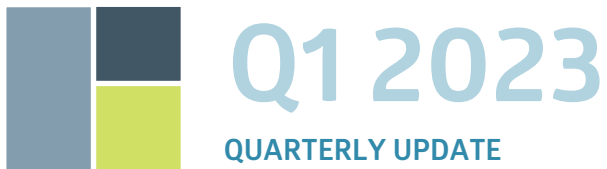


# Technology and Science Strategy

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Investing in companies at the forefront of  
innovation and value creation



**Bailard**  
Asset Management

# Performance as of March 31, 2023

## Q1 2023 PERFORMANCE<sup>1</sup>

The Bailard Technology & Science Composite (the “Composite”) posted a Q1 total return of 21.62%, net of fees, meaningfully ahead of the competitor-related benchmarks, with the Morningstar U.S. Open End Technology Category return of 17.48% and the Lipper Science and Technology Fund Index return of 17.88%. The Composite was also ahead of the top-heavy S&P North American Technology Index return of 21.45% and the mega-cap Nasdaq 100 return of 20.77%. Over longer measurement periods of 3, 5, and 10 years, the Composite’s net returns continue to lead the competitor’s peer group benchmarks.

Strong stock selection and allocations in Interactive Media and Services, Semiconductors, and Technology Hardware & Equipment led the Composite’s overall outperformance relative to competitors in the quarter. Conversely, primary detractors included stock selection lagging in Software and Professional Services, and being underweight Autos (EVs).

## TOTAL RETURN NET OF FEE<sup>1</sup>

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
<b>Bailard Composite</b>	21.62%	21.62%	-11.22%	16.73%	12.19%	16.41%
Morningstar US OE Tech	17.58%	17.58%	-15.65%	14.67%	10.39%	14.41%
Lipper Sci & Tech	17.88%	17.88%	-14.19%	16.35%	11.52%	15.31%
S&P NA Tech	21.45%	21.45%	-11.73%	18.18%	14.66%	17.97%

## ACTIVE RETURN NET OF FEE<sup>1,2</sup>

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
<b>Vs. Morningstar US OE Tech</b>	4.04%	4.04%	4.42%	2.07%	1.80%	2.00%
<b>Vs. Lipper Sci &amp; Tech</b>	3.74%	3.74%	2.97%	0.39%	0.67%	1.10%
<b>Vs. S&amp;P NA Tech</b>	0.17%	0.17%	0.51%	-1.45%	-2.47%	-1.56%

<sup>1</sup> Past performance is no indication of future results. The “Bailard Composite” is the Bailard, Inc. Technology & Science Composite. The Bailard Technology & Science Composite (“the Composite”) includes a Bailard Asset Management portfolio primarily invested in U.S. equities with growth characteristics and large capitalizations, with a bias toward technology-focused sectors. “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. “Lipper Sci & Tech” is the Lipper Science and Technology Fund Index. The Bailard Composite, Morningstar U.S. OE Tech Category and Lipper Tech & Sci are presented net of fee; S&P NA Tech does not have fees. Please see additional performance on pages 4 and 9, and pages 16 - 18 for important disclosures. Sources: Morningstar, Bloomberg, Thomson Reuters (Refinitiv) Eikon.

<sup>2</sup> Active return is the difference between the return of the strategy and the return of the index. Performance statistics are annualized for periods greater than one year.

# Strategy and Sector Commentary

## Q1 2023 UPDATE

Wow, what a quarter for technology stocks! The technology sector's Q1 returns were almost triple the broad equity market. In fact, many might even find the S&P 500's return of  $\sim 7.5\%$ <sup>1</sup> surprising given the turmoil that arose in the banking sector as we exited the quarter. Furthering the conundrum, a quick analysis of sector returns reveals an equity market that is still acting like the U.S. economy will skirt a recession and an interest rate pivot by the Fed is close at hand. Although the S&P 500 returned high-single digits in Q1, the Information Technology sector returned 24.1%, Communication Services 20.5%, and Consumer Discretionary 16.8%. Even homebuilders and non-tech consumer discretionary companies were up 15.8% and 12.3%, respectively, for the quarter.<sup>2</sup> Information technology companies benefited from a flight to quality, particularly the mega-capitalization stocks, but the positive impact from the more cyclical areas of technology, such as semiconductors and enterprise hardware, were also significant drivers of returns.

