Bailard

Technology Strategy

Q3 2025
Quarterly Update

QUARTER HIGHLIGHTS[1,2]

- The Bailard Technology Strategy generated a total return of 9.36% net of fees, compared with the S&P North American Technology Index at 13.14%, and the Morningstar U.S. Open End Technology Category at 11.64%
- Nvidia, Applovin Corp, and Lam Research Corp were the Strategy's top contributors, while Fiserv, Intuit, and Spotify Technology were the top detractors.
  - **A deeper dive into the top performance contributors and detractors**—at both a trend and individual stock level—can be found **on page 3.**
  - In August, Sr. Analyst Ryan Vasilik, CFA, published a piece on how AI is transforming programmatic advertising. That exceptional growth in **mobile game advertising and programmatic AdTech fueled the outsized performance of the #2 contributor, Applovin.** Read Ryan's full piece here.

Market Commentary & Sector Trends

The quarter reflected a firming of technology fundamentals following the broad Q2 market rebound. Underlying fundamentals improved meaningfully across several key verticals, driven by both structural demand trends and evolving regulatory frameworks. Investor focus sharpened on operational scalability, energy efficiency, and the maturing economics of AI deployment—even as early-stage technologies gained traction at the margins. The sector also saw increasing complexity in capital flows, partnerships, and supply chains, reflecting the accelerating pace of innovation and infrastructure build-out. Key dynamics included:

- **AI-driven demand:** Surging investment in compute capacity and infrastructure continues to anchor sector fundamentals, with notable gains in creative applications (e.g., video) and measurable ROI in areas such as programmatic advertising and cybersecurity.
- **Regulatory catalysts:** The **GENIUS Act**, crypto regulations, and mandates for domestic manufacturing have stimulated business activity across industries, though the implications of the government's recent 9.9% passive stake in Intel remain unclear.
- **Industry capital structure shifts:** Cross-investments, vendor-financed projects, and joint ventures are increasingly blurring funding sources in the AI ecosystem. This can be highlighted by the purchase commitments and investments between OpenAI and its suppliers. While hyperscalers such as **Amazon, Microsoft, and Google** are well-positioned with robust balance sheets, emerging growth companies may be overreaching to secure capacity. Thus far, however, financing constraints have not materially hindered industry growth.
- **Energy as a limiting factor:** As Nvidia's CEO emphasized, computing efficiency now hinges on *"tokens per watt"*[3] rather than simply low-cost silicon. This underscores the importance of adjacent industries, such as energy equipment suppliers and sources, in shaping AI's trajectory.

See deep dive on page 2

- **Next-generation themes:** Quantum computing has begun to attract investor enthusiasm, with several early-stage public companies gaining momentum despite being years from commercialization. Meanwhile, advances in

[1] **Past performance is no indication of future results.** The Morningstar U.S. Open End Technology Category is presented net of fee; the S&P North American Technology Index does not have fees. Please see the next page for more returns, and the end of this document for important disclosures as well as index and category definitions. Sources: Please see the end of this document for important disclosures as well as index and category definitions. [2] Specific investments described herein may represent some but not all investment decisions made by Bailard. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. Bailard, Inc. makes no recommendation to buy or sell securities discussed in this section. [3] Tokens are the fundamental units of text that AI language models read, analyze, and generate. They serve as the bridge between raw text and the model's internal representations, enabling the model to parse and produce language and images in structured, manageable chunks.

optical semiconductors and equipment reflect tangible demand for faster processing and expanded datacenter connectivity.

Strategy Commentary & Performance[4]

The Bailard Technology Strategy generated a 3Q25 total return of 9.36% net of fees, compared with the S&P North American Technology Index at 13.14% and the Morningstar U.S. Open End Technology Category at 11.64%.

Year to date, the Strategy has delivered a net return of 21.92%, modestly trailing the S&P North American Technology Index (23.64%) and the Morningstar U.S. Open End Technology Category (23.27%). Over the longer three-, five-, and ten-year horizons, the Strategy continued to outperform competitor benchmarks on a net-of-fee basis.

Our recent strategy moves have focused on sharpening software exposure by trimming AdTech holdings while reinforcing core positions in cybersecurity. We expanded infrastructure software tied to AI development and deployment, and added a new position in e-games. In tech hardware, our activity has centered on building positions in data center networking and storage, alongside selectively taking profits in wafer fab equipment companies.

At the same time, we've reduced or avoided companies highly reliant on government services or most vulnerable to AI disruption—particularly those in "creative" segments like design and marketing. We are also assessing the AI disruption narrative in workflow management, IT support, consumer finance, and CRM software. Here, we see potential—market pessimism could be overstated and today's depressed valuations could present opportunities in established companies positioned as AI deployers rather than AI-native players.

