

Form ADV Part 2A

Bailard Institutional

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 our chief compliance officer, Janis Horne, at (650) 571-5800 or jhorne@bailard.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Bailard, Inc. is a registered investment adviser. 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.

June 29, 2018

The logo for Bailard, featuring the word "Bailard" in a bold, blue, sans-serif font.

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ITEM 2 – MATERIAL CHANGES

A separate document summarizing the material changes made to this brochure from June 30, 2017 to June 29, 2018 has been filed with the SEC as an exhibit to the June 29, 2018 version of this brochure.

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	8
Item 6	Performance-Based Fees And Side-By-Side Management	12
Item 7	Types Of Clients.....	13
Item 8	Methods Of Analysis, Investment Strategies, And Risk Of Loss	14
Item 9	Disciplinary Information	22
Item 10	Other Financial Industry Activities And Affiliations	23
Item 11	Code Of Ethics, Participation In Client Transactions And Personal Trading	24
Item 12	Brokerage Practices	28
Item 13	Review Of Accounts	32
Item 14	Client Referrals And Other Compensation	33
Item 15	Custody.....	35
Item 16	Investment Discretion.....	36
Item 17	Voting Client Securities	37
Item 18	Financial Information	38
Exhibit I	39

ITEM 4 – ADVISORY BUSINESS

Firm Overview

Bailard, Inc. (Bailard) is a registered investment adviser headquartered in Foster City, California. 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 institutional clients and to pooled investment vehicles, including affiliated private funds. A separate division within Bailard, referred to as “Bailard Wealth Management”, provides investment advisory and financial planning services to investors seeking multi-asset diversification. A copy of the Bailard Wealth Management brochure may be requested by contacting Janis Horne at (650) 571-5800.

Bailard (formerly Bailard, Biehl and Kaiser, Inc. prior to its re-naming in 2005) was founded in 1969 by three graduates of the Stanford Graduate School of Business. The Bailard Institutional group emerged in 1990 to serve institutions as well as to provide proprietary investment strategies to Bailard’s own Wealth Management clients.

As of April 30, 2018, Bailard has a total staff of 65 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. Seventy-one percent of the professional staff has advanced degrees and/or industry designations (PhD, Masters, MBA, CFA, CFP®, MFE, JD, CIMC, CIMA, MA, CRE). Led by Chief Executive Officer Peter M. Hill, Bailard’s senior management team is comprised of eight individuals with an average tenure at Bailard of 19 years.

Ownership Structure

Bailard is a wholly-owned subsidiary of BB&K Holdings, Inc., a privately owned C-Corporation. 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 April 30, 2018, 37 employees owned approximately 69% of the firm, with the remaining shares owned by former employees and private investors.* Moreover, as of April 30, 2018, sixteen women employees owned approximately 22% of the firm. BB&K Holdings, Inc. is subject to the oversight of a board of directors which consists of three independent directors and Bailard employees Peter M. Hill (Chairman), Ronald W. Kaiser (co-founder) and Burnie E. Sparks, Jr. (President).

**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 has demonstrated a long history of innovation and passion for intelligently-designed 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 Value Equities

Micro Cap Value

All Cap Growth/Technology and Science Equities

Active Fixed Income

Laddered Bond

Alternative Investment Strategies

Real Estate

Fundamental Long/Short Equity

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 primarily on the selection of countries. Our U.S. small 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 sector and other growth industries of the marketplace.

Bailard Institutional's long-only active fixed income strategy uses a top-down investment process to develop strategies that seek 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 high 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 30 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 properties. Our fundamental long/short equity strategy aims to achieve consistent investment returns with low volatility and moderate correlation to the broad market indices. 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 Private Funds

[Separate Accounts and Sub-Advisory Services.](#)

A separate account is a client specific portfolio individually managed according to 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 assets of a public pension fund or endowment. We also offer sub-advisory services to pooled investment vehicles, including registered investment companies.

[Private Funds.](#)

A private fund is a non-publicly registered commingled fund of multiple investor assets that is managed according to one of our long-only equity or alternative investment strategies.

