

# BAILARD

## INSTITUTIONAL

950 Tower Lane, Suite 1900  
Foster City, CA 94404  
(650) 571-5800  
[www.bailard.com](http://www.bailard.com)

Form ADV Part 2A  
(the “Brochure”)

June 28, 2021

This Brochure provides information about the qualifications and business practices of Bailard Institutional. If you have any questions about the contents of this Brochure, please contact us at [compliance@bailard.com](mailto:compliance@bailard.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Bailard, Inc. is an investment adviser registered with the SEC. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Bailard, Inc. and Bailard Institutional is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

## ITEM 2 – MATERIAL CHANGES

This Brochure dated June 28, 2021, serves as an update to the Brochure dated June 29, 2020. This updated Brochure contains updated information as warranted and in some cases amended disclosure, as summarized below:

- Item 5            We updated the investment advisory fee schedule for the fixed income strategies and added disclosures regarding the fees we receive from Nationwide for the sub-advisory services we provide to certain Nationwide funds.
  
- Item 11           We added new disclosures regarding a potential conflict of interest relating to recommendations to roll over retirement assets.
  
- Item 14           We added a reference to an additional referral arrangement with an investment adviser.
  
- Item 17           We added disclosures regarding Glass Lewis’s Environmental, Social & Governance proxy voting guidelines.

## ITEM 3 – TABLE OF CONTENTS

ITEM 1 – COVER PAGE.....	1
ITEM 2 – MATERIAL CHANGES.....	2
ITEM 3 – TABLE OF CONTENTS .....	3
ITEM 4 – ADVISORY BUSINESS.....	4
ITEM 5 – FEES AND COMPENSATION .....	6
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	9
ITEM 7 – TYPES OF CLIENTS .....	9
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS.....	10
ITEM 9 – DISCIPLINARY INFORMATION .....	16
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	16
ITEM 11 – CODE OF ETHICS, PERSONAL TRADING, AND PARTICIPATION IN CLIENT TRANSACTIONS .....	16
ITEM 12 – BROKERAGE PRACTICES .....	19
ITEM 13 – REVIEW OF ACCOUNTS.....	23
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....	23
ITEM 15 – CUSTODY.....	25
ITEM 16 – INVESTMENT DISCRETION .....	25
ITEM 17 – VOTING CLIENT SECURITIES .....	25
ITEM 18 – FINANCIAL INFORMATION .....	27

## ITEM 4 – ADVISORY BUSINESS

### Firm Overview

Bailard, Inc. (“Bailard”, “we”, “us”, “the firm”, or “our”) is a registered investment adviser headquartered in Foster City, California. Bailard was founded in 1969 by three graduates of the Stanford Graduate School of Business. From its inception, Bailard has had a focus on education and providing clients with diversification over multiple asset classes. It has both Wealth Management and Institutional divisions. The Bailard Institutional division emerged in 1990 to serve institutions as well as to provide proprietary investment strategies to Bailard’s own Wealth Management clients.

This Brochure relates to Bailard Institutional, a division within Bailard that functions as a discretionary institutional asset manager offering single asset class investment strategies to investors on a standalone basis. It manages and provides advisory and sub-advisory services to separate account clients (both institutional and individual), mutual funds, and affiliated pooled vehicles. A separate division within Bailard, referred to as “Bailard Wealth Management”, provides investment advisory and financial planning services to investors seeking multi-asset diversification.

As of March 31, 2021, Bailard had a total staff of 68 employees. We maintain a business discipline designed to attract and retain top investment talent, and the average tenure among Bailard’s 45 key professionals is 15 years. 76% of the professional staff has advanced degrees and/or industry designations (PhD, Masters, MBA, CFA, CFP®, JD, LLM, CIMC, CIMA, MA, CTS™, CDFP®, RICP®). Led by Chief Executive Officer, Sonya Thadhani Mughal, Bailard’s senior management team is comprised of seven individuals with an average tenure at Bailard of 24 years.

### Ownership Structure

Bailard is a wholly-owned subsidiary of BB&K Holdings, Inc., a privately owned C-Corporation. BB&K Holdings, Inc. is subject to the oversight of a board of directors which consists of four independent directors and Bailard employees Sonya T. Mughal (CEO), Peter M. Hill (Executive Chairman), and Burnie E. Sparks, Jr. (Vice Chairman).

We view our independence as the best way to serve our clients well and to provide the scope, stability and alignment of interests for continued success. As of March 31, 2021, 48 employees owned approximately 65% of the firm, with the remaining shares owned by former employees and private investors.\* Moreover, as of March 31, 2021, 18 female employees owned approximately 23% of the firm.

*\*For further information, please see additional disclosures in Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading.*

### Description of Advisory Services

Bailard Institutional offers investment strategies in both traditional long-only equity management and alternative investments. Bailard Institutional manages the following asset classes and investment styles:

#### **Long-Only Strategies**

- International Equities: Developed and Emerging Markets
- Small Cap Value Equities
- Micro Cap Value
- All Cap Growth/Technology and Science Equities

Tech Plus<sup>1</sup>  
Active Fixed Income  
Laddered Bond

### **Alternative Investment Strategies**

Real Estate  
Emerging Life Sciences

In the management of the long-only equity strategies, Bailard Institutional utilizes quantitative methods to varying degrees that attempt to add value relative to client specific benchmarks. These quantitative methods are based on an evolution of our quantitative research, which began in 1995. Our international equity strategies are designed to dynamically respond to the investment environment and focus on the selection of countries as well as individual securities. Our U.S. small cap value and micro cap value strategies integrate behavioral finance techniques in an effort to identify temporarily mispriced equities. Our U.S. all cap large growth/technology and science strategy emphasizes the technology and science sector as well as other growth industries in the marketplace. Our tech plus strategy invests in the stocks of firms that predominately use technology to drive their businesses, with exposure primarily to the information technology sector and, to a lesser extent, such broad economic sectors as telecommunications, industrials and consumer discretionary.

Bailard Institutional's long-only active fixed income strategy uses a top-down investment process to develop ways to add value relative to various fixed income benchmarks for both taxable and tax-exempt portfolios. We generally construct high-quality portfolios with intermediate duration targets, in an effort to produce a competitive level of after-tax income while preserving principal. Bailard Institutional also offers a long-only passive laddered bond strategy that seeks to provide an attractive and predictable level of income while focusing on capital preservation by investing in high quality bonds.

Bailard Institutional's alternative investment strategies pursue a wide range of investment opportunities. Our real estate investment management strategy encompasses more than 40 years of Bailard's experience in investing in and managing real estate portfolios and offers investors exposure to office, industrial, retail, multi-family residential and other types of commercial properties. Our emerging life sciences strategy focuses on the small, emerging bioscience, device and medical technology companies and is supported by primary research and fundamental investment processes.

Additional information on Bailard Institutional's equity and alternative investment strategies can be found in Item 8.

### [Separate Accounts, Sub-Advisory Services and Pooled Vehicles](#)

#### **Separate Accounts and Sub-Advisory Services**

A separate account is a client specific portfolio individually managed in accordance with one of our long-only equity or alternative investment strategies, subject to the investment policies, limitations and restrictions of our clients. A separate account could, for example, represent all or a portion of the assets of a pension plan, endowment, or individuals.

We also offer advisory and sub-advisory services to pooled investment vehicles and mutual funds .

#### **Pooled Vehicles**

---

<sup>1</sup> This strategy is currently implemented on a portion of the Nationwide Bailard Technology & Science Fund.

Bailard Institutional currently manages the following affiliated, unregistered pooled vehicles:

1. Bailard Real Estate Investment Trust, Inc. (the “REIT”)
2. Bailard Emerging Opportunities Fund I, LP (formerly known as Bailard Emerging Life Sciences Fund I, LP) (the “EOF”)

### **Client Assets Under Management**

As of March 31, 2021, Bailard Institutional managed \$2.36 billion in client assets on a discretionary basis. Bailard’s total assets under management as of March 31, 2021 were \$4.99 billion (including both discretionary and non-discretionary assets). Please note that there is overlap in reported client assets in the Bailard Institutional and Bailard Wealth Management brochures to the extent that clients of Bailard Wealth Management invest in Bailard Institutional’s proprietary products.

