

# Bailard Technology Strategy

Quarterly Report  
March 31, 2026

## Contents

---

Q1 Highlights	2
Market Commentary	2
Strategy Update	3
Performance	4
Attribution	5
Investment Outlook	6
Strategy Overview & PM Team	7
Risks & Disclosures	8

## Portfolio Team

---



DAVE HARRISON SMITH, CFA  
Chief Investment Officer



SONYA MUGHAL, CFA  
Chief Executive Officer



CHRISTOPHER MOSHY  
SVP, Domestic Equities

---

## Q1 Highlights<sup>1,2</sup>

1

The Bailard Technology Strategy generated a 1Q26 total return of -11.32% net of fees, compared with the S&P North American Technology Index at -8.34% and the Morningstar U.S. Open End Technology Category at -5.42%.

2

KLA Corp., Lam Research Corp., and Taiwan Semi Manufacturing Co. Ltd were the top performance contributors, while Microsoft Corp., Applovin Corp., and Meta Platforms Inc. were the top detractors.

» Find a deeper dive into the top performance contributors and detractors on page 5.

3

Software valuations continue to face pressure despite strong fundamentals. We share our framework for identifying durable software leaders able to withstand threats or competition posed by AI. More on page 4.

---

## Market Commentary

A central debate defining the technology sector today is whether a few elite AI labs will monopolize the software market by deploying large language model-based agents across every industry. While foundational model providers remain highly influential, we believe the reality is more nuanced; differentiation at the application and business-model level still dictates long-term value. Currently, the environment is characterized by an abundance of venture funding for AI-native companies, providing new entrants with the capital necessary to compete aggressively against established players.

Simultaneously, we see massive, sustained opportunities in AI compute hardware. We expect a significant portion of the capital raised by frontier labs—such as OpenAI, Anthropic, and xAI—to be funneled directly into compute infrastructure. In parallel, hyperscalers are projected to maintain elevated spending levels through at least 2027 as they race to support increasingly capable systems. This should remain a meaningful tailwind for the compute ecosystem.

Beyond raw compute, we are monitoring a looming shift in data center architecture. As token volumes and compute intensity surge, data movement has become a primary bottleneck. We expect a meaningful acceleration in demand across the optical networking ecosystem between 2027 and 2030. This transition from copper-based interconnects to optical technologies is essential to handle the higher throughput and lower latency required at scale, representing a significant long-term tailwind for the hardware landscape.

*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.*

# Bailard Technology Strategy

## Overview:

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

## Top Ten Holdings<sup>3</sup>

By Composite weight, as of 3/31/2026

NVIDIA Corporation	Semiconductors & Semiconductor Equip	13.0%
Microsoft Corporation	Software	7.2%
Meta Platforms Inc Class A	Interactive Media & Services	6.9%
KLA Corporation	Semiconductors & Semiconductor Equip	4.6%
Lam Research Corporation	Semiconductors & Semiconductor Equip	4.4%
Apple Inc.	Technology Hardware Storage & Perip	4.4%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Semiconductors & Semiconductor Equip	4.2%
Amazon.com, Inc.	Broadline Retail	3.9%
Palo Alto Networks, Inc.	Software	3.1%
Alphabet Inc. Class A	Interactive Media & Services	2.9%

## Composite Statistics<sup>3</sup>

as of 3/31/2026

Total Holdings	41
Equity Weight	99.1%
Cash Equivalents Weight	0.9%
Wtd. Avg. Market Cap	\$1,388.4 B
Price/Book	9.8x
Wtd. Avg. P/E Ratio (trailing 12 mo.)	34.1x

## Industry Exposures > 5%<sup>3</sup>

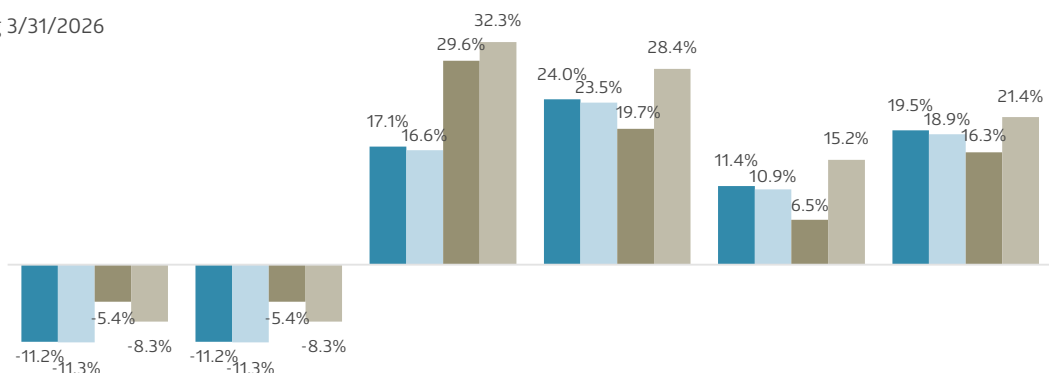
as of 3/31/2026

Semiconductors & Semiconductor Equipment	37.3%
Software	24.4%
Interactive Media & Services	9.9%
Technology Hardware, Storage & Peripherals	5.7%

## Investment Results<sup>4</sup>

Total returns for periods ending 3/31/2026

- Composite, Gross of Fee
- Composite, Net of Fee
- Morningstar US OE Tech, Net
- S&P NA Tech



Trailing Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Composite, Gross of Fee	-11.24%	-11.24%	17.06%	23.96%	11.38%	19.52%
Composite, Net of Fee	-11.32%	-11.32%	16.62%	23.48%	10.94%	18.94%
Morningstar U.S. Open End Technology, Net	-5.42%	-5.42%	29.62%	19.68%	6.53%	16.26%
S&P North American Technology Index	-8.34%	-8.34%	32.27%	28.36%	15.20%	21.41%
Active Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Morningstar U.S. Open End Technology, Net	-5.90%	-5.90%	-13.00%	3.80%	4.41%	2.68%
S&P North American Technology Index	-2.98%	-2.98%	-15.65%	-4.88%	-4.26%	-2.47%

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

## Strategy Commentary & Performance<sup>5</sup>

The Bailard Technology Strategy generated a 1Q26 total return of -11.32% net of fees, compared with the S&P North American Technology Index at -8.34% and the Morningstar U.S. Open End Technology Category at -5.42%.

Over the longer three-, five-, and ten-year horizons, the Strategy continued to outperform the competitor benchmark on a net-of-fee basis.

The Strategy's underweight exposure to Technology Hardware & Equipment, particularly within data storage and optical components, was the primary driver of relative underperformance. In addition, within Media & Entertainment, our sizable position in Meta Platforms, together with holdings in adjacent streaming and gaming platforms, as well as an underweight position in Alphabet, detracted from results.

Importantly, with respect to social media and streaming platforms, we believe the Strategy is currently out of sync with the market rather than mispositioned. The portfolio is constructed with concentrated investments in high-quality, earnings-compounding businesses to support a long-term investment horizon, with the understanding that concentration can increase near-term volatility.

Regarding the underexposure to Technology Hardware & Equipment, we have taken steps to increase exposure to key industry segments where our research indicates the potential for rapidly expanding total addressable markets. At the same time, we continue to maintain positions in existing holdings within the industry group that have lagged in the near term but, in our view, remain strong competitive franchises with the ability to execute successfully over the long term.

## EVALUATING SOFTWARE IN THE AGE OF AI

*We have developed a framework to evaluate competitive differentiators, growth drivers, and execution risk across incumbent software companies and emerging AI-native entrants. In our view, durable winners must offer more than simple access to powerful models. We prioritize companies that demonstrate deep integration into customer workflows, access to proprietary data, and domain-specific analysis methods. These factors, combined with embedded distribution, make products harder to replicate and more resilient as foundational models improve and become more widely available.*

*A core focus is whether AI expands a company's total addressable market rather than simply improving internal efficiency. We assess competitive threat and shifting economics through:*

- *Pricing Structures — Industry movement toward token-based consumption and its impact on margins.*
- *Customer Mix — Differences in enterprise vs. SMB adoption, switching costs, and technical resources.*
- *Platform vs. Point Solutions — Platforms' resilience relative to narrow applications that scale quickly but face higher displacement risk.*

*As AI-native companies mature and enter public markets, this framework helps identify those positioned to convert innovation into durable shareholder value.*

<sup>5</sup> Sources: Morningstar, FactSet, Bailard. The "Bailard Composite" is the Bailard, Inc. Technology Carve-Out Composite. The Technology Carve-Out Composite ("the Composite") includes two accounts, i.e., a segregated account and a carve-out portfolio invested primarily in the stocks of firms that predominately use technology to drive their business. The Bailard Composite and Morningstar U.S. Open End Technology Category are presented net of fee; the S&P North American Technology Index does not have fees. Past performance is no indication of future results. Please see the end of this document for important disclosures as well as index and category definitions.

## What Drove Performance<sup>6</sup>

Quarterly performance was driven primarily by semiconductor exposure and selective consumer technology positioning, partially offset by weakness in hardware and media.

### Top absolute contributors<sup>6</sup>

For the quarter ending 3/31/2026

	Average Weight	Contribution
KLA Corporation	4.7%	0.7%
Lam Research Corporation	4.8%	0.7%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.4%	0.4%
Marvell Technology, Inc.	0.7%	0.2%
Micron Technology, Inc.	3.0%	0.2%

Sources: Morningstar, FactSet

### Sector drivers:

- Underweight to FinTech, Healthcare Equipment, and Professional Services were the primary contributors to relative performance.

### Individual contributors:

- KLA Corp. (+75 bps, 21.3%) and Lam Research Corp. (+75 bps, +25.0%) – Increased capital spending on semiconductor production underscores sustained demand for wafer fabrication equipment.
- Taiwan Semiconductor (+42 bps, +11.5%) – The semiconductor wafer manufacturer's advanced process node leadership, particularly in high-performance computing for AI, drove results.
- Marvel Technology Inc. (+22 bps, 21.1%) – Company is well-positioned across AI compute infrastructure, including custom chips, optical networking, and storage.

### Top absolute detractors<sup>6</sup>

For the quarter ending 3/31/2026

	Average Weight	Contribution
Microsoft Corporation	7.5%	-1.8%
AppLovin Corp. Class A	2.1%	-1.3%
Meta Platforms Inc Class A	7.0%	-1.0%
Shopify, Inc. Class A	2.8%	-0.8%
NVIDIA Corporation	12.4%	-0.7%

Sources: Morningstar, FactSet

### Sector drivers:

- The Strategy's underweight exposure to Technology Hardware & Equipment, particularly within data storage and optical components, was the primary driver of relative underperformance.
- Within Media & Entertainment, our sizable position in Meta Platforms, combined with exposure to adjacent streaming and gaming platforms and an underweight in Alphabet, further detracted.
- The software industry and Strategy holdings were pressured on fears of AI disruption, compressing valuation multiples contrary to relatively stable revenue growth.

### Individual detractors:

- Microsoft Corp. (-177 bps, -23.3%) – Azure growth landed slightly below expectations due to increased internal compute allocation, and the broader software sell-off amplified the decline.
- AppLovin (-128 bps, -44.8%) – Caught in the 1Q26 software swoon, the company remains on track to deliver on the mobile game advertising and expansion into e-commerce advertisers.
- Meta Platforms (-100 bps, -13.3%) – Meta pulled back based on AI spend due to technology and talent acquisitions, and a raised cap-ex budget, despite increased estimates for revenue growth.

*Past performance is no indication of future results. All investments involve the risk of loss. 6 A basis point (bps) 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. 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.*

## Investment Outlook<sup>7</sup>

Overall, our positioning reflects our analysis and nuanced view of hardware vs. software. We continue to seek selective opportunities in incumbent software providers that are well positioned to use AI as a business accelerant, while also preparing for attractive opportunities among AI-native companies as they become public. Although we have selectively redeployed some profits from semiconductors into software, we expect to remain meaningfully invested in AI compute hardware, with a growing emphasis on next-generation high-performance compute, networking, and optical components.

*4 Past performance is no indication of future results. All investments involve the risk of loss. Please see the last page for important disclosures. Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.*

## Bailard Technology Strategy Key Differentiators



Exposure across the full innovation lifecycle



Balance between established leaders and emerging innovators



Emphasis on fundamental durability over short-term momentum

### Approach

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

### Investment Criteria

- » Companies aligned with long-term innovation trends (AI, cloud, digital infrastructure)
- » High-quality businesses with durable competitive differentiators and scalable earnings
- » Select emerging innovators with asymmetric return potential
- » Portfolio construction balancing structural growth with evolving market opportunities

### Process

- » Thematic Evaluation  
Identify long-term innovation trends across software, semiconductors, and infrastructure
- » Security Selection  
Focus on high-quality companies with durable growth and strong competitive positioning
- » Portfolio Construction  
Balance core leaders and emerging innovators while managing concentration risk

### Risk Management

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

### Portfolio Managers

#### Dave Harrison Smith, CFA

Chief Investment Officer  
Leads technology research focused on AI and sector disruption.

*BA, UC Berkeley; MBA, Haas School of Business, UC Berkeley.*

#### Chris Moshy

SVP, Domestic Equities  
Focuses on semiconductors and infrastructure investing.

*BA, UC San Diego; MBA, Cornell University*

#### Sonya Mughal, CFA

Chief Executive Officer  
Provides strategic oversight and long-term portfolio perspective.

*BA, Randolph-Macon Woman's College*

### Analysts

#### Ryan Vasilik, CFA

Senior Analyst, Domestic Equities  
Supports technology research and idea generation.

*BS, Pennsylvania State University*

#### Xavier S. Jefferson

Analyst, Domestic Equities  
Contributes to security analysis across tech and sustainability.

*BS, Northwestern State University; MBA, Haas School of Business, UC Berkeley*

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

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

## Risks

The Bailard Technology Composite is not by itself a complete investment program and is best suited for investors who can accept the above average risk generally associated with growth stocks and technology stocks. The strategy is primarily subject to the risk that the market value of investments will fluctuate as stock markets fluctuate plus the style and sector risks associated with a complete weighting in the technology sector, which may be more volatile than the overall stock market. The strategy is also subject to the size risks associated with investments in smaller market cap stocks in addition to its predominant tilt toward large cap stocks. The strategy may invest in American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) which are subject to the same risks as the foreign securities that they evidence or into which they may be converted (including political or economic instability, the impact of currency rate fluctuations and different accounting standards). The strategy may invest in derivative securities, which may be volatile and may increase investment leverage.

The use of screens based on non-financial information (NFI) as an input to the strategy may exclude certain investments and result in performance that differs from strategies not using such inputs. NFI assessments are inherently subjective, and investors may disagree on what constitutes favorable NFI characteristics. We rely on third-party NFI data, which may be incomplete or inconsistent, and our application of NFI criteria may not always align with an investor's values. Our evaluation of NFI criteria may change over time.

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

## Performance Disclosures

**Composite Definition:** The Technology Composite is a combination of one segregated account managed to the Technology Strategy and a carve-out (the "Carve-Out") from a composite (the Bailard Inc. Technology & Science Composite) that was managed to the firm's technology and science strategy, which invested primarily in the stocks of firms that predominately use technology to drive their business. The Carve Out's portfolio consists of all holdings in the Technology & Science Composite (consisted of a single mutual fund portfolio, which has been managed in an advisory or subadvisory capacity since 2001) after filtering out health care stocks as defined by GICS. Through June 2016, cash was allocated to the Carve-Out based on the relative value of its holdings within the Technology & Science Composite. Since July 2016 the Carve-Out has been managed as a sub-portfolio with its own cash. The Composite had a market value of \$165.3 million as of March 31, 2026. 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's Form ADV Part 2A, Bailard's annual fee schedule for new accounts is 0.75% of the first \$100 million and 0.70% on assets over \$100 million. The Composite's complete return history and a list of Bailard's composites are available upon request.

Individual account management and construction will vary depending on each client's investment needs and objectives, including liquidity needs, tax situation, risk tolerance and investment restrictions. Individual accounts may not have the same management fees, expenses, diversification, distributions and cash flows as the Composite account. As a result, an account's actual performance may differ from the performance presented above due to, among other things, timing of investment, contributions and withdrawals, and the client's restrictions, such as restrictions on eligibility to participate in initial public offerings. In addition, performance does not reflect the effects of taxation, which result in lower returns to taxable investors. An investment in this strategy involves a risk of loss, and the value of an investment in this strategy may decrease as well as increase. No representation is made that any account will obtain similar results to those shown above.

**Market Index and Category Definitions:** The S&P North American Technology Sector Index ("NA Tech Index") provides investors with a benchmark that represents U.S. equity securities classified under the GICS® technology sector and internet retail sub-industry categories. This index is uninvestable, unmanaged and does not reflect transaction costs. The Morningstar US Open End Tech category ("Universe") is composed of open-end mutual funds that buy technology and health care businesses in the U.S. or outside of the U.S. The Universe is unmanaged and uninvestable. The NA Tech Index and the Universe are presented on a total return basis with dividends reinvested. Unlike the NA Tech Index, the Composite may hold cash equivalents, exchange-traded funds, ADRs and GDRs (U.S. dollar denominated foreign securities). Unlike the Composite, the funds in the Universe may have different investment restrictions, may invest in health care and biotechnology stocks, and may invest in different categories of securities than the Composite account. Unlike the Composite returns, the returns of the funds in the Universe are net of all expenses. The Composite does not hold all securities in the NA Tech Index and the Universe, and may hold securities outside of these benchmarks. The Composite's market cap weighting may differ materially from the NA Tech Index and the Universe.

**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, 2026 and has been obtained from sources believed to be reliable, but its accuracy, completeness and interpretation are not guaranteed. Bailard undertakes no duty to update any of the information contained herein. In addition, this publication contains the opinions of the authors as of that date and such opinions are subject to change without notice. We do not think this publication should necessarily be relied upon as a sole source of information and opinion. This publication is not a recommendation of, or an offer to sell or solicitation of an offer to buy any particular security or investment product. It does not take into consideration the particular investment objectives, financial situations or needs of individual clients. Bailard cannot provide investment advice in any jurisdiction where it is prohibited from doing so.



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