Bailard Institutional currently manages three affiliated private funds in accordance with the investment restrictions outlined in their respective Confidential Offering Memoranda. They are:

1. Bailard Real Estate Investment Trust, Inc. ("Bailard Real Estate Fund")
2. Bailard Emerging Opportunities Fund, LP (formerly known as Bailard Emerging Life Sciences Fund I, LP)
3. Bailard Fundamental Long/Short Equity Fund, LP (formerly known as The Primary Fund, LP)

In addition, Bailard expects to manage the Bailard International Equities Trust and the Bailard Emerging Markets Trust, two affiliated private funds that have not yet had their initial fundings.

Client Assets Under Management

As of April 30, 2018, Bailard Institutional managed \$2.27 billion in client assets on a discretionary basis. Bailard's total assets under management as of April 30, 2018, were \$3.96 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 may be flat, tiered, or involve a performance fee.

Standard 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 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

- 0.65% of the first \$25 million
- 0.55% of the next \$25 million
- 0.40% of the next \$50 million
- 0.30% on assets > \$100 million

Active Fixed Income Strategy

- 0.50% annual management fee

Laddered Bond Strategy

0.50% annual management fee

Alternative Investments Strategies

Real Estate Investment Strategy

1% annual asset management and operational management fee

Fundamental Long/Short Equity Strategy

1% annual management fee

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

Emerging Life Sciences Strategy

1% annual management fee

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

Fee schedules for Bailard's affiliated private funds are as follows:

Bailard Real Estate Fund

0.85% management fee. This fee will be reduced when the fund's uncommitted cash exceeds a specified threshold.

Note: In addition to this management fee, the Bailard Real Estate Fund 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 partnership and promote interests.

Bailard Emerging Opportunities Fund I, LP

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.

Bailard Fundamental Long/Short Equity Fund, LP *

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. The performance allocation is waived for Bailard Wealth Management clients.

Bailard International Equities Trust*

- 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

Bailard Emerging Markets Trust*

- 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

**Stated fee schedule. The expense of the management fee is specifically allocated to the capital accounts of the limited partners who are charged the management fee. The fee may be reduced, waived or rebated as described in the private fund's offering documents.*

There are a number of sub-advisory relationships (including mutual funds) where the management fees are negotiated on a case by case basis depending on the services offered.

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 on written notice.

For separately managed accounts, the only fee paid to Bailard is the investment management fee and/or performance fee negotiated in the investment management agreement. All other fees and expenses that may be associated with the account are the sole responsibility of the client. These fees may include, but may not be limited to, brokerage commissions, transaction fees, taxes, custodial fees, administrator fees, trustee fees, and fees for audit, tax and legal services.

Management fees for affiliated private funds vary by fund with some having an asset-based fee and others having an asset based fee along with a performance-based fee or allocation of profit based on a percentage of net realized and unrealized appreciation (collectively, "Performance Fees"). For private funds organized as partnerships, Performance Fees are allocated to the fund's general partner ("GP") annually or upon termination. The Bailard Real Estate Fund also pays Bailard a separate operations management fee.

In addition to their management fees and Performance Fees, investors in Bailard's private funds 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 such fund. These documents are made available to each eligible prospective investor before, or by the time of, any investment in the fund.

In addition to their management fees and Performance Fees, Bailard Institutional clients may also pay fees and expenses charged by exchange traded funds not managed or subadvised by Bailard.

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

As noted in Item 5 above, Bailard and its affiliates may receive Performance Fees from some of the funds and accounts that it manages. These Performance Fees typically are based on a share of a client's or investor's realized and unrealized profits above a defined level. Bailard also charges other types of fees, including fees that are based on a fixed percent of the assets under our management. The Performance Fees applicable to certain client accounts and funds may create an incentive for Bailard Institutional 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 may create an incentive for Bailard Institutional to favor client accounts and funds that charge Performance Fees (which are likely to be higher fee paying accounts) over other client accounts or funds in the allocation of investment opportunities.

Bailard has adopted Side-by-Side Management policies and procedures to help ensure that all of the accounts we manage are treated fairly regardless of the types of fees that they pay. Among other things, these policies and procedures state that:

1. We will conduct quarterly reviews of transactions in Performance Fee accounts versus non-Performance Fee accounts to help ensure that there is no pattern of the former receiving preferential treatment.
2. Our Portfolio Managers will sign quarterly certifications that all trading has been in compliance with each account's investment strategy and that all clients were treated equitably and fairly.

