many linked to the pandemic. For one, consumers are flush with savings accumulated from depressed levels of household spending and stimulus programs in the early stages of the pandemic. Since then, the reopening has seen a big snapback in the demand for goods and services. Second, supply bottlenecks have arisen from the reopening and ranged from component shortages to transportation shortages. The added costs, at every step, have led to higher prices. Third, labor markets have tightened rapidly. The unemployment rate reached a pandemic high of 14.7% and has since fallen to 3.8%, and current wage growth is near its highest pace in years. Unemployment is already below the Fed's estimate for the natural unemployment rate, which is 4%, below which price and wage pressures can build. In an expected move and in order to stave off high inflation, the Fed raised interest rates to a range between 0.25% to 0.5%. It has also penciled in a series of six additional rate hikes by the end of this year.

The European Central Bank (ECB) has warned that the war can significantly dampen economic growth and simultaneously push inflation considerably higher. Eurozone inflation reached 5.9% in February, as compared to the ECB's target inflation rate of 2%. However, the ECB scaled back its bond-buying program, in an unexpected tightening move to respond to higher inflation. The ECB faced a difficult choice, given the rapid deterioration of the economic situation, but containing inflation has become the priority issue. The situation will be particularly challenging in Europe. The European economy was slowing even before Russia invaded Ukraine. The war is likely to curb trade between Europe and Russia and exert further pressure on stressed supply chains.

The central banks of Singapore, Hong Kong, Taiwan, and South Korea have already begun raising interest rates to stem inflation and have signaled even more tightening ahead. Furthermore, some of these central banks have needed to tighten to keep pace with the Fed in order to maintain currency exchange rates with the U.S. dollar. Elsewhere in Asia, China, and Japan are not expected to tighten any time soon. Inflation rates in these countries are much more muted, giving their central banks more leeway to keep policies loose to support growth.

PERFORMANCE ATTRIBUTION

The Chautauqua International Growth Fund underperformed during the quarter. Across sectors, stock selection was a slight drag on returns. The largest impact to relative performance was the Fund's overweight to information technology. The lack of exposure to the materials and energy sectors also detracted. Holdings in financials and utilities contributed to relative returns. Regionally, holdings in Asia and the Pacific Basin, and Europe detracted most from performance—particularly in Japan, Netherlands, Australia, and Switzerland—while exposure to North America contributed. The largest detractors to returns in the Fund were Temenos, Prosus, and Keyence. The largest contributors were Bank Rakyat, Fairfax Financial, and SolarEdge.

The Chautauqua Global Growth Equity Fund underperformed its benchmark during the quarter. Selection effect was a detractor to returns, particularly in the information technology, consumer discretionary, and industrials sectors. The lack of exposure to energy was also a detractor. Holdings in communication services and utilities, as well as holdings and an overweight to financials, contributed to relative returns. Regionally, holdings in Asia and the Pacific Basin, and Europe detracted most from performance—particularly in Japan, the U.S., and Australia. Holdings and overweight exposure to

Aptiv had a 1.75%, ASML 4.61%, Bank Rakyat 4.49%, DBS Group 4.67%, HDFC Bank 3.82%, Keyence 3.30%, Prosus 2.07%, SolarEdge 2.89%, Suzuki Motor Corporation 2.90%, and Temenos 3.10% weighting in the International Fund as of 03/31/2022.

Netherlands also detracted. The largest detractors to returns in the Fund were EPAM Systems, Prosus, and Recruit Holdings. The largest contributors were Bank Rakyat, Fairfax Financial, and Brookfield Renewable.

FUND PERFORMANCE FOR THE PERIODS ENDING MARCH 31, 2022* (%)

International

	Q1 2022	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua International Growth- Net Investor Class	**-10.12**	**-5.52**	**14.12**	**11.41**	**10.53**	**81.56**
Chautauqua International Growth- Net Institutional Class	**-10.08**	**-5.34**	**14.43**	**11.69**	**10.80**	**84.27**
MSCI ACWI ex-U.S. Index® - ND	-5.44	-1.48	7.51	6.76	7.53	54.13
Excess Returns (Institutional Net)	*-4.64*	*-3.86*	*6.92*	*4.93*	*3.27*	*30.14*
Morningstar Percentile Rank in US Fund Foreign Large Growth Category (Rank/Count)	**42%** (184/440)	**5%** (20/408)	**10%** (39/393)	**13%** (47/379)	**13%** (47/379)	

Global

	Q1 2022	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Cumulative Since Inception (04/15/2016)
Chautauqua Global Growth- Net Investor Class	**-9.02**	**0.06**	**16.39**	**14.11**	**13.80**	**116.09**
Chautauqua Global Growth- Net Institutional Class	**-8.94**	**0.30**	**16.60**	**14.36**	**14.05**	**118.91**
MSCI ACWI Index® - ND	-5.36	7.28	13.75	11.64	12.02	96.67
Excess Returns (Institutional Net)	*-3.58*	*-6.98*	*2.85*	*2.72*	*2.03*	*22.24*
Morningstar Percentile Rank in US Fund World Large-Stock Growth Category (Rank/Count)	**47%** (169/362)	**22%** (73/326)	**39%** (118/301)	**39%** (110/284)	**39%** (110/284)	

*Performance data represents past performance and does not guarantee future results. Returns over one year are annualized unless otherwise specified. 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. For performance data as of the most recent month-end, please visit bairdfunds.com.

The Morningstar Percentile Rank is **based on the fund's total return** relative to all funds in the same category for the period. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. Morningstar total returns include both income and capital gains/losses and excludes sales charges.

Expense Ratios: Chautauqua International Growth Fund Institutional Shares 0.80% (net)/0.90% (gross); Investor Shares 1.05% (net)/1.15% (gross). Chautauqua Global Growth Fund Institutional Shares 0.80% (net)/1.04% (gross); Investor Shares 1.05% (net)/1.29% (gross). 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, 2022 to the extent necessary to ensure that the total operating expenses do not exceed 1.05% of the Investor Class's average daily net assets and 0.80% of the Institutional Class's average daily net assets. Investor class expense ratios include 0.25% 12b-1 fee.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth Fund, 75% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

For the Chautauqua Global Growth Fund, 70% 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 exited a position in Julius Baer and reduced positions in ASML, Constellation Software, DBS Group, Tata Consultancy, and Waste Connections. Proceeds were used to initiate new positions in Coloplast and Safran and increase positions in Aptiv, HDFC Bank, and Suzuki Motor.

Top 5 Average Weighted International Fund Holdings* for Q1 2022

Security	Avg. Weight	Contribution
Constellation Software	5.74	-0.36
Novo Nordisk	5.20	0.14
Fairfax Financial	5.11	0.63
Tata Consultancy	5.05	-0.11
Waste Connections	5.00	0.26

Bottom 5 Average Weighted International Fund Holdings* for Q1 2022

Security	Avg. Weight	Contribution
Safran	0.33	0.20
Coloplast	0.68	0.11
Julius Baer	1.29	-0.44
WuXi Biologics	1.42	-0.60
Kering	1.47	-0.33

Top 5 Average Weighted Global Fund Holdings* for Q1 2022

Security	Avg. Weight	Contribution
Alphabet	4.42	-0.12
Mastercard	3.83	0.00
Fairfax Financial	3.70	0.46
Charles Schwab	3.60	0.03
Novo Nordisk	3.55	0.09

Bottom 5 Average Weighted Global Fund Holdings* for Q1 2022

Security	Avg. Weight	Contribution
Alteryx, Inc.	0.08	-0.03
Safran	0.27	0.15
Coloplast	0.54	0.08
Julius Baer	0.58	-0.18
Hong Kong Exchanges	0.86	-0.19

*The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients; 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.

Aptiv had a 1.33%, Bank Rakyat 2.97%, Brookfield Renewable 2.22%, Constellation Software 3.20%, DBS Group 3.37%, EPAM 0.00%, HDFC Bank 2.74%, Micron 1.47%, NVIDIA 2.81%, Prosus 1.41%, Recruit Holdings 2.22%, Suzuki Motor Corporation 1.94%, and Tata Consultancy 2.88% weighting in the Global Fund as of 03/31/2022.

In the Global Fund, we exited positions in Alteryx, EPAM Systems, and Julius Baer and reduced positions in Constellation Software, DBS Group, NVIDIA, and Tata Consultancy. Proceeds were used to initiate new positions in Coloplast and Safran and increase positions in Aptiv, HDFC Bank, Micron, and Suzuki Motor.

OUTLOOK

Just as global economies were beginning to put the worst of the pandemic behind, the Russian invasion of Ukraine risks stoking inflation and weakening economic growth worldwide. As a result, higher energy and food prices and more supply chain disruptions have pressured inflation, while consumer and business confidence have recently weakened. The Organization for Economic Cooperation and Development (OECD) has forecast that global inflation will increase by an additional 2.5% and that global economic growth will decrease by an additional 1.1% because of the war. Previously, when war was not on the table, the OECD had forecast inflation of 4.4% and economic growth of 4.5% in 2022.

A “soft landing” scenario is not so straightforward in the current context. The Fed has the task of raising interest rates to moderate demand and bring down inflation. If it raises too slowly, then it risks inflation getting even further out of hand. And if it raises too aggressively, then it may trigger a recession.

Real interest rates are already deeply negative. When real rates are negative, borrowing becomes more attractive, which leads to more spending and higher demand. This would be the opposite of what the Fed is currently trying to achieve. The scenario is all the more precarious because of escalating sanctions on Russia, higher energy and commodity prices, and recent pandemic lockdowns in China. Therefore, much higher interest rates are likely needed to get inflation back down to 2%, and consequently, the hiking cycle would increase the risk of causing a recession.

The median forecast for U.S. inflation is 4.3% in 2022, 2.7% in 2023, 2.3% in 2024, and 2.0% in the long-run. Meanwhile, the median forecast for U.S. interest rates is 1.9% in 2022, 2.8% in 2023 and 2024, and 2.4% in the long-run. The reality is that the Fed has been taking up its forecasts for near-term inflation and interest rates for the last four quarters, which underlines the difficulty of forecasting inflation in the post-pandemic world. However, notably, the Fed’s long-run forecasts for inflation and interest rates have not changed at all.

The longer the period that high inflation lasts, the higher the risk that high inflation will become self-reinforcing if consumers and businesses ratchet their inflation expectations higher. The good news is that long-term inflation expectations by consumers, as depicted by the University of Michigan consumer sentiment survey, have remained well anchored at 3.0%. Historically, this metric tends to be higher than the future inflation level that is eventually reached. Additionally, the long-term inflation captured by bond markets in the five-year inflation breakeven rate is just above 3.3%. This would say that long-term inflation expectations by consumers and bond markets have not run amok.

Chautauqua’s portfolios do not have any direct exposures to Russia or Ukraine. (In Global portfolios, we exited our position in EPAM Systems during the quarter.) We considered possible indirect disruptions that could affect the semiconductor and auto-related companies in the portfolios, but we believe the impacts are not material. Furthermore, portfolios are also underweight exposure to Europe and therefore we believe they are relatively shielded from the collateral economic damage in the region.

Among emerging economy countries, China is the most significant. The specific threat to portfolio companies in China stems from increased regulation, not just from within China itself, but also externally from the U.S. With respect to the Chinese government, the list of policy considerations is diverse and broadly encompasses socioeconomic disparities, data privacy, national security, and stronger oversight of the internet sector. With respect to the U.S. government, relations with China have weakened considerably in recent years, making way for higher levels of trade protectionism. The abrupt ways that regulatory policies have been introduced, from both sides, have proved extremely disruptive for financial markets.

Additionally, the U.S. has demanded that audit papers of U.S.-listed Chinese companies need to be able to be inspected by U.S. regulators, and that non-compliance for a three-

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year period would result in prohibiting trading on U.S. securities exchanges. Overall, we are constructive that U.S. and Chinese regulators will find a solution that prevents delisting of identified issuers because both sides have interests in preserving the value of investments made by U.S. investors and preserving the ability of Chinese companies to access foreign capital.

In order to contain the specific risks from China, we actively trimmed China weightings by approximately 6.1% in the International portfolios and by approximately 4% in the Global portfolios since the beginning of last year. Valuations for holdings in China have compressed substantially, and yet these businesses still 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 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 in this past quarter.

Our investment philosophy emphasizes businesses that 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 portfolio can continue to compound wealth at faster-than-market rates, even when the global growth 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 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	15	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	20	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

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

This commentary represents portfolio management views and fund holdings as of 03/31/22. 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 represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 27 emerging markets, including the United States. 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 27 emerging markets countries. Indices are unmanaged and direct investment is not possible.

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