Bailard

Bailard Technology Strategy

Quarterly Report
September 30, 2026

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Portfolio Team



DAVE HARRISON SMITH, CFA
Chief Investment Officer



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Chief Executive Officer



CHRISTOPHER MOSHY
SVP, Domestic Equities

Q3 Highlights[1,2]

1. The Bailard Technology Strategy generated a Q3 2026 total return of 2.70% net of fees, trailing the S&P North American Technology Index by 63 basis points, and beating the Morningstar U.S. Open End Technology Category by 426 bps.
2. The quarter saw rotations between AI infrastructure beneficiaries and software companies positioned for wider adoption. Relative performance reflected strong storage exposure offset by semiconductor-equipment weakness and software underweights.
3. AI infrastructure remained central to our investment view, with opportunities extending beyond accelerators into CPUs, optical connectivity, storage and semiconductor production equipment. Our software research focused on control of essential data and workflows, durable pricing and evidence that AI adoption can translate into organic growth and cashflow.

Market Commentary

Technology markets experienced pronounced rotations during the third quarter as investors reassessed AI infrastructure beneficiaries and software companies positioned for broader adoption. Our earnings reviews often showed healthy operating demand alongside weaker share prices, underscoring the importance of expectations and valuation. July's hardware correction and subsequent shifts between software and semiconductors reinforced our preference for evaluating business fundamentals separately from near-term market momentum.

Company and analyst discussions continued to support a constructive view of compute, networking, storage and semiconductor equipment demand. Planning horizons appeared to be extending, but the path from announced spending to productive capacity remained dependent on power, construction, supply chains and financing. We increasingly examined asset utilization and eventual cash returns alongside spending commitments.

Software presented a less uniform picture. Consumption-based infrastructure and cybersecurity offered potential benefits from greater AI activity, while application vendors faced questions about seat growth, competitive differentiation and monetization. Improving adoption did not consistently establish a clear revenue or margin benefit. Higher yields and energy costs added uncertainty to valuations and project economics, increasing the importance of stock selection and financial discipline.

*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: FactSet, Morningstar. 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.*

As of September 30, 2026

Bailard Technology Strategy

Overview:

A high-conviction technology strategy focused on capturing durable growth across the global innovation cycle. Combines established market leaders with emerging innovators through disciplined portfolio construction.

Top Ten Holdings[3]

By Composite weight, as of 9/30/2026

NVIDIA Corporation	Semiconductors & Semiconductor Equip	11.7%
Microsoft Corporation	Software	7.0%
Meta Platforms Inc Class A	Interactive Media And Services	6.2%
Micron Technology, Inc.	Semiconductors & Semiconductor Equip	5.7%
Palo Alto Networks, Inc.	Software	5.1%
Lam Research Corporation	Semiconductors & Semiconductor Equip	4.8%
Apple Inc.	Technology Hardware Storage & Perip	4.3%
KLA Corporation	Semiconductors & Semiconductor Equip	4.1%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Semiconductors & Semiconductor Equip	3.8%
Amazon.com, Inc.	Broadline Retail	3.3%

Composite Statistics[3]

as of 9/30/2026

Total Holdings	39
Wtd. Avg. Market Cap	$1,742 B
Equity	99.99%
Cash Equivalents	0.01%
Price/Book	12.1x
Wtd. Avg. P/E (trailing 12 mo.)	37.0x
Annual Turnover	23%