We saw three components underlying technology returns in the Q1. First, a rebound from a dismal 2022 (recall that some of the largest technology stocks led the market lower last year) fed by the perception that several tech industries and companies may have already experienced a recession and are now looking through to

The technology sector's Q1 returns were almost triple the broad equity market.

end-market recovery. Semiconductors are the best example, where the group led technology returns with a  $\sim 36\%$  return in Q1 after being among the worst performing groups in 2022.<sup>3</sup> Second, as the banking sector turmoil occurred and recession fears increased, a rotation to quality benefitted many large tech companies that are perceived to have less revenue sensitivity and lower entity risk should the banking sector and/or the economy further deteriorate. Lastly, durable secular trends such as IoT, electrification, data management & security, ad-based search, e-commerce, and vehicle autonomy, among others—coupled with powerful emerging technologies like artificial intelligence—remained attractive drivers for long-term investments.

*(continued on next page)*

### Past performance is not indicative of future results.

<sup>1</sup> Bloomberg L.P.; Bailard, Inc.

<sup>2</sup> S&P 500 Sectors; SPDR ETFs XHB, KRE; Bloomberg, L.P.; Bailard, Inc.

<sup>3</sup> S&P GICS Semiconductors & Equipment group 1q23 total return. Bloomberg, L.P.; Bailard Inc.

# Strategy and Sector Commentary (continued)

## Q1 2023 UPDATE

The Strategy recognized the cyclical rebound in Q4 2022 and actively increased exposure to semiconductors. As we exited the Q1, the Strategy held its core cyclical positions steady and began incremental allocations to the high-growth segments of technology, including software companies in security, data management, and CRM hubs. Our focus recently has been on companies that demonstrate durable growth opportunities post the pandemic bump and are disciplined around operating expenses, capital allocation, and profit targets. Colloquially, we refer to these companies as “Growth that Executes.” In addition, we’ve maintained the Strategy’s exposure to the “Attractive Core” companies which continue to execute established growth opportunities while delivering improved profit margins, free cash flow, and returns on capital.

We have sourced capital for the Strategy’s move towards growth by selectively trimming “Core Growth Neutral” which are attractive companies but with end markets that are slowing, lack near-term catalysts, or are more sensitive to a recession, including companies exposed to autos, employment, and financial services. In addition, we aggressively source from companies we deem “Growth that Missed” which in the most recent quarterly reports could be characterized as reporting or guiding on disappointing key operating metrics, particularly those business models that are volume sensitive (e.g., data consumption or licensing conversion dependent) but without clear competitive advantages nor having articulated credible profit pathways.

**Past performance is not indicative of future results.** References to specific stocks are for illustrative purposes only. Holdings are subject to change.

## Q1 2023 COMPOSITE TOP CONTRIBUTORS AND DETRACTORS<sup>4</sup>

CONTRIBUTORS	AVG. WEIGHT	CONTRIBUTION
NVIDIA CORP	5.64%	3.94%
META PLATFORMS INC-CLASS A	4.32%	2.61%
MICROSOFT CORP	10.34%	2.11%
INSIGHT ENTERPRISES INC	3.74%	1.43%
APPLE INC	4.97%	1.31%
DETRACTORS	AVG. WEIGHT	DETRACTION
BOX INC – CLASS A	1.82%	-0.30%
BOOZ ALLEN HAMILTON HOLDINGS	1.81%	-0.28%
INTUITIVE SURGICAL INC	0.54%	-0.14%
INTRA-CELLULAR THERAPIES INC	1.18%	-0.09%
DANAHER CORP	1.53%	-0.08%

**4 Past performance is no indication of future results.** This performance is not indicative of the past or future performance of the Bailard Technology and Science Strategy or any other Bailard product. Sources: Bailard, Bloomberg. The holdings identified do not represent all of the securities purchased, sold, or recommended for clients. References to specific stocks in the Strategy and Sector Commentary are for illustrative purposes only. **Past performance does not guarantee future results.** Please see additional performance on pages 2 and 9 and pages 16 – 18 for important disclosures.

# Special Spotlight: AI



## The AI train is leaving the station; are you onboard?

*Figure: AI generated image. Prompt: "A bullet train leaving a platform, maxfield parish style." (Dall-e 2)*

### GENERATIVE AI

While the dislocation in the banking sector probably had the largest impact on near-term expectations for the broader economy, the biggest fundamental shift for long-term technology investors is the emergence of Generative AI. It's hard to overstate this evolution which has suddenly exploded on the technology scene. In fact, OpenAI's AI-based ChatGPT app reached 100 million users in record time, just two months.<sup>5</sup> Although AI research and Large Language Models (LLMs) have been under development for years, a fundamental change that is disruptive and transformative has occurred.

