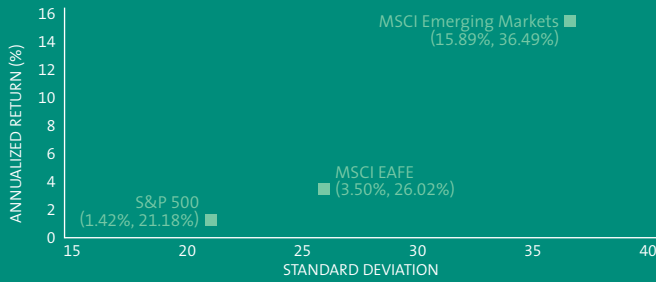


Emerging Markets

Bailard International
Equity Strategy

INTERNATIONAL STOCK MARKETS OFFERED A HIGHER RISK-RETURN TRADEOFF LAST DECADE¹ (10 YEARS ENDED DECEMBER 2010)



Sources: Bailard, Morningstar, MSCI/DataStream.

OUR ACTIVELY-MANAGED, QUANTITATIVE STRATEGY UTILIZES A ROBUST, TOP-DOWN COUNTRY APPROACH TO OFFER DYNAMIC EXPOSURE TO A BROAD SPECTRUM OF EMERGING MARKETS.

THE OPPORTUNITY

A Bailard Emerging Markets equity portfolio (EM) provides access to more than 20 of the world's developing markets. Expansion into these markets offers investors the potential for return enhancement, diversification and a broader investment opportunity set. In the management of international equities, we believe that country selection is an important driver of returns and can be a valuable and distinct source of value-added "alpha." Among the emerging markets, an even greater dispersion of returns historically between the best and worst performing markets results in even more opportunity for managers to add value in country selection by properly overweighting the "winners" and underweighting the "losers."

THE PRODUCT

Bailard applies a quantitative approach to investing, where we utilize a disciplined, consistent and repeatable investment methodology. We view the world's developing countries on a relative basis using a dynamic country factor model, and overweight our highest ranked markets and underweight our lowest ranked markets relative to the MSCI Emerging Markets benchmark. After we have arrived at our country weights, we engage in an independent security selection process to choose individual stocks within each country.

We seek to manage risk through diversification: a typical Bailard emerging markets equity portfolio consists of 50 to 100 securities, depending on client account constraints. Our advanced portfolio management

RANGE OF ANNUAL COUNTRY INDEX RETURNS: EMERGING AND DEVELOPED MARKETS¹

(10 YEARS ENDED DECEMBER 2010)



Sources: Bailard, MSCI/DataStream, as of 12/31/10.

¹ Past performance is no indication of future results. All investments involve the risk of loss. The performance data shown on this page does not represent the past or future performance of any Bailard strategy, product or account. Please see page 4 for important performance disclosures.

systems focus on managing risk at the country, sector, industry and security levels, allowing us to offer emerging market portfolios to customized mandates.

THE PHILOSOPHY

In addition to our strong conviction that countries matter, we also believe that it is important to be dynamic with respect to style. History has demonstrated that the dogmatic application of any investment style or factor, irrespective of change market conditions, often leads to long “dry spells” when that style or factor is out of favor. Certain environmental factors—like global market volatility—can drive the efficacy of distinct investment styles (e.g., value vs. growth). Recognizing this, in selecting our countries, we employ a dynamic style tilt that focuses on “when” and “where” certain investment styles and other selection factors are most likely to be rewarded.

THE STRATEGY

Bailard’s EM portfolios are different from many others in that we have a distinct process for choosing countries (in contrast to building up a portfolio from a stock or industry level). We view the world’s countries on a relative basis after assessing their characteristics and the broader market environment, and seek to overweight our highest ranked markets and underweight

our lowest ranked markets (relative to the client’s preferred index benchmark). Certain unique factors, such as political risk, have been particularly helpful in county allocation among the emerging and frontier equity markets. On average, more than 75% of our long-term added value in the emerging markets comes from country selection.

After we have arrived at our total weights to invest on a country-by-country basis, we engage in an independent security selection process to choose individual stocks within a country. Our security selection process has been tailored to the specific conditions of regions and markets around the world. It incorporates measures of value, momentum, earnings revisions and earnings quality to assess the attractiveness of individual stocks. To preserve the effectiveness of our country allocation decision, we constrain the magnitude of active security selection within countries and create individual country baskets that are comprised of the highest ranked securities within each sector of a given country.

RISK MANAGEMENT

As with all of our investment products, we seek to maximize rewards through the disciplined management of risk. We employ both quantitative and qualitative measures to manage the active risk of portfolios.

COMPOSITE ASSETS¹

Assets Under Management (as of 6/30/11)	\$59.6 million
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PORTFOLIO CHARACTERISTICS²

Capitalization	\$500M U.S. and up, predominantly large-cap (>\$1B)
Number of Securities	50–100
Turnover	75–150% 1-year average holding period
Maximum Frontier Markets Exposure	20%
Maximum Cash Position	2%
Maximum Security Weight	5%
Maximum County Exposure	Client benchmark +/- 10%; implies 25% absolute maximum
Maximum Sector Exposure	Client benchmark +/- 5%; implies 30% absolute maximum

GOOD TO KNOW

Minimum Investment	\$10 million
Fee Schedule	0.90% of the first \$25 million 0.80% of the next \$25 million 0.70% of the next \$50 million 0.65% on assets > \$100 million

¹ The Bailard International Equity Strategy is currently implemented across four separate composites. As of June 30, 2011, total AUM under management by Bailard’s International Equity Strategy was \$675.0 mil. Performance and data shown in this piece reflect one (the Emerging Markets) Composite, which represents 8.8% of strategy assets.

² Portfolio characteristics based on standard portfolio construction. Actual portfolios vary based on individual client account mandates and constraints.

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Ex-ante tracking error is typically constrained to 6–8%, based on our desire to succeed (beating the selected benchmark), while minimizing volatility and the probability of losing to the benchmark over a calendar year. We also strive to allocate our risk budget so that approximately 60% of active risk is applied to the country allocation decision and 40% to security selection. We aim to maintain neutrality with respect to sectors and industry groups and constrain country and regional active weights. At the security level, it is rare for any single security to exceed 2% of the portfolio.

THE PORTFOLIO MANAGERS

A seasoned team of three portfolio managers—with an average 21-year tenure—manage Bailard’s International Equity Strategy.

Tony Craddock, SVP, joined the firm in 1997. As co-portfolio manager on the international equity team, his activities focus on security selection. Previously, he served as performance analyst for the firm and was responsible for performance and risk analysis. Tony received his BA in applied mathematics from the University of California, San Diego, in 1992 and in 1996 earned his master’s degree in Pacific International Affairs from UCSD’s Graduate School of International Relations and Pacific Studies.

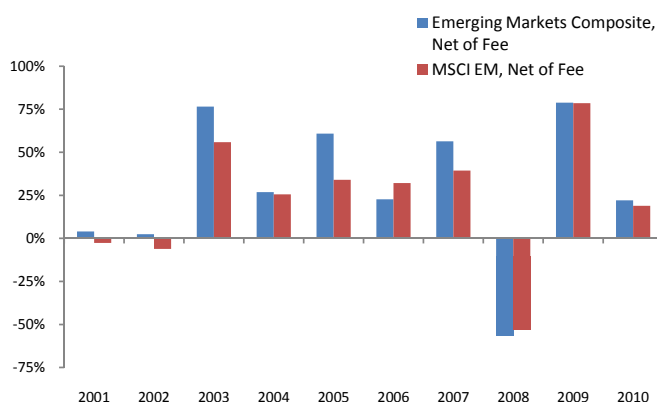
Bailard’s Chairman and CEO, Peter Hill, serves as

co-portfolio manager for the International Equity Strategy and leads the firm in its pursuit to create innovative investment opportunities for clients. Before assuming the role of CEO in 2008, Peter was Bailard’s Chief Investment Officer, a post he held for 13 years. Prior to joining Bailard in 1985, Peter worked in the United Kingdom as the deputy investment manager for the Royal London Insurance Society, Ltd., where he managed portfolios of international equities and unit trusts. He received his BA in 1972 from Leeds University and is a fellow of the Institute of Actuaries, U.K. His published works include a chapter in *Global Asset Allocation*, published by John Wiley & Sons, Inc.

Eric Leve, EVP and Chief Investment Officer-Institutional, joined Bailard in 1987. He serves as a co-portfolio manager on the firm’s international equity team and focuses his efforts on country-level modeling. During his tenure, his research interests have also included tax-aware investing, style-based investing, country allocation and global bond management. Eric received his BA in quantitative economics from the University of California, Berkeley, in 1986 and his Chartered Financial Analyst designation in 1997. He is an active member of the CFA Institute.

The portfolio management team also draws upon the talents of a centralized quantitative research group at Bailard.

CALENDAR YEAR RETURNS¹ (10 YEARS ENDED DECEMBER 2010)



TOTAL RETURN^{1, 2} (AS OF 6/30/11)

	EMERGING MARKETS COMPOSITE		MSCI EM, NET DIVIDENDS
	GROSS OF FEE	NET OF FEE	
Quarter	0.2%	0.1%	-1.1%
1 Year	39.2%	38.2%	27.8%
3 Year	7.8%	6.5%	4.2%
5 Year	13.0%	12.0%	11.4%
10 Year	23.4%	22.2%	16.2%

PERFORMANCE STATISTICS: 5-YEAR¹ (AS OF 6/30/11)

	EMERGING MARKETS COMPOSITE		MSCI EM, NET DIVIDENDS
	GROSS OF FEE	NET OF FEE	
Sharpe Ratio	0.43	0.39	0.35
Standard Deviation ³	28.32%	28.31%	27.37%
Active Return vs.			2.35%
Active Risk vs.			8.13%
Information Ratio vs.			0.29

¹ Sources: Bailard, MSCI/Datastream. **Past performance is no indication of future results.** All investments involve the risk of loss. Please see page 4 for important performance disclosures.

² Three-, 5- and 10-Year returns are annualized.

³ 5-Year Standard Deviation is annualized.

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WHY BAILARD?

Ever since we opened our doors in 1969, we've been seeking innovative ways to build wealth and generate solid returns for our clients. With over \$1.8 billion in assets, we offer institutional investors and wealth management clients intelligent, proprietary investment strategies and products; and a combination of stability, responsiveness, and discipline that seeks to bring strong, consistent results and exceptional personal service.

RISKS

In addition to the normal risks associated with investing, emerging market investments have higher specific risks that include, but are not limited to, the risk of capital loss from unfavorable changes in currency exchange rates, from differences in generally accepted accounting principles, from incomplete or inaccurate financial information about issuers, or from potentially unstable governments and less established market economies. Investing in the stocks of emerging market countries is riskier than investing in developed market countries. In addition, investors in emerging markets may face delayed settlements, currency controls, restrictions on transferring capital out of a country, smaller and less liquid markets, and higher transaction costs. There is no guarantee the Bailard Emerging Market Equities strategy will achieve its investment objectives.

PERFORMANCE DISCLOSURES

Composite Definition and Returns: The Bailard International Equity Strategy currently manages three separate composites with total AUM of \$675.0 million, as of June 30, 2011. All composite data and performance

presented in this publication reflect the Emerging Markets Composite (the "Composite"), which consists of all discretionary fee-paying accounts that are invested primarily in the common equity securities of international emerging markets. As of June 30, 2011, the Composite consisted of two pooled accounts with a market value of \$60 million. The Composite's returns are total returns based on trade-date accounting, presented both gross and net of management fees, and assume reinvestment of dividends and other earnings (on a net basis after applicable withholding taxes). Composite returns do not reflect custody and other non-management expenses which the composite accounts incurred.

From January 2001 to December 2009, the Emerging Market composite included an emerging market carve-out from composite that was managed to the firm's international equity strategy. Cash was allocated to the carve-out return on a pro rata basis based on the proportion of emerging assets to total portfolio assets based on beginning-of-period market values. From January 2010, the Emerging Market composite accounts have been managed with their own cash. From January 2001 to March 2011, gross of fee return of composite accounts was a weighted average of the emerging market stock return and the cash allocation return. The emerging market stock total return was the sum of the emerging market stock price return and actual dividends received. During this period, net of fee returns for each composite account were calculated by reducing each account's gross of fee return by a model management fee of 0.95% on the first USD 250 M (applied by reducing monthly returns by 1/12 of 0.95%) and 0.90% per annum thereafter. This model fee represents the

highest management fee paid by any account in the composite. From April 2011, both gross of fee and net of fee returns are taken directly from Bailard's portfolio accounting system, and net of fee returns are based on the actual fees paid by each account in the composite. From January 2001 to December 2009, total composite assets consisted of emerging market security holdings plus a pro rata cash allocation based on emerging market percentage weights at the beginning of each month. From January 2010 to March 2011, total composite assets consisted of the emerging market security holdings plus end-of-month cash amount based on cash at the beginning of the month, dividends received during the month, stock purchases/sales during the month, and managers' allocation to/from the emerging markets segment. From April 2011, total composite assets are total market value (including accrued income) of the composite accounts. A complete list of Bailard's composites are available upon request.

Other Performance Definitions:

"Total risk" is the annualized standard deviation of monthly returns. "Tracking error" is the annualized standard deviation of monthly added value, where added value is [Composite return – benchmark return]. "Information ratio" is the ratio of added value to tracking error. Valuations are computed and performance reported in U.S. dollars.

Market Indices: The indices shown in this piece are unmanaged, uninvestable and do not reflect any transaction costs. The MSCI Emerging Markets Index and the MSCI EAFE Index are free float-adjusted market capitalization indices that are designed to measure the equity market performance of emerging

market countries and developed countries, respectively. These indices are presented with net dividends reinvested in U.S. dollars. The range of annual returns shown on page 1 reflects the range of returns of the countries within each index. The S&P 500 Index is a commonly recognized index of 500 large-cap U.S. stocks. It is presented with dividends reinvested.

Unlike the MSCI EM index, the composite account can hold cash equivalents, depository receipts, exchange-traded funds and may engage in currency hedging. The composite's country weights, security weights and security holdings may differ materially from those of the MSCI EM index.

Other: 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 accounts. 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 result in lower returns to taxable investors. An investment in this strategy involves a risk of loss, and the value of an investment in this strategy may decrease as well as increase. No representation is made that any account will obtain similar results to those shown above.

Past performance is no indication of future results.

Bailard
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