Bailard

Bailard Technology Strategy

Quarterly Report
June 30, 2026

Contents

Portfolio Team

DAVE HARRISON SMITH, CFA
Chief Investment Officer

SONYA MUGHAL, CFA
Chief Executive Officer

CHRISTOPHER MOSHY
SVP, Domestic Equities

Q2 Highlights[1,2]

1. The Bailard Technology Strategy generated a Q2 2026 total return of 41.17% net of fees, leading both the S&P North American Technology Index at 40.56% and the Morningstar U.S. Open End Technology Category at 39.63%.
2. Software was the largest sector contributor, thanks to positions in Palo Alto Networks and Datadog, along with the benefit of not owning underperforming Palantir.

   » *Find a deeper dive into the top performance contributors and detractors on page 5.*
3. Cybersecurity and cloud observability remained among the strongest areas of software as AI adoption increased security and infrastructure-monitoring requirements.

Market Commentary

Q2 2026 delivered the strongest quarterly return in more than five years, driven by continued enthusiasm around AI. However, AI is not a single investment theme; it is a stack. At its foundation are semiconductors, networking equipment, servers, and other hardware that power AI data centers. The middle of the stack includes data platforms, cybersecurity, observability, and developer infrastructure. At the top is the application layer, where traditional software companies continue to face a more complicated investment backdrop.

Technology hardware remains one of the clearest ways to express AI demand because the spending is visible, urgent, and capacity-constrained. Importantly, the opportunity is broadening beyond GPUs into a wider set of AI data center enablers, including optics, fiber, and high-speed networking.

Several macro events during the quarter reinforced the scale of investor appetite for AI and related infrastructure. Space Exploration Technologies (SPCX) IPO'd at a record $1.8 trillion. Debt markets supported hyperscalers' liquidity and continued datacenter buildout. Alphabet's (GOOGL) first major offering in more than 20 years raised $85 billion in equity — underscoring the scale of investment required to support the next phase of AI infrastructure. While the AI capex cycle continues to expand, the debate has shifted from whether the demand is real (consensus is that yes, it's real) to when this investment cycle may ultimately peak.

During the quarter, we began to see AI benefits extend into the middle of the stack. As enterprises deploy more AI agents and tools across their organization, the need for data platforms, observability, cybersecurity, and systems infrastructure increases as well. Notably, many of these companies had previously fallen out of favor with investors, but sentiment shifted. Application software continued to struggle. While the software debate is more nuanced today than it was three months ago, sentiment remains cautious. Investors continue to weigh the risk that traditional SaaS companies could face greater competition from model providers, as well as potential pricing pressure as the industry transitions from seat-based models toward usage- or token-based pricing.

*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.*

As of June 30, 2026

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[3]

By Composite weight, as of 6/30/2026

NVIDIA Corporation	Semiconductors & Semiconductor Equip	10.4%
Lam Research Corporation	Semiconductors & Semiconductor Equip	6.4%
KLA Corporation	Semiconductors & Semiconductor Equip	6.4%
Micron Technology, Inc.	Semiconductors & Semiconductor Equip	6.3%
Microsoft Corporation	Software	5.2%
Meta Platforms Inc Class A	Interactive Media And Services	4.9%
Palo Alto Networks, Inc.	Software	4.7%
Apple Inc.	Technology Hardware Storage & Perip	4.5%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Semiconductors & Semiconductor Equip	4.1%
Datadog, Inc. Class A	Software	3.5%

Composite Statistics[3]

as of 6/30/2026

Total Holdings	38
Equity	99.96%
Cash Equivalents	0.04%
Wtd. Avg. Market Cap	$1,472.1 B
Price/Book	12.8x
Wtd. Avg. P/E (trailing 12 mo.)	42.2x
Annual Turnover	25%

