Bailard

Q4 2025
Quarterly Update

Technology Strategy

QUARTER HIGHLIGHTS[1,2]

- The Bailard Technology Strategy generated a 4Q25 total return of -2.21% net of fees, compared with the S&P North American Technology Index at 3.39% and the Morningstar U.S. Open End Technology Category at 0.08%.
- Micron Technology, Lam Research, and KLA Corporation were the Strategy's top performance contributors, while Meta Platforms, Nutanix, and Microsoft were the top detractors.
    - *Find a deeper dive into the top performance contributors and detractors **on page 3.***
- Despite positive fundamentals, software valuations faced pressure due to fears that AI agents might disrupt legacy "feature-heavy" applications. We dive deeper into the AI Agent Debate on **page 2.**

Market Commentary & Sector Trends

The AI infrastructure cycle, which began with Nvidia's breakout in early 2023, has mirrored the cloud-computing build-out of the early 2010s. For the past three years, hyperscalers have aggressively financed massive deployments of GPUs and data center capacity using robust internal cash flows. As we note on page 4, financing is likely to change in the future.

Additionally, we are now entering a transitional phase where the focus is shifting from building the "computational backbone" to simultaneously realizing value through the software and application layers.

In 2025, the software sector demonstrated resilient but normalizing revenue growth. Results were highly bifurcated:

- **High-Growth Leaders:** Platforms like Datadog and Monday.com maintained growth in the 25%–30%+ range, reflecting strong demand for observability, workflow, and productivity tools.
- **Enterprise Stalwarts:** ServiceNow and Atlassian sustained durable growth in the low-20% range, supported by mission-critical enterprise use cases.
- **Mature Players:** Workday, HubSpot, and Adobe saw more moderate, mid-teens and low-double-digit growth as their markets reached higher penetration.

Despite these positive fundamentals, software valuations faced pressure due to fears that AI agents might disrupt legacy "feature-heavy" applications.

The concern is that autonomous agents could replace monolithic software suites with leaner, intent-driven systems. However, we believe incumbents like Microsoft, Salesforce, and SAP are well-positioned to counter this. By embedding agents directly into their existing systems, these firms can leverage their proprietary data and trusted customer relationships to turn potential disruption into a platform renewal. This structural transition is currently obscuring the long-term visibility of the sector, creating a unique entry point as value begins to migrate up the stack.

[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.

TOTAL RETURN[3] as of 12/31/25 (annualized periods >1 year)	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Bailard Composite, Gross	-2.1%	19.7%	19.7%	38.3%	14.9%	21.0%
Bailard Composite, Net	-2.2%	19.2%	19.2%	37.8%	14.5%	20.4%
Morningstar U.S. Open End Technology Category	0.1%	23.4%	23.4%	28.7%	8.4%	16.6%
S&P North American Technology Index	3.4%	27.8%	27.8%	41.0%	18.0%	22.5%

Strategy Commentary & Performance[3]

The Bailard Technology Strategy generated a 4Q25 total return of -2.21% net of fees, compared with the S&P North American Technology Index at 3.39% and the Morningstar U.S. Open End Technology Category at 0.08%.

For 2025, the Strategy delivered a net return of 19.22%, trailing the Morningstar Technology Category (23.37%) and the S&P North American Technology Index (27.82%). Over the longer three-, five-, and ten-year horizons, the Strategy continued to outperform the competitor benchmark on a net-of-fee basis.

In December, we executed a measured repositioning of the portfolio to align with the maturing AI cycle. We realized gains from our concentrated semiconductor and AI infrastructure holdings—areas that have led the market since 2023—and reallocated that capital toward software, IT services, and consumer-oriented technology.

Our investment thesis is rooted in the belief that while infrastructure remains fundamentally strong, the most attractive risk-adjusted returns are shifting toward companies that harness AI to deliver measurable productivity. We view the current pressure on software valuations as a selective opportunity to own high-quality firms at a discount.