**Past performance is not indicative of future results.**

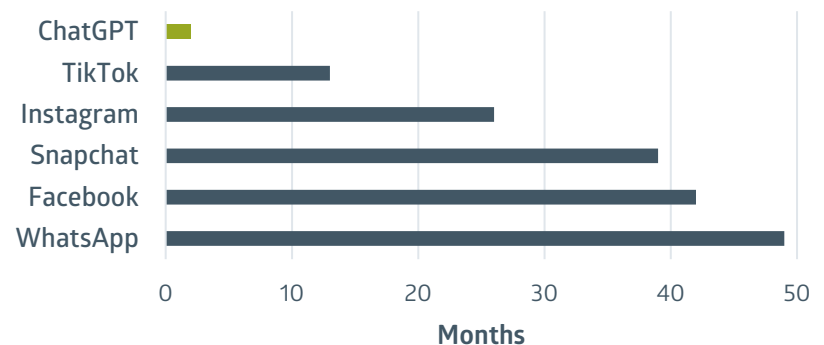
<sup>5</sup> Nvidia Corp.; Goldman Sachs & Co.; Bailard, Inc..

Sam Altman, an OpenAI founder, explained it this way: "If I had to pick some moment, it was ChatGPT. It wasn't the underlying model that mattered it was the usability of it... and the interface to it."

Bill Gates put his revelation like this: "I watched in awe as they asked GPT, their AI model, 60 multiple-choice questions from the AP Bio exam—and it got 59 of them right. Then it wrote outstanding answers to six open-ended questions from the exam. We had an outside expert score the test, and GPT got a 5—the highest possible score... Once it had aced the test, we asked it a non-scientific question: 'What do you say to a father with a sick child?' It wrote a thoughtful answer that was probably better than most of us in the room would have given. The whole experience was stunning."

*(continued on next page)*

### Months to Reach 100mm Users: ChatGPT Only Took Two Months



# Special Spotlight: AI (continued)

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What Mr. Altman and Mr. Gates are referencing is Generative AI, which uses LLMs and natural language processing algorithms (NLPs) optimized for conversational interfaces. Trained models contain billions, even trillions, of parameters and interpret user inputs, or prompts, and then generate text, images, code, and other models. And, in many cases, the results are good—as good or better than human responses, and it will only improve. So, is that really a big deal, transformative technology?

Absolutely! Investments in AI are resulting in functional product integrations and are creating meaningful competitive advantages, including disruption, for the leading AI adopters. The pure plays in AI are still mostly private, such as OpenAI, so the key is identifying the companies that are the furthest along the product roadmap for AI integration. In cloud platforms, for example, Microsoft has an apparent lead with exclusive access to OpenAI's source code, and its Azure datacenters and supercomputer are steadily gaining share in AI workloads. Moreover, it has the early lead in AI search integration with its new Bing chat functionality. A company like Intuit Corp. is accelerating the disruption of accounting and tax preparation industries as it uses its market leadership position to invest in and deliver AI chat functionality in its products and services.

Nvidia is currently the “AI King” due to its leading GPUs used for training AI models and supported by its growing AI software stack. Other companies, though, like Qualcomm with its low-power CPUs, and even Intel's latest generation CPUs and accelerators (FPGAs), are demonstrating AI technology leadership. We think investors are still in the early stages of

discovery and that companies taking the lead in AI integrations, like Microsoft in search, or Adobe in image generation, will continue to attract attention. In addition, companies providing specialized hardware (e.g., accelerators, optical interconnects) and pure play AI software opportunities will keep investors scrambling for new ideas.

## AI AND DISRUPTION...

We will use two jarring examples of potential AI disruption: Apple's App Store and Alphabet's Google search. Apple's services revenue is approximately 20% of total sales, or \$21B per quarter, and grew 14% in FY22, making it the fastest growing segment<sup>6</sup> for the company last fiscal year. Apple doesn't break out App Store revenues separately, but it's not a bad guess that with its 15-30% take rate on “in-app” purchases, these purchases are likely a large component of its services revenue and its growth. Now, seemingly out of nowhere, along comes a disruptive technology called generative AI with an intuitive and easy-to-use ‘natural language’ interface and, importantly, a growing list of application programming interfaces (APIs) that allow software developers to build “plugins” for interfaces, like ChatGPT.

What are “plugins?” Well, the apps you'd find in the App Store (browsers, maps, travel, email, social media, games, etc.) are now being built for ChatGPT. OpenAI released about a dozen pre-built plugins (OpenTable, Expedia, Instacart, and Wolfram Alpha, are few examples) and additional APIs for developers to build more apps. We anticipate that hundreds followed by thousands of

*(continued on next page)*

**Past performance is not indicative of future results. . References to specific stocks are for illustrative purposes only.**

<sup>6</sup> Apple Inc., Bloomberg L.P., Bailard Inc.



