

# Bailard Technology Strategy

The Bailard Technology Strategy delivers a high-conviction, durable portfolio of technology-focused companies. We apply fundamental research and systematic methodologies to identify opportunities within two segments of technology companies: core growth and emerging innovators.

## The Opportunity

At Bailard, Inc., we believe technology companies are the heart of global economic growth. Today, technology-based products and services penetrate nearly every aspect of our social and economic lives. Technology companies are consistently ranked as the best-managed businesses in the world<sup>1</sup> as their scale, market opportunities, and operational capabilities are unsurpassed.

Of the top ten companies ranked by market capitalization in the S&P 500 Index, seven were technology-driven businesses at quarter end.<sup>2</sup> Further, the S&P 500 Technology sector's 5-year annualized returns outpaced the broad S&P 500 index by 5.7%, and by 6.8% annualized over the past 10 years.<sup>3</sup> Technology

companies are broadly characterized by higher profit margins, lower balance sheet leverage, and strong returns on invested capital (ROIC). The leading technology companies are global, well-capitalized, and leaders in ESG policy implementation.

The Technology Strategy captures broad, impactful investment opportunities across the globe, including advances in cyber security, factory automation, AI and machine learning, e-commerce and digital payments, Internet of Things (IoT), mobile devices, hyperscale and high-performance compute data centers, online entertainment, transportation, business intelligence and workforce optimization.

### TOTAL RETURN<sup>4</sup> as of 3/31/24 (annualized periods >1 year)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Bailard Composite, Gross	17.19%	17.19%	60.72%	13.10%	22.26%	19.89%
Bailard Composite, Net	17.08%	17.08%	60.00%	12.36%	21.42%	19.06%
Morningstar US OE Tech	8.56%	8.56%	31.14%	1.64%	14.05%	14.51%
Lipper Sci & Tech	12.18%	12.18%	38.74%	5.13%	16.64%	15.87%
S&P NA Tech	15.31%	15.31%	52.97%	13.65%	21.25%	20.18%

### INDUSTRY EXPOSURE >5%<sup>5</sup> as of 3/31/24

Semiconductors & Semiconductor Equipment	34.7%
Software	32.4%
Interactive Media & Services	9.2%
Technology Hardware Storage & Peripherals	5.3%

### PORTFOLIO STATISTICS<sup>5</sup> as of 3/31/24

Total Holdings	35
Equity Weight <sup>6</sup>	99.7%
Cash Equivalents Weight	0.3%
Weighted Avg. Market Cap	\$960.1B
Price/Book	10.3x
Wtd. Avg. P/E Ratio (trailing 12 mo.)	37.8x

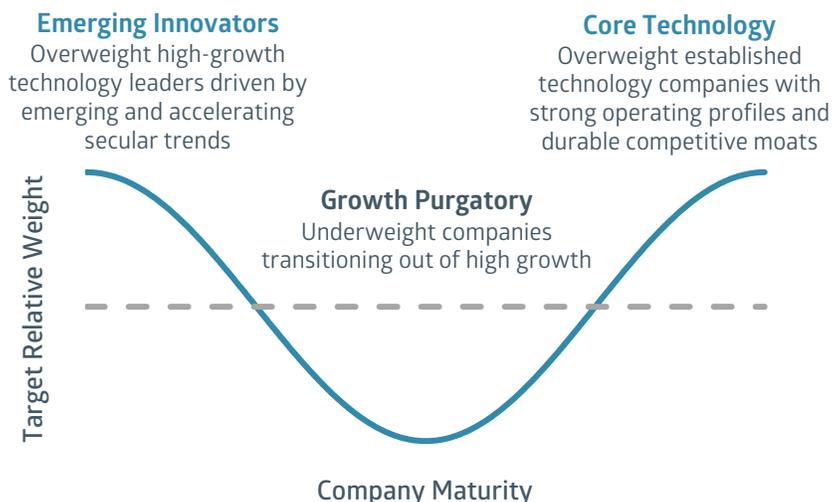
<sup>1</sup> "The Best-Managed Companies of 2020—and How They Got That Way", Patrick Thomas, WSJ.com, 12/12/20. <sup>2</sup> As of 3/31/24. Sources: Bloomberg, Bailard. <sup>3</sup> As of 3/31/24. Sources: Bloomberg, Bailard. <sup>4</sup> Sources: Morningstar, Bloomberg, Thomson Reuters (Refinitiv) Eikon, 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. "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 the last page for important disclosures. <sup>5</sup> Sources: Bloomberg, Bailard Research, Thomson Reuters (Refinitiv) Eikon. 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.

<sup>6</sup> Technology includes information technology, communication services, and internet retail stocks.

## The Strategy

The Bailard Technology Strategy seeks to invest in two key segments: established growth companies with durable competitive advantages and leading operating metrics (Core Growth) and emerging high-growth technology businesses in accelerating industries (Emerging Innovators). Our strategy “barbell” identifies and capture alpha among “core” technology opportunities and high-growth technology “emerging innovators.” We strategically underweighting the ‘missing middle’ — companies transitioning from growth to value. Our proprietary growth tech allocation model indicates the relative attractiveness between core technology and emerging innovators.