### **ITEM 5 – FEES AND COMPENSATION**

Bailard Institutional’s management fees are negotiable and specified in the written agreement between Bailard and each client. Depending on the mandate, Bailard Institutional’s fee schedule varies, and includes flat, tiered or performance fees.

Standard annual fee schedules for Bailard Institutional’s new separate accounts are as follows:

#### Long-Only Strategies

##### **International Equity Strategy**

- 0.75% of the first \$25 million
- 0.65% of the next \$25 million
- 0.50% of the next \$50 million
- 0.40% on assets > \$100 million

##### **Emerging Markets Equity Strategy**

- 0.90% of the first \$25 million
- 0.80% of the next \$25 million
- 0.70% of the next \$50 million
- 0.65% on assets > \$100 million

##### **Small Cap Value Equity Strategy**

- 0.90% of the first \$25 million
- 0.70% of the next \$25 million
- 0.60% of the next \$50 million
- 0.50% on assets > \$100 million

##### **Micro Cap Value Strategy**

- 1.00% annual management fee

##### **All Cap Growth/Technology and Science Equity Strategy**

- 0.75% of the first \$100 million
- 0.70% above \$100 million

##### **Tech Plus Strategy**

0.75% of the first \$100 million  
0.70% above \$100 million

**Active Fixed Income Strategy**

0.50% on the first \$5 million  
0.40% on the next \$5 million  
0.30% on assets >\$10 million

**Laddered Bond Strategy**

0.50% on the first \$5 million  
0.40% on the next \$5 million  
0.30% on assets >\$10 million

Alternative Investments Strategies

**Real Estate Investment Strategy**

0.85% annual asset management fee

**Emerging Life Sciences Strategy**

1% annual management fee  
20% annual performance fee (subject to a high water mark)

Annual Fee schedules for Bailard's affiliated pooled vehicles are as follows:

**The REIT**

The REIT pays Bailard an annual management fee as follows:

0.85% of the first \$750 million of Net Equity Value  
0.75% for amounts over \$750 million.

When the REIT's uncommitted cash exceeds a specified threshold (10% of the Fund's Gross Asset Value), the management fee is reduced by 0.425% of the excess cash amount.

Investment management fees are paid monthly in arrears based on quarter-end valuations.

Note: In addition to this investment management fee, the REIT pays Bailard an annual operations management fee of 0.35% of the first \$500 million of Net Equity Value; 0.25% of the next \$500 of Net Equity Value; and 0.15% of the Net Equity Value above \$1 billion, where Net Equity Value is the gross value of the property portfolio less deductions for debt and for the interests of its operating/development partners.

**The EOF**

1% annual management fee  
20% annual performance allocation based on net realized and unrealized appreciation (subject to a high water mark)

Performance allocation is payable to the Fund's general partner which is an affiliate of Bailard. Management fees are paid monthly in arrears based on month-end valuations.

### Nationwide Bailard Fund Fees

As sub-adviser to the Nationwide Bailard International Equities Fund, the Nationwide Bailard Cognitive Value Fund, and the Nationwide Bailard Technology & Science Fund (collectively, the “Nationwide Bailard Funds”), Bailard is paid a sub-advisory fee of 0.375% per annual by Nationwide Fund Advisors (“NFA”).

In addition, NFA pays Bailard a fiduciary fulfillment on a monthly basis at the following annual rates: (i) 0.275% of the daily net assets of the Class M shares of the Nationwide Bailard International Equities Fund; and (ii) 0.305% of the daily net assets of the Class M shares of the Nationwide Bailard Cognitive Value Fund and the Nationwide Bailard Technology & Science Fund.

The specific manner in which fees are charged by Bailard is delineated in the client’s investment management agreement (IMA) with Bailard. As specified in the IMA, clients may choose to have the fees deducted from their account or make separate payments to Bailard. In general, fees will be payable monthly or quarterly in arrears. However, both fixed income strategies’ management fees are paid quarterly in advance.

As specified in the IMA, management fees typically will be prorated for each capital contribution and withdrawal made during the applicable billing period (with the exception of de minimis contributions and withdrawals).

Accounts initiated or terminated during a billing period will be charged a pro-rated fee. The initial management fee for Bailard Institutional clients who open an account during a billing period is calculated by multiplying their normal management fee by a factor equal to the number of calendar days during the billing period that their account will be under management divided by the total number of calendar days in the year.

For clients who terminate during a billing period and pay their fees in arrears, a pro-rated final fee will be calculated by multiplying their normal management fee by a factor equal to the number of calendar days the account was active divided by the total number of calendar days in the billing period. Terminating fixed income strategy clients who have already paid their quarterly fee in advance will receive a refund equal to the difference between their payment amount and their pro-rated final fee. A client may terminate at any time with written notice.

For separately managed accounts, the only fee paid to Bailard is the investment management fee in the investment management agreement. All other fees and expenses associated with the account are the sole responsibility of the client. These fees include, but are not limited to, brokerage commissions, transaction fees, taxes, custodial fees, administrator fees, trustee fees, and fees for audit, tax and legal services. In addition to their management fees (as well as the performance fee in the case of the EOF), Bailard Institutional clients also pay fees and expenses charged by exchange traded funds and mutual funds not managed or sub-advised by Bailard that are held in clients’ portfolios.

In addition to their management fees (as well as the performance fee in the case of the EOF), investors in Bailard’s pooled vehicles and sub-advised mutual funds bear all of their own operating expenses, which generally include brokerage and other investment-related expenses, in some cases certain research expenses, as well as administrative expenses including filing and legal expenses, fund administration, custody, tax preparation expenses and the fees associated with an annual audit.

A more complete description of the fees to be paid to Bailard and its affiliates in connection with each individual fund investment, as well as the expenses of each fund, is available in the offering documents and other governing documents of each pooled vehicle. These documents are made available to each eligible prospective investor before, or by the time of, any investment in the pooled vehicle.



Bailard has had different fee schedules, investment minimums and fee arrangements in the past. Some clients have higher or lower fees than other clients with the same assets under management. Clients who are employees of Bailard receive a discount on their investment management fee schedule.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted in Item 5 above, Bailard and/or its affiliates receive a performance-based fee or allocation from a pooled vehicle, i.e., the EOF, when certain criteria are met. For all other clients, Bailard charges fees that are based on a fixed percent of the assets under our management. (See Item 5 – Fees and Compensation for more information about the different types of fees we charge for our services.)

The performance fee applicable to the pooled vehicle creates a potential conflict of interest in that it provides an incentive for Bailard to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, the performance fee creates a potential incentive for Bailard to favor the pooled vehicle over other client accounts in the allocation of investment opportunities. To mitigate these potential conflicts, Bailard has adopted side-by-side management and trade allocation policies and procedures designed to monitor that client accounts are treated fairly and equitably regardless of the types of fees that they pay.

## ITEM 7 – TYPES OF CLIENTS

Bailard Institutional provides portfolio management services to individuals, high net worth individuals, pension plans, pooled vehicles, registered mutual funds, and a sovereign wealth fund.

Separate account minimums for initial investment are as follows:

### **Long-Only Strategies**

- International Equity Strategy - \$20 million
- International Emerging Markets Equity Strategy - \$20 million
- Small Cap Value Equity Strategy - \$5 million
- Micro Cap Value Strategy - \$25 million
- All Cap Growth/Technology and Science Equity Strategy - \$5 million
- Tech Plus Strategy - \$5 million
- Active Fixed Income Strategy - \$1 million
- Laddered Bond Strategy - \$1 million

### **Alternative Investment Strategies**

- Real Estate Investment Strategy - \$100 million
- Emerging Life Sciences Strategy - \$5 million

In some circumstances, investment minimums are waived.

### **Pooled Vehicles**

Account minimums for Bailard's pooled vehicles are set by each pooled vehicle. In order to be eligible to invest in Bailard's pooled vehicles, prospective investors must be "accredited investors" as defined in Regulation D under the Securities Act of 1933, and for certain of the Bailard pooled vehicles, "qualified clients" or "qualified purchasers" as defined in the Investment Company Act of 1940.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Bailard Institutional’s investment strategies include traditional long-only strategies as well as alternative investments.

Our long only investment strategies include international equities (for a variety of client mandates, including developed and/or emerging markets), U.S. small cap value, U.S. micro cap value, U.S. all cap/technology and science, tech plus and fixed income.

Our alternative investments include a real estate investment strategy and a specialized long-only emerging life sciences strategy.

### Long-Only Investment Strategies

#### **International Equity and Emerging Markets Equity Strategies**

These strategies are actively managed and utilize a robust country selection approach to offer broad developed and/or emerging market exposure. We use a quantitative approach to investing where we pursue a disciplined, consistent and repeatable investment methodology. Our approach focuses first on country selection and then on stock selection within each individual country. We view the world’s countries on a relative basis using a dynamic country factor model, overweighting our highest ranked markets and underweighting our lowest ranked markets relative to a predetermined benchmark. After we have arrived at our country weights, we engage in an independent security selection process to choose individual stocks within each country. Our stock selection models are tailored to the specific conditions of regions and markets around the world. They incorporate measures of value, momentum, earnings revisions and earnings quality to assess the attractiveness of individual stocks.

We seek to manage risk through diversification. Our advanced portfolio management systems focus on managing risk at the country, sector, industry and security levels, allowing us to offer developed and/or emerging /frontier market portfolios to customized mandates. We aim to constrain sector/industry, country and regional active weights.

#### **Small Cap Value Strategy**

Our small cap value strategy focuses on a universe of U.S. small cap stocks and micro cap stocks. Our strategy seeks to use insights from behavioral finance regarding the economically irrational behavior of investors. We apply our quantitative expertise to the management of this strategy. A variety of proprietary behavioral factor models are combined in an effort to determine which of the strategy’s investable universe of several thousand stocks provide the best mispricing opportunities based on multiple behavioral finance factors. The highest ranked stocks are then scrutinized for qualitative behavioral anomalies. Our objective is to enhance the quality and reasonableness of the output of our stock selection models.

In addition, ESG Capture™ is used as an investable universe screening tool. It helps us to identify companies that we view as having higher risk exposure to events like lawsuits, regulatory action or negative publicity due to either the nature of their business or how management conducts themselves.

We employ other stringent risk controls in an effort to limit volatility and minimize unexpected outcomes. Economic cycle exposure is controlled by sub-sector neutrality to a client specified benchmark. Stock specific risk is contained by holding a broadly diversified portfolio of 250 to 300 individual stocks.

Managing small and micro cap stocks requires astute trading expertise. We use a range of electronic platforms and systems to access crossing networks and dark pools of liquidity that do not publish quotes in the open market. Navigating through these different pools of liquidity can allow low volume stocks to be traded with reduced market impact.

#### **Micro Cap Strategy**

Our micro cap strategy focuses on a universe of U.S. micro cap stocks. Our strategy seeks to use insights from behavioral finance regarding the economically irrational behavior of investors. We apply our quantitative expertise to the management of this strategy. A variety of proprietary behavioral factor models are combined in an effort to determine which of the strategy's investable universe of several thousand stocks provides the best mispricing opportunities based on multiple behavioral finance factors. The highest ranked stocks are then scrutinized for qualitative behavioral anomalies. Our objective is to enhance the quality and reasonableness of the output of our stock selection models.

In addition, ESG Capture™ is used as an investable universe screening tool. It helps us to identify companies that we view as having higher risk exposure to events like lawsuits, regulatory action or negative publicity due to either the nature of their business or how management conducts themselves. We employ other stringent risk controls in an effort to limit volatility and minimize unexpected outcomes. Economic cycle exposure is controlled by limiting economic sub-sector bets versus a client-specified benchmark. Stock specific risk is contained by holding a broadly diversified portfolio of 75 to 125 individual stocks.

Managing micro cap stocks requires astute trading expertise. We use a range of electronic platforms and systems to access crossing networks and dark pools of liquidity that do not publish quotes in the open market. Navigating through these different pools of liquidity can allow low volume stocks to be traded with reduced market impact. In addition, patient and flexible trading allows for the capturing of volume when it is available and allows for the ability to seek alternative stocks from the trade list when volume is scarce in a particular name.

### **All Cap Growth/Technology and Science Equity Strategy**

Our all cap growth/technology and science strategy seeks to provide investors with exposure primarily to the information technology sector and, to a lesser extent, other broad economic sectors including, but not limited to, healthcare, telecommunications, industrials and consumer discretionary.

The investment process combines fundamental and quantitative analysis, careful portfolio construction and disciplined risk management to create a broadly diversified portfolio of stocks across several industries, primarily within the information technology and healthcare sectors. Our stock selection model focuses on measures of value, earnings and revenue growth, earnings quality, expectations of future growth and momentum to identify attractive investment candidates. In addition, our fundamental stock selection process attempts to identify those companies with high or increasing levels of market concentration, accelerating long-term revenue growth and a pipeline of innovation.

We seek to limit industry specific risk by diversifying our technology exposure to all of the major industry groups within the sector.

### **Tech Plus Strategy**

Our tech plus strategy invests in the stocks of firms that predominately use technology to drive their businesses, with exposure primarily to the information technology sector and, to a lesser extent, such broad economic sectors as telecommunications, industrials and consumer discretionary.

The investment process combines fundamental and quantitative analysis, careful portfolio construction and disciplined risk management to create a broadly diversified portfolio of stocks across several industries, primarily within the information technology sector. Our stock selection model focuses on measures of value, earnings and revenue growth, earnings quality, expectations of future growth and momentum to identify attractive investment candidates. In addition, our fundamental stock selection process attempts to identify those companies with high or increasing levels of market concentration, accelerating long-term revenue growth and a pipeline of innovation.

We seek to limit industry specific risk by diversifying our technology exposure to the major industry groups within the sector.

### **Active Fixed Income Strategy**

Bailard Institutional's active fixed income strategy uses a top-down investment process to determine our economic and interest rate outlook. We focus on interest rate volatility, yield curve movements and credit trends in developing optimal investment strategies. We rigorously analyze risk at every juncture of the investment process. For taxable accounts, our strategy is to construct high-quality national or state concentrated portfolios with intermediate duration targets in an effort to produce a competitive level of after-tax income while preserving principal. We incorporate tax, accounting, and regulatory concerns in the portfolio construction process. For tax-exempt accounts, our strategy is to construct diversified portfolios using bond exchange traded funds (ETFs) as well as corporate, Treasury, agency, taxable municipals and other individual bonds. We focus on holding large and liquid bond issuers and use a variety of methods to ensure credits meet our quality criteria.

We seek to manage risk through diversification and evaluating portfolio returns under different economic and interest rate scenarios to manage the risk of loss. We also limit duration and yield curve deviations relative to benchmarks.

### **Laddered Bond Strategy**

We construct largely passive bond ladder portfolios by staggering maturity dates relatively evenly across the maturity spectrum. For exempt accounts we construct corporate and taxable municipal bond ladders from 1-12 years, and for taxable accounts we construct municipal ladders from 1-18 years. Additionally, we use a top-down analysis of the interest rate cycle in conjunction with an analysis of corporate and municipal bond market valuations to emphasize sectors and maturities at point of purchase that we believe will benefit the account. We will occasionally utilize liquid, low fee exchange-traded bond funds at account inception and to invest residual cash. We diversify among bond sectors, paying attention to liquidity considerations and monitoring the credit quality of the issuers held.

### [Alternative Investment Strategies](#)

#### **Real Estate Investment Strategy**

Bailard brings over 40 years of specialized experience to the execution of its real estate investment strategy. Bailard seeks to build diversified portfolios of direct real estate that combine stabilized, core properties with assets going through the value-add phase of their life-cycle. Bailard's real estate team proactively seeks to tailor its strategy to create an ideal blend between steady/sustainable income and strong potential for capital appreciation.

This real estate investment strategy strives to uphold the following principles:

- Own only quality assets (location, material, design, tenancy and amenities) that will stand the test of time
- Build at or buy below replacement cost
- Add value through active asset management
- Align with best-in-class local operators and service providers
- Identify and continually monitor multiple exit strategies

Bailard believes that there are opportunities for nimble, active investors to buy, create and capture value at all points of the investment cycle. Bailard's approach offers the potential for both income and growth, where a large component of stabilized core assets offers the potential to generate a strong and durable income stream while a value-add acquisition focus – with active asset and portfolio management – provides the prospect for capital appreciation. Bailard endeavors to

maintain agility and discipline to reposition properties and portfolios through prudent investments and divestments and to optimize the mix of markets and properties.

Bailard employs a top-down/bottom-up investment process designed to identify attractive opportunities and exploit mispricing across property types and geographic regions. The strategy invests in properties that can be characterized as value-add or opportunistic and converts them to Core. After repositioning, Bailard holds assets deemed to have further appreciation potential and sells those properties that it believes have greater downside risk than upside potential. Portfolios are diversified by property type, geography, life cycle and economic drivers in an effort to mitigate risk and enhance return. Bailard generally seeks to leverage its real estate efficiently but modestly, with the goal of a less than 35% aggregate loan to value ratio. Due to the illiquid nature of direct real estate, this strategy comes with risks associated with illiquidity.

### **Emerging Life Sciences Strategy**

The Emerging Life Sciences strategy focuses on biotechnology, pharmaceutical, medical technology, medical service and other opportunities among the healthcare and life sciences sector to capitalize on opportunities within under-followed areas of this market where inefficiencies might exist. The strategy is generally concentrated within the healthcare sector and is primarily managed using our fundamental research expertise.

The strategy has several investment themes, some of which are listed here. We look for: 1) macro opportunities - those areas of healthcare that are large and underserved where a company capable of introducing an effective and safe product can grow exponentially even if it taps a small fraction of the available market; 2) “fallen angels” - companies that have suffered setbacks with their lead products but could be poised for a comeback due to a pipeline of products that hasn’t been recognized by the market; 3) superior management; and 4) in some cases, for advanced technology that hasn’t necessarily been widely adopted by the population at large.

Our process involves onsite visits and meetings with company management teams, as well as discussions with doctors and key consumers. We aim to understand industry trends and seek to identify those companies that will experience positive events in a reasonable time frame. Due to the nature of the investments, this strategy is concentrated and is thereby expected to be volatile.

### **Summary of Certain Risks**

Investing in securities involves risk of loss that clients and investors in the Bailard pooled vehicles should be prepared to bear. We create diversified portfolios with the goal of moderating some of these risks but can make no assurances that our clients or investors will not suffer losses. There can be no assurance that Bailard will meet its investment objectives.

The following is a brief summary of certain of the more significant risks associated with Bailard Institutional’s investment strategies. For the Bailard pooled vehicles, please see the offering memorandum or equivalent offering document for a more detailed description of the principal risks associated with the investment strategies as well as other risks associated with an investment in each fund.

#### **General Risks:**

Investments selected directly by Bailard may decline in value for any number of reasons, including changes in the overall market for equity and/or debt securities, and factors pertaining to particular portfolio securities, such as management, the market for the issuer’s products or services, sources of supply, technological changes within the issuer’s industry, and the availability of additional capital and labor. In addition, our investments may be affected by general market conditions such as changes in sentiment, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including tax laws), developments in governmental regulation, national and international political events, and public health emergencies. Real estate is also subject to the risk of changes in property supply and demand. These factors may cause unexpected volatility or even

illiquidity and can result in losses. The value of our clients' investments will fluctuate. There is no assurance that Bailard will achieve any client's investment objective.

**Foreign Investment Risk:**

In addition to the possible loss of investment value due to general market price movements, international investments might suffer losses due to unfavorable exchange rate movements or economic and/or political instability in foreign countries. In some cases, financial statement information might not be readily available or might not be reliable for certain foreign markets. International accounting standards might be different from U.S. accounting standards, and financial data might be subject to misinterpretation. Trading in international markets can be more expensive than trading in domestic markets. Stock markets of certain foreign countries, particularly emerging and frontier markets, may be illiquid, and settlements can be delayed. Emerging and frontier markets have greater risks and can have higher transaction costs than their developed market counterparts.

**Liquidity Risk:**

Investments in small and micro-cap global equities may be illiquid or hard to value. Investments in real estate can be illiquid, and investors should not include these investments in their liquid pool of assets.

**Credit Risk:**

Fixed income investors are exposed to an issuer's ability to make the interest and principal payments that it is obligated to deliver. Credit risk refers to the risk that an issuer might not be able to meet its obligations, thereby defaulting on its debt. The risk of a default could lead to loss of principal and interest.

**Interest Rate Risk:**

Investments in fixed income and certain other instruments can lose value due to changes in interest rates. The value of these investments is generally inversely proportional to interest rates, meaning they will lose value in a rising interest rate environment.

**Investment Style Risk:**

Investments in a particular style may underperform other styles of investing or the overall market. Exposure to these types of investments can lead to underperformance.

**Size Risk:**

Investments across various market capitalizations might result in underperformance compared to the overall market. Investments in small and micro cap stocks might be illiquid and more expensive to trade.

**Sector Risk:**

Investments in one particular sector are not considered to be diversified and should not be treated as a complete investment program. Individual sector investments can be more volatile than a

**Concentration Risk:**

The market risk and volatility to which a concentrated portfolio is exposed generally is greater than, and may be substantially greater than, the market risk and volatility of a diversified portfolio.

**Exchange Traded Funds (ETFs) Risks:**

ETFs charge their own internal fees and expenses. Investments in these instruments will bear additional costs such as duplicative management fees, brokerage commissions and other related charges. In addition, from time to time, there might be a significant discrepancy between the net asset value of the underlying investment and the price at which the ETF trades on an exchange. In some circumstances, ETFs can be thinly traded and less liquid.

**Publicly Traded REITs (Public REITs) Risks:**

Public REITs must meet certain regulatory requirements to qualify for favorable tax treatment. From time to time, there might be a significant discrepancy from the net asset value of the underlying real estate investments and the price at which the Public REIT trades on an exchange.

**Short Selling Risk:**

A short sale theoretically involves the risk of unlimited loss; the price at which a position might have to be covered could rise without limit. There can be no assurance that investors will not experience losses on short positions, and there can be no assurance that long positions would appreciate enough in value to offset the loss on the short positions.

**Socially Responsible Investing Risk:**

The application of various environmental and governance screens may result in the exclusion of securities that might otherwise merit investment, potentially resulting in higher or lower returns than a similar investment strategy without such screens.

**Valuation Risk:**

In order to value the assets and liabilities of Bailard's pooled vehicles and accounts managed by Bailard, Bailard may rely on information provided by employees or outside parties. To the extent the information received by Bailard is inaccurate or unreliable, the valuation of account assets and liabilities will be inaccurate. Real estate is subject to the risk of inexact valuations. Appraised values tend to lag market developments.

**Counterparty Risk:**

The assets and liabilities of funds and accounts managed by Bailard are held by brokers and other custodians and counterparties. There is a risk that any of such counterparties could become insolvent and/or be subject to insolvency proceedings. Such insolvency would impair the liquidity and operational capabilities of the affected fund or account.

**Derivatives Risk:**

Trading and investing in derivatives can be highly speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives are generally more volatile than the rates, indices or asset prices on which they are based.

**Leverage Risk:**

The use of leverage, or borrowing, has the potential to increase the potential return and risk of an investment. If an investment goes up in value, the presence of leverage creates a positive outcome in that the leveraged return to the investor is greater than the unleveraged return. The opposite is true if the investment goes down in value. The presence of leverage in the latter case exacerbates the negative outcome for the investor.

**Community Investment Risk:**

Promissory notes issued by loan funds and non-profit organizations typically involve an uncollateralized and uninsured promise to pay. The issuer is only obligated to repay the principal at maturity with interest payable at stated times, although the issuer may also make a "best efforts" offer to redeem at par prior to maturity upon an investor's request. The promissory notes are not securities registered with the Securities and Exchange Commission and rating agencies do not normally rate them. They are illiquid, do not trade on an open market and are not considered investment grade securities. The interest rates they carry are typically below market rates although they may be competitive with short-term instruments. Accordingly, you should not expect these promissory notes to generate returns that are competitive with equities or other long-term debt investments.

Absent any indication that the issuer may have difficulty fulfilling its redemption obligations, Bailard will typically fair value these notes at "par," the original amount of the loan made to the

organization. Bailard does not adjust the stated value of the note to reflect risk, duration and relationship to market interest rates.

#### **Business, Terrorism and Catastrophe Risks:**

These are the risks of loss that may be incurred, indirectly, due to the occurrence of various events, including hurricanes, earthquakes and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Bailard's business and on clients' portfolios, including investment made by Bailard.

#### **Cybersecurity Risk:**

Bailard, its service providers and its counterparties rely on computer systems to conduct their businesses. There is a risk these systems might be compromised by cyberattacks despite the efforts of Bailard, its service providers and its counterparties to safeguard them. Depending upon its scope, a successful cyberattack could impede these entities' ability to conduct their businesses. There is also a risk that identity theft could be used to fraudulently withdraw funds from clients' accounts.

The above listed risk disclaimers are not designed to be exhaustive but are intended to give investors a sense of the various factors that should be considered when making investment decisions.

### **ITEM 9 – DISCIPLINARY INFORMATION**

Bailard does not have any legal or disciplinary events to disclose.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### Pooled Vehicles

Bailard Institutional currently manages the following affiliated pooled vehicles:

1. The REIT
2. The EOF

See Item 5 – Fees and Compensation for information about the fees charged by these funds.

Bailard affiliates also serve as the general partner for one of the affiliated pooled vehicles. Bailard General Partners I, Inc. is the general partner of the Bailard Emerging Life Sciences I GP, LP, which is the general partner of the EOF.

For more information about the potential of a conflict of interest regarding Bailard's pooled vehicles, please see Item 11.

### **ITEM 11 – CODE OF ETHICS, PERSONAL TRADING, AND PARTICIPATION IN CLIENT TRANSACTIONS**

#### **Code of Ethics and Personal Trading Policy**

Bailard has adopted a Code of Ethics and Business Conduct (the "Code") that is applicable to all employees. The Code and the other policies and procedures on insider trading, personal trading, gifts & entertainment, and political contributions are designed to, among other things:

- (i) establish guidelines for professional conduct;
- (ii) ensure our clients' interests are considered first;
- (iii) prevent improper use of material, non-public information; and



- (iv) prevent improper personal trading by Bailard's Access Persons;

Our Personal Securities Trading Policy requires Bailard's Access Persons to, among other things, file initial and annual holdings reports, file quarterly transaction reports, pre-clear certain trades, and submit an annual attestation of compliance with the Compliance Manual and the Code. Bailard's Access Persons are prohibited from executing a transaction in a security on Bailard's Restricted Securities list. The personal trading restrictions, preclearance and reporting requirements also apply to employees' family members living in the same household. Our Compliance team monitors employee trading to check that employees do not engage in improper transactions.

Under our Gifts & Entertainment Policy, employees are not permitted to solicit or accept from, or to give, gifts from clients, brokers or vendors that are extravagant or extraordinary. However, customary business meals and entertainment are permitted.

Bailard reviews the Code, the Personal Trading Policy, and other policies and procedures with new employees and provides periodic training to existing employees.

An employee who fails to observe the requirements of the Code and/or other policies and procedures in the Compliance Manual is subject to potential remedial action. Bailard will determine on a case-by-case basis what remedial action should be taken in response to any violation.

Bailard has established a foundation (the Bailard Foundation) to make charitable donations and community impact investments. Initial capital for the Bailard Foundation was provided by Bailard and certain of its employees and directors. The Bailard Foundation has a board of directors that is led by chairperson Terri Bailard, widow of founder Tom Bailard, and is composed of both friends of Bailard, Inc., and employees.

A Bailard client or prospective client can obtain a copy of Bailard's Code by sending a request to [compliance@bailard.com](mailto:compliance@bailard.com).

### **Recommendations to Invest in Related Securities**

After conducting appropriate due diligence, Bailard may recommend that certain clients invest in one or more of the following securities:

1. Mutual funds for which Bailard is the sub-adviser and receives a sub-advisory and fiduciary fulfillment fee.
2. Affiliated pooled vehicles to which Bailard serves as investment manager and, in one case, where an affiliate of Bailard serves as general partner. These pooled vehicles pay Bailard an investment management fee and, in one case, the pooled vehicle pays a Bailard affiliate a Performance Fee. In addition, please see Item 5 – Fees and Compensation, for a description of the operations management fee that the REIT pays to Bailard.

When an investment adviser recommends that its clients invest in securities for which it or an affiliate receives compensation, the investment adviser could be motivated to make a recommendation even when it is not appropriate for the client under the investment adviser's fiduciary standard of care. Our objective is to make recommendations that are in the best interests of our clients.

### **Employee Investments in Related Securities**

A number of Bailard employees invest in affiliated pooled vehicles that Bailard recommends and purchases for clients. The same price must be paid by employees and clients for transactions occurring in the same funds at the same time. In addition, employees may invest in an affiliated

pooled vehicle only after clients have been offered the chance to invest and interests remain available.

Bailard employees also invest in the Nationwide Bailard Funds.

### **Employee Investment Advisory Clients**

A number of Bailard employees are Bailard clients, and their portfolios pursue the same investment management strategies and invest in the same type of investment securities as other Bailard clients. Like other clients, their portfolio trades are subject to Bailard's Trade Priority and Aggregation Policy.

### **Employees' Management of Relatives' Portfolios**

Certain Bailard employees manage the portfolios of their relatives who are Bailard clients. Bailard reviews the relative performance of these clients' investment management account(s) as part of a quarterly asset allocation/performance review of Bailard Wealth Management accounts and as part of a separate compliance test.

### **Bailard Investments in Securities Recommended to Clients**

From time to time, Bailard and some of its affiliates may buy or sell for themselves securities that Bailard also recommends to its clients. This typically happens when:

1. Bailard or its affiliates invest in interests of affiliated pooled vehicles that Bailard recommends to certain of its clients; or
2. Bailard or its affiliates buy and sell securities in a portfolio for a new strategy to test certain investment strategies before making those strategies available to its clients.

Bailard has adopted Side by Side Management policies and procedures to monitor that its clients' accounts are not adversely affected by this investing.

### **Certain Other Potential Conflicts**

#### Trading in Client Accounts

From time to time, Bailard buys, sells, or sells short the same securities in different client accounts and in our own proprietary accounts (including those of certain affiliates). These trades may occur in the same direction (that is buying the same security in all affected accounts, selling the same security in all affected accounts or selling short the same securities in all affected accounts). These trades may also occur in opposite directions (that is buying the same security in one account (or accounts) while selling it or selling it short in other account(s) or vice versa). We can buy, sell or sell short the same security in different client accounts and in our proprietary accounts as long as the trades: (i) are consistent with the investment strategy for each account; and (ii) do not systematically favor or disadvantage one account or class of accounts over another.

The same Bailard employee can serve as the portfolio manager of accounts with different investment strategies (including competing investment strategies) as long as all such accounts are treated fairly and equitably. Bailard seeks to limit, to the extent that is practicable, the number of instances in which the same individual manages accounts with competing investment strategies.

Bailard can give advice to, and take action on behalf of, any of our clients that differs from that of other clients so long as it is consistent with the client's investment policy, and it is our policy, to the extent practicable, to allocate investment opportunities among our clients fairly and equitably over

time. Bailard has adopted Side by Side Management Policies and Procedures and an IPO Investment and Allocation Policy to help address conflicts of interests.

Certain Bailard employees have managed or currently manage the accounts of clients who are their relatives. The Compliance team conducts periodic reviews to monitor that these accounts do not receive preferential treatment.

### Client Firm Activities

Certain of Bailard's investment advisory clients serve on the Board of Directors of BB&K Holdings, Inc. (Bailard's parent company) or on the scientific advisory council of the Bailard EOF. These clients are compensated for this service. A small number of clients also own shares of BB&K Holdings, Inc. stock. Certain Bailard clients are currently loaning money to BB&K Holdings, Inc. and have access to certain of Bailard's financial records that are not generally available to other clients. This arrangement creates a potential incentive for Bailard to give these clients preferential treatment. To address this conflict of interest, Bailard reviews the relative performance of these clients' investment management account(s) as part of a quarterly asset allocation/performance review of Bailard Wealth Management accounts and as part of a separate compliance test.

### Retirement Plan Rollovers

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

If Bailard recommends that a client roll over their retirement plan assets into an account to be managed by Bailard, such a recommendation creates a potential conflict of interest since Bailard will earn additional advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Bailard.

## ITEM 12 – BROKERAGE PRACTICES

### General

In the absence of specific written instructions to the contrary from a client, Bailard generally has complete discretion with respect to transactions in client accounts without any limitations on its authority. This discretion includes the authority to effect portfolio transactions through accounts with broker-dealers selected by Bailard and to negotiate rates of commissions, commission equivalents and other transaction-related charges ("commissions") to be paid.

In selecting broker-dealers to effect portfolio transactions for clients, Bailard seeks best execution, taking into consideration a wide range of criteria, including the broker's commission rate, execution capability, positioning and distribution capabilities; research and brokerage services; back office efficiency, clearance and settlement capabilities; order-entry systems and order execution reporting; attendant services for clients; ability to handle difficult trades; financial stability; and prior performance in serving Bailard and its clients. When circumstances relating to a proposed transaction indicate that a particular broker is in a position to obtain the best execution, the order is placed with that broker. This may be a broker or dealer which has provided research or brokerage services to Bailard.

## Soft Dollars

Where more than one broker is believed to be capable of providing the best execution with respect to a particular portfolio transaction, Bailard periodically selects brokers that provide research or brokerage services to Bailard. Bailard also engages in commission sharing arrangements (“CSAs”) in which commissions for trades executed by one broker are shared with another broker that provides research or brokerage services to Bailard. These arrangements sometimes include agreement(s) with CSA aggregation firm(s) that transfer soft dollar credits from commissions generated from a non-CSA broker to a CSA broker which in turn will use those credits to pay for qualifying research services. All of these practices can cause a client’s account to pay an amount of commission to a broker greater than the amount another broker would have charged. In selecting such broker, Bailard will make a good faith determination that the amount of commission is reasonable in relation to the value of the research and brokerage services received, viewed in terms of either the specific transaction or Bailard’s overall responsibility to the accounts for which it exercises investment discretion. The receipt of research or brokerage services from any broker executing transactions for Bailard’s clients does not result in a reduction of Bailard’s customary and normal research activities.

Bailard currently receives proprietary and third party research services in oral, hard copy, electronic, internet and software formats (for both the U.S. and foreign countries), which includes, without limitation, information relating to: (i) the economic outlook, the political environment, and demographic, social and other trends; (ii) macroeconomic, country, foreign exchange, industry and company specific information (including credit analysis); (iii) current fundamental and trading data for a broad universe of global equities; (iv) historic fundamental and trading data for a broad universe of global equities; (v) daily pricing services; (vi) electronic access to analyst research; (vii) meetings with research providers regarding industries and issuers; (viii) access to meetings and phone calls with company management and industry experts; (ix) data specific to earnings estimate revisions; (x) risk management tools; (xi) portfolio optimization tools; (xii) global risk models; (xiii) post trade transaction cost analysis services; and/or (xiv) research regarding the structure of markets, trading strategies and the availability of securities and buyers and sellers of securities.

Bailard also receives brokerage services such as data transmission lines and trade matching and allocation software used for settlement purposes.

Bailard intends that any use of soft dollars to pay for research and/or brokerage services fall within the safe harbor provided by Section 28(e) of the Securities and Exchange Act of 1934. Some of these research services are also used by Bailard for purposes that do not qualify for this safe harbor. For example, post trade transaction cost analysis services are used for compliance purposes (a non-qualifying purpose) as well as for assisting Bailard in the performance of its investment decision-making responsibilities. Bailard analyzes mixed-use services to make a reasonable allocation of their costs between qualifying and non-qualifying uses and directly pays for the non-qualifying portion of their costs.

The research and brokerage services received from brokers are used by Bailard to service accounts other than those that pay commissions to the broker-dealer providing the products or services. For example, it is expected that commissions attributable to clients of Bailard Institutional will generate substantially more commission dollars than those attributable to accounts of clients of Bailard Wealth Management. Certain broker-dealers receiving commissions from Bailard Institutional clients provide Bailard with research and brokerage products or services which are used by Bailard to service other accounts of Bailard Wealth Management regardless of whether such accounts generated any of the brokerage commissions. Nevertheless, to the extent Wealth Management clients invest in affiliated pooled vehicles and mutual funds managed by Bailard Institutional, these clients indirectly generate commission dollars and in turn indirectly benefit from the research and brokerage services purchased with these commissions.

From time to time, Bailard may receive unsolicited research from broker-dealers. However, it generally does not use this research. In addition, certain broker-dealers provide other benefits to Bailard in connection with their brokerage services. See Item 14 – Client Referrals and Other Compensation.

### Directed Brokerage

Clients may instruct Bailard in managing their accounts to use one or more particular broker-dealers for brokerage services. Clients may benefit from such direction to use a broker-dealer that also serves as custodian of the client's assets because the custodian may waive certain of the costs associated with maintaining the portfolio if a sufficient number of securities transactions in the portfolio are effected by that custodian or one of its affiliates. Clients may specify whether a particular broker/dealer is to be used even though Bailard may be able to obtain a more favorable net price and execution from another broker-dealer in particular transactions. Clients who direct the use of a particular broker-dealer for transactions should understand that such direction may prevent Bailard from effectively negotiating brokerage compensation on their behalf, that best execution may not be achieved and that a disparity in commission charges may exist relative to the commissions charged to other clients. In addition, Bailard typically is not able to aggregate these clients' orders with those of other clients. Priority in trading activity is normally given to block trades which are aggregated for the benefit of numerous discretionary client accounts that are not wrap accounts and that are not subject to directed brokerage instructions. Directed brokerage instructions may result in orders being placed for relatively small amounts of securities that do not allow for trading on a more favorable aggregate basis. Clients are encouraged to consult with Bailard in connection with non-discretionary or directed brokerage arrangements, because discretionary non-directed trading authority to the adviser may, in various circumstances, be a more cost effective and efficient alternative to be considered.