Deeper Dive: Why Energy is Now Central to AI Infrastructure Economics

Energy now sits at the heart of AI compute economics. As the race to stand up "AI-capable" infrastructure intensifies, deals are increasingly framed in power terms—how many gigawatts (GW) of accelerated compute will be deployed and at what energy cost. Case in point: AMD's new multi-year partnership with OpenAI targets 6 GW of AMD Instinct GPU capacity, with the initial 1 GW slated to land in 2026. Street models peg each GW of AMD GPU deployment at roughly $15–$20 billion of revenue potential, implying ~$100B over the life of the agreement if fully executed.

Total cost of ownership is converging on a simple objective: tokens per watt. Nvidia's framing is that customers will ultimately pick the platform that maximizes performance per watt because power is the binding constraint in modern AI data centers. In other words, "cheap" silicon that burns more joules per token can be the most expensive choice once you include electricity and cooling.

This focus only grows as workloads tilt from AI training to AI inference, where the volume of tokens served dominates operating expenses. The capex backdrop is equally power-centric: recent disclosures around hyperscale builds suggest today's state-of-the-art AI campuses cost on the order of $50–$60B per GW when you include chips and supporting infrastructure—underscoring why tokens-per-watt is the governing metric for both providers and buyers.

TOTAL RETURN[4] as of 9/30/25 (annualized periods >1 year)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Bailard Composite, Gross	9.46%	22.27%	26.13%	39.94%	19.24%	22.15%
Bailard Composite, Net	9.36%	21.92%	25.64%	39.39%	18.76%	21.54%
Morningstar US OE Tech, Net	11.64%	23.27%	30.59%	29.39%	12.77%	17.68%
S&P NA Tech	13.14%	23.64%	30.96%	40.14%	20.24%	23.35%

[4] **Past performance is no indication of future results.** The "Bailard Composite" is the Bailard, Inc. Technology Carve-Out Composite. The Technology Carve-Out Composite ("the Composite") includes two accounts, i.e., a segregated account and a carve-out portfolio invested primarily in the stocks of firms that predominately use technology to drive their business. "Morningstar U.S. OE Tech Category" is the Morningstar U.S. Open End Technology category average. The "S&P NA Tech" is the S&P North American Technology Index. The Bailard Composite and Morningstar U.S. OE Tech Category are presented net of fee; S&P NA Tech does not have fees. Please see the end of this document for important disclosures as well as index and category definitions. Sources: Morningstar, FactSet.

ATTRIBUTION DRIVERS[5, 6, 7]

Contributors

- **Stock selection within software and services** proved particularly strong, led by **Applovin, Shopify, Cadence Design Systems, and CyberArk Software**.
- **Semiconductors and technology** hardware also contributed positively, reflecting expanding capital commitments to AI infrastructure investment.

Detractors

- An **underweight in Media and Entertainment** hurt Strategy performance for the quarter as **Alphabet** rebounded on strong earnings and AI product momentum.
- 3Q25 saw weakness in **streaming services**, particularly **Spotify**, which pulled back after a robust first half of the year.
- A **fintech company** held in the Strategy continued to struggle within a core consumer-facing business segment and guided below expectations for the second half of 2025. The company's recent underperformance is counter to its history of strong execution.

TOP ABSOLUTE CONTRIBUTORS[5, 6, 7]

For the quarter ending 9/30/2025

	Avg. Weight	Contribution
NVIDIA Corporation	12.6%	2.2%
AppLovin Corp. Class A	1.9%	1.6%
Lam Research Corporation	3.1%	1.1%
Pure Storage, Inc. Class A	2.2%	0.9%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.2%	0.9%

Nvidia Corp. (+216 bps to Strategy; +18.10%) – A cornerstone holding, Nvidia continues to lead in accelerated computing and datacenter networking. Its unmatched developer ecosystem and innovation cadence underpin dominance across the AI value chain.

Applovin Corp. (+160 bps; +105.25%) – Exceptional growth in mobile game advertising and programmatic AdTech fueled outsized performance. Expansion into ecommerce markets further strengthens its outlook into 2026.

Lam Research Corp. (+110 bps; +37.84%) – Benefiting from cyclical demand in wafer equipment and U.S. semiconductor onshoring, Lam remains well-positioned in memory fabrication tools amid accelerating AI infrastructure investment.

TOP ABSOLUTE DETRACTORS[5, 6, 7]

For the quarter ending 9/30/2025

	Avg. Weight	Detraction
Insight Enterprises, Inc.	1.5%	-0.3%
HubSpot, Inc.	1.9%	-0.3%
Spotify Technology SA	3.0%	-0.3%
Intuit Inc.	2.4%	-0.4%
Fiserv, Inc.	1.3%	-0.5%

Fiserv Inc. (-52 bps; -25.22%) – Performance was marred by leadership transition, product launch delays, and underperformance in Merchant Solutions. Downward revisions in FY25 revenue and margin guidance weighed further.

Intuit Inc. (-37 bps; -13.18%) – Solid execution in core businesses was offset by near-term earnings risk in adjacent segments, prompting

Spotify Technology S.A. (-31 bps; -9.04%) – Remains core position having a dominant defensible streaming platform and expanding revenue levers, including tiering, pricing, and advertising.

[5] **Past performance is no indication of future results.** [6] bps = Basis Points. A basis point is equal to 0.01%. Specific investments described herein may represent some but not all investment decisions made by Bailard. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. Bailard, Inc. makes no recommendation to buy or sell securities discussed in this section. [7] **Past performance is no indication of future results.** This performance is not indicative of the past or future performance of the Bailard Technology Strategy or any other Bailard product. Sources: Bailard, FactSet. The holdings identified do not represent all of the securities purchased, sold, or recommended for clients.

Outlook[8]

The technology sector enters 4Q25 with a broadly supportive backdrop as lower interest rates, favorable policy signals, and resilient asset prices underpin investor sentiment. Earnings momentum remains strong, with third-quarter results across most tech industries expected to reinforce optimism. Despite these supportive dynamics, selectivity is key: risks persist in AI-exposed names trading near historical valuation highs, and government-sensitive segments like IT services and consulting may face shifting policy dynamics.

We remain vigilant in select areas…

- **Government-exposed industries** (IT services, consulting, hardware), where policy changes could alter growth trajectories.
- **Application software verticals**, where AI disruption continues to reshape business models and investor expectations.
- **Valuation**, particularly within AI-exposed industries trading near historical peaks. Some capital redeployment from extended areas such as data networking and accelerated computing hardware remains prudent.

…and continue to see opportunity in others.

- **Software valuations**—particularly in underperforming application software—may offer selective entry points post tax-loss selling.
- **Consumer technology strength** in crypto-adjacent names but lagging discretionary demand (autos, mobile, fintech).
- **Industrial and cyclical technology** shows improving momentum, albeit uneven across subsectors.
- **Parallel AI opportunities** include autonomous machines, robotics, quantum computing, and energy delivery systems.

Overall, the Strategy remains positioned to capture secular growth themes while managing risks associated with capital intensity, valuation expansion, and sector cyclicality.

PORTFOLIO STATISTICS[9] as of 9/30/2025	
Total Holdings	38
Equity Weight[10]	99.5%
Cash Equivalents Weight	0.5%
Weighted Avg. Market Cap	$1,391.2B
Price/Book	11.8x
Wtd. Avg. P/E Ratio (trailing 12 mo.)	35.4x

TEN LARGEST HOLDINGS[9] as of 9/30/2025		
NVIDIA Corporation	Information Technology	12.8%
Microsoft Corporation	Information Technology	7.9%
Meta Platforms Inc Class A	Communication Services	7.4%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Information Technology	4.5%
KLA Corporation	Information Technology	4.4%
Lam Research Corporation	Information Technology	3.7%
Amazon.com, Inc.	Consumer Discretionary	3.2%
AppLovin Corp. Class A	Information Technology	2.9%
Spotify Technology SA	Communication Services	2.8%
Apple Inc.	Information Technology	2.7%
Total		52.4%

INDUSTRY EXPOSURE >5%[9] as of 9/30/25	
Semiconductors & Semiconductor Equipment	33.9
Software	30.5
Interactive Media and Services	8.7
Technology Hardware, Storage & Peripherals	5.5

[8] **Past performance is not indicative of future results.** Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future. Please see important disclosures at the back of this presentation. Sources: FactSet, Bailard, Thomson Reuters (Refinitiv) Workspace. This information, while representative of the current Bailard Institutional Technology Strategy, should not be solely relied on as it may differ from client to client and may vary over time. [9] Sources: FactSet, Bailard, Thomson Reuters (Refinitiv) Workspace. This information, while representative of the current Bailard Institutional Technology Strategy, should not be solely relied on as it may differ from client to client and may vary over time. [10] Technology includes information technology, communication services, and internet retail stocks.

