

Chautauqua International Growth Instl CCWIX

Appealing.

Morningstar's Take CCWIX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Bronze

Morningstar Pillars

| | |
|-------------|---------------|
| Process | Average |
| Performance | — |
| People | Above Average |
| Parent | Above Average |
| Price | — |

Role In Portfolio

Supporting Player

Fund Performance

| Year | Total Return (%) | +/- Category |
|------|------------------|--------------|
| YTD | 6.73 | -0.28 |
| 2020 | 39.84 | 14.36 |
| 2019 | 26.72 | -1.12 |
| 2018 | -16.94 | -2.87 |
| 2017 | 36.11 | 5.24 |

Data through 6-30-21

6-25-21 | by William Samuel Rocco

Chautauqua International Growth has a strong management team, and both of its share classes earn Morningstar Analyst Rating of Bronze.

This foreign large-growth strategy is in the hands of a seasoned and skilled team. Brian Beitner, who left TCW in 2009 to found Chautauqua Capital Management, runs this strategy with Haicheng Li, Jesse Flores, and Nathaniel Velarde. Beitner has more than 40 years of investment experience, while Li, Flores, and Velarde average 17 years of relevant experience. Beitner and Flores have comanaged older SMA clones of this strategy and Chautauqua Global Growth CCGIX Growth Equity for 7.5 years now, while Li and Velarde have served as managers alongside Beitner and Flores on both strategies for five and two years, respectively. Beitner hired Li and Velarde as analysts at TCW and worked with them at that firm for seven years. And the team has earned good long term returns at its global SMA.

The team uses the same quality-driven and focused growth process at this strategy as it does at its global one. In particular, the team seeks to find quality growers that are poised to benefit from long-term global trends, enjoy sustainable competitive advantages, and have conservative accounting, healthy balance sheets, and shareholder alignment. It seeks to purchase these firms at reasonable, but not necessarily cheap, valuations. And it constructs a portfolio of roughly 25 to 35 stocks and often allows its stock selection to lead to sizable sector and country overweights versus relevant indexes and its foreign large-growth Morningstar Category peers.

The team has earned good with its process at this strategy's older SMA clone. Indeed, from its early 2006 inception through May 2021, the SMA has earned a 9.4% annualized gross-of-fees gain versus 6.2% and 7.9% for the MSCI ACWI ex USA Growth Index and its typical rival, respectively.

This strategy is attractive. But its process comes with real risks, and it has been more volatile than the index and its typical rival, so it is best suited for investors with long time horizons.

Process Pillar Average | William Samuel Rocco 06/25/2021


The team initially screens mid- and large-cap non-U.S. stocks based on various growth and profitability metrics. It aims to identify those that are poised to benefit from long-term global trends, such as an emerging middle class and aging population. From there, the team dives into prospective holdings to find those with sustainable competitive advantages, which it believes can stem from sources such as strong cultures and brands. It also prefers firms with conservative accounting, healthy balance sheets, and shareholder alignment, and it considers how each firm's regional and currency exposure may affect its business. The team seeks to purchase these firms at reasonable, but not necessarily cheap,

valuations, comparing its future cash flow estimates with the current cost of the business. If it determines that an appealing stock is too expensive, that stock sits on a watchlist until its price reaches an attractive level to buy. The team constructs a focused portfolio of roughly 25 to 35 stocks, and it often allows its stock selection to lead to sizable sector and country overweights versus relevant indexes and its foreign large growth peers. This approach is reasonable. But it's not overly distinctive versus other focused growth disciplines and comes with significant price, issue, sector, and country risks, so the strategy earns an Average Process score.

The team normally runs a concentrated portfolio of roughly 25-35 stocks, and the strategy owned 29 stocks and devoted roughly 44% of its assets to its top 10 names as of March 2021. The team favors higher-growth fare, so the strategy's earnings- and sales-growth rates remain higher than those of the MSCI ACWI ex USA Growth Index, and strong growers don't come cheap, so the strategy also continues to have relatively high price/earnings and price/cash flow ratios. The strategy's sector positioning also reflects the team's pronounced growth tilt. The strategy had a 35.4% stake in tech stocks and an 18.9% position in healthcare names as of March 2021, in fact, versus an 18.9% tech stake and an 11.9% healthcare position for the benchmark. Meanwhile, two Canadian names--Constellation Software CSU and Fairfax Financial Holdings FFH--were top-10 holdings, and the strategy had a 13.5% weight in Canada overall versus 6.9% for the index. The team also continues to invest meaningfully in emerging markets stocks that meet its growth and other criteria--partly because the team believes that an expanding middle class should drive economic growth in many developing countries--and the strategy also had relatively sizable positions in China, India, and Indonesia. Conversely, the strategy had no exposure to Germany or the United Kingdom, while the index has an 11.1% weighting in those two markets combined.

Performance Pillar | William Samuel Rocco 06/25/2021

The older SMA clone of this strategy has posted good returns since it launched in early 2006. From Feb. 1, 2006, through May 31, 2021, its 9.4% annualized gross-of-fees gain beat the respective 6.2% and 7.9% returns for the MSCI ACWI ex USA Growth and its typical foreign large-growth rival. The SMA clone has been significantly more volatile than the bogies, but it has compensated investors for the additional risk. It has posted a since inception Morningstar Risk Adjusted Return of 3.7%, in fact, versus Morningstar Risk Adjusted Returns of 1.7% and 3.3% for the index and its average peer, respectively. Consistent with its growth bias, the strategy has generally fared well in rising markets. For example, the SMA gained 49.0% gross of fees during the past year versus 39.9% for the index and 44.5% for its typical rival, and it has captured 110% of the index's gains since inception. The strategy has had mixed results in sell-offs. An above-average cash stake helped it hold up better than rivals in early 2020's bear market. The SMA also fared relatively well during 2015's correction but placed in the category's bottom quartile when stocks fell in 2008 and 2018. In all, the SMA has captured 98% of the index's losses in down markets. The market has favored this strategy's high-growth approach during its history, providing a tailwind that may not persist, but the team has done well picking stocks over the long term.

People Pillar  Above Average | William Samuel Rocco 06/25/2021

Brian Beitner launched this foreign large-growth strategy in 2006 while at TCW Group. In 2009, he took the record with him and founded Chautauqua Capital Management. (Baird acquired the firm in 2016 but still gives it full autonomy.) Beitner runs this strategy with Haicheng Li, Jesse Flores, and Nathaniel Velarde, and they now serve as four equal managers on the strategy, while previously Beitner and Li served as co-lead managers and Flores and Velarde served as comanagers. Beitner has more than four decades of investment experience, while Li, Flores, and Velarde average 17 years of relevant experience each. Beitner and Flores have comanaged the older SMA clones of this strategy and Chautauqua Global Growth CCGIX for roughly 7.5 years now, while Li and Velarde have served as managers alongside Beitner and

Flores on both strategies for roughly five years and two years, respectively. And Beitner hired Li and Velarde as analysts at TCW and worked with them at that firm for roughly seven years. The team is fairly small overall. However, it is reasonably sized given it employs only one investment process and runs only two strategies. Those two strategies are concentrated and own a limited number of names in aggregate. And it has earned good long term returns at both strategies (albeit with significant volatility). For all these reasons, this strategy merits an Above Average People score.

Parent Pillar  Above Average | Gabriel Denis 03/31/2020

Baird's strength in its large fixed-income business and investor-friendly stewardship merit an Above Average Parent rating.

Under the leadership of longtime CIO Mary Ellen Stanek, the firm's taxable-bond funds continue to impress. Boasting low fees, a well-resourced team, and risk-aware investment processes, they constitute over 90% of the firm's assets under management, expanding from \$37 billion in 2016 to nearly \$88 billion at the end of 2019. This growth bears monitoring, but the team has shown prudence in adding personnel and operational resources to manage this burgeoning load. In recent years, the group has also focused on building out its municipal-bond effort, adding several key members to the team and launching two new municipal strategies in mid-2019. Although the firm's equity enterprise is smaller, it too benefits from tenured managers and attractive fees.

The firm's private wealth management arm has also grown precipitously in recent years, most recently through the acquisition of Louisville, Kentucky-based Hilliard Lyons in 2019. When framing the growth of this organization, Baird emphasized that Hilliard Lyons' advisors fit the cultural profile of its organization. This cultural fit is important: Turnover among the firm's analyst staff has historically been low, and around two thirds of employees owned stock in the firm at the end of 2019.

Price Pillar | William Samuel Rocco 06/25/2021

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Bronze.

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.

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process and parent on the final Analyst Rating is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds.

For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

The Morningstar four-star rating for the Institutional Class of the Chautauqua International Growth Fund is the overall rating received among 384 Foreign Large Growth funds. The fund received four stars for the three-year period among 384 funds, four stars for the five-year period among 323 Funds as of June 30, 2021.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end 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. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year

period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

The average annual total returns for the Institutional Class of the Chautauqua International Growth Fund as of June 30, 2021, are 42.58% for the one-year, 15.27% for the five-year and 14.74% since its April 15, 2016, inception date. The gross/net expense ratios of the Institutional Class are 0.90%/0.80%.

The average annual total returns for the MSCI ACWI World Index ex. U.S. Index as of June 30, 2021, are 35.72% for the one-year, 11.08% for the five-year and 10.09% since the fund's inception.

The Fund may hold fewer securities than other diversified funds, which increases the risk and volatility because each investment has a greater effect on the overall performance. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulations.

The MSCI ACWