

# Bailard Small Cap Value Strategy

Quarterly Report  
March 31, 2026

## Contents

---

Q1 Highlights	2
Market Commentary	2
Strategy Update	3
Performance	4
Attribution	5
Investment Outlook	5
Strategy Overview & PM Team	6
Risks & Disclosures	7

## Portfolio Team

---



THOMAS J MUDGE III, CFA  
SVP, Director of Equity Research



OSMAN AKGUN, PHD, CFA  
SVP, Director of Quantitative Research



BLAINE TOWNSEND, CIMC®, CIMA®  
EVP, Director of SRII

---

## Q1 Highlights

- 1 Small cap value, the best performing equity style quadrant over the past 100 years, and since the turn of the millennium, was also the best performer over the past 12 months.
  - 2 Small cap stocks in general, and our portfolio in particular are expected to grow earnings more rapidly than large caps over the coming year. This could further propel relative return gains while keeping small cap valuations reasonable.
  - 3 Portfolio drawdowns tend to encourage emotionally-driven detrimental behavior by both investors and portfolio managers. Learn how Bailard's strategy is designed to minimize drawdowns without hindering performance.
- 

## Market Commentary

Artificial intelligence (AI) companies' ever-increasing capital spending plans spooked investors in Q1, with growth stocks both large and small suffering as a result. Earnings growth was also more broadly dispersed throughout the economy, benefiting sectors and industries that had been neglected due to investors' earlier single-minded focus on AI.

The best performing equity style quadrant for the period was small cap value, with the micro cap segment within small cap value doing even better. Small value benefitted from solid earnings gains in the quarter that helped to keep valuations reasonable even with strong outperformance. Small cap value's meaningful energy exposure profited from rising energy prices driven by the U.S. – Iran conflict as well.

Sources: FactSet, Morningstar.

The total return performance of these market indices does not represent the past or future performance of any Bailard strategy, account or product. Please see the Investment Results section for additional information.

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

As of March 31, 2026

# Bailard Small Cap Value Strategy

## Overview

The strategy integrates behavioral finance-based stock selection techniques with broad-spectrum risk controls in the under-scrutinized and opportunity-rich small cap value style.

## Portfolio Characteristic Comparison

Composite vs. Index, as of 3/31/2026<sup>1</sup>

	Bailard Composite	Russell 2000 Value Index
BRM Score	83.9	52.2
NFI Capture Score	65.1	52.2
Price/Book Value	1.6x	1.4x
Price/Earnings (trailing 12 mo.)	13.9x	15.0x
Price/Cash Flow	7.7x	7.6x
Return on Equity	8.7%	2.3%
Debt to Capital	32.2%	33.5%
Number of Holdings	295	1,405
Avg. Market Cap (\$M)	\$2,951	\$2,954

## Market Cap Breakdown

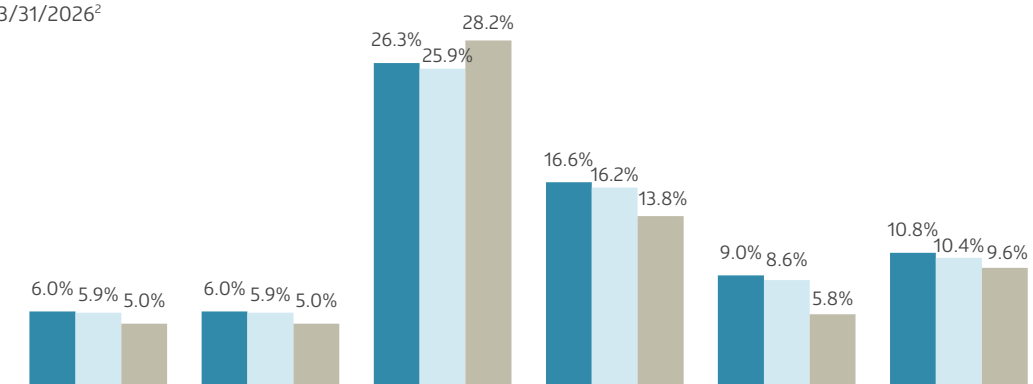
Composite vs. Index, as of 3/31/2026<sup>1</sup>

	Bailard Composite	Russell 2000 Value Index
<b>Small Cap</b> Bottom ~10% of U.S. equity market capitalization (excluding micro cap)	65.9%	81.6%
<b>Micro Cap</b> Smallest ~1% of U.S. equity market capitalization	34.1%	18.4%