ITEM 7 – TYPES OF CLIENTS

Bailard Institutional provides portfolio management services to high net worth individuals, family offices, pension plans, charitable institutions, foundations, endowments, registered mutual funds, private investment funds, sovereign wealth funds and other U.S. and international institutions.

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 Value Equity Strategy - \$5 million

Micro Cap Value Strategy - \$25 million

All Cap Growth/Technology and Science Equity Strategy - \$5 million

Active Fixed Income Strategy - \$1 million

Laddered Bond Strategy - \$1 million

Alternative Investment Strategies

Real Estate Investment Strategy - \$100 million

Fundamental Long/Short Equity Strategy - \$5 million

Emerging Life Sciences Strategy - \$5 million

In some circumstances, investment minimums may be waived.

Private Funds:

Account minimums for Bailard's private funds are set by each private fund. In order to be eligible to invest in Bailard's private funds, prospective investors must be "accredited investors" as defined in Regulation D under the Securities Act of 1933, and for certain of the Bailard private funds, "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 value, U.S. micro cap value, U.S. all cap/technology and science, and fixed income.

Our alternative investments include a real estate investment strategy, a fundamental long/short equity 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 strategies that 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, and overweight our highest ranked markets and underweight 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 market/frontier portfolios to customized mandates. We aim to constrain sector/industry, country and regional active weights.

Small Value Equity Strategy

Our small 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. This qualitative enhancement helps ensure quality and reasonableness of the output of our stock selection models.

We employ 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 75 to 150 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. This qualitative enhancement helps ensure quality and reasonableness of the output of our stock selection models.

We employ 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, 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.

Our risk management process seeks to limit tracking error to a client specified benchmark. We limit industry specific risk by diversifying our technology exposure to all of 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 high level of after-tax income while preserving principal. We incorporate tax, accounting and regulatory concerns in a portfolio construction process. For tax-exempt accounts, our strategy is to construct diversified portfolios using predominately bond ETFs (but also including corporate, Treasury, agency and occasionally taxable or tax-exempt municipal 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 portfolios 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 use a top-down analysis of the interest rate cycle in conjunction with an analysis of corporate and municipal bond market valuations and trends to construct passive laddered bond portfolios. For taxable accounts, our strategy is to invest in approximately even amounts among high quality (i.e., investment grade) municipal bonds with different maturities. For tax-exempt accounts, our strategy is to invest in approximately even amounts among high quality (i.e., investment grade) corporate bonds with different maturities. In both cases, we may potentially utilize liquid, low fee, exchange-traded bond funds at account inception and for investing residual cash. We will 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 30 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 tailors its strategy to seek an ideal blend between steady/sustainable income and strong potential for capital appreciation.

This "Core Plus" 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 or buy at or below replacement cost
- Add value through active asset management
- Align with best-in-class local operators and service providers
- Identify and constantly 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 Core Plus 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 control risks and enhance returns. Bailard generally seeks to leverage its real estate efficiently but modestly, with the goal of a less than 50% aggregate loan to value ratio. Due to the illiquid nature of direct real estate, this strategy comes with risks associated with illiquidity.

[Fundamental Long/Short Equity Strategy](#)

Bailard's fundamental long/short equity strategy aims to achieve consistent investment returns with moderate volatility and low correlation to broad equity market indices. It invests (long and short) in securities consisting primarily, but not solely, of publicly traded equity and equity-related securities of U.S. and non-U.S. companies that are traded in U.S. markets. It also can engage in margin trading, hedging and other investment strategies.

The investment process consists of fundamental research, macroeconomic review, quantitative screening, risk management and technical analysis. It emphasizes fundamental research to estimate the expected growth of a company, the quality of the enterprise and an appropriate valuation for its securities. The analysis of growth examines a company's cyclical and secular business trends, its core competencies, its market opportunities and the macroeconomic environment. Analysis of quality evaluates the capabilities of a company's management, its incentive systems, the profitability of its business model, its ability to finance growth and its financial results. Valuation employs various metrics to estimate the fair value of a security. Quantitative tools are used for universe screening and idea generation, position monitoring and risk/return analysis. The strategy's sector concentration and (to a lesser extent) mix of long and short positions is tilted based on the portfolio manager's view of company, sector and equity market fundamental risk. The decision to take action on a security is based on an estimate of risk-adjusted return relative to current holdings, the security's correlation with those holdings and the security's contribution to the strategy's overall risk profile. The timing of a decision to buy, sell, add or trim a position may be influenced by technical analysis.