By rotating into software and services, we are positioning the portfolio to capture second-order benefits of the AI build-out—participating in the secular growth of AI while mitigating the "late-cycle" risks now emerging in the hardware and data center segments. Our stance balances participation in the ongoing growth supercycle with leaning into software franchises that can convert AI from a technological novelty into durable, monetizable outcomes.

The AI Agent Debate: Disruption or Evolution?

As artificial intelligence transitions from a generative assistant to an autonomous actor, the investment community is increasingly focused on the long-term viability of the traditional Software-as-a-Service (SaaS) model. The central concern is that AI agents will disrupt legacy software by shifting value away from static, feature-heavy applications toward adaptive systems capable of executing work autonomously.

In this paradigm, the value proposition shifts from providing a user interface to providing a direct outcome. Users will rely less on navigating predefined workflows and more on agents that interpret intent, orchestrate tasks across disparate tools, and improve continuously through feedback loops. This evolution raises valid fears that traditional license- and seat-based pricing models—the bedrock of the last decade of software growth—could be displaced by leaner, performance-oriented agent solutions.

However, we believe these concerns underestimate the structural advantages held by established software providers. Incumbents bring deep domain expertise, trusted customer relationships, proprietary data, and mature platforms that startups often lack. Rather than being displaced, these companies can embed AI agents directly into their products, transforming existing workflows into agent-driven experiences while preserving enterprise-grade security, compliance, and reliability.

[3] **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. 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. Please see the end of this document for important disclosures as well as index and category definitions. Sources: Morningstar, FactSet.

ATTRIBUTION DRIVERS[4, 5, 6]

Contributors

- An overweight allocation and strong stock selection within Semiconductors & Wafer Equipment were the primary drivers of quarterly performance, with broad-based contributions from Micron Technology, Lam Research, Taiwan Semiconductor, and Qualcomm.
- In addition, selective positioning in Amazon.com generated positive active contribution within Consumer Technology.

Detractors

- Exposure to Technology Hardware weighed on results, as active positions in hardware and cloud storage underperformed, while underweights in switching, optical, and traditional storage detracted from relative performance.
- Stock selection within Software & Services was also challenging, as valuation compression driven by uncertainty around AI disruption offset the benefits of an overweight allocation.
- Within Media & Entertainment, strong relative performance from Alphabet versus Meta, along with a pullback in Spotify, contributed to underperformance.

REPRESENTATIVE ACCOUNT PORTFOLIO TOP ABSOLUTE CONTRIBUTORS[4, 5, 6]

For the quarter ending 12/31/2025

	Avg. Weight	Contribution
Micron Technology, Inc.	2.6%	1.2%
Lam Research Corporation	4.2%	1.0%
KLA Corporation	4.8%	0.6%
Alphabet Inc. Class A	1.8%	0.4%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.7%	0.4%

Micron Technology (+123 bps to Strategy, 70.7% total return), Lam Research (+99 bps, +28.0%), KLA Corp (+58 bps to Strategy, +12.8%) – The AI build-out is causing extremely tight supply for memory chips. Micron supplies the memory chips, while Lam and KLA manufacture the wafer equipment needed to expand the supply chain.

Alphabet Inc. Class A (+37 bps, +28.8%) – Alphabet continued its rebound into year-end, bolstered by success in AI frontier models and custom chip implementation.

Taiwan Semiconductor (+35 bps, +9.1%) – The company manufactures wafers and advanced chips using cutting-edge process technologies for a wide range of customers and end markets, including high-performance computing (AI), mobile devices, automotive, IoT, and more.

REPRESENTATIVE ACCOUNT PORTFOLIO TOP ABSOLUTE DETRACTORS[4, 5, 6]

For the quarter ending 12/31/2025

	Avg. Weight	Detraction
Nutanix, Inc. Class A	1.1%	-0.6%
Meta Platforms Inc Class A	6.9%	-0.6%
Spotify Technology SA	2.6%	-0.5%
Microsoft Corporation	7.9%	-0.5%
Varonis Systems, Inc.	0.5%	-0.4%

Meta Platforms (-59 bps to Strategy; -10.0% total return) – Meta pulled back in Q4 amid uncertainty around AI spend discipline due to technology and talent acquisitions and a raised cap-ex budget.

Nutanix, Inc. (-56bps; -36.6%) – Nutanix remains well-positioned in multi-cloud infrastructure, but some of the tailwinds from competitive repositioning are dissipating and core growth in enterprises has yet to accelerate.

Spotify Tech (-49 bps; -16.8%) – After steady contribution, the stock has paused as investors evaluate forward pricing structure, label (content) price increases, alternative AI music streaming, and industry distraction (WBD acquisition).

[4] **Past performance is no indication of future results.** [5] The representative account shown here comprised 98.9% of Composite assets as of 12/31/2025. Please see back page for further disclosures and composite definitions. 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. [6] **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[7]

As we look toward 2026, we expect the semiconductor complex to remain fundamentally strong, with potential for further acceleration in specific verticals. However, the nature of AI investment is evolving. We are moving away from the initial balance sheet-funded phase toward a more complex and potentially higher-risk environment.

- **Alternative Financing:** A heavier reliance on debt and private capital rather than internal cash flow.
- **Interconnected ecosystem:** Emerging "circular financing" structures reimagine traditional customer-vendor relationships and can make it difficult for investors to distinguish between genuine, market-driven sales and a self-reinforcing flow of capital.
- **Externalities:** Energy availability is becoming the constraining factor on datacenter growth. We are also seeing shortage in key components, such as memory chips.

This shift introduces new execution and counterparty risks that we are monitoring closely. In 2026, we expect the software industry to be defined by a mix of AI-native startups and legacy providers that successfully integrate agent-driven capabilities. As infrastructure spending eventually normalizes, software will become the primary conduit for AI's economic return. Our outlook remains optimistic but cautious, prioritizing companies with the scale and data sovereignty to lead the transition from static tools to autonomous, agent-enabled systems.

REPRESENTATIVE ACCOUNT TEN LARGEST HOLDINGS[8] as of 12/31/2025S

NVIDIA Corporation	Semiconductors & Semiconductor Equip	12.2%
Microsoft Corporation	Software	8.1%
Meta Platforms Inc Class A	Interactive Media And Services	7.3%
KLA Corporation	Semiconductors & Semiconductor Equip	4.4%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Semiconductors & Semiconductor Equip	4.2%
Lam Research Corporation	Semiconductors & Semiconductor Equip	4.0%
Amazon.com, Inc.	Broadline Retail	3.7%
AppLovin Corp. Class A	Software	3.2%
Apple Inc.	Technology Hardware Storage & Perip	3.2%
Shopify, Inc. Class A	It Services	3.2%
Total		53.5%

REPRESENTATIVE ACCOUNT PORTFOLIO STATISTICS[8, 9] as of 12/31/2025

Total Holdings	35
Equity Weight[9]	99.3%
Cash Equivalents Weight	0.7%
Weighted Avg. Market Cap	$1,495.6B
Price/Book	11.8x
Wtd. Avg. P/E Ratio (trailing 12 mo.)	33.3x

REPRESENTATIVE ACCOUNT INDUSTRY EXPOSURE >5%[8, 9] as of 12/31/25

Semiconductors & Semiconductor Equipment	34.8%
Software	27.0%
Interactive Media and Services	10.0%
Technology Hardware, Storage & Peripherals	5.2%

[7] **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. [8] 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] Technology includes information technology, communication services, and internet retail stocks. [9] The Bailard Technology Composite is comprised of two accounts. The representative account shown here comprised 98.9% of Composite assets as of 12/31/2025. Please see back page for further disclosures and composite 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 had a market value of $193.3 million as of December 31, 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 December 31, 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.

Bailard

Published January 2026
www.bailard.com

235 Pine Street, Suite 1800
San Francisco, CA 94104

950 Tower Lane, Suite 1900
Foster City, CA 94404