# Special Spotlight: AI (continued)

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plugins will become available relatively quickly—remember ChatGPT reached 100 million users in just two months! Soon, the fastest growing application in history will have scores of App Store-like apps available but with no revenue sharing for Apple. This should at least give pause to Apple.

Although the early natural language process interfaces seem clunky and slow compared to slick internet browsers, their ability to understand complex questions (or ‘prompts’) through NLP algorithms and generate intricate responses in the right context is astonishing. More importantly, though, it creates a much higher level of search utility for users. OpenAI is integrating plugins on top of the ChatGPT model which adds functionality that could meaningfully improve search efficiency. A tangible example is a search performed on ChatGPT to [help plan weekend meals](#). Through a single prompt, the user let ChatGPT know that it was looking for vegan food in San Francisco and wanted a restaurant for the first night and to prepare a home cooked meal the next night—and to make the reservation, order the ingredients, and measure the calories. With no further prompting or interaction from the user, ChatGPT suggested a San Francisco vegan restaurant and used the OpenTable plugin to make the dinner reservation, then opened the Instacart plugin and order the ingredients for the home-prepped meal. The Wolfram Alpha plugin calculated the calories. Try that prompt on Google and see what you get! Google search and advertising-related revenue comprise 90% Alphabet’s total revenues last year.<sup>7</sup>

**Past performance is not indicative of future results.**

<sup>7</sup> Alphabet Inc; Bloomberg, L.P.; Bailard, Inc.

<sup>8</sup> 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 above.

## INVESTING IN AI<sup>8</sup>

Pure AI plays are mostly still private companies. Investors seeking access to public plays could look into cloud offerings, hardware companies, software-enabling AI, hardware component providers, graphic design software companies, and so forth. In cloud platforms, we mentioned Microsoft has unique advantages including Azure cloud which hosts ChatGPT and is positioned to gain share. Oracle’s OCI (cloud infrastructure offering) is proving a formidable competitor in AI platforms as it is partnering with Nvidia on its DGX Cloud, or AI as a Service (AIaaS). Hardware enablers include Nvidia, AMD, and Intel. supplying leading GPUs and CPUs needed to meet the increased performance demands from AI workloads. Similarly, other hardware components required for ultra high-speed data transfer, particularly optical switches provided by Cisco and Arista Networks, should see increased demand.

Software enablers are on the leading-edge incorporating AI functionality into applications and it will be a competitive imperative for market share leaders and to expand market opportunities. Good examples that represent a nexus of “Attractive Core” companies and AI integration leadership include Cadence Systems in advance semiconductor design, Adobe in graphic design, and Hubspot in CRM-related data analyses.

# Technology & Science Sector Outlook

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## OUR OUTLOOK

While we continue to be very optimistic on technology stocks in the medium term, particularly given recent developments in disruptive technologies, we believe that the immediate future is likely to remain volatile. While the pressure of rising interest rates looks to be abating as the Fed observes progress on its goal of tackling inflation, the lagged and variable economic effects of higher rates are just beginning to impact the broader economy. Our strategic approach emphasizes a barbell between high quality durable growers and higher growth emerging tech. In a volatile environment we expect the 'durable growth' side of the barbell to serve an important purpose as the anchor of the portfolio.

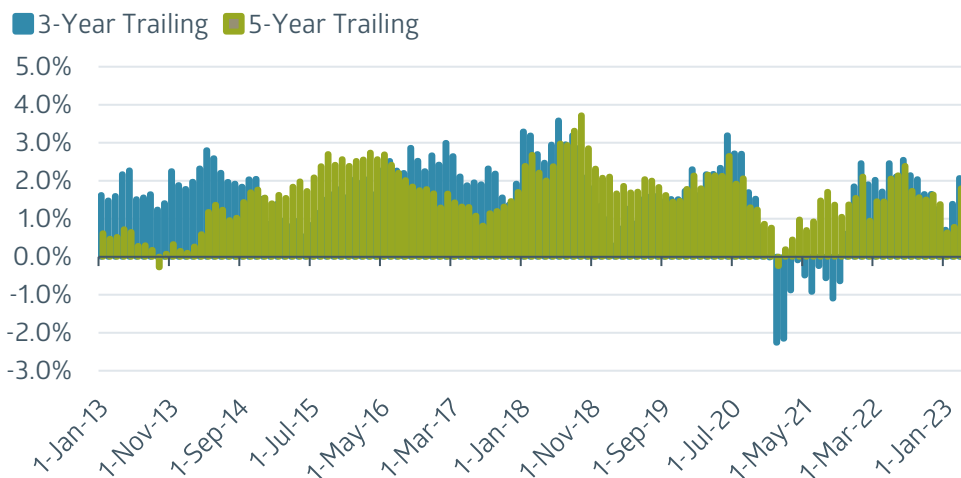
That said, we note that the technology sector has already experienced a fierce bear market in anticipation of slowing demand, and we are now in the middle of a recalibration of expectations. We fully expect the market to rally well in advance of improvement in the broader economic picture. Thus while we will be cognizant of risks, we also see opportunity in several longer-term category leaders, which have sold-off significantly but remain remarkably well-positioned. We expect that as pressure on IT budgets returns to normal levels and demand returns, these long-term 'category killers' will reclaim their crowns. We expect to build our positions in these leaders throughout the coming months in anticipation of a trough and potential recovery in the second half of 2023.