[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 managed using our fundamental research expertise.

The strategy has several investment themes, some of which are listed here. We look for 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. A second theme we look for is "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. We also look for superior management, and in some cases, for advanced technology that hasn't necessarily been widely adopted by the population at large.

Our process involves onsite visits and multiple meetings with 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 can be concentrated and is expected to be volatile.

Summary of Certain Risks

Investing in securities involves risk of loss that clients and investors in the Bailard affiliated funds 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 affiliated funds, 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 and national and international political and economic circumstances. Real estate is also subject to the risk of changes in 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 market 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 considered 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 make. 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 plus interest.

Interest Rate Risk:

Investments in fixed income and certain other instruments can lose value due to sudden or unexpected changes in interest rates. The value of these investments is 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 might be 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 diversified portfolio.

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.

Short Selling Risk:

A short sale theoretically involves a 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 assurances that long positions would appreciate enough in value to offset the loss on the short positions.

Valuation Risk:

In order to value the assets and liabilities of Bailard's private funds 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 may 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 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 such cases exacerbates the negative outcome for the investor.

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

Private Funds

Bailard Institutional currently manages three affiliated private funds: a real estate fund, a specialized emerging opportunities fund and a fundamental long-short equity fund. In addition, it expects to manage the Bailard Institutional Equities Trust and the Bailard Emerging Markets Trust once each fund has had its first funding. See Item 5 – Fees and Compensation, for a list of each such Bailard fund.

Bailard affiliates also serve as the general partner for some of the affiliated private funds. Bailard General Partners I, Inc. is the general partner of the Fundamental Long/Short Equity Fund. Bailard General Partners I, Inc. is also the general partner of the Bailard Emerging Life Sciences I GP, LP, which is the general partner of the Bailard Emerging Opportunities Fund I, LP.

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

Other

On June 1, 2018, Bailard Fund Services, Inc. (BFS), a wholly owned broker-dealer subsidiary of Bailard, Inc., submitted a request for deregistration as a broker-dealer. BFS no longer engages in any business activities. Its deregistration as a broker-dealer will be effective upon approval by the SEC.

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

Code of Ethics:

Bailard has adopted a Code of Ethics (the Code) in accordance with SEC rule 204A-1 under the Investment Advisers Act of 1940. The Code addresses, among other things:

1. General principles of business conduct, including requirements that employees comply with their fiduciary obligations to clients and applicable securities law;
2. Personal securities trading policies and procedures; and
3. Specific provisions relating to inside information, confidentiality and gifts.

Each employee of Bailard receives a copy of the Code and is notified of any amendments to it. Bailard employees may buy and sell securities recommended for clients. The Code's personal securities trading policies and procedures help ensure that employees do not personally benefit from their advance knowledge of client transactions. The personal securities trading provisions of the Code apply to employees and to any account in which they have a beneficial interest (typically including members of their household). The Code requires employees to:

1. File initial holdings reports
2. Pre-clear all trades in covered securities that do not qualify for an exemption
3. File quarterly transaction reports
4. File an annual holdings report
5. Sign an annual certificate of compliance with the Code
6. Report any violations of the Code promptly to Bailard's Chief Compliance Officer

The preclearance requirements and trading restrictions of the Code do not apply to, among other things, *de minimus* transactions, investments in Bailard sub-advised mutual funds and investments in exchange traded funds. *De minimus* transactions are:

- 1) fixed-income transactions with a par value of \$50,000 or less, or 2) equity transactions with 1,000 or less shares plus a market value of \$20,000 or less. There is no *de minimus* exemption for purchases or sales of covered securities held by the Bailard Emerging Opportunities Fund.

As a general policy, subject to these exemptions, employees may not:

1. Buy or sell a covered security for at least three days after a research recommendation has been issued to ensure that all orders for clients in that security have been filled

2. Knowingly buy or sell a covered security on the same day that it is being traded in client accounts
3. Profit from the short-term trading of covered securities held by clients

In addition, subject to the above exemptions, Portfolio Managers and Investment Counselors may not buy or sell a covered security within seven calendar days before or after that security is traded in a client account that they manage.

Moreover, employees may not execute a transaction in a covered security on Bailard's Restricted Stock list, regardless of the size of the trade.

Bailard will provide a copy of its Code of Ethics to any client or prospective client upon request.

Employee Investment Advisory Clients

Bailard employees may be Bailard Wealth Management clients, in which case their portfolios pursue the same investment strategies and invest in the same type of investment securities as other Bailard Wealth Management clients. Like other clients, their portfolio trades will be subject to Bailard's Trade and Aggregation Policy.

Employee Investments in Related Securities

Bailard employees may invest in affiliated private funds 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 private fund only after clients have been offered the chance to invest and interests remain available.

Bailard employees may also invest in the mutual funds for which Bailard is the sub-adviser.

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 in affiliated private funds 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 help ensure that its clients' accounts are not adversely affected by this investing. These procedures include portfolio manager certifications and quarterly reviews of trading activity.

Certain Other Potential Conflicts

Trading in Client Accounts

From time to time, Bailard Institutional and Bailard Wealth Management may buy, sell or sell 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 may 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 may 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 may 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 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.

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 board for our emerging life sciences strategy. A small number of clients also own shares of BB&K Holdings, Inc. stock. In addition, certain of Bailard's clients have loaned money to BB&K Holdings, Inc. as part of a corporate restructuring that occurred in 2011. As part of their loan agreement, these clients receive access to certain of Bailard's financial records that are not generally available to clients who did not participate in BB&K Holdings, Inc.'s corporate restructuring. Certain of Bailard's clients have also participated or are currently participating in a program whereby they loan money to Bailard employees for the purposes of enabling the employees to purchase shares of BB&K Holdings, Inc. stock. These arrangements could potentially create an incentive for Bailard to give these clients

preferential treatment. To help address this potential conflict of interest, Bailard incorporates reviews of the relative performance of these clients' investment management accounts into its compliance testing.

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 seeking best execution, Bailard evaluates 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 may select a broker that provides research or brokerage services to Bailard. Bailard also engages in commission sharing arrangements in which commissions for trades executed by one broker are shared with another broker that provides research or brokerage services to Bailard. In so doing, Bailard may 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 services or brokerage services from any broker executing transactions for Bailard’s clients will 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 all 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. Broker-dealers receiving commissions from Bailard Institutional clients may provide Bailard with research and brokerage products or services which may be 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 private funds and mutual funds managed by Bailard Institutional, these clients may indirectly generate commission dollars and in turn may 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 may provide other benefits to Bailard in connection with the brokerage services it provides. 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 between the commissions charged to other clients. In this case, Bailard also would not be able to aggregate orders with 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 make no 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 in 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 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 will be 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. The Trade Policy is attached to the back of this brochure as Exhibit I.

Wrap Fee Accounts

As noted above in Item 4 – Advisory Business, Bailard places orders for wrap fee account trades differently than for non-wrap fee accounts. With the exception of certain fixed-income trades, all portfolio transactions are generally executed through the sponsor firm. With regard to a particular fixed income trade, Bailard may conclude that a wrap fee account may be disadvantaged by directing the trade to the sponsor firm. Bailard may therefore place the order on an aggregated basis with non-wrap fee accounts at firms other than the sponsor, in which case the wrap fee account will be responsible to pay an additional commissions, spreads, transaction charges or other costs incurred by the wrap fee account that are not covered by the wrap fee.

Sponsor firms or wrap fee accounts may include provisions in their agreements with Bailard to direct Bailard to execute all transactions or certain securities (for example, equity securities) through the sponsor firm or one of its affiliates. In those cases, Bailard generally requires that the sponsor firm or the wrap account agree to permit Bailard to trade away or use step-out transactions to execute transactions for wrap fee accounts through broker-dealers other than the sponsor (or an affiliate) in seeking best execution for wrap fee accounts.