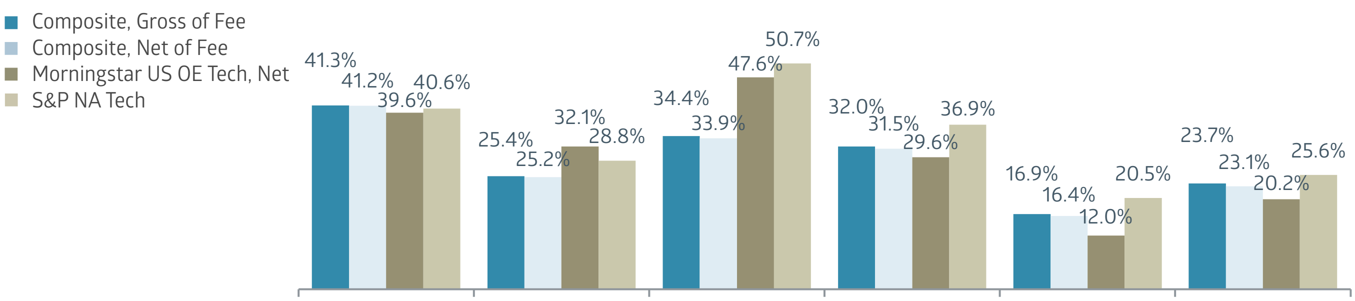
Industry Exposures > 5%[3]

as of 6/30/2026

Semiconductors & Semiconductor Equipment	41.5%
Software	23.0%
Interactive Media & Services	8.9%
Technology Hardware, Storage & Peripherals	6.5%

Investment Results[4]

Total returns for periods ending 6/30/2026



Trailing Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Composite, Gross of Fee	41.28%	25.40%	34.35%	32.04%	16.87%	23.71%
Composite, Net of Fee	41.17%	25.19%	33.87%	31.54%	16.42%	23.12%
Morningstar U.S. Open End Technology, Net	39.63%	32.06%	47.56%	29.61%	12.04%	20.18%
S&P North American Technology Index	40.56%	28.84%	50.70%	36.95%	20.50%	25.65%

Active Return	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Morningstar U.S. Open End Technology, Net	1.54%	-6.87%	-13.69%	1.93%	4.38%	2.94%
S&P North American Technology Index	0.61%	-3.65%	-16.83%	-5.41%	-4.08%	-2.53%

3 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.   4 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[5]

The Bailard Technology Strategy generated a Q2 2026 total return of 41.17% net of fees, slightly outpacing both the S&P North American Technology Index at 40.56% and the Morningstar U.S. Open End Technology Category at 39.63%.

Bailard's tech portfolio team made several key strategic decisions during the quarter that contributed meaningfully to performance. We significantly increased exposure to Technology Hardware & Equipment and Semiconductors, positioning the strategy more directly in front of the AI infrastructure buildout. This shift was a strong contributor to Q2 outperformance and was further supported by existing overweights in semicap equipment and memory companies. Drawing on continued positive industry commentary and the depth of reported backlog from hyperscalers and AI labs, we believe hardware remains well positioned to outperform for the rest of the year.

Our tech-adjacent holdings rebounded during the quarter as strong earnings results and compressed valuations helped drive renewed investor interest. The strategy also benefited from solid stock selection, including one Composite company, Roku, receiving a takeout offer, while another, Take-Two Interactive, announced pricing for the next installment of one of the most successful console game franchises of all time However, we experienced draw-down in application software stocks that negatively impacted performance. Adobe and Intuit were detractors as investors continued to question whether these companies could defend their growth and pricing power in an AI-native environment. In both cases, concerns centered on the risk that emerging AI startups could offer similar functionality with faster innovation cycles.

The quality of our software exposure improved meaningfully during the quarter. We exited underperforming application software companies and reallocated capital toward consumption-based infrastructure software businesses. We believe these infrastructure software holdings are better positioned to benefit from AI adoption, as increased AI deployment within organizations should drive higher usage and revenue growth rather than pressure growth rates. Following a difficult Q1, our conviction in cybersecurity also proved correct. The industry announced several partnerships with AI model providers focused on addressing threats and vulnerabilities, reinforcing our view that cybersecurity companies are more likely to serve as critical partners rather than direct competitors to AI labs.

BREVITY AS AN ENGINEERING METRIC

As AI usage grows, AI gets more expensive. Every word, number, or em-dash sent to – or produced by – a model gets broken into "tokens" and is the basis for consumption pricing. Token optimization is about making sure companies are not overpaying for unnecessary AI compute. Enterprises are unlikely to send every request to the most expensive frontier model; instead, they will increasingly route simpler tasks to cheaper models, compress prompts, cache repeated context, and use smaller or open-source models when performance is sufficient. This creates an opportunity for AI gateways, observability platforms, infrastructure software, and context-management application tools that help companies control which model is used, how much context is sent, and how cost is monitored. The investment implication is mixed: token optimization could pressure model providers and hyperscalers, but it should benefit middleware and infrastructure software vendors that help enterprises reduce AI costs while maintaining quality and speed.

5 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[6]

Software was the largest sector contributor, thanks to positions in Palo Alto Networks and Datadog. Within Software, Cybersecurity and observability remained among the strongest areas, as AI adoption increased security and infrastructure-monitoring requirements. The Strategy's underweight to Technology Hardware & Equipment was the primary driver of relative underperformance.

Top absolute contributors

For the quarter ending 6/30/2026

	Average Weight	Contribution
Micron Technology, Inc.	4.78%	6.29%
KLA Corporation	4.83%	4.27%
Lam Research Corporation	4.96%	4.20%
Palo Alto Networks, Inc.	3.55%	3.25%
Marvell Technology, Inc.	2.16%	2.60%

Sources: Morningstar, FactSet

Top absolute detractors

For the quarter ending 6/30/2026

	Average Weight	Contribution
Intuit Inc.	1.13%	-0.71%
ServiceNow, Inc.	1.01%	-0.28%
Atlassian Corp Class A	0.30%	-0.23%
HubSpot, Inc.	0.40%	-0.17%
Spotify Technology SA	1.76%	-0.12%

Sources: Morningstar, FactSet

Sector drivers:

- Semiconductors and Semi Equipment: Benefiting from AI compute demand for datacenters and AI applications
- Software: Strong demand for cybersecurity and infrastructure related software companies
- Technology Hardware and Equipment: Hardware sold into Data Centers for AI acceleration

Individual contributors:

- Micron. (+629bps to the Composite, 241.7% stock total return) – Enterprise demand for high performance memory and bandwidth accelerated to meet the need of increasingly complex AI tasks.
- KLA Corp. (+427 bps, 106%) and Lam Research Corp. (+420 bps, 103%) – Increased capital spending on semiconductor production underscores sustained demand for wafer fabrication equipment.
- Palo Alto Networks Inc. (+325 bps, +112.7%) – Cybersecurity remains a top enterprise priority as AI agents gain broader access to internal systems and introduce new vulnerabilities.

Sector drivers:

- No material sector detractors in the quarter.

Individual detractors:

- Intuit Inc. (-71 bps to the Composite, -35.7% stock total return) – The company reported disappointing results in its Tax business, particularly in the lower end where there are multiple discounted solutions.
- ServiceNow, Inc (-28 bps, -5.0%) – Organic subscription results were mixed as the company navigated the evolving enterprise AI landscape. While we believe ServiceNow's platform strategy is gaining traction, the financial benefits may take time to fully materialize.
- Atlassian Corp. (-23 bps, -14.7%) – One of the few application software companies to deliver a beat-and-raise quarter, though investor sentiment toward the broader industry remained negative.

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[7]

Our positioning reflects a more nuanced view of the AI landscape coming out of Q2. We continue to see hardware as the cleanest and most visible way to express AI demand, particularly across compute, networking, optical components, power infrastructure, and other data center bottlenecks. At the same time, we are becoming more selective within software, favoring middle-of-the-stack companies in infrastructure software, cybersecurity, observability – and data platforms where AI increases complexity, security needs, and system monitoring requirements. We remain cautious on application software, where AI could pressure seat-based pricing, compress workflow value, and shift more value toward broader AI platforms. While we expect to remain meaningfully invested in AI infrastructure, we will continue to seek selective opportunities in application software companies that can demonstrate AI is a true business accelerant, as well as tech-adjacent companies (those deploying tech as a platform for growth) with disruptive business models or company-specific catalysts.

*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.

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'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'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.

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Other Disclosures

The information in this publication is based primarily on data available as of June 30, 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.

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Bailard, Inc.
SAN FRANCISCO NEW YORK FOSTER CITY, CA
CALL (650) 571-5800 | EMAIL info@bailard.com | VISIT www.bailard.com