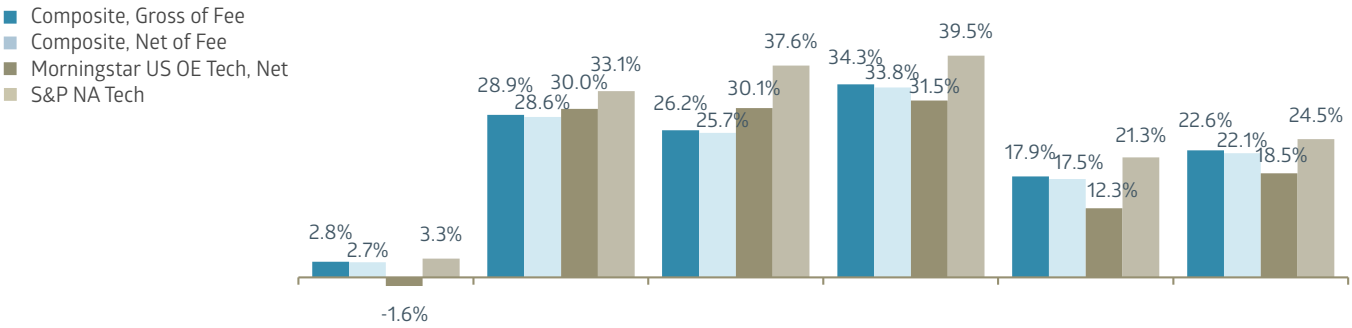
Industry Exposures > 5%[3]

as of 9/30/2026

Semiconductors & Semiconductor Equipment	41.7%
Software	23.4%
Technology Hardware Storage & Perip	8.8%
Interactive Media & Services	8.6%

Investment Results[4]

Total returns for periods ending 9/30/2026



Trailing Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Composite, Gross of Fee	2.79%	28.89%	26.16%	34.30%	17.94%	22.63%
Composite, Net of Fee	2.70%	28.57%	25.73%	33.80%	17.49%	22.05%
Morningstar U.S. Open End Technology, Net	-1.56%	30.00%	30.10%	31.46%	12.33%	18.52%
S&P North American Technology Index	3.33%	33.13%	37.64%	39.47%	21.33%	24.55%

Active Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Morningstar U.S. Open End Technology, Net	4.26%	-1.43%	-4.37%	2.34%	5.16%	3.53%
S&P North American Technology Index	-0.63%	-4.56%	-11.91%	-5.67%	-3.84%	-2.50%

3 Sources: FactSet, Bailard. The "Bailard Composite" is the Bailard, Inc. Technology Carve-Out Composite. The Technology Carve-Out Composite ("the Composite") includes a segregated account and carve-out portfolio invested primarily in the stocks of firms that predominately use technology to drive their business. This information, while representative of the current Bailard Technology Strategy, should not be solely relied on as it may differ from client to client and may vary over time. Technology includes information technology, communication services, and internet retail stocks. 4 Sources: Morningstar, FactSet, Bailard. The Bailard Composite and Morningstar U.S. Open End Technology category are presented net of fee; the S&P North American Technology Index does not have fees. ***Past performance is no indication of future results. All investments involve the risk of loss.***

Strategy Commentary & Performance[5]

In Q3 2026, the Bailard Technology Strategy generated a total return of 2.70% net of fees, trailing the S&P North American Technology Index by 63 basis points, and beating the Morningstar U.S. Open End Technology Category by 426 basis points. Contributions from our Software and Services exposure, and positioning in Technology Hardware & Equipment outweighed weakness in Semiconductors & Semiconductor Equipment.

Our strategy continued to emphasize businesses supplying essential AI infrastructure while selectively building software exposure. We maintained conviction in semiconductor production equipment and examined the balance between those holdings and direct compute suppliers. During the quarter, we added to AMD and optical supplier Coherent, followed by additions to Qualcomm. These investments reflected our interest in compute and connectivity across a broader range of AI workloads, with continued attention to valuation and semiconductor cyclicality.

In software, we added to Atlassian and selectively trimmed Datadog and Palo Alto Networks. We also reduced Apple and modestly trimmed Uber. Position sizing remained sensitive to concentration, tax consequences, and the opportunity cost of retaining lower-conviction investments. Our software work emphasized proprietary data, essential workflows, security, and observability, while testing whether AI features support incremental customer spending rather than simply increasing product costs.

Our assessment remained focused on validating the growth drivers, competitive position, and valuation of each business. We also reassessed Uber's exposure to autonomous-vehicle competition and the durability of its pricing and take rates. Fundamental research, quantitative signals, and portfolio risk reviews informed these discussions; we continued to favor selective, incremental changes over broad reallocations driven solely by short-term price moves.

