

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, 2012

Bailard

INVESTING. REDEFINED.®

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ITEM 2 – MATERIAL CHANGES

A separate document summarizing the material changes made to this brochure from June 29, 2011 to June 29, 2012 has been filed with the SEC as an exhibit to this brochure.

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ITEM 4 – ADVISORY BUSINESS

Firm Overview

Bailard, Inc. (Bailard) is a registered investment adviser located 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 a member of Bailard’s Compliance team 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.

Bailard has a total staff of 49. We maintain a business discipline designed to attract and retain top investment talent, and the average tenure among Bailard’s 28 key professionals is 19 years. Seventy-three percent of the professional staff has advanced degrees and/or industry designations (PhD, Masters, CFA, CFP®). Led by Chief Executive Officer, Peter M. Hill, Bailard’s senior management team is comprised of six individuals with an average tenure of 24 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 surest way to serve our clients and to provide the scope, stability and alignment of interests for continued success. Thirty-three current employees own nearly two-thirds of the firm, with the remaining shares owned by private investors and former employees. 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 and Burnie E. Sparks, Jr.

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 in the area of alternative investments. Bailard Institutional manages the following asset classes and investment styles:

Long-only Equity Strategies

- International Equities: Developed and Emerging Markets

- Small Value

- Large Growth/Technology

Alternative Investments

- Commercial Real Estate

- Long-Short Equities

- Long-Short REITs

- Emerging Life Sciences

- Emerging Opportunities

In the management of our 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 strategy integrates behavioral finance techniques in an effort to identify temporarily mispriced equities. Our U.S. large growth strategy emphasizes the technology sector and other growth industries of the marketplace.

Bailard Institutional's alternative investment strategies pursue a wide range of investment opportunities. Our real estate management strategy encompasses more than 30 years of Bailard's experience in managing commercial real estate portfolios and offers investors exposure to office, industrial, retail and multi-family residential properties. Our long-short equity and long-short REIT strategies seek to provide solid, long-term absolute returns independent of the equity market's general direction. We employ both quantitative and fundamental methods and attempt to efficiently capture deviations from fair value. Our Emerging Life Sciences strategy focuses on the small, emerging bioscience, device and medi-

cal technology companies and is supported by primary research and fundamental investment processes. Our Emerging Opportunities Strategy is designed as a multi-strategy portfolio that aims to provide investors with access to specialized investment strategies that might not otherwise be available to them.

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 six affiliated private funds in accordance with the investment restrictions outlined in their Confidential Offering Memoranda. These private funds are distributed by Bailard Fund Services, Inc., an affiliated registered broker-dealer. They are:

1. Bailard Real Estate Investment Trust I, Inc. (REIT I)
2. Bailard Real Estate Investment Trust II, Inc. (REIT II)
3. Bailard Long-Short Accredited Investor Fund, LP
4. Bailard Long-Short Onshore Fund, LP
5. Bailard Long-Short Offshore Fund, Ltd.
6. Bailard Emerging Opportunities Fund, LP

Client Assets Under Management

As of March 31, 2012, Bailard Institutional managed \$1.32 billion in client assets on a discretionary basis. Bailard's total assets under management as of March 31, 2012, were \$1.91 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 Equity Strategies

International 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

International Emerging Markets 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 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

Large Growth/Technology 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

Alternative Investments Strategies

Long-Short REITS 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 Investment Trust I (REIT I)

0.85% management fee

Bailard Real Estate Investment Trust II (REIT II)

0.85% management fee

Bailard Long-Short Accredited Investor 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.

Bailard Long-Short Onshore Fund, Ltd.

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 Long-Short Offshore Fund, Ltd.

1% annual management fee

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

Bailard Emerging Opportunities Fund I, LP (Previously known as Bailard Emerging Life Sciences 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.

There are a number of sub-advisory relationships (including the HighMark Cognitive Value Fund, HighMark Enhanced Growth Fund and the HighMark International Opportunities Fund) 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 specified 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. As specified in the IMA, management fees typically will be pro-rated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. A client may terminate at any time on written notice; generally, Bailard may terminate 30 days after written notice.

For separately managed accounts, the only fee paid to Bailard is the 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. In the case of the Bailard Long-Short Offshore Fund, Ltd., performance fees are paid to Bailard.

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 overhead and administrative expenses, including filing and legal expenses, 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 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 audits 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 accounts' 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 (including those distributed by Bailard Fund Services, Inc.), sovereign wealth funds and other U.S. and international institutions.

Separate account minimums for initial investment are as follows:

Long-Only Equity Strategies

International Strategy - \$10 million

International Emerging Markets Strategy – \$10 million

Small Value Strategy- \$5 million

Large Growth/Technology Strategy - \$5 million

Alternative Investment Strategies

Long-Short REITs Strategy - \$5 million

Emerging Life Sciences Strategy- \$5 million

In some circumstances, investment minimums may be waived.

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 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 equity 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 and U.S. large growth/technology.

Our alternative investments include commercial real estate, long-short strategies, long-short REITs, a specialized long only emerging life sciences strategy and an emerging opportunities strategy.

Long Only Investment Strategies

International Equity Strategy

Our international equity strategy is a large cap, core, actively managed strategy that utilizes 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 pre-determined 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 portfolios to customized mandates. We aim to maintain neutrality with respect to sectors and industries, and constrain country and regional active weights.

Small Value 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 regard-

ing 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 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 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 allows low volume stocks to be traded with reduced market impact.

Large Growth/Technology

Our Large Cap Growth/Technology strategy seeks to provide investors primarily with exposure to the information technology sector, and to a lesser extent, other broad economic sectors including, but not limited to, healthcare, telecommunications, industrials, and consumer discretion.

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.

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.

Alternative Investments

Commercial Real Estate

Bailard brings over 30 years of specialized experience to the management of our commercial real estate strategy. Our commercial real estate portfolio typically includes a mix of core, value added and opportunistic properties. As active managers that are focused on value creation, we make strategic shifts in the portfolio in response to changing economic and market conditions.

We endeavor to build a diversified portfolio of investments by property type, geography and economic drivers. We generally pursue a value-added acquisition strategy where we acquire properties that we believe are undervalued, or have the potential to be re-leased, developed, or repositioned, in order to increase value at a future date. We serve as the portfolio managers, defining strategy, making buy/hold/sell recommendations, and directing and overseeing the implementation of the property specific plans. The non-discretionary operating managers hired by us implement asset management, source acquisitions and conduct market research.

We aim to bring a level of risk control to our real estate strategies by diversifying across several properties across various property types and in different geographic areas of the market. We aim to maintain lower than average levels of leverage, and seek to limit the exposure of the portfolio to a single property. At any point in time, we expect the portfolio to be a mix of core, value-add and opportunistic investments. Due to the illiquid nature of commercial real estate, the investment comes with risks associated with illiquidity.

Long-Short Equities

Bailard's long-short equity strategy offers investors the opportunity to invest in a diversified equity market-neutral strategy with performance designed to be independent of the stock and bond markets. The strategy aims to provide absolute returns and low volatility by maintaining a dollar-neutral portfolio of liquid securities. We employ several different strategies under the Long/Short umbrella that exhibit little correlation to each other. The combination of these strategies is intended to reduce the volatility of the overall strategy.

The three broad long/short strategies within the Fund are (i) quantitative (ii) fundamental and (iii) long-short REITs. The allocation of each broad bucket of strategies is monitored constantly and can change over time.

The quantitative strategies are driven by proprietary models that process a wide array of data points for thousands of companies to try to match factors including,

but not limited to, valuation, earnings growth, earnings quality, and momentum to categorize stocks into those that are likely to outperform in the future versus those that are likely to underperform. The portfolio is then constructed to capitalize on the expected difference in the future relative performance between the two categories. The portfolio is controlled for risk by diversifying across a large basket of securities across all economic sectors of the markets. Investments in this category can be either US-based or international.

The fundamental analysis strategy uses primary research to uncover long and short investment opportunities among diverse sectors of the stock market, with a mid-cap company focus. Stock selection is the result of analyzing a company's growth, quality and valuation attributes, and the strategy is diversified across multiple industry groups. Risk control processes focus on volatility to risk-adjusted return expectations, position sizing and portfolio tilt. In managing this strategy, Bailard relies heavily on investment recommendations provided by Primary Funds LLC ("Primary Funds"), an investment adviser that is unaffiliated with Bailard. Primary Funds uses the same long-short strategy in managing its own advisory accounts. Primary Funds generally executes trades for its own accounts before Bailard executes long-short trades that are based on Primary Funds' recommendations. As a result, Primary Funds' trading activity may negatively impact Bailard's trading activity in this strategy.

The long-short REIT strategy aims to exploit pricing inefficiencies in the U.S. publicly traded REIT market, while neutralizing long and short exposures by dollar and property type. Unlike the stocks of many other sectors, public real estate securities offer the potential for valuation of their underlying assets. REITs that appear to be underpriced by the market relative to their net asset value can be purchased, and those that appear to be overpriced by the market relative to their net asset value can be sold short in an equal amount. The resulting portfolio has the ability to generate positive returns when the stock prices of these REITs move closer in line with their underlying net asset values. The strategy aims to be equally weighted in long and short positions; therefore, net market exposure tends to be limited.

Long-Short REITs

The long-short REIT strategy aims to exploit pricing inefficiencies in the U.S. publicly traded REIT market, while neutralizing long and short exposures by dollar and property type. Unlike the stocks of many other sectors, public real estate securities offer the potential for valuation of their underlying assets. Through a combination of qualitative and quantitative inputs, we seek to identify those REITs that are trading at a significant premium to net asset value (short candidates)

and those that are trading at a significant discount to net asset value (long candidates). The resulting portfolio has the ability to generate positive returns when the stock prices of these REITs move closer in line with their underlying net asset values. The strategy aims to be equally weighted in long and short positions; therefore net market exposure tends to be limited.

Emerging Life Sciences

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.

Emerging Opportunities

The Emerging Opportunities strategy is designed as a multi-strategy portfolio that aims to provide investors with access to specialized investment strategies that might not otherwise be available to them. Initially, we expect to focus on a sector specific emerging life sciences strategy, which is expected to be diversified across different disease categories of the healthcare sector. In the future, the portfolio can include specialized strategies across global equity markets. We generally aim to focus on areas of the equity markets that are inefficient and under-followed by the investing public at large. It is our belief that investments in these categories of the market offer the potential for a higher return given the extremely low investor expectations associated with them.

The strategies within this opportunity set will be implemented using our fundamental and quantitative expertise.

Summary of Certain Risks

Investing in securities involves risk of loss that clients and investors in the Bailard 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 interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may cause unexpected volatility or even illiquidity and can result in losses. The value of our clients' investments will fluctuate, and there is no assurance that Bailard or an underlying manager will achieve any client's investment objective.

Foreign Investment Risk:

In addition to the possible loss of investments due to market movements, international investments might suffer losses due to unfavorable exchange rate movements caused by economic or political uncertainty in other 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 countries, particularly emerging and frontier markets, may be illiquid and settlements can be delayed.

Liquidity Risk:

Investments in small and micro-cap global equities might suffer from illiquidity and can be expensive to trade. Investments in these instruments may be illiquid or hard to value. Investments in commercial real estate are illiquid, and investors should not include these investments in their liquid pool of assets.

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 speculative and could be volatile.

Exchange Traded Funds (ETFs) Risks:

ETFs charge their own 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. Commercial 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.

Higher Frequency Trading Risk:

Some strategies involve high turnover, which involves buying and selling securities very frequently, without holding them for long periods of time. Such strategies can be costly to execute due to the high volume of trading and are subject to poor implementation on trading.

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.

ITEM 9 – DISCIPLINARY INFORMATION

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

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer

In 1988 Bailard established Bailard Fund Services, Inc. (“BFS”), a wholly owned subsidiary which is registered as a general broker-dealer specializing in the marketing and placement of mutual fund shares, private fund interests and corporate securities. All registered representatives of BFS are employees of Bailard.

BFS markets and facilitates the distribution of private funds that are sponsored and managed by Bailard. BFS also currently assists in the distribution of Class M shares of the HighMark International Opportunities Fund, the HighMark Cognitive Value Fund and the HighMark Enhanced Growth Fund. BFS may receive a placement fee in connection with the marketing and distribution of interests in the Bailard affiliated funds. The last time BFS received a placement fee was in 2001. BFS does not execute portfolio transactions.

Private Funds

Bailard manages a number of affiliated private funds, which includes two REITs, a specialized emerging opportunities fund and four long-short funds (including an offshore feeder fund). See Item 5 – Fees and Compensation, for a list of each such Bailard fund. (This list does not include the long-short master fund described in the following paragraph.)

Bailard affiliates also serve as the general partner for some of these private funds. Bailard General Partners I, Inc. is the general partner of the Bailard Long-Short Accredited Investor Fund, LP, the Bailard Long-Short Onshore Fund, LP (the “Onshore Fund”) and the Bailard Long-Short Master Fund, LP (the “Master Fund”). The Onshore Fund is a feeder fund in a master-feeder structure that seeks to achieve its objectives by investing its assets in the Master Fund.