## Investment Results

Total returns for periods ending 3/31/2026<sup>2</sup>

- Composite, Gross of Fee
- Composite, Net of Fee
- Russell 2000 Value Index



Trailing Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Composite, Gross of Fee	6.03%	6.03%	26.34%	16.59%	8.99%	10.82%
Composite, Net of Fee	5.94%	5.94%	25.88%	16.16%	8.59%	10.41%
Russell 2000 Value Index	5.04%	5.04%	28.19%	13.82%	5.81%	9.61%

	Annualized Standard Deviation			Sharpe Ratio		
	3-Year	5-Year	10-Year	3-Year	5-Year	10-Year
Composite, Gross of Fee	17.84%	19.04%	20.53%	0.66	0.30	0.42
Composite, Net of Fee	17.84%	19.03%	20.52%	0.64	0.28	0.40
Russell 2000 Value Index	19.11%	19.88%	21.05%	0.48	0.12	0.35

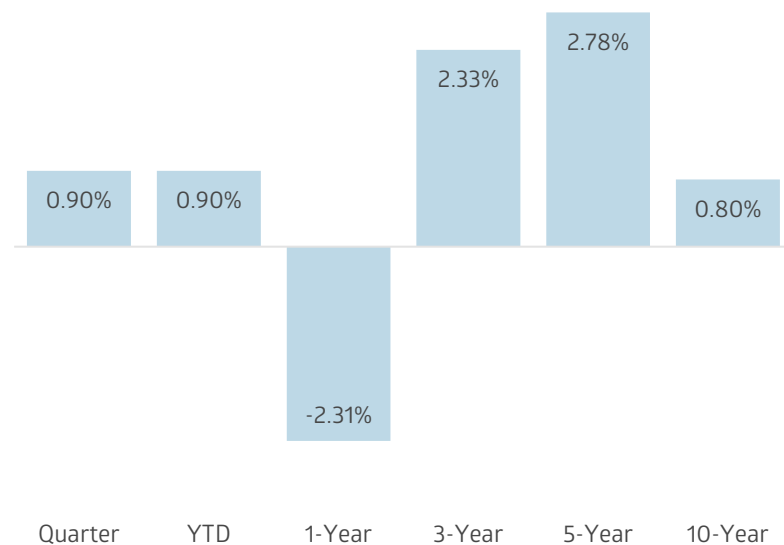
<sup>1</sup> Sources: FactSet, Bailard. The information presented on this page, while representative of the Bailard Small Cap Value Strategy, should not be solely relied on as it can differ from client to client and could vary over time. Data regarding the portfolio characteristics of the Composite reflect ownership information as of March 31, 2026 and are not intended to represent any past or future specific investment recommendations. Portfolio characteristics are subject to change without notice. <sup>2</sup> Sources: FactSet, Morningstar, Bailard. The "Bailard Composite" is the Bailard, Inc. Small Cap Value Composite. The Bailard Small Cap Value Composite includes a Bailard portfolio invested solely in small and micro capitalization U.S. equities that exhibit value characteristics. The benchmark is the Russell 2000 Value Index, which does not have fees. Performance statistics are annualized for periods greater than one year. See back of this presentation for important disclosures and market definitions. Past performance is no indication of future results. All investments involve the risk of loss.

### Strategy Commentary & Performance<sup>3</sup>

The retail investor/speculator driven noise trading that dominated much of last summer and early fall greatly faded toward year end and was largely absent in the first quarter of 2026. Without fundamental foundations, these meme and junk stock driven rallies lack the fuel to persist for extended periods but are nonetheless annoying when they occur. With our multiple success characteristics largely functioning as expected, we were able to beat both the Russell 2000 Value Index for the period.

#### Active Returns vs. Index

Annualized active returns (net) vs. Russell 2000 Value Index, periods ending 3/31/2026<sup>2</sup>



#### STAYING THE COURSE:

### THE PSYCHOLOGY OF MINIMIZING DRAWDOWNS

*A portfolio drawdown is more than a metric; it is a psychological battleground. While we human investors believe ourselves to be rational actors guided by “cold cognition,” a significant loss often triggers the limbic system’s “hot cognition”—a primitive fight-or-flight response that leads to impulsive, ill-timed exits.*

*To preserve risk composure, we explored the strategic use of uncorrelated alpha sources to dampen these declines. Our simulations demonstrated the potential benefits of combining uncorrelated or negatively correlated alpha factors, even when one of the factors offers inferior performance. The drawdown reduction gains tend to dwarf the overall performance decline when the two factors are combined.*

#### Other key findings:

- *Behavioral Guardrails: Shallower drawdowns prevent emotional decision-making.*
- *The Power of Correlation: Negative time-series correlation favors running models separately to minimize troughs.*
- *Staying the Course: By smoothing the ride, we help investors bypass their biological wiring and remain committed to long-term objectives.*

*In the coming months, we’ll share a deep dive into our simulation methodology and the “Dual-Self” model of impulse control.*

<sup>3</sup> Sources: FactSet, Morningstar, Bailard. The “Bailard Composite” is the Bailard, Inc. Small Cap Value Composite. The Bailard Small Cap Value Composite includes a Bailard portfolio invested solely in small and micro capitalization U.S. equities that exhibit value characteristics. The benchmark is the Russell 2000 Value Index, which does not have fees. Performance statistics are annualized for periods greater than one year. See back of this presentation for important disclosures and market definitions. Past performance is no indication of future results. All investments involve the risk of loss.

## What Drove Performance<sup>4</sup>

Our primary stock selection tool, our multi-factor Bailard Ranking Model (BRM), produced positive results for the quarter, benefitting from a more typical investor sentiment environment less influenced by junk and meme stocks.

With investors rotating out of growth and toward value, it was unsurprising that our valuation factors, Relative Expectations Bias and Analyst Expectations Bias, were the best performing contributors to our composite model's return. Next best was our primary Hype factor, our proprietary measure of excessive investor attention, closely followed by our Path-Dependent Anchoring Bias factor. Our normally reliable Revisions Reveal factor was essentially flat for the quarter. Earnings Quality lost for the period as did our less nuanced original Anchoring Bias factor and our secondary Hype factor. Text Sentiment was by far the worst performer for the quarter, as global events appeared to dominate company-specific management commentary signals.

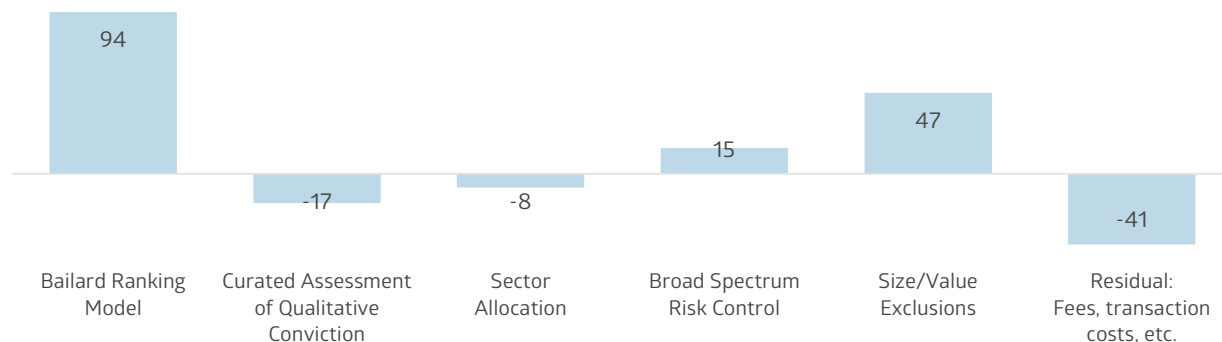
- Our economic subsector-specific models produced generally winning results in Q1, with the utility,

insurance, REIT and bank models all positive and the pharmaceutical & biotech model slightly negative.

- CAQC (Curated Assessment of Qualitative Conviction, our proprietary measure of sophisticated investor interest in stocks that lack quantifiable appeal) underperformed slightly for the quarter.
- Our lower quality but otherwise attractive Thriving on the Edge stocks outperformed junk stocks in general and were overall additive to performance.
- Sector allocation was slightly negative for the quarter due to minor underweights in energy and utility stocks, both of which performed well.
- Non-Financial Information (NFI) Capture was additive to performance for the period.
- Stocks that would otherwise have been excluded from the portfolio because of their size or lacking value characteristics that were held in the portfolio for risk control, thematic tilts, etc. added to performance for the period.
- As is generally the case, residuals (fees, transaction costs, etc.) detracted from performance.

## Attribution: Net Active Return vs. Index

Quarter ending 3/31/2026



## Investment Outlook<sup>5</sup>

We believe a small cap value renaissance is getting underway. Accelerating earnings growth combined with relatively attractive valuations, the benefits of a deregulatory tailwind, manufacturing reshoring, and increased mergers and acquisitions activity all bode well for small value stocks through 2026 and beyond.

During the California gold rush, it was mostly the suppliers and service providers that got rich, not the miners. If the lofty expectations surrounding AI pan out, the small cap value companies building the data centers and other infrastructure and the power companies supplying the electricity should be major beneficiaries, regardless of who wins the battle for AI dominance.

*Sources: Russell, Bailard. 4 The benchmark is the Russell 2000 Value Index. The Behavioral Ranking Model (BRM) is a proprietary, multi-factor, quantitative tool used to assess relative stock attractiveness across 24 economic subsectors. CAQC (Curated Assessment of Qualitative Conviction) measures sophisticated investor interest in stocks that may lack quantifiable appeal. Investments referenced may not represent all decisions made by Bailard. Past or future profitability should not be assumed. References are for illustrative purposes only and are not indicative of future investments. Bailard makes no recommendation to buy or sell any securities discussed. This information is not indicative of the performance of the Bailard Small Cap Value Strategy or any other Bailard product. Holdings shown do not represent all securities bought, sold, or recommended for clients. 5 Certain information may constitute forward-looking statements, identified by such terms as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof. Actual results may differ materially due to risks and uncertainties. Nothing herein should be relied upon as a guarantee or assurance of future results. Please see the back of this presentation for important disclosures. Past performance is no indication of future results. All investments involve the risk of loss.*

## Bailard Small Cap Value Differentiators



Combined small and microcap exposure



Proprietary factors based on behavioral anomalies and cutting-edge research



Broad spectrum risk controls with agile portfolio management

### Investment Criteria

- » Companies exhibiting behavioral mispricing across quality, valuation, and sentiment factors
- » High-quality businesses with strong earnings integrity and manageable balance sheet risk
- » Firms screened for accounting, audit, and bankruptcy red flags
- » Companies with favorable non-financial characteristics (governance, environmental, social)

### Process

- » Identify Alpha Sources  
Identify company and stock characteristics historically associated with outperformance
- » Avoid Unnecessary Risks  
Identify and attempt to avoid company and stock characteristics historically associated with elevated financial and non-financial risk
- » Buy/Sell/Hold Discipline  
In order to buy or hold, each stock must satisfy alpha criteria, pass individual risk thresholds and enhance or complement the existing portfolio's characteristics
- » Portfolio Construction  
Systematically and dispassionately optimize exposure to those portfolio characteristics across a broad investable universe
- » Continual Improvement  
Seek to continually improve the selection and exclusion factors in order to better capture excess returns and avoid additional risks

### Risk Management

Broad-spectrum risk management integrating financial and non-financial measures, including sector exposure, position sizing, bankruptcy risk, and behavioral factor stability. Portfolio diversification, constrained position sizes, and continuous factor monitoring are designed to manage volatility and avoid unintended exposures.

### Portfolio Managers

**Thomas J. Mudge III, CFA**  
SVP | Director, Equity Research  
Leads equity research and serves as portfolio manager for the Small Cap Value Strategy.  
*BA, Northern Michigan University*

**Osman Akgun, Ph.D., CFA**  
SVP | Director, Quantitative Research  
Focuses on quantitative research, model building, and portfolio optimization.  
*BS, Bogazici University; MS, PhD, University of California, Berkeley*

**Blaine Townsend, CIMC®, CIMA®**  
EVP | Director, Sustainable, Responsible and Impact Investing  
Leads SRII efforts and contributes to Small Cap Value portfolio management.  
*BA, University of California, Berkeley*

### Analysts & Trading

**Annalise Durante**  
VP | Senior SRII Research Analyst  
Supports SRII research, thought leadership, and corporate engagement.  
*BS, University of Miami*

**Glenn A. Davis, CFA**  
SVP | Head Trader  
Oversees execution of domestic equity trades with a focus on minimizing market impact.  
*BS, Santa Clara University*

*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 Small Cap Value 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 small cap and micro cap stocks. These companies may face greater economic cycle risk, credit risk, geographic risk, product, and customer concentration risk than that faced by larger companies. Small cap and—to a greater extent—micro cap stocks are more volatile and less liquid than larger cap stocks and may be more difficult to trade. There are times when the small cap value equity style underperforms other equity investment styles.

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.