All investments involve the risk of loss. Please see important disclosures on pages 16 - 18.



# Portfolio Risk and Return Profile

**ANNUALIZED ACTIVE RETURNS RELATIVE TO MORNINGSTAR US OE TECH<sup>1,2</sup>** 12/31/12 – 3/31/23 (net of fees)



**PERCENTAGE OF ROLLING PERIODS BAILARD COMPOSITE TOTAL NET OF FEES RETURN EXCEEDED MORNINGSTAR**

	Calculated Annually	Calculated Quarterly	Calculated Monthly
Rolling 3-Year Periods	90%	90%	91%
Rolling 5-Year Periods	100%	98%	98%

**STATISTICS SUMMARY<sup>1,3</sup>** for periods ending 3/31/23 (net of fees)

	Sharpe Ratio			Standard Deviation			Upside/Downside Capture vs. Broad Benchmarks			
	3 Years	5 Years	10 Years	3 Years	5 Years	10 Years	3 Years Upside	5 Years Upside	3 Years Downside	5 Years Downside
<b>Bailard Composite</b>	0.64	0.46	0.83	24.87%	23.22%	18.78%				
Morningstar US OE Tech	0.55	0.39	0.73	24.91%	22.89%	18.45%	101%	103%	96%	99%
Lipper Sci & Tech	0.63	0.44	0.78	24.35%	22.80%	18.44%	103%	103%	103%	102%
S&P NA Tech	0.69	0.57	0.91	25.18%	23.18%	18.75%	95%	95%	97%	100%

**Past performance is not indicative of future results.** <sup>1</sup>Please see page 2 for more returns and pages 16-18 for important disclosures. Sources: Morningstar, Bloomberg, Thomson Reuters (Refinitiv) Eikon. <sup>2</sup>Bar graph calculated monthly; table calculated annually, quarterly, and monthly <sup>3</sup>Performance statistics are annualized. Upside/downside capture shows whether the Composite has outperformed—gained more or lost less than—the above benchmarks during periods of market strength and weakness, and if so, by how much.

# Portfolio Characteristics as of March 31, 2023

## TOP 10 HOLDINGS BY PORTFOLIO WEIGHT (%)<sup>1</sup>

MICROSOFT CORP	10.6
NVIDIA CORP	6.6
META PLATFORMS INC - CLASS A	5.1
ALPHABET INC CL A (GOOGLE)	5.0
APPLE INC	5.0
QUALCOMM INC.	4.2
KLA-TENCOR CORP	4.1
INSIGHT ENTERPRISES INC	3.8
ADOBE SYSTEMS INC	3.6
NXP SEMICONDUCTORS NV	3.3
<b>TOTAL</b>	<b>51.1</b>

## PORTFOLIO STATISTICS<sup>1</sup>

Total Holdings	40
Technology <sup>2</sup> Holdings	34
Healthcare Holdings	6
Technology <sup>2</sup> Weight	94.2%
Healthcare Weight	5.3%
Cash Equivalents Weight	0.5%
Weighted Avg. Market Cap	\$597.9B
Price/Book	7.7x
Wtd. Avg. P/E Ratio (trailing 12 mo.)	25.9x

## INDUSTRY EXPOSURE >5% (%)<sup>1</sup>

Software	32.5
Semiconductors & Semiconductor Equipment	25.2
Interactive Media & Services	10.0
Technology Hardware Storage & Peripherals	6.5
Electronic Equipment Instruments & Components	5.2

## TOP 10 OVERWEIGHTS (%)<sup>3</sup>

	Composite	Relevant Peers <sup>3</sup>	+ / (-)
INSIGHT ENTERPRISES INC	3.8	0.0	3.8
META PLATFORMS INC-CLASS A	5.1	1.3	3.8
QUALCOMM INC	4.2	0.8	3.4
KLA CORP	4.1	0.9	3.2
NVIDIA CORP	6.6	3.5	3.1
ALPHABET INC-CL A	5.0	1.9	3.1
ADOBE INC	3.6	0.7	2.9
SONY GROUP CORP – SP ADR	2.7	-	2.7
CADENCE DESIGN SYS INC	3.1	0.5	2.6
NXP SEMICONDUCTORS NV	3.3	0.8	2.4