### Allocation of Brokerage

Bailard has not made and will not make commitments to place orders with any particular broker or dealer or group of brokers or dealers. Annually, we project the amount of commission dollars we expect to generate during the course of a fiscal year, and via an internal allocation procedure establish a budget of commission dollars to be directed to brokers providing us with research or brokerage services considered useful by Bailard's portfolio managers. However, no absolute dollar amounts are required to be able to provide the best price and execution. A substantial portion of brokerage commissions is paid to brokers and dealers who directly or indirectly supply research and brokerage services to Bailard.

### Aggregation of Trades

Portfolio transactions of numerous accounts may be aggregated based on concurrent authorizations to purchase or sell the same security for numerous accounts served by Bailard. Although such aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts for any given transaction, Bailard only aggregates trades to the extent it believes that such aggregation is in the best interests of the affected accounts and consistent with its duty to seek the best execution for client trades. Bailard has adopted a Trade Priority and Aggregation Policy ("Trade Policy") which is designed to allocate trades in a manner that is fair and equitable allocation when trades are aggregated.

We take into account the best interest of clients. We would recommend an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest. An investment may not be appropriate for all client accounts, and recommendations are made independent of the consideration of fees payable by an account.

Bailard's clients can be either discretionary (accounts for which Bailard assumes full responsibility for investment decision-making) or non-discretionary (accounts for which the client plays some role in deciding whether or not to follow Bailard's investment advice). In addition, Bailard's clients can either choose to allow Bailard to select the brokers to be used or establish directed brokerage arrangements (where the client selects the broker to be used). Most of Bailard's clients have chosen to be managed on a discretionary, non-directed basis. Bailard believes that this arrangement is usually in the best interests of its clients.

Generally, Bailard will place trade orders for discretionary accounts first, with discretionary, non-directed accounts having priority over discretionary directed brokerage accounts.

Bailard will consider aggregating or blocking stock trades for clients (including pooled vehicle and mutual fund accounts) if:

- A. The Trading Desk knows about and receives the trade orders at the same time on the same day, and the common securities can be easily identified (i.e., are not buried in a list);
- B. It is appropriate to use the same broker to execute the trades and the blocking is operationally feasible; and
- C. Blocking the common securities is consistent with each account's investment strategy.

Bailard will typically seek to aggregate or block bond or bond ETF buy and sell orders for Bailard Institutional fixed income strategy clients and for the fixed income portion of Bailard Wealth Management clients' portfolios if there is an investment need for a specific account, if blocking is operationally feasible and if blocking the common security is consistent with each account's investment strategy. Multiple blocks are typically created based upon the accounts' size, tax status and investment strategy.

## Trade Policy Considerations for Complex and Non-Discretionary Accounts

### *What Types of Restrictions Can Clients Place on Their Accounts?*

Clients may impose certain restrictions upon their accounts that impact how their trades will be allocated. For example, some clients may request that Bailard manage their accounts on a partially or fully non-discretionary basis, where Bailard must contact the clients for approval before placing some or all of the trades in their accounts. Similarly, some clients may have complex investment or operational restrictions that necessitate their accounts receive additional review before trades can be executed on their behalves. Finally, clients may select the broker to be used (a directed brokerage arrangement) rather than allowing Bailard to select the broker to be used (a non-directed brokerage arrangement).

### *What Impact Will These Restrictions Have Upon Trades in These Clients' Accounts?*

Generally, Bailard will place trade orders for discretionary accounts first, with discretionary, non-directed brokerage accounts having priority over discretionary, directed brokerage accounts. Bailard will then place trade orders for complex discretionary accounts and for non-discretionary accounts. Within this second group of accounts, non-directed accounts will once again have priority over directed accounts. Complex and non-discretionary accounts may or may not be disadvantaged by the fact that their trades will lag the trades of discretionary, non-complex accounts.

### *What Does This Mean for Clients?*

Clients are encouraged to consult with Bailard about the impact complex account and non-discretionary arrangements will have upon the allocation of trades in their accounts. Ideally, we

would prefer to manage accounts on a fully discretionary, non-complex basis. However, we recognize that many factors go into determining the appropriate arrangements for clients.

## ITEM 13 – REVIEW OF ACCOUNTS

Bailard Institutional’s separate account, subadvisory and affiliated pooled vehicle clients are assigned to a team of individuals, including representatives from client service, operations, portfolio management and research. Client portfolios are rebalanced and reviewed by portfolio management on a schedule consistent with the particular investment strategy for which Bailard has been hired and, with the exception of the active fixed income and laddered bond strategies, are simultaneously rebalanced across all portfolios invested in that same strategy. In the public markets, this rebalancing may be as frequent as daily but in no case less frequent than monthly. Active fixed income and laddered bond strategy accounts are traded on an “as needed basis.”

Client accounts are also reviewed on a regular basis by operations and research teams for matters including but not limited to custodian reconciliation, investment performance and conformity with a client’s investment policies and objectives. These reviews are facilitated by a combination of automated tools and processes, as well as through analysis by various team members.

Bailard Institutional sends reports to separately managed account and subadvisory clients at least quarterly; however, the schedule and contents of reports are tailored to the particular needs of each client. Reports can include but are not limited to performance information, accounting statements (portfolio valuations, transaction detail, income detail, etc.), a reconciliation of clients’ accounts with custodian records, performance attribution, proxies voted and commission/transaction costs.

### The REIT:

Bailard reviews the consolidated monthly financial reports (i.e. income statement, balance sheet, etc.) and quarterly NAV reports produced by Real Foundations, a professional services firm for the real estate industry. The finalized reports are then provided to the affiliated pooled vehicle client. Bailard delivers audited annual financial reports to investors of the REIT.

### The EOF:

Bailard reviews the monthly reports (i.e. balance sheet, holdings report, income statement, etc.) produced by UMB Fund Services, Inc., an independent fund administrative and accounting firm. The finalized reports are then provided to the affiliated pooled vehicle client. Bailard delivers audited annual financial reports to investors of the EOF.

### Other Communications:

For clients, Bailard publishes at no cost our quarterly newsletter “*the 9:05*”, which is made available at <https://www.905.bailard.com/>.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### Other Compensation

In exchange for using the services of certain broker-dealers or custodians, Bailard Institutional receives, without cost, computer software and related systems support, which allow Bailard Institutional to better monitor client accounts maintained with them.

In addition, Bailard Institutional receives one or more of the following benefits from such broker-dealers: access to a trading desk that exclusively services institutional brokerage group participants; access to block trading services which provide the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to capital

introduction services and marketing consultation services ; access to an electronic communication network for client order entry and account information; attendance at conferences; access to industry data; and access to information regarding compliance and regulatory reporting and developments.

Although Bailard Institutional receives these services and generally may direct trading for the client accounts through certain prime brokers, these services are not considered by Bailard Institutional to be “soft dollar” benefits because the services are not provided in exchange for Bailard Institutional’s clients paying higher transaction commissions or fees than those obtainable from other brokers in return for similar services.

### Referral Fee Arrangements

Bailard, Inc. engages solicitors who refer clients to certain Bailard Institutional strategies. Bailard pays the solicitors a portion of the advisory fees it receives from the referred clients. The Bailard advisory fee paid by these clients is no higher than the fee payable by comparable new clients who were not referred to Bailard by the referral source. Referred clients receive a written disclosure document describing the referral arrangement. Bailard has adopted policies and procedures to ensure compliance with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by law. In the future, Bailard, Inc. may engage solicitors to refer clients to other Bailard Institutional strategies.

These arrangements include referral agreements with an investment adviser as well as the broker-dealers or custodians that Bailard recommends to its Bailard Wealth Management clients and uses to execute clients’ brokerage transactions. For example, Bailard has entered into referral arrangements with Charles Schwab & Co., Inc. (“Schwab”) a FINRA registered broker-dealer, member SIPC and with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”) whereby Bailard compensates Schwab and TD Ameritrade for referring clients to Bailard Wealth Management. Bailard also compensates Schwab for referring clients to certain of Bailard’s affiliated pooled vehicles. The referrals are made by Schwab and TD Ameritrade through their proprietary services designed to help individuals or others identify professional investment advisers to manage their assets. The TD Ameritrade referral program is called AdvisorDirect (“TDAD”) and the Schwab program is called the Schwab Advisor Network (“SAN”). The on-going referral fees paid to TD Ameritrade are based on a percentage of the management fees payable to Bailard from such clients, not to exceed 25%. The referral fees (“Participation Fee”) paid to Schwab are a percentage of the value of assets in the client’s account, subject to a minimum Participation Fee. Bailard will also pay TD Ameritrade and Schwab ongoing referral fees on any advisory fees it receives from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Bailard on the recommendation of such referred client. Schwab also refers (and in the future other such brokers may refer) their clients to Bailard for the purpose of investing in its affiliated pooled vehicle(s) only. Bailard pays Schwab (and will pay other referring brokers) a referral fee based on the advisory fee attributable to that investor that Bailard receives from the affiliated pooled vehicle. Schwab and TD Ameritrade are discount brokers independent of and unaffiliated with Bailard, and there is no employee or agency relationship between Bailard and either of these two firms. Schwab and TD Ameritrade do not supervise Bailard and have no responsibility for Bailard’s management of client portfolios or Bailard’s other advice or services.

Bailard’s participation in these arrangements gives rise to potential conflicts of interest. For example, Bailard may have been selected to participate in these arrangements based in part on the amount of trading or client assets it maintains with the broker-dealer. Bailard does not, however, charge clients referred to it by Schwab or TD Ameritrade additional fees or expenses as a result of such referral. Nor do these arrangements affect Bailard’s duty to seek best execution on behalf of its clients. Under one of these arrangements, Bailard has agreed not to recommend clients



establish brokerage or custody accounts with other broker-dealers or custodians absent a fiduciary duty to do so.

## ITEM 15 – CUSTODY

Bailard does not hold client funds or securities. Qualified custodians that are not affiliated with Bailard hold client funds and securities in safe-keeping for clients. These qualified custodians are typically banks or brokerage firms. Clients receive electronic or hard copy account statements directly from their qualified custodians at least quarterly. Clients may also receive account statements at least quarterly directly from transfer agents or administrators for interests in certain pooled vehicles (i.e., affiliated pooled vehicles or sub-advised mutual funds) that are not reflected on their custodian statements. Clients also receive quarterly account statements from Bailard. We urge clients to compare the account statements they receive from qualified custodians and any transfer agent or administrator with the quarterly account statements they receive from us. Bailard may from time to time recommend custodians to clients. Bailard is deemed to have custody of our affiliated pooled vehicles by virtue of the control that our affiliated general partners and certain of our employees have over these pooled vehicles' operations. Investors in the affiliated pooled vehicles receive a copy of each pooled vehicle's annual audited financial statements.

## ITEM 16 – INVESTMENT DISCRETION

Bailard and a new client enter into a written investment management agreement at the outset of the advisory relationship. The agreement generally grants Bailard discretionary authority to select the identity and amount of securities to be bought or sold. Such discretion is to be exercised in a manner consistent with the agreement and with the stated investment objectives for the particular client account.

As authorized in a written investment agreement at the outset of the advisory relationship, generally Bailard has full investment discretion in managing client accounts; however, in some cases, this authority is subject to restrictions agreed with the client in advance and set forth in the applicable investment management agreement. Bailard will accept reasonable limitations on its authority through client guideline restrictions provided such restrictions are essentially consistent with Bailard Institutional's investment process. Typical contract provisions include: restrictions relating to what constitutes a permissible or authorized investment; restrictions and prohibitions relating to borrowing, leverage, short selling, currency hedging and use of derivatives; and sector, country and other exposure limits relative to the client's chosen benchmark. In the case of the REIT, determinations to purchase and sell property holdings are subject to the approval of the Fund's board of directors.

## ITEM 17 – VOTING CLIENT SECURITIES

Bailard has adopted proxy voting policies and procedures that are reasonably designed to ensure that we vote proxies in the best interests of our clients. Bailard currently votes domestic and international stock proxies for accounts whose investment advisory agreement includes proxy voting service. The accounts for which Bailard votes proxies include, but are not limited to, mutual funds, our pooled vehicles, certain separately managed institutional accounts, ERISA accounts and (unless otherwise directed) omnibus ballots.

In seeking to avoid material conflicts of interest, we have engaged Glass Lewis, a third party service provider, to vote in accordance with either the Glass Lewis's standard U.S. and international stock proxy voting guidelines or the Glass Lewis's Environmental, Social & Governance ("ESG") Guidelines, depending on the client. Bailard generally does not allow the option for clients to direct

the votes in a particular solicitation. In certain limited circumstances, Glass Lewis may be instructed to use custom guidelines in voting proxies for specific Bailard Institutional accounts.

Glass Lewis's standard proxy voting guidelines generally:

1. Seek to support Boards of Directors that serve the interests of shareholders by voting for Boards that possess independence, a record of positive performance, and members with diverse backgrounds and with a breadth and depth of experience;
2. Seek transparency and integrity of financial reporting by voting for management's recommendation for auditor unless the independence of a returning auditor or the integrity of the audit has been compromised;
3. Seek to incentivize employees and executives to engage in conduct that will improve the performance of their companies by voting for no abusive compensation plans (including equity based compensation plans, performance based executive compensation plans and director compensation plans);
4. Seek to protect shareholders' rights by voting for changes in corporate governance structure only if they are consistent with the shareholders' interests;
5. Vote against shareholder proposals affecting the day-to-day management of a company or policy decisions related to political, social or environmental issues. However, on a case by case basis, Glass Lewis may support proposals that are designed to protect shareholder value in circumstances where Boards of Directors and management have not adequately monitored, disclosed and addressed material environmental or social risks. Glass Lewis will also generally support those shareholder proposals that protect and enhance important shareholder rights, promote director accountability or seek to improve compensation practices.

Glass Lewis's ESG proxy voting guidelines overlay its standard guidelines with an additional level of analysis on behalf of clients seeking to vote consistent with widely accepted enhanced environmental, social and governance practices, with a focus on disclosing and mitigating company risk with regard to ESG issues. Among other things, Glass Lewis's ESG guidelines will generally:

1. Vote against members of nominating committees for companies whose boards do not meet certain refreshment and diversity guidelines, and consider voting against directors who do not provide adequate oversight of ESG issues.
2. Vote for executive compensation programs that consider corporate governance, environmental and social criteria when aligning pay with performance.
3. Vote for shareholder proposals that, among other things, seek to: a) tie executive compensation to ESG criteria; b) address environmental issues (particularly those seeking improved sustainability reporting and disclosure about company practices which impact the environment); c) support labor, enhance human rights or deal with corporate responsibility; d) increase disclosure regarding public health and safety issues; and e) increase disclosure of a company's business ethics and code of conduct, company activities that relate to social welfare, a company's political/charitable spending, and lobbying practices.

In certain circumstances, Bailard may override Glass Lewis's recommendations. Bailard conducts at least annual due diligence of Glass Lewis as well as periodic monitoring/testing of the services Glass Lewis provides.

For accounts where Bailard does not have the authority to vote proxies, clients receive their proxies directly from the custodian, transfer agent or the issuer's proxy solicitor. If clients have any questions about a particular solicitation, they can email [compliance@bailard.com](mailto:compliance@bailard.com).

The Bailard Proxy Voting Policies and Procedures Manual sets forth our proxy voting process in more detail. A copy of this manual is available to clients upon request. Moreover, if we are voting proxies on a client's behalf (including proxies voted by Glass Lewis), that client may ask us for information about how his or her securities were voted. To request a copy of our Proxy Voting Policies and Procedures Manual or information about how their securities were voted, clients should email [compliance@bailard.com](mailto:compliance@bailard.com).

#### ITEM 18 – FINANCIAL INFORMATION

There is no financial condition that is likely to impair Bailard's ability to meet contractual commitments to our clients.