### TARGET SEGMENTS OF TECHNOLOGY ECOSYSTEM<sup>7</sup>



## The Process

### SYSTEMATIC MODELING + FUNDAMENTAL RESEARCH

Bailard has been developing and building systematic financial models and performing fundamental investment research for over 25 years. Our Technology & Science investment team employs dedicated quantitative and fundamental analysts tasked with developing proprietary factors, analyses, and research.

### A POWERFUL MODERN TOOL

We believe our systematic modeling is a competitive advantage. Our in-house factor-based screening enables our research team to “fish from a better pond,” focusing the application of our fundamental research. In addition, our development expertise enables timely custom applications, and models tuned to evaluate high-growth technology companies.

### VOTE: VALUATION, OPPORTUNITIES, THREATS AND EXECUTION

Our fundamental research of a company centers around four key components: Valuation, Opportunities, Threats and Execution. This methodology determines growth prospects and establishes relevant performance metrics, evaluates the competitive environment, assesses management’s track record through deep financial analysis, and estimates a security’s return potential.

### ESG CAPTURE<sup>®</sup>

Bailard’s ESG Capture<sup>®</sup> is a fully integrated assessment methodology designed to evaluate risks not adequately addressed by traditional financial measures. Drawing from both internally generated and vended sources, our novel process provides statistically sound, comparable, and comprehensive ESG scoring to over 700 technology-enabled companies.

### TYPICAL EXPOSURES<sup>8</sup>

Number of Securities	30-50
Maximum Non-US Exposure	25%
Cash Position	0.5%-1.5% generally
Targeted Turnover	25-50%
Targeted Tracking Error	
vs. Competitors	4% - 6%
vs. S&P NA Tech	3% - 6%

<sup>7</sup> Target relative weight is for illustrative purposes only. We define the tech universe as the GICS Communication Services and Information Technology sectors plus the Internet Retail industry. We define high growth as the top decile of our growth rank methodology. This chart does not reflect the past or future performance of any Bailard strategy, product or account. **Past performance is no indication of future results.** All investments have the risk of loss. <sup>8</sup> This information, while representative of the current Technology Strategy, should not be solely relied on as it may differ from client to client and may vary over time. <sup>9</sup> Includes technology companies in Financial Services, Consumer Discretionary, Transportation, Consumer Durables, and Professional Services.

## Technology Investment Team



**DAVE HARRISON SMITH, CFA**  
Portfolio Manager

15 years' investment experience



**CHRIS MOSHY**  
Portfolio Manager

30 years' investment experience



**SONYA MUGHAL, CFA**  
Portfolio Manager

30 years' investment experience



**RYAN VASILIK, CFA**  
Equity Analyst

11 years' investment experience



**XAVIER S. JEFFERSON**  
Equity Research

8 years' investment experience



**IRENE LIANDO, CFA**  
Senior Analyst, International Equities

11 years' investment experience

### GOOD TO KNOW

Bailard's Technology Strategy is available as a standard managed account and is also available as a customized managed account specifically designed for clients with significant industry, thematic, or stock specific requirements.

### FOR MORE INFORMATION

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## About Bailard, Inc.

Founded in 1969, Bailard is an independent asset and wealth management firm serving individuals, families, and institutions alike. Bailard has built a long-term asset management track record across domestic and international equities, fixed income, and private real estate, as well as robust, in-house sustainable, responsible, and impact investing expertise. Through it all, Bailard works with clients to align their financial goals with their values. Based in the San Francisco Bay Area with \$6.0 billion in assets under management as of 3/31/2024, Bailard is a majority employee-owned and women-led firm, a Certified B Corporation™, and a Principles of Responsible Investing signatory.

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## BAILARD'S CORPORATE ENGAGEMENT

Northwestern | Kellogg  
THE MOSKOWITZ PRIZE



## 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 application of various environmental, social, and governance screens as part of a socially responsible investment strategy may result in the exclusion of securities that might otherwise merit investment, potentially resulting in lower returns than a similar investment strategy without such screens or other strategies that use a different methodology to exclude issuers or evaluate ESG criteria. Investors can differ in their views of what constitutes positive or negative ESG characteristics. As a result, the strategy may invest in issuers that do not reflect the ESG beliefs and values of any particular investor.

Adherence with strategy's ESG criteria is determined at the date of purchase. Individual equity holdings in the strategy may cease to meet the relevant ESG criteria after the initial purchase but may nevertheless remain in the strategy until a future review or rebalance by the Bailard. As a result, certain securities in the strategy or the client's portfolio as a whole, may not meet the relevant ESG criteria at all times.

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 DISCLOSURES

**Composite Definition:** The Technology Composite ("the Composite") includes all portfolios invested primarily in the stocks of firms that predominately use technology to drive their business. The Technology Composite is a carve-out (the "Carve-Out") from a composite (the Bailard Inc. Technology & Science Composite) that was managed to the firm's all cap growth / technology and science equity strategy. The Carve Out's portfolio consists of all holdings in the Technology & Science Composite 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. As of March 31, 2024, the Composite from which the Carve-Out was drawn consisted of a single mutual fund portfolio, which has been managed in an advisory or subadvisory capacity since 2001. The Composite had a market value of \$184.5M as of March 31, 2024. 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.

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 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). Unlike the Composite, the funds in the Universe and Lipper Sci & Tech 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 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 Universe, and Lipper Sci & Tech. At times, the Composite's market cap weighting may differ materially from the NA Tech Index, the Universe, and Lipper Sci & Tech.

**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 March 31, 2024 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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