As noted in the Trade Policy attached to the back of this brochure as Exhibit I, for non-wrap fee accounts trading priority is first given to accounts where Bailard has discretion to select a broker-dealer. A wrap fee account may trade with these accounts if Bailard believes that doing so is in line with its duty to seek best execution and if it has the ability to step out / trade away in the wrap fee account. Then, for non-wrap fee accounts, trading priority is given to directed brokerage accounts. After non-wrap fee directed brokerage accounts, trade orders that have not been stepped out/traded away for wrap fee accounts will be communicated to the sponsor firm for execution; if there is more than one sponsor firm, orders will be communicated to them on a rotation basis. As a consequence of this trading sequencing, accounts within the same strategy are likely to receive different execution prices and different rates of return. To address this potential conflict of interest and trading matter, Bailard maintains policies and procedures that it believes are consistent with its fiduciary duty to treat its clients fairly, including policies and procedures to evaluate execution and to review client accounts for consistency with client investment objectives and restrictions.

ITEM 13 – REVIEW OF ACCOUNTS

Bailard Institutional's separate account and affiliated private fund clients are assigned to a team of individuals to include 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 for 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 clients not less frequently than 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.

Bailard Real Estate Fund:

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 private fund client. Bailard also delivers an annual audited financial report, which is audited by Deloitte & Touche, a PCAOB registered auditor.

Bailard Fundamental Long/Short Equity Fund, LP and Bailard Emerging Opportunities Fund I, LP:

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 private fund client. Annually, EisnerAmper LLP, a PCAOB registered auditor, provides audited financial reports to Bailard to deliver to the Bailard Fundamental Long/Short Equity Fund, LP and the Bailard Emerging Opportunities Fund I, LP.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Other Compensation

In exchange for using the services of certain broker-dealers or custodians, Bailard Institutional may receive, without cost, computer software and related systems support, which allow Bailard Institutional to better monitor client accounts maintained with them. In addition, Bailard Institutional may receive 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 Institutional may engage solicitors who refer clients to it. Bailard will pay any such 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.

These arrangements may include referral agreements with the broker-dealers or custodians that Bailard recommends to its 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. 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 other immediate family member who resides with the referred client and hired Bailard on the recommendation of such referred client. 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 certain 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. As part of these arrangements Bailard may agree not to solicit clients to establish brokerage or custody accounts with other broker-dealers or custodians absent a fiduciary duty to do so.

Bailard also pays a bonus to its employees who are involved in bringing new clients to our firm. However, it is important to note that any such bonuses paid to employees will not have a direct impact on the fee paid by the client.

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. Separate account clients receive electronic or hard copy account statements directly from their qualified custodians at least quarterly. Investors may also receive account statements at least quarterly directly from transfer agents or administrators for interests in certain pooled investment vehicles (i.e., affiliated private funds 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 or select custodians for clients. Bailard is deemed to have custody of our affiliated private funds by virtue of the control that our affiliated general partners and certain of our employees have over these funds' operations. Investors in the affiliated private funds will receive a copy of each fund's annual audited financial statements.

ITEM 16 – INVESTMENT DISCRETION

Bailard and a new client typically 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. In all cases, however, 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, including the authority to select the identity and amount of securities to be bought or sold. 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 Bailard Real Estate Fund, 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 we believe 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 for include, but are not limited to, mutual funds, our private affiliated funds, separately managed institutional accounts, and certain Bailard Wealth Management clients.

In seeking to avoid material conflicts of interest, we have engaged Glass Lewis, a third party service provider, to vote Bailard Institutional account proxies in accordance with Glass Lewis's standard U.S. and international stock proxy voting guidelines. 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 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 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 and addressed environmental or social risks. Glass Lewis will also generally support those shareholder proposals that protect and enhance important shareholder rights, promote direct accountability or seek to improve compensation practices.

In certain circumstances, Bailard may override Glass Lewis's recommendations.

For accounts that Bailard does not have the authority to vote proxies for, clients will 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 send a letter to: Bailard, Attn: Proxy Department, 950 Tower Lane Suite 1900, Foster City, CA 94404.

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 send a letter to: Bailard, Attn: Proxy Department, 950 Tower Lane Suite 1900, Foster City, CA 94404.

ITEM 18 – FINANCIAL INFORMATION

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

EXHIBIT I

Trade Priority and Aggregation Policy

Section 206 of the Advisers Act imposes a fiduciary duty on an investment adviser to act in the utmost good faith with respect to its clients, and to provide full and fair disclosure of all material facts. An advisor that aggregates client orders must do so in a manner consistent with its duty to seek best execution of the orders, and must ensure that all clients are treated fairly in the aggregation and allocation.

Bailard provides investment advice to a number of different types of clients, including individuals, employee benefit plans, foundations and endowments, private placements, pooled funds and registered investment companies. Bailard is obligated to seek best execution of all trades for all of its clients.

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 typically aggregate or block mass buy and sell orders of the same stock or exchange traded fund (ETF) for Bailard Wealth Management clients. Bailard will consider aggregating or blocking stock trades for other clients (including mutual fund and private placement 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. Smaller Wealth Management accounts may not participate in certain bond or bond ETF blocks.

Bailard Wealth Management client accounts are held at a number of different bank and broker custodians, each of whom may custody multiple accounts. Bailard's trading department will follow procedures to ensure that the orders for these custodians are placed in a generally fair fashion. Currently, separate block orders are created for accounts custodied at banks, at Charles Schwab, and at TD Ameritrade. Priority in trading will be rotated among each of these three categories on a monthly basis. (The Trading Desk is responsible for maintaining a record of this rotation, which is reported to the Best Execution Committee on a regular basis.) However, in some instances, a custodian may not allow such aggregation to occur. In those cases, the blocked trade orders will be placed before the orders for the accounts at the non-participating custodian or custodians.

To fill bond orders, we generally focus first on buying the security and then on seeking to allocate to the accounts with the greatest investment need.

Bailard may also seek to block certain corporate account trades with the mass buy or sell trades of Bailard Wealth Management clients. In these instances, Bailard will block the corporate accounts' trades with the trades of client accounts held at the same custodian. If no client account is held at the corporate account's custodian, Bailard will add the corporate account custodian to the list of client account custodians for the block trade, and the corporate custodian's trades will be rotated in the priority of trading along with those of the Bailard Wealth Management client account custodians. The corporate account custodian will be included in the record of rotation which is reported to the Best Execution Committee on a regular basis.

Bailard will aggregate client orders as follows:

1. Bailard has adopted this written policy for the aggregation of orders, which it will fully disclose on Form ADV to existing clients and separately to brokers.
2. Bailard will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek the best price) for its clients and is consistent with the terms of Bailard's investment advisory agreement with each client for which trades are being aggregated.
3. As noted above, priority in trading activity is normally given to discretionary accounts not subject to directed brokerage instructions. Each such client that participates in an aggregated order with a given broker will participate at the average share price for all Bailard transactions in that security with that broker on a given business day, with transaction costs shared pro rata based on each client's participation in the transaction. Directed brokerage accounts, non-discretionary accounts, and complex accounts may trade on an individual basis in amounts that do not allow for trading on a more favorable aggregate basis. If the trades for these

accounts can be blocked, each such client that participates in the aggregated order with a given broker will participate at the average share price for all Bailard transactions in that security with that broker on a given day, with transaction costs shared pro rata based on each client's participation in the transaction, except where transaction costs must be shared on a different basis pursuant to different commission levels negotiated by participating accounts. Clients are encouraged to consult with Bailard, Inc. in connection with directed brokerage, complex or non-discretionary arrangements, because discretionary, non-directed trading authority to the adviser allows us to act more quickly on our investment judgment and may, in various circumstances, be a more cost-effective and efficient alternative to be considered.

4. Prior to placing an aggregated order for a particular security, Bailard will prepare and archive an Allocation Statement specifying the participating client accounts and how it intends to allocate the order among those client accounts.
5. If an aggregated order is filled in its entirety, it will be allocated among all participating clients in accordance with the Allocation Statement. If the order to buy or sell a stock is not completely filled, the amount of the order filled will be pro-rated at the same average price over all the accounts listed on the Allocation Statement. When trade orders are allocated to individual accounts, the rounding feature of our portfolio accounting system's trade allocation function may result in certain accounts being allocated marginally more or less amounts than other accounts. For bond trades, priority in allocating partial fills will typically be given to the accounts with the greatest investment need and/or best fit.
6. The order may be allocated on a basis different than Paragraphs 4 and 5 if (a) all clients receive fair and equitable treatment, (b) the reason for the different allocation is explained in writing, and (c) the explanation is approved in writing by the Chief Compliance Officer (or a delegate) before one hour after the open of the market of the trading day following the day the trade is executed.
7. All trade allocations for investment companies will be made by the end of the trading day. All trade allocations to other accounts will be made before the open of the market of the trading day following the day the trade is executed.
8. Bailard's books and records will separately reflect for each client account any orders which were aggregated.
9. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker/dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale on a delivery versus payment basis. Cash or securities held for clients will be delivered out for deposit to the clients' accounts at the custodian bank or broker/ dealer as soon as practicable following the settlement.

10. Bailard will receive no additional compensation as a result of the aggregation.
11. Individual investment advice and treatment will be accorded to each advisory client.
12. Bailard will review its aggregation procedures annually to assure that no account is being systematically disadvantaged by aggregation and will make corrective changes to its procedures, if appropriate.
13. Copies of Allocation Statements and records of deviations from the Allocation Statements (with the appropriate approvals) will be kept for five (5) years in an easily accessible place, the first two (2) years in the office of the advisor.

In cases where orders of registered investment companies are to be aggregated with the orders of others, Bailard will submit its policies on aggregation to the Board of Directors or the Board of Trustees of the registered investment companies.

Trade Policy Considerations for Wrap Fee Accounts

Bailard places orders for wrap fee account trades differently than for non-wrap fee accounts. With the exception of certain fixed-income trades, all portfolio transactions are generally executed through the sponsor firm. With regard to a particular fixed income trade, Bailard may conclude that a wrap fee account may be disadvantaged by directing the trade to the sponsor firm. Bailard may therefore place the order on an aggregated basis with non-wrap fee accounts at firms other than the sponsor, in which case the wrap fee account will be responsible to pay an additional commissions, spreads, transaction charges or other costs incurred by the wrap fee account that are not covered by the wrap fee.

Sponsor firms or wrap fee accounts may include provisions in their agreements with Bailard to direct Bailard to execute all transactions or certain securities (for example, equity securities) through the sponsor firm or one of its affiliates. In those cases, Bailard generally requires that the sponsor firm or the wrap account agree to permit Bailard to trade away or use step-out transactions to execute transactions for wrap fee accounts through broker-dealers other than the sponsor (or an affiliate) in seeking best execution for wrap fee accounts.

For non-wrap fee accounts, trading priority is given first to accounts where Bailard has discretion to select a broker-dealer. A wrap fee account may trade with these accounts if Bailard believes that doing so is in line with its duty to seek best execution and if it has the ability to step out / trade away in the wrap fee account. Then, for non-wrap fee accounts, trading priority is given to directed brokerage accounts. After non-wrap fee directed brokerage accounts, trade orders that have not been stepped out/traded away for wrap fee accounts will be communicated to the sponsor firm for execution; if there is more than one sponsor firm, orders will be communicated to them on a rotation basis. As a consequence of this trading sequencing, accounts within the same strategy are likely to receive different execution prices and different rates of return. To address this potential conflict of interest and trading matter, Bailard maintains policies and procedures that it believes are consistent with its fiduciary duty to treat its clients fairly, including policies and procedures to evaluate execution and to review client accounts for consistency with client investment objectives and restrictions.

Trade Policy Considerations for Complex and Non-Discretionary Accounts

What are Trade Policies and Why are They Important? In our capacity as an investment advisor, Bailard regularly aggregates client orders for Bailard Wealth Management accounts that have the same trading relationships. This “blocking” or “bunching” of trades often results in lower transactions costs and better execution than individually placed orders because we can exercise more control over the timing of trades and because larger blocks of securities generally receive better pricing. The allocation of such aggregated orders is a very important part of the investment management process. We, as an investment advisor, have a fiduciary responsibility as mandated by the Securities and Exchange Commission to make sure clients understand how trades are allocated among our clientele. We would therefore like to take this opportunity to review our trade policy with you.

As noted in our Form ADV Part 2A Bailard Wealth Management Brochure, Bailard has adopted a Trade Policy to ensure that it will aggregate client orders in a manner consistent with its duty to seek best execution of orders. The policy is also designed to ensure that all clients are treated fairly in the aggregation and allocation of trades.

What Types of Restrictions Can Bailard Advisory Service’s 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.