Strong outperformance against competitors

> *Disciplined positioning across AI compute, connectivity, and software helped to deliver 426 bps for the quarter over the Morningstar U.S. Open End Technology Category.*

5 Sources: Morningstar, FactSet, Bailard. 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. The Bailard Composite and Morningstar U.S. Open End Technology Category are presented net of fee; the S&P North American Technology Index does not have fees. ***Past performance is no indication of future results.*** *Please see the end of this document for important disclosures as well as index and category definitions.*

AI DISRUPTION:
FEARS FAVOR INFRASTRUCTURE

Amid a volatile year for software stocks, infrastructure software emerged as a clear outperformer relative to application software. As the year progressed, investors increasingly favored infrastructure providers, which likely stand to benefit from AI adoption, over application software companies facing greater uncertainty around potential AI-driven disruption.

Software group	1 Quarter	6 Months	Year to Date	1 Year
Infrastructure	26.9%	90.9%	36.6%	20.5%
Application	17.5%	28.7%	-10.2%	-13.7%

The comparison uses 25 Infrastructure stocks—security, data platforms and developer tools—and 72 Application stocks serving business and consumer workflows. ***Past performance is no indication of future results****. Sources: Bloomberg, L.P., Claude/Anthropic, Bailard, Inc.*

Within industries, collaboration and communications led one-quarter returns (+41.8%), followed by DevOps and observability (+37.0%). Cybersecurity and data/cloud/backup each gained 25.0%.

Application results were uneven: ERP/financial/workflow gained 25.3% over one quarter but remained down 25.9% YTD; financial and regulated vertical software gained only 2.2%, while consumer/gaming declined 5.8%. The pattern indicates a recent application rebound alongside more persistent infrastructure strength. The strategy continues to lean into software exposure, building positions in cybersecurity, data, workflow and project management, while assessing AI inference impact on application integrations.

What Drove Performance[6]

Performance reflected a strong rebound in infrastructure software and data storage integrations, which offset semiconductor equipment weakness in the quarter.

Top absolute contributors

For the quarter ending 9/30/2026

	Average Weight	Contribution
Microsoft Corporation	6.72%	2.40%
NVIDIA Corporation	11.61%	1.61%
Meta Platforms Inc Class A	5.61%	1.48%
Everpure, Inc. Class A	2.29%	1.32%
CrowdStrike Holdings, Inc. Class A	2.48%	0.92%

Sources: Morningstar, FactSet

Top absolute detractors

For the quarter ending 9/30/2026

	Average Weight	Contribution
KLA Corporation	4.4%	-2.6%
Lam Research Corporation	4.9%	-1.8%
AppLovin Corp. Class A	1.2%	-0.7%
Corning Inc	1.0%	-0.6%
Micron Technology, Inc.	5.4%	-0.6%

Sources: Morningstar, FactSet

Sector drivers:

- Software and Services: Strong performance infrastructure software, including cybersecurity, app monitoring, and cloud services were key contributors to the period's returns.
- Technology Hardware & Equipment: Exposure to data storage (Everpure), edge devices (Apple), and datacenter networking (Arista Networks) drove returns, overcoming weakness in optical equipment stocks.
- Media & Entertainment: Gains were led by Meta Platform's AI advancements and the news of Roku being acquired by Fox, but offset by the downward pressure and disruptions weighing on AppLovin and Take-Two Interactive.

Individual contributors:

- Microsoft Corporation (+240 bps to the Composite, 37.8% stock total return) – Shares advanced on strong Azure datacenter demand and growing enterprise adoption of AI capabilities.
- NVIDIA Corporation (+161 bps, 14.3%) – Company continued to solidify leadership in AI infrastructure, which now includes open-sourced models, and software libraries spanning myriad industry verticals. Robust financials are helping, but concerns around circular financing in the industry remain.
- Meta Platforms Inc. (+148 bps; 28.8%) – Meta has made substantial progress on the AI front, producing credible results with their frontier models and the introduction of the Muse agent.
- Everpure, Inc. (132 bps, 66.0%) – Continued wins in enterprise datacenter storage integrations as AI spend expands, coupled with another hyperscale customer win drove fundamentals. Importantly, operating leverage has also inflected, driving a meaningful step-up in financial returns.
- CrowdStrike Holdings Inc. (92 bps, 38.8%) – Escalating cybersecurity threats and partnerships with frontier AI labs is solidifying market share gains for leading cybersecurity platform companies.

Sector headwinds:

- Semiconductors & Semiconductor Equipment: The semiconductor complex broadly, and particularly wafer fabrication equipment

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suppliers, corrected in 3q26 after overachieving in the prior quarter. Current valuations reflect increased concern around AI capital spending cycle duration.

- Transportation: The autonomous driving debate and who wins and loses continues to introduce volatility in Uber Technologies' share price. Overall, it had a negligible impact to this quarter's returns.

Individual detractors:

- KLA Corporation (-264 bps to the Composite, -35.5% stock total return) and Lam Research Corporation (-180 bps, -24.1%) – Shares corrected amid stretched valuation exiting 2q26, rotation to software, and concerns about the duration of AI infrastructure spending, which outweighed companies' very bullish outlook for new fabrication facilities, and advanced node upgrades.
- AppLovin Corp. (-72 bps, -38.7%) – Increased competitive pressures and slower entry into new ad markets is raising concerns on sustainable revenue growth.
- Corning Inc. (-63 bps, -39.7%) – Shares retracted as momentum across the hardware and semiconductor sectors unwound in July amid elevated investor expectations following a strong rally in AI-related stocks in late Q2. Underlying demand remains favorable, supported by continued investment in AI data centers, optical connectivity, and next-generation networking infrastructure.

Investment Outlook[7]

We remain constructive on AI infrastructure while recognizing that spending commitments must become productive capacity and sustainable cash returns. Our focus is on compute demand, optical and networking bottlenecks, equipment orders and the financing and power requirements of new projects. In software, we will look for organic growth, paid AI adoption and pricing that captures increased usage without undermining margins. Higher rates, energy costs, permitting friction and semiconductor supply expansion could challenge both earnings and valuations. We intend to remain selective, using fundamental progress and valuation to guide incremental changes rather than assuming every AI beneficiary offers equal opportunity.

7 ***Past performance is no indication of future results. All investments involve the risk of loss.*** *Please see the last page for important disclosures. 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.*

Bailard Technology Strategy Key Differentiators



Exposure across the full innovation lifecycle



Balance between established leaders and emerging innovators



Emphasis on fundamental durability over short-term momentum

Approach

A high-conviction approach combining fundamental research with disciplined portfolio construction to identify durable growth opportunities across global technology markets.

Investment Criteria

» Companies aligned with long-term innovation trends (AI, cloud, digital infrastructure)

» High-quality businesses with durable competitive differentiators and scalable earnings

» Select emerging innovators with asymmetric return potential

» Portfolio construction balancing structural growth with evolving market opportunities

Process

» Thematic Evaluation
Identify long-term innovation trends across software, semiconductors, and infrastructure

» Security Selection
Focus on high-quality companies with durable growth and strong competitive positioning

» Portfolio Construction
Balance core leaders and emerging innovators while managing concentration risk

Risk Management

Diversified exposure across technology sub-sectors, with position sizing and portfolio construction designed to manage volatility and concentration.

Portfolio Managers

Dave Harrison Smith, CFA
Chief Investment Officer
Leads technology research focused on AI and sector disruption.
BA, UC Berkeley; MBA, Haas School of Business, UC Berkeley

Chris Moshy
SVP, Domestic Equities
Focuses on semiconductors and infrastructure investing.
BA, UC San Diego; MBA, Cornell University

Sonya Mughal, CFA
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BA, Randolph-Macon Woman's College

Analyst

Ryan Vasilik, CFA
Senior Analyst, Domestic Equities
Supports technology research and idea generation.
BS, Pennsylvania State University

Backed by Bailard's broader equity research, international, quantitative analysis, and portfolio implementation teams.

Past performance is no indication of future results. All investments involve the risk of loss. Please see the last page for important disclosures as well as index and category definitions.

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'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's Form ADV Part 2A, Bailard'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. #NMR

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Other Disclosures

The information in this publication is based primarily on data available as of September 30, 2026 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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