The market value of an investment will fluctuate as the securities markets fluctuate. There can be no assurance that this or any investment strategy will achieve its investment objectives. The information is current as of the date indicated and Bailard undertakes no duty to update any of the information contained in this presentation. The presentation contains some forward-looking statements, which involve a number of risks and uncertainties, and actual results may differ materially from these forward-looking statements. Any references to specific securities are included solely as general market commentary and were selected on criteria unrelated to Bailard's portfolio recommendations or the past performance of any security held in any Bailard account or fund. Unless otherwise indicated, the performance data in this presentation does not reflect the performance of any Bailard product, strategy or account. **Past performance is no indication of future results. All investments have the risk of loss.**

## Performance Disclosures

**Composite Definition:** The Bailard Small Cap Value Composite (the "Composite") includes a Bailard portfolio invested solely in small and micro capitalization U.S. equities that exhibit value characteristics. The Small Cap Value Strategy is implemented within the Bailard Small Cap Value Composite. As of March 31, 2026, the Composite consisted of a single mutual fund which Bailard has been managing in an advisory or sub-advisory capacity since 2001 with a market value of \$113.9 million, which represented 1.5% of the total assets under Bailard's management. The NFI Capture component was explicitly introduced to the portfolio in December 2019. Prior to 2006, the Composite had less consistent and lower overall exposure to micro cap stocks. The Composite's returns are total returns presented as labeled, either net of, or both gross and net of management fees ("net of fees") payable to Bailard 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.

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 paid by the mutual fund client to Bailard as of the date paid. Composite returns do not reflect a fiduciary fulfillment fee payable to Bailard (where applicable), or custody and other expenses not payable to Bailard which the composite account incurred. Standard deviation is the annualized standard deviation of monthly returns. "Information ratio" is the ratio of added value to tracking error. "Tracking error" is the annualized standard deviation of monthly added value, where added value is [Composite return – benchmark return].

The Firm's annual fee schedule for new accounts is: 0.90% of the first \$25 million, 0.70% of the next \$25 million, 0.60% of the next \$50 million, and 0.50% over \$100 million. Full Composite return history and a list of Bailard's composites are available upon request.

**Market Index and Category Definitions:** The S&P 500 Index, the Russell 1000 Growth Index, the Russell 1000 Value Index, the Russell 2000

Growth Index, the Russell 2000 Index, the MSCI USA Small Cap ESG Leaders Index, the Russell 2000 Value Index, and the Russell Micro Cap Value Index shown are different from a managed account in that they are unmanaged, uninvestable and do not reflect any transaction costs.

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. The Russell Microcap Value Index measures the performance of the microcap value segment of the U.S. equity market. It includes Russell Microcap companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. Unlike the Russell 2000 Value Index and the Russell Microcap Value Index, the Composite account can acquire stocks in initial public offerings and can hold cash equivalents and exchange-traded funds. The Composite account's stock holdings may differ materially from those of the Russell 2000 Value Index and the Russell Microcap Value Index, as the Composite: 1) can invest in stocks that are not in the indices; and 2) may omit securities that may otherwise merit investment due to the application of various environmental, social and governance screens. The Composite can hold microcap stocks and will tend to hold a higher percentage of microcap stocks (defined as stocks in the bottom 1% of major U.S. exchange-traded securities when measured by market capitalization) than the Russell 2000 Value Index. The Composite can hold small cap value stocks and will tend to hold a higher percentage of small cap value stocks (defined as stocks with lower price-to-book ratios and lower expected growth values and between 1% and 11% of major U.S. exchange-traded securities when measured by market capitalization) than the Russell Micro Cap Value Index. The Small Cap Value Strategy's model portfolio holdings will differ materially from the index due to the model portfolios' selection of only a portion each of these indices' securities. The indices are not indicative of the past or future performance of the model portfolios.

S&P 500: The S&P 500 Index is a commonly used U.S. stock index of 500 large capitalization stocks.

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: The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

## Other Disclosures

This is for informational purposes only and is not an offer to provide investment advice, an offer to sell securities or the solicitation of any offer to buy securities. Before making any investment decision, you should review Bailard, Inc.'s Form ADV Part 1A and Bailard's Form ADV Part 2A (available on the SEC's website at <https://adviserinfo.sec.gov/firm/summary/110550>), as well as Part 2B of Bailard's Form ADV (available from Bailard) and all other information that Bailard provides to you. You should also discuss all matters concerning any prospective investment that you desire with Bailard. The description of the Bailard Ranking Model provided in this presentation is for conceptual illustration purposes only and is not meant to represent a complete example of the use of the model with respect to the Bailard Small Cap Value Strategy.



Published April 2026

For more information, please call 800.BAILARD (800.224.5273) or visit [www.bailard.com](http://www.bailard.com).

Bailard

950 Tower Lane, Suite 1900, Foster City, California 94404

235 Pine Street, Suite 1800, San Francisco, California 94105