Bailard General Partners I, Inc. is also the general partner of the Bailard Emerging Life Sciences I GP, LP, which in turn is the general partner of the Bailard Emerging Opportunities Fund, LP (previously known as the Bailard Emerging Life Sciences Fund, LP).

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

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 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 the three 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; and 2) equity transactions with 1,000 or less shares and 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
4. Execute a transaction in a covered security on Bailard's Restricted Stock list.

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.

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

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 three 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 these investments.

These procedures include portfolio manager certifications and quarterly audits of trading activity.

Master-Feeder Structure

As described in Item 10 above Bailard has established a master-feeder structure whereby two of Bailard's funds, the Onshore Fund and the Offshore Fund, invest substantially all of their assets in another Bailard fund, the Master Fund. Investors in this structure are subject to only one level of management fees and Performance Fees.

Certain Other Potential Conflicts

From time to time, 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.

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 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, 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.

Bailard may recommend that clients custody their assets at a specific bank or a broker-dealer. Certain custodial platforms designed for wealth management clients may require that brokerage transactions be executed and/or cleared by the broker-dealer with whom the client assets are custodied. In these circumstances, Bailard may not have discretion to select other broker-dealers to effect client transactions.

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 soft dollar benefits than those attributable to accounts of clients of Bailard Wealth Management. However, since Wealth Management clients invest in affiliated private funds and three mutual funds managed by Bailard Institutional, these clients indirectly generate soft dollar commissions and benefit from the research and brokerage services purchased with those 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 to use one or more particular broker-dealers in managing their accounts. 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 may be willing to direct the use of a particular broker-dealer for transactions should understand that such direction will prevent Bailard from effectively negotiating brokerage compensation on their behalf, that best execution may not be achieved, and 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 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.

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 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 is less frequent than monthly. 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 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.

Commercial Real Estate:

Bailard reviews the consolidated monthly financial reports (i.e. income statement, balance sheet, etc.) and quarterly NAV reports produced by Burr Pilger Mayer, Inc. (BPM), an independent accounting firm. The finalized reports are then provided to the affiliated private fund client. Bailard also delivers an annual audited financial report, which is audited by PricewaterhouseCoopers LLP, a PCAOB registered auditor.

Long-Short Equities and Emerging Opportunities:

Bailard reviews the monthly reports (i.e. balance sheet, holdings report, income statement, etc.) produced by JD Clark & Company (formerly, UMB Fund Services, Inc.), an independent fund administrative and accounting firm. The finalized reports are then provided to the affiliated private fund client. Also, annually, EisnerAmper LLP, a PCAOB registered auditor, provides an audited financial report to Bailard to deliver to the private fund client.

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 serves 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 the prime brokers, they 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 pays the solicitors an amount equal to 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. Bailard may also pay a bonus to employees who refer prospects who become clients of our firm.

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 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 with the quarterly account statements they receive from us. Bailard may from time to time recommend or select custodians for clients. Investors in the affiliated 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 Bailard Institutional's real estate investment trust products, REIT I and REIT II, determinations to purchase and sell property holdings are subject to the approval of the 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, the three 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 does not allow the option for clients to direct the votes in a particular solicitation.

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.

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). Finally, some discretionary accounts may be complex and require additional review before trades can be executed. 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 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.

Bailard will typically aggregate or block mass buy and sell orders of the same stock or exchange-traded fund (ETF) for Bailard Advisory Service clients. Bailard will consider aggregating or blocking other 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 may seek to block Bailard Advisory Service bond buy or sell orders on a best efforts basis if conditions A to C above can be met.

As noted in Section 14 below, different procedures are used for blocking MY-FLEX and MY-KIN accounts custodied at Foliofn.

Bailard Advisory Service 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.

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. Bailard intends to treat all clients fairly. 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 entering an aggregated order for a particular security, Bailard will prepare a written statement in the form of our portfolio accounting system's block printout (the "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, if it is impractical to pro-rate a partial fill, Bailard may allocate full orders to some of the accounts on a "best fit" basis.
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.
14. As disclosed in Form ADV, different procedures are followed for MY-FLEX® and MY-KIN accounts custodied at Foliofn.

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 Complex and Non-Discretionary Bailard Advisory Service Accounts

What are Trade Policies and Why are They Important? In our capacity as an investment advisor, Bailard regularly aggregates client orders for Bailard Advisory Service 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.

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 discre-

tionary 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 the Client? 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.