<sup>3</sup> Relevant Peers is a group developed by Bailard for comparison of the Composite's holdings to its most similar peers. Our Relevant Peers group includes funds within the universe of the Lipper Sci & Tech Fund Index that pursue a broad technology and science mandate and excludes those funds within the universe that significantly concentrate holdings in a specific subsector of either technology or health care. Holdings of Relevant Peers are reflective as of the last mutual fund public disclosure and may be delayed.

<sup>1</sup> This is not a recommendation to buy or sell specific securities, there is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased, the securities discussed do not represent the entire portfolio and may only represent a small portion of the portfolio, and should not assume that the securities discussed were or will be profitable or that recommendations made in the future will be profitable or will equal the performance of the securities discussed. Sources: Bloomberg, Bailard Research, Thomson Reuters (Refinitiv) Eikon. This information, while representative of the current Bailard Asset Management Technology and Science Strategy, should not be solely relied on as it may differ from client to client and may vary over time. <sup>2</sup> Technology includes information technology, communication services, and internet retail stocks.

# Technology and Science Investment Team

**21-year strategy**  
with continual  
enhancements

**7-year average**  
portfolio  
management  
strategy tenure

**18-year average**  
investment  
experience across  
team



**DAVE HARRISON SMITH, CFA**  
Portfolio Manager since 2012  
14 years' investment experience



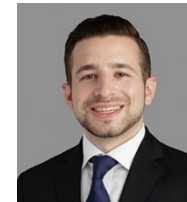
**SONYA MUGHAL, CFA**  
Portfolio Manager since 2006  
29 years' investment experience



**CHRIS MOSHY**  
Portfolio Manager since 2023  
29 years' investment experience



**RYAN VASILIK, CFA**  
10 years' investment experience



**ERIC GRECO**  
8 years' investment experience

# Bailard Intelligence Engine

*Deep quantitative and fundamental expertise are hallmarks of the investment team led by CIO, Eric Leve. We leverage these complementary skills and perspectives in our weekly research meetings.*

## Our Teams Specialize In:

- Domestic Equities, including Technology and Small Cap;
- International Equities
- Socially Responsible and ESG Investing
- Private Real Estate
- Fixed Income

## Chief Investment Officer

**Eric P. Leve, CFA**  
BA, UC Berkeley  
36 years

## Quantitative

**Osman Akgun, PhD, CFA**  
PhD, UC Berkeley  
12 years

**Thomas J. Mudge III, CFA**  
BA, Northern Michigan University  
36 years

**Anthony R. Craddock**  
MA, UC San Diego  
25 years

**Peter M. Hill\***  
BA, Leeds University  
46 years

**Daniel McKellar, CFA**  
MS, Stanford University  
13 years

**Amit Valia, CFA**  
MS, Syracuse University  
18 years

**Raj Dutta**  
MCS, Illinois Institute of Technology  
5 years

## Trading

**Glenn A. Davis, CFA**  
BS, Santa Clara University  
32 years

**Tom Sikora**  
BS, St. John's University  
18 years

## Fixed Income

**Linda M. Beck, CFA**  
MBA, University of Chicago  
29 years

**Jeremy Wager-Smith**  
BS, UC San Diego  
3 years

## Fundamental

**Sonya Thadhani Mughal, CFA**  
BA, Randolph-Macon Woman's College  
29 years

**Dave Harrison Smith, CFA**  
MBA, UC Berkeley  
14 years

**Blaine Townsend, CIMC®, CIMA®**  
BA, UC Berkeley  
29 years

**Jon Manchester, CFA**  
BA, Stanford University  
22 years

**Christopher Moshy**  
MBA, Cornell University  
29 years

**Frank Marcoux, CFA**  
BA, Sacramento State  
26 years

**Joanne Howard, CFA**  
MBA, University of Wisconsin  
50+ years

**Eric Greco**  
BS, University of San Francisco  
8 years

**McKenzie Fulkerson-Jones**  
MBA, George Washington University  
1 year

**Ryan Vasilik**  
BS, Pennsylvania State University  
10 years

**Annalise Durante**  
BS, University of Miami  
8 years

## Real Estate

**Preston R. Sargent**  
JD, Case Western Reserve University  
39 years

**Tess Gruenstein**  
MBA, University of Wisconsin-Madison  
16 years

**James Pinkerton**  
BBus, University of Technology Sydney  
19 years

Years represent investment industry experience. Education represents credentials/industry designations held and highest level of education achieved. Data as of March 31, 2023.