RISKS

The Bailard Technology Composite is not by itself a complete investment program and is best suited for investors who can accept the above average risk generally associated with growth stocks and technology stocks. The strategy is primarily subject to the risk that the market value of investments will fluctuate as stock markets fluctuate plus the style and sector risks associated with a complete weighting in the technology sector, which may be more volatile than the overall stock market. The strategy is also subject to the size risks associated with investments in smaller market cap stocks in addition to its predominant tilt toward large cap stocks. The strategy may invest in American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) which are subject to the same risks as the foreign securities that they evidence or into which they may be converted (including political or economic instability, the impact of currency rate fluctuations and different accounting standards). The strategy may invest in derivative securities, which may be volatile and may increase investment leverage.

The use of screens based on non-financial information (NFI) as an input to the strategy may exclude certain investments and result in performance that differs from strategies not using such inputs. NFI assessments are inherently subjective, and investors may disagree on what constitutes favorable NFI characteristics. We rely on third-party NFI data, which may be incomplete or inconsistent, and our application of NFI criteria may not always align with an investor's values. Our evaluation of NFI criteria may change over time.

There can be no assurance that Bailard will achieve its investment objectives. All investments have the risk of loss.

PERFORMANCE DISCLOSURES

Composite Definition: The Technology Composite is a combination of one segregated account managed to the Technology Strategy and a carve-out (the "Carve-Out") from a composite (the Bailard Inc. Technology & Science Composite) that was managed to the firm's technology and science strategy, which invested primarily in the stocks of firms that predominately use technology to drive their business. The Carve Out's portfolio consists of all holdings in the Technology & Science Composite (consisted of a single mutual fund portfolio, which has been managed in an advisory or subadvisory capacity since 2001) after filtering out health care stocks as defined by GICS. Through June 2016, cash was allocated to the Carve-Out based on the relative value of its holdings within the Technology & Science Composite. Since July 2016 the Carve-Out has been managed as a sub-portfolio with its own cash. The Composite had a market value of $211.1 million as of September 30, 2025. The Composite's returns are total returns presented net of management fees ("net of fees") and assume reinvestment of dividends and other earnings. The returns do not reflect a fiduciary fulfilment fee payable to Bailard (where applicable), or custody and other account expenses not payable to Bailard.

Gross of management fee returns were calculated by Bailard's portfolio accounting system. Through June 2016, net of management fee performance was calculated by netting down the gross return by a model fee of 0.65% (applied by reducing monthly returns by 0.054%). From July 2016, net of management fee performance was calculated by netting down the gross return by a model fee of 0.75% (applied by reducing monthly returns by 0.0625%). This model fee is representative of the fees charged for a separately managed portfolio and is the highest management fee for this strategy. As disclosed in Bailard Institutional's Form ADV Part 2A, Bailard Institutional's annual fee schedule for new accounts is 0.75% of the first $100 million and 0.70% on assets over $100 million. The Composite's complete return history and a 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 and cash flows as the Composite account. As a result, an account's actual performance may differ from the performance presented above due to, among other things, timing of investment, contributions and withdrawals, and the client's restrictions, such as restrictions on eligibility to participate in initial public offerings. 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.

Market Index and Category Definitions: The S&P North American Technology Sector Index ("NA Tech Index") provides investors with a benchmark that represents U.S. equity securities classified under the GICS® technology sector and internet retail sub-industry categories. This index is uninvestable, unmanaged and does not reflect transaction costs. The Morningstar US Open End Tech category ("Universe") is composed of open-end mutual funds that buy technology and health care businesses in the U.S. or outside of the U.S. The Universe is unmanaged and uninvestable. The NA Tech Index and the Universe are presented on a total return basis with dividends reinvested. Unlike the NA Tech Index, the Composite may hold cash equivalents, exchange-traded funds, ADRs and GDRs (U.S. dollar denominated foreign securities). Unlike the Composite, the funds in the Universe may have different investment restrictions, may invest in health care and biotechnology stocks, and may invest in different categories of securities than the Composite account. Unlike the Composite returns, the returns of the funds in the Universe are net of all expenses. The Composite does not hold all securities in the NA Tech Index and the Universe, and may hold securities outside of these benchmarks. The Composite's market cap weighting may differ materially from the NA Tech Index and the Universe.

Past performance is no indication of future results. All investments have the risk of loss.

OTHER DISCLOSURES

The information in this publication is based primarily on data available as of September 30, 2025 and has been obtained from sources believed to be reliable, but its accuracy, completeness and interpretation are not guaranteed. Bailard undertakes no duty to update any of the information contained herein. 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 upon 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 consideration 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.

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