

December 31, 2011 Quarterly Update

For the quarter, the Bailard International Equity Strategy returned 3.4% (gross of fee) versus 3.3% for MSCI EAFE (net dividends, U.S. \$). Of the strategy's two primary sources of active return, country allocation was favorable among developed markets, thanks to overweight positions in top performer Ireland (up 22.4%), as well as Norway (up 9.4%) and Australia (up 7.5%). The effect of stock selection was muted but a slight negative overall. Outperformance in Singapore, Italy, Australia, and Norway overcame disappointing returns in Hong Kong and Switzerland. On the emerging side, the main sources of slippage were in Korea and Mexico. Among the stock selection factors employed, earnings quality was the most helpful on a global basis. Analyst revisions and value were slightly positive in the aggregate but not so in Hong Kong; momentum was neutral over the quarter.

MODEL OUTLOOK

Our country model's current reading of the global environment indicates above average market volatility and heightened investor anxiety. This will not surprise anyone monitoring equity movements over the past months, but for us it represents a change in posture with important implications for the investment process – tilting our preferences away from momentum and towards value and risk when it comes

to selecting countries. Over the quarter, long-standing favorite markets such as Norway and Hong Kong were joined at the top end of the rankings by Japan, Belgium, Ireland, Brazil and Hungary – all scoring highly on value metrics. Markets at the opposite end of the rankings, typically more richly valued than the average, include Finland, Mexico, and most of emerging Asia (Indonesia, China, India, and the Philippines). An increased emphasis on political risk also played into the changes within Latin America, where previously high-ranked Mexico and lower-ranked Brazil traded places over the quarter.

MARKET COMMENTARY

The relative calm of the global markets, especially Western European ones, at the tail end of 2011 and in 2012's early days belies the ongoing state of risk to global growth, and with it, to equities. While December brought negative returns across much of the globe, the 4th quarter as a whole was a positive one. The Fed implemented "Operation Twist" – its plan to purchase longer term bonds while selling those with shorter maturities – as the quarter began; this served to inject another dose of novocaine (along with liquidity) to investors globally. The tide lifted most boats for the quarter; the MSCI EAFE index returned 3.33% while the MSCI All-Country World ex-USA

(continued on reverse)

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TOTAL RETURNS^{3,4}

(PERIODS ENDED 12/31/11)

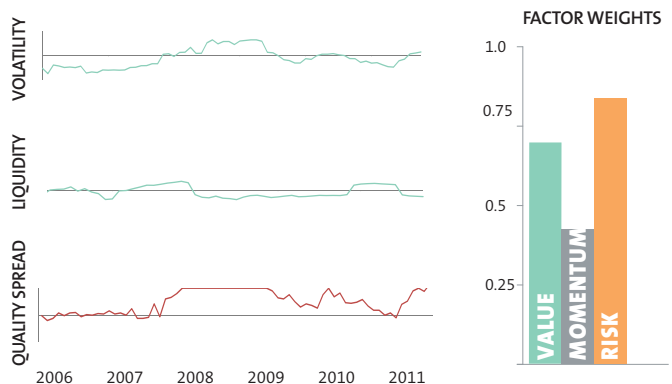
	GROSS OF FEE	NET OF FEE	MSCI EAFE	MSCI ACWIxUS
Quarter	3.43%	3.17%	3.32	3.72%
1 Year	-14.49%	-15.34%	-12.14%	-13.71%
3 Year	8.67%	7.62%	7.65%	10.70%
5 Year	-2.98%	-3.91%	-4.72%	-2.92%
10 Year	7.81%	6.78%	4.66%	6.31%

PERFORMANCE STATISTICS: 5-YEAR^{3,4}

Sharpe Ratio	-0.18	-0.22	-0.27	-0.18
Standard Deviation	23.18%	23.18%	22.27%	23.22%
Active Return vs.			1.74%	-0.06%
Active Risk vs.			3.95%	3.20%
Information Ratio vs.			0.44	-0.02

ENVIRONMENTAL VARIABLES AND STYLE FACTORS

The charts below represent three variables that influence our assessment of the global investment environment and, in turn, dynamically affect the factor weights that are determinant in country selection.