\*Peter M. Hill was a part of investment team through 3/31/2023; retired 4/1/2023.

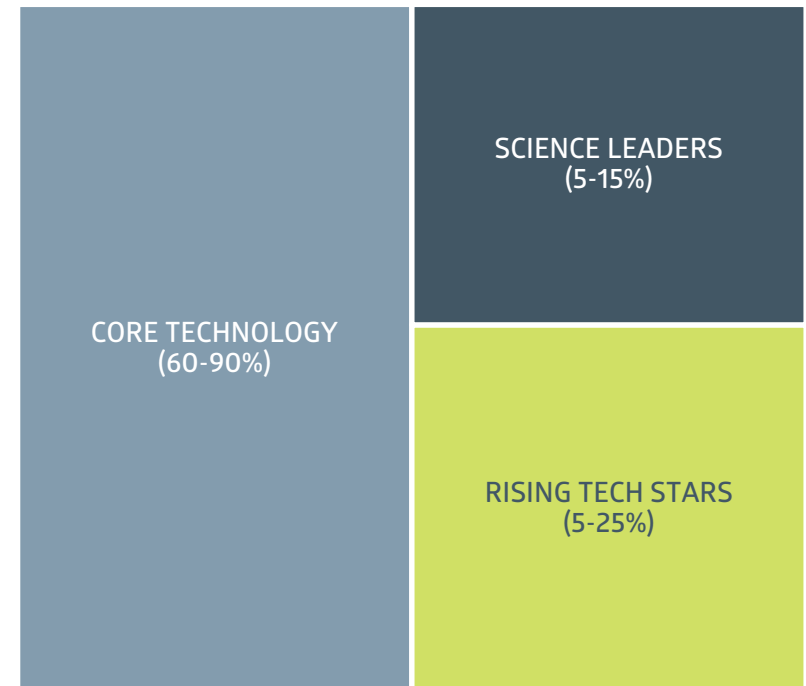
# Investment Philosophy and Approach

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We invest in high growth Technology and Science companies that we believe are at the forefront of innovation and value creation. We apply fundamental research and systematic methodologies to invest in opportunities across three key segments: core technology, science leaders, and rising technology stars. The firm prioritizes environmental, social, and governance (ESG) leaders.

## Target Allocation

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# ESG Capture® in Technology & Science

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We believe that ESG considerations are an important component in a comprehensive investing framework and serve to capture important sources of non-financial risk.

A portfolio with a higher Baird ESG Capture® score is geared to better protect investors from the risks associated with poor corporate governance, subpar environmental policy management, and discriminatory workplace practices.

## Components and Features of Proprietary Scoring Process, ESG Capture®, Applied to Tech & Science

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- Incorporates **broad ESG scores** from multiple leading vendors including MSCI and OWL Analytics, with excellent coverage in the technology and science universe
- **Additional sub-components** are included to express issues including governance practices, diversity and equality, climate risk, and employee relations
- Utilizes **transitional assessments** to augment scores, particularly in newly public and high growth companies where traditional vendor analysis may be incomplete
- **Not a check-the-box system**
- Provides a **continuous feedback loop** at the security, sector and total portfolio level
- ESG laggards (CCC MSCI ESG or equivalent) are additionally **screened from consideration**

MSCI provides ESG scores, as does OWL Analytics. OWL Analytics is an alternative data company that focuses on environmental, social and governance (ESG) research. OWL aggregates hundreds of sources of ESG data and research to create company scores.

# About Bailard, Inc.

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1969

## **Founded in 1969**

- Independent, established and stable
- Roots in education and financial literacy

59%

## **Employee owned and controlled**

- Current and former employees own 59% and 14%, respectively
- Broad equity ownership: 70% of current employees own stock
- No institutional ownership

52%

## **Women and minority owned**

73

## **73 employees**

- Average investment professional tenure of 16 years
- 42% of employees are women
- Led by a female CEO

\$5.3 B

## **Assets Under Management**

Data as of March 31, 2023.

Technology and Science Strategy

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# Disclosures and Key Risks

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## Key Risks

The Technology and Science Strategy 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, technology stocks and health care stocks (including emerging life sciences stocks). The strategy is primarily subject to the risk that the market value of investments will fluctuate as stock markets fluctuate, and the style and sector risks associated with a heavy weighting in the technology and health care sectors, which may be more volatile than the overall stock market. 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).

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In evaluating a security or issuer based on ESG criteria, we are dependent upon certain information and data from third party providers of ESG research, which may be incomplete, inaccurate or unavailable. As a result, there is a risk that we may incorrectly assess a security or issuer. There is also a risk that we may not apply the relevant ESG criteria correctly or that the strategy could have indirect exposure to issuers that do not meet the relevant ESG criteria used by the strategy. We do not make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of such ESG assessment. There may be limitations with respect to availability of ESG data in certain sectors, as well as limited availability of investments with positive ESG assessments in certain sectors. Our evaluation of ESG criteria is subjective and may change over time.

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

# Performance and Other Disclosures

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## Other Disclosures

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## Technology & Science Composite Performance Disclosures

**Composite Definition:** The Bailard Technology & Science Composite ("the Composite") includes a Bailard Asset Management portfolio primarily invested in U.S. equities with growth characteristics and large capitalizations with a bias toward technology-focused sectors. As of March 31, 2023, the Composite consisted of a single mutual fund that has been managed in an advisory or sub-advisory capacity since 2001 with a market value of \$124.3M, which represented 5.0% of the total assets under Bailard Asset Management's management. 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 fulfillment fee payable to Bailard (where applicable), or custody and other account expenses not payable to Bailard. The return of this Composite is not the NAV return of the mutual fund.

Through September 2009, gross of fee performance was calculated by grossing up the NAV performance by the annual expense ratio. Through March 2006, net of fee performance was calculated by netting down the gross return by a model fee of 0.75% (applied by reducing monthly returns by 1/12 of 0.75%). From April 2006 through September 2009, net of fee performance was calculated by netting down the gross return by a model fee of 0.375% (applied by reducing monthly returns by 1/12 of 0.375%). This model fee represents the highest management fee for the composite. From October 2009, both gross of fee and net of fee returns are taken directly from Bailard's portfolio accounting system, and net of fee performance was calculated by netting down the gross return by actual management fee as of the date paid from each account. As of June 30, 2019, the firm's annual fee schedule for new accounts is as follows: 0.75% of the first \$100 million and 0.7% above \$100 million. Prior to February 3, 2014, the Composite's benchmark was the NASDAQ 100 index (a modified capitalization-weighted index comprised of 100 of the largest non-financial domestic and foreign companies listed on the National Market tier of the NASDAQ Stock Market, Inc.). 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 the Technology and Science 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.

For more information on the calculation methodology for the top and bottom contributors and a complete list of each holding's contribution to the overall account's performance during the time period, please contact our Performance Analyst at (650) 571-5800.

# Performance Disclosures (continued)

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**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. The S&P Biotechnology Select Industry Index represents the biotechnology sub-industry portion of the S&P Total Markets Index (S&P TMI). The S&P TMI tracks all the U.S. common stocks listed on the NYSE, AMEX, NASDAQ National Market and NASDAQ Small Cap exchanges. These indices are presented on a total return basis with dividends reinvested, and are uninvestable, unmanaged and do 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 Lipper Science and Technology Fund Index (“Lipper Sci & Tech”) measures the performance of mutual funds that invest primarily in the equity securities of domestic companies engaged in science and technology and constructs its fund index from an average of other funds in the peer group. The Universe and Lipper Sci & Tech are unmanaged and uninvestable. The NA Tech Index, the Universe, and Lipper Sci & Tech 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) and health care stocks. Unlike the S&P Biotechnology Select Industry Index, the Composite holds technology stocks and may hold cash equivalents, exchange-traded funds, ADRs and GDRs (U.S. dollar denominated foreign securities). Unlike the Composite, the funds in the Universe and Lipper Sci & Tech may have different investment restrictions and invest in different categories of securities than the Composite account. Unlike the Composite returns, the returns of the funds in the Universe and Lipper Sci & Tech are net of all expenses. The Composite’s stock holdings can differ materially from that of the NA Tech Index, the S&P Biotechnology Select Industry Index, the Universe, and Lipper Sci & Tech. At times, the Composite’s market cap weighting may differ materially from the NA Tech Index, the S&P Biotechnology Select Industry Index, the Universe, and Lipper Sci & Tech. The Composite’s holdings may also differ from the NA Tech Index, the Universe, and Lipper Sci & Tech as it may omit certain securities that may otherwise merit investment due to the application of the screening of ESG laggards.

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

**Russell 1000 Growth:** The Russell 1000 Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000 Value:** The Russell 1000® Value Index measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values

**Russell 2000 Growth:** The Russell 2000 Growth Index measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

**Russell 2000 Value Index:** The Russell 2000 Value Index is a commonly used index that measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

**Nasdaq-100®:** The companies in the Nasdaq-100® include 100-plus of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization.