

Baird Ultra Short Bond Institutional BUBIX

An excellent team and process to match.

Morningstar's Take BUBIX

Overall Morningstar Rating™		★★★★★	
208 US Fund Ultrashort Bond (30 Apr 2023)	3 Yr 208 funds	5 Yr 181 funds	10 Yr — funds
Morningstar Rating™	3★	4★	—
Morningstar Medalist Rating		Gold	
Analyst-Driven %	100.00		
Data Coverage %	100.00		
Morningstar Pillars			
Process (7 Feb 2023)	High		
People (7 Feb 2023)	High		
Parent (25 Mar 2022)	High		
Performance (7 Feb 2023)			
Price (7 Feb 2023)			

7 Feb 2023 | by Alec Lucas

Appreciation for how Baird Ultra Short Bond's capable and collaborative investing culture pairs with the firm's simple but effective style earns an upgrade of the investor shares' Morningstar Analyst Rating to Gold from Silver, while its institutional shares remain Gold.

Other top-tier firms may have bigger staffs and broader remits; Baird operates differently, and is excellent in its own right. Co-CIO Mary Ellen Stanek, winner of Morningstar's 2022 Outstanding Portfolio Manager award, and co-CIO Warren Pierson head this fund's veteran 10-person management team, whose members complement one another's strengths and stick to a straightforward, winning playbook.

Modest fees are critical to that playbook, allowing the team to focus on U.S. dollar-denominated bonds of primarily investment-grade quality without the complications of derivatives or leverage. The approach begins with matching the Bloomberg

Short-Term U.S. Government/Corporate Index's overall interest-rate sensitivity and then trying to add value through more repeatable means.

Security selection and sector allocation among corporates, securitized, and government bonds are among those means. In 2022, for example, the managers cut the portfolio's asset-backed securities stake by 7.5 percentage points to 10.7% by year-end, while increasing exposure to high-quality nonagency commercial mortgage-backed securities by 8.5 percentage points to 8.7%. They also hiked the fund's BBB weighting by nearly 10 percentage points in the first quarter before paring back to end the year at 37.1%.

Thanks to making more right moves than wrong ones, the fund has an enviable record. It has beaten its index and distinct ultrashort bond Morningstar Category peer median in seven out of its nine calendar years of existence. In 2022, its institutional shares' 0.96% return outpaced the index and peer median by 391 and 87 basis points, respectively. Versus the index, bonding picking within and overweighting corporate credit, especially short BBB debt (maturities of less than 1.5 years), helped the most. But so too did cutting ABS exposure.

The fund is a topnotch choice, especially for investors in search of a conservative option.

Process High | Alec Lucas | 7 Feb 2023
Focused on U.S. dollar-denominated bonds of primarily investment-grade quality without the complications of derivatives or leverage, or the need to clear lofty fee hurdles, Baird Advisors' simple but effective investing style merits a High Process rating.

Citing the difficulty of predicting interest-rate changes consistently, Baird's approach begins with matching this fund's overall interest-rate sensitivity, or duration, to the Bloomberg Short-Term U.S. Government/Corporate Index. Aiming to beat this

bogy by 15 to 25 basis points per year, gross of fees, the team tries to add value through yield-curve positioning, sector allocation, security selection, and competitive trade execution.

Security selection and sector allocation among corporates, securitized, and government bonds receive the most focus. Whether individual bonds, issuers, or sectors, the team looks for strong fundamental features, attractive relative value, and fit within its broader macroeconomic views. Non-investment grade debt is capped at 10%, but the managers typically stay far from that limit, and generally buy debt rated at least B or what they perceive to be equivalent quality if unrated. The fund's credit profile as a result tends to look tame relative to more aggressive ultrashort bond Morningstar Category peers.

The hunt for value even extends to yield-curve strategies for Treasuries. The team looks for incrementally more attractive Treasuries when buying and sells those with the richest valuations.

Relative to its Treasury-heavy Bloomberg U.S. Government/Credit 1-3 Year Index, the fund tends to overweight corporate credit. It has historically allocated about 55% to 75% of its assets to the sector, versus 15% to 25% for the index. Within corporate credit, the fund entered 2022 with a 7.4-percentage-point financials overweight that the team increased to 11.9 percentage points by year-end. The team continues to like financials, noting banks' generally stout capital positions and alignment of their management incentives with high ratings given that banks consistently need to access debt markets.

The fund's out-of-benchmark securitized stake ended 2022 at 20.6% of assets, up modestly from 19.9% a year prior. Although the overall securitized weighting didn't change much, the mix in two of its subsectors did. As repeated interest-rate hikes weighed on the mortgage market in 2022, the managers cut the asset-backed securities stake by

7.5 percentage points to 10.7% by year-end, while increasing exposure to high-quality nonagency commercial mortgage-backed securities by 8.5 percentage points to 8.7%.

At year-end 2022, about half of the fund's 76.1% stake in investment-grade debt was in bonds with BBB ratings. Combined exposure to junk bonds and non-rated debt was then 0.3%, well below the fund's 1.9% historical average and peak weighting of 6.6% at year-end 2014.

People ● High | Alec Lucas | 7 Feb 2023

Appreciation for how Baird Advisors' capable and collaborative investing culture pairs with the firm's simple but effective style earns the fund a People upgrade to High from Above Average.

Other top-tier firms may have bigger staffs and broader remits; Baird operates differently, and is excellent in its own right. Co-CIO Mary Ellen Stanek, winner of Morningstar's 2022 Outstanding Portfolio Manager award, and co-CIO Warren Pierson head this fund's veteran 10-person management team, whose members complement one another's strengths and stick to a straightforward, winning playbook.

Alongside Stanek and Pierson, Charles Groeschell and research director Jay Schwister set the tone here; each has about 40 to 45 years of industry experience. The other managers have a wider range of experience but collectively represent the next generation. Lead Jeffrey Schrom and comanagers Andrew O'Connell and Abhishek Pulakanti work as part of a seven-person credit team; Meghan Dean and Patrick Brown oversee a seven-person securitized team; and M. Sharon deGuzman guides Baird's seven-person portfolio construction and risk group.

Stability is a strength. Apart from two retirements in 2020 and 2021, respectively, no manager has left since this fund's year-end 2013 inception. There have also been only two analyst departures since 2016, both for personal reasons.

Fund ownership stands out, too. Managers invest in all their strategies, with three owning more than \$5 million each across the lineup.

Parent ● High | Alec Lucas | 25 Mar 2022

Baird's best-in-class stewardship attributes and investor alignment deserve a Parent rating upgrade to High from Above Average.

The firm's taxable-bond franchise, which boasts low fees, a well-resourced team, and a risk-aware investment process across its strategies, has garnered considerable investor attention over the past few years. It swelled from \$37 billion in 2016 to \$120 billion at the end of 2021, encompassing 85% of the firm's total \$139 billion in assets. This growth bears monitoring, but longtime CIO and lead fixed-income portfolio manager Mary Ellen Stanek has shown prudence in adding personnel and operational resources to manage this considerable load. She has also been circumspect in succession planning and elevated her veteran deputy Warren Pierson to co-CIO in October 2021. Though the firm's municipal-bond and equity franchises are much smaller, they also sport sensible leadership and many of the same positive attributes as the taxable fixed-income lineup.

Baird has long supported its investors by providing transparent reporting on its own firm and its investment rationale through timely market updates and webinars. Internally, the firm is also keen to encourage employee retention and engagement: Turnover among the firm's analyst staff has historically been low, and around two thirds of employees owned stock in the privately held firm at the end of 2021.

Performance | Alec Lucas | 7 Feb 2023

The fund has a strong record since its year-end 2013 inception. Through January 2023, its institutional shares' 1.4% annualized gain beat the Bloomberg Short-Term U.S. Government/Corporate Index by 62 basis points while placing near the top quartile out of nearly 65 distinct ultrashort bond Morningstar Category peers. Adjusted for volatility, results looked even better: the institutional shares' Sharpe ratio (a measure of return relative to standard deviation) was superior to the benchmark's and placed first in the peer group.

Consistent outperformance has been a hallmark here. Through 2022, the fund has beaten its index and distinct peer median in seven out of its nine calendar years of existence. Versus the benchmark,

the fund's best showing was in 2022, when its 0.96% return outpaced the index by 391 basis points. Bonding picking within and overweighting corporate credit, especially short BBB debt (maturities of less than 1.5 years), helped the most that year.

Although prioritizing income consistent with capital preservation, the fund has nonetheless helped mitigate the effect of inflation, as measured by the Consumer Price Index. From January 2014 through December 2022 (the most recent month for which CPI data is available), the fund grew each initial dollar invested into \$1.13, versus the roughly \$1.27 required to maintain purchasing power. By contrast, the average peer (inclusive of all share classes) grew each initial dollar invested into \$1.10 over the same period.

Price | Alec Lucas | 7 Feb 2023

It's critical to evaluate expenses, as they come directly out of returns. Based on our assessment of the fund's People, Process, and Parent pillars in the context of these expenses, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Gold.

Disclosures

The Morningstar Medalist Report is supplemental sales literature, and therefore must be preceded or accompanied by the investment's current prospectus or an equivalent statement. Please read this information carefully. In all cases, this disclosure statement should accompany this report. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the fund's portfolio. There is no assurance that the data will remain the same.

Most Morningstar rankings do not include any adjustment for one-time sales charges, or loads. Morningstar does publish load-adjusted returns and ranks such returns within a Morningstar Category in certain reports. The total returns for share classes without one-time loads are equal to Morningstar's calculation of load-adjusted returns. Share classes that are subject to one-time loads relating to advice or sales commissions have their returns adjusted as part of the load-adjusted return calculation to reflect those loads.

Analyst-Driven and Quantitatively-Driven Content

This report may contain a Morningstar Medalist RatingTM or Pillar Scores that were derived quantitatively and/or quantitatively-driven written analysis (collectively, "Quantitatively-Driven Content") generated by a series of statistical models intended to replicate Morningstar's analyst output ("Analyst-Driven Content"). Quantitatively-driven analysis is written by taking the underlying statistics and supporting data for an investment product and translating those values into sentences and paragraphs. The framework in which quantitatively-driven analysis is generated uses mental models meant to mirror analyst-driven written analysis. Given the nature of the Quantitatively-Driven Content, there is no one analyst in which a given Report is fully attributable to; however, Mr. Lee Davidson, Head of Manager and Quantitative Research, is responsible for overseeing the methodology that supports the Quantitatively-Driven Content. As an employee of Morningstar Research Services LLC, a subsidiary of Morningstar, Inc., Mr. Davidson is guided by the Morningstar Research Services Code of Ethics and Investment Research Integrity Policy in carrying out his responsibilities. Morningstar's Manager Research Group consists of manager research employees of various Morningstar, Inc. subsidiaries who prepare analysis on investment products and quantitative research employees of Morningstar, Inc. or its subsidiaries who aim to help investors by providing innovative research, models, and software. In the United States, manager research employees are employed by Morningstar Research Services LLC, which is registered with the U.S. Securities and Exchange Commission.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security's investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions.

Ratings and Pillar Scores are not statements of fact. Morningstar does not guarantee the completeness or accuracy of the assumptions or models used in determining the content in this report. A change in the fundamental factors underlying the report's content can mean that the information shown herein is subsequently no longer accurate.

For more information about Morningstar's methodologies, please visit global.morningstar.com/equitydisclosures

Conflict Disclosure

This report is for informational purposes, should not be the sole piece of information used in making an investment decision, and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed herein may not be suitable for all investors; investors must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position. Morningstar encourages report recipients to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and when deemed necessary, to seek the advice of a financial, legal, tax, and/or accounting professional.

"Morningstar" is used throughout this section to refer to Morningstar, Inc. and/or its affiliates, as applicable. Unless stated otherwise, the original distributor of the report is Morningstar Inc., a U.S.A. domiciled financial institution. Unless otherwise provided in a separate agreement, Morningstar makes no representation that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction where the recipient is located.

The report and its contents are not directed to, or

intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar or its affiliates to any registration or licensing requirements in such jurisdiction.

This report may be distributed in certain localities, countries and/or jurisdictions ("Territories") by independent third parties or independent intermediaries ("Distributors"). Such Distributors are not acting as agents or representatives of the analyst or Morningstar. In Territories where a Distributor distributes our report, the Distributor, and not the analyst or Morningstar, is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory bodies, including laws in connection with the distribution third-party research reports.

The opinions expressed within the report are given in good faith, are as of the date of the report and are subject to change without notice. Neither the analyst nor Morningstar commits themselves in advance to whether and in which intervals updates to the report are expected to be made. The written analysis, ratings and pillar scores within this report are statements of opinions; they are not statements of fact.

Morningstar believes reasonable efforts were made by its analysts to carefully research information contained in their analysis and by the Quantitative Research team in creating methodologies and choosing supporting data. The information on which the analysis is based has been obtained from sources which are believed to be reliable such as, for example, the fund's prospectus and shareholder reports (or their equivalents), managed investment company website, interviews with managed investment company personnel, and relevant and appropriate press sources as well as data, statistics and information within Morningstar's own database. While Morningstar, its analysts, and the Quantitative Research team has obtained data, statistics and information from sources it believes to be reliable, the data, statistics, and information has not been audited or independently verified.

For a list of managed investments which Morningstar currently covers and provides written analysis on or for information on a historical Morningstar Medalist RatingTM please contact your local Morningstar office. In certain jurisdictions, the report contents, except for the Morningstar Medalist Rating and key analysis/opinions, may be shared with the managed investment company prior to publication. In the unlikely event that Morningstar would change their analysis/opinions and/or the Morningstar Medalist Rating based on feedback as result of such review, the report would disclose such a fact.

Conflicts of Interest

Analysts may own (actual or beneficial) interests in the managed investments that are the subject of the Report. No material interests are held by the analyst or their immediate family in the managed investments that are the subject of the Report. Analysts have not received or purchased shares in the managed investments that are the subject of the Report prior to a public offering of such shares.

In general, Morningstar will not hold a material interest in the managed investments that are the subject of the Report. If a material interest is held by Morningstar, or if Morningstar owns a net long or short position in the managed investment that is the subject of this Report that exceeds 0.5% of the total issued share capital of the security, it will be disclosed at <https://www.morningstar.com/company/disclosures/holdings>

Morningstar employees' compensation is derived from Morningstar's overall earnings and consists of salary, bonus and in some cases restricted stock.

Neither Morningstar nor its analysts receive compensation or material benefits from product issuers or third parties in connection with the Report.

Morningstar's overall earnings are generated in part by the activities of the Investment Management and Research groups, and other affiliates, who provide services to product issuers.

Morningstar does not receive commissions for providing research and does not charge managed investment issuers to be rated.

Morningstar employees may not pursue business and employment opportunities outside Morningstar within the investment industry (including but not limited to, working as a financial planner, an investment professional or investment professional representative, a broker-dealer or broker-dealer agent, a financial writer, reporter, or analyst) without the approval of Morningstar's Legal and if applicable, Compliance teams.

Morningstar may provide the investment product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

Certain managed investments use an index created by and licensed from Morningstar, Inc. as their tracking index. We mitigate any actual or potential conflicts of interests resulting from that by not producing qualitative analysis on any such managed investment as well as imposing informational barriers (both technology and non-technology) where appropriate and monitoring by the

compliance department.

Morningstar's Investment Management group has arrangements with financial institutions to provide portfolio management/investment advice, some of which an analyst may issue investment research reports on. In addition, the Investment Management group creates and maintains model portfolios whose underlying holdings can include financial products, including managed investments that may be the subject of this Report. However, analysts do not have authority over Morningstar's Investment Management group's business arrangements nor allow employees from the Investment Management group to participate or influence the analysis or opinion prepared by them.

Morningstar, Inc. is a publicly traded company (Ticker Symbol: MORN) and thus a managed investment which is the subject of this Report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s most recent Proxy Statement and refer to the section titled "Security Ownership of Certain Beneficial Owners and Management" at <https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx>. A managed investment's holding of Morningstar stock has no bearing on and is not a requirement for managed investments Morningstar determines to cover.

Analysts do not have any other material conflicts of interest at the time of publication. Users wishing to obtain further information should contact their local Morningstar office.

Data Definitions

Data Coverage %

The Data Coverage % data point is a summary metric describing the level of data completeness used to generate the overall rating. If the pillar is assigned directly or indirectly by analysts, the pillar has complete data availability, as no model was used to estimate the pillar score. If the pillar is assigned directly by algorithm, Morningstar counts the number of data points feeding both the positive and negative models and counts whether the vehicle has strategy-specific data available. A simple percentage is calculated per pillar. The overall data coverage % is then scaled by pillar weights.

Analyst-Driven %

The Analyst-Driven % data point displays the weighted percentage of a vehicle's pillar ratings assigned directly or indirectly by analysts. For example, if the People and Parent ratings are assigned directly or indirectly by analysts but the Process rating is assigned algorithmically, the Analyst-Driven % for an actively managed vehicle would disclose that 55% of the pillar weight was assigned by analysts and the Analyst-Driven % for a passively managed vehicle would disclose that 20% of the pillar weight was assigned by analysts.

Morningstar Medalist Rating™

The Morningstar Medalist Rating is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about the Medalist Ratings, including their methodology, please go to <http://global.morningstar.com/managerdisclosures>

The Morningstar Medalist Ratings are not statements of fact, nor are they credit or risk ratings. The Morningstar Medalist Rating (i) should not be used as the sole basis in evaluating an investment product, (ii) involves unknown risks and uncertainties which may cause expectations not to occur or to differ significantly from what was expected, (iii) are not guaranteed to be based on complete or accurate assumptions or models when determined algorithmically, (iv) involve the risk that the return target will not be met due to such things as unforeseen changes in changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rates, exchange rate changes, and/or changes in political and social conditions, and (v) should not be considered an offer or solicitation to buy or sell the investment product. A change in the fundamental factors underlying the Morningstar Medalist Rating can mean that the rating is subsequently no longer accurate.

Morningstar Pillar Ratings

Morningstar Pillar Ratings are subjective evaluations of managed investments performed by manager research analysts of Morningstar. Morningstar evaluates managed investments based on five key pillars, which are people, process, parent, performance and price. Morningstar's analysts assign the people, process and parent pillars a rating of Low, Below Average, Average, Above Average, or High. Price and performance then used to help determine the managed investment's Morningstar Medalist Rating.

Morningstar Rating™

The Morningstar Rating™ for funds, or “star rating”, is calculated for funds and separate accounts with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. For more information about the Morningstar Rating for funds, including its methodology, please go to global.morningstar.com/managerdisclosures.

Investment Risks

Bonds

Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates. Portfolios that invest in lower-rated debt securities (i.e., “junk bonds”) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default. Tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Equities

Equities are typically subject to greater fluctuations in market value than other asset classes due to factors such as a company’s business performance, investor perceptions, stock market trends and general economic conditions. Stocks of small or mid-sized companies involve additional risks; such companies may have a higher risk of failure, are not as well established as larger blue-chip companies, and have historically experienced a greater degree of market volatility than the overall market average.

International/Emerging Markets Securities Risk

Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Liquidity Risk

Trading may be halted due to market conditions, impacting an investor’s ability to sell a security.

Market Price Risk

The market price of securities traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor’s value.

Market Risk

The market prices of securities can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Non-Diversified Strategies

Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Sector Strategies

Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Important Disclosure Information

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment in the fund will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. The fund's current performance may be lower or higher than the performance data quoted. For performance current to the most recent month-end, please visit bairdfunds.com.

Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and summary prospectus, containing this and other information, visit bairdfunds.com. Read it carefully before investing.

[Click here](#) for the most recent Morningstar rating for Baird Ultra Short Bond Fund and performance.

The Barclays 1-3 U.S. Government/Credit Bond Index is an index consisting of Treasury or government agency securities and investment grade corporate debt securities with maturities of one to three years. Indices are unmanaged and are not available for direct investment.

The Fund may invest in mortgage- and asset-backed securities which may be subject to prepayment risk and thus may be more sensitive to interest rate changes than other types of debt securities. The Fund may also invest in U.S. dollar denominated securities issued by foreign issuers which involve additional risks including political and economic instability, differences in financial reporting standards and less regulated securities markets. While the U.S. government has historically provided financial support to various U.S. government-sponsored agencies, no assurance can be given that it will do so in the future if it is not obligated by law. A bond's market value may be affected significantly by changes in interest rates – generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises ("interest-rate risk"). Duration risk is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. Ratings are measured on a scale that ranges from AAA or Aaa (highest) to D or C (lowest). Investment grade investments are those rated from highest down to BBB- or Baa3.

This reprint must be accompanied with performance data current through the most recent quarter. For Morningstar ratings data and Fund holdings current through the most recent month-end, as well as credit quality profile current through the most recent quarter-end, please visit www.bairdfunds.com.