PORTFOLIO SUMMARY^{3,4}

Composite AUM ⁴	\$193.1 mil.
# of Holdings	207
# of Developed Markets	14
# of Emerging Markets	7
% Developed Markets	84.3%
% Emerging Markets	14.0%
% Cash	1.7%

REGIONAL WEIGHTS^{3,4}

Continental Europe	31.9%
Japan	20.7%
United Kingdom	17.4%
Pacific ex-Japan	11.5%
Emerging Markets	14.04%
Other	2.8%
Cash and Equivalents	1.7%

As of December 31, 2011, total AUM under management by Bailard's International Equity Strategy was \$569.7 mil.

Source: Bailard, Inc.

¹ Past performance is no indication of future results. Disclosures continued on second page.

² Regional and country returns and comments are based on respective MSCI regional and country indices (U.S. \$, net dividends).

³ Data regarding holdings of the composite reflect ownership information as of September 30, 2011 and are not intended to represent any past, present or future investment recommendations. Holdings are subject to change.

⁴ The Bailard International Equity Strategy is currently implemented across four separate composites. Performance and data shown in this update reflect one (the EAFE Plus) Composite, which represents 34% of strategy assets.

International

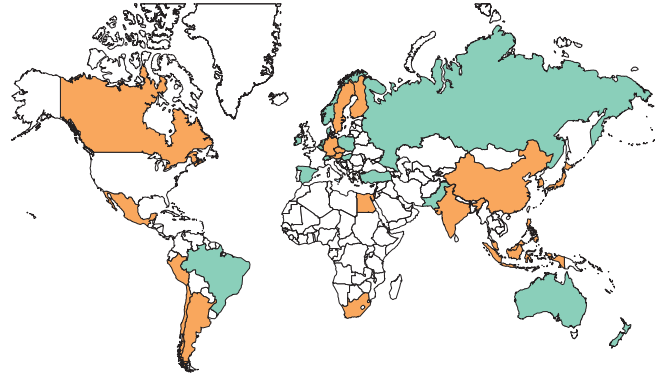
Bailard International Equity Strategy

index returned 3.72% (all index returns in US\$ terms, net of dividends). In spite of fears of a hard landing for China's economy, continued growth from that engine sparked healthy advances in resource-rich nations from Brazil (+8.8%) to Indonesia (+5.7%) to Australia (+7.5%). Safe haven status led to strong gains in the U.S. (+10.5%) as well as the U.K. (+7.0%). 2011 reinforced the highly integrated nature of national economies and capital markets. While Europe was ground-zero for the global slowdown (it shared top billing for political paralysis with the U.S.), the impact was greater on financial markets throughout the emerging world due to fears that decreased European demand would hit these export-driven markets relatively

harder. Eastern Europe was a victim of proximity, poor domestic policies and increasing geopolitical tension. As in the 2008 recession, Poland is working through the current slowdown better than most of its neighbors; much better, in fact, than Hungary where the executive branch is trying to appropriate the Central Bank's powers. Turkey, which has enjoyed outsized growth out of the last recession, looks likely to retrench in 2012. As in many of the world's markets, the critical element to regain equity momentum is liquidity – importantly not just from central banks but from the private banking system. Until there is greater clarity on the value of European government debt held by banks, their willingness to lend remains feeble.

COUNTRY RANKINGS

As of 12/31/11, risk reigned as the most important of our three factors, with valuation and momentum playing secondary and tertiary roles.



HIGHEST RANKED

Australia	Norway
Belgium	Pakistan
Brazil	Poland
Hong Kong	Russia
Hungary	Spain
Ireland	Switzerland
Netherlands	Turkey
New Zealand	

Source: Bailard, Inc.

LOWEST RANKED

Argentina	India
Austria	Indonesia
Canada	Malaysia
Chile	Mexico
China	Peru
Czech Rep.	Philippines
Egypt	South Africa
Finland	Sweden
Germany	

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RISKS

Our International equity strategy invests in securities in developed and emerging countries, which have specific risks that include, but are not limited to, changes in currency exchange rates, potentially unstable governments and less established market economies, and the higher risks that accompany investing in securities and issuers located in developing countries. There is no guarantee the strategy will achieve its investment objectives.

DISCLOSURES, CONTINUED

¹ The Bailard International Equity Strategy currently manages three separate composites with total AUM of \$597 million, as of December 31, 2011. All data and performance presented in this publication reflect the EAFE Plus Composite, previously called the Bailard International Equity Composite (the "Composite"), which consists of all discretionary fee-paying accounts that are invested primarily in non-U.S. securities both in developed and emerging markets. As of December 31, 2011,

the Composite consisted of a single mutual fund account with a market value of \$193 million or 16% of total Bailard Institutional AUM, which has been managed using a quantitative strategy in an advisory or sub-advisory capacity since 1995. Prior to that time, the account was managed using a different strategy. The Composite's returns are presented both gross and net of management fees, and assume reinvestment of dividends and other earnings. The returns also reflect transaction costs. The composite returns do not reflect any other expenses which the composite account incurred, such as custody expenses. Through March, 2010, gross of fee returns were based on the composite account's gross asset value, which is calculated by adding back the annual expense ratio to the actual net asset value of the composite account. From April, 2010, gross of fee returns are taken directly from Bailard's portfolio accounting system. Net returns are calculated by reducing the gross of fee returns by a model fee of 0.95% per annum (applied by reducing

monthly gross returns by 1/12 of 0.95%). The model fee represents the highest management fee for the strategy. The Composite's complete return history and a complete list of Bailard's composites are available upon request.

Individual account management and construction will vary depending on each client's investment needs and objectives, including liquidity needs, tax situation, risk tolerance, and investment restrictions. Individual accounts may not have the same management fees, expenses, diversification, distributions, cash flows and currency hedging policies as the Composite account. As a result, an account's actual performance may differ from the performance presented in this piece due to among other things, timing of investment, contributions and withdrawals, and the client's restrictions, such as restrictions of currency hedging. In addition, performance does not reflect the effects of taxation, which can result in lower returns to taxable investors. An investment in this strategy involves risk of loss, and the value of an investment may decrease as well as increase. No representation is made that any account will obtain similar results to those shown here. The MSCI EAFE Index and the MSCI ACWIxUS Index are free float-adjusted market capitalization indexes that are designed to measure equity market performance of developed markets (ex-US & Canada), and of global developed

and emerging markets respectively. These indexes are presented with net dividends reinvested, in U.S. dollars, except for the MSCI ACWIxUS (10yr #), which is presented gross dividends reinvested. They are unmanaged and uninvestable and do not reflect any transaction costs. The Composite often employed different country weights than these indexes. Unlike the MSCI EAFE index, the composite account invests in emerging markets. Unlike both of these indexes, the composite account invests in cash equivalents and exchange-traded funds and may engage in currency hedging. The information in this publication is based primarily on data available as of December 31, 2011, and has been obtained from sources believed to be reliable, but its accuracy, completeness and interpretation are not guaranteed. In addition, this publication contains the opinions of the authors as of that date and such opinions are subject to change without notice. We do not think this publication should necessarily be relied on as a sole source of information and opinion. This publication is not a recommendation of, or an offer to sell or solicitation of an offer to buy any particular security or investment product. It does not take into account the particular investment objectives, financial situations or needs of individual clients. Bailard cannot provide investment advice in any jurisdiction where it is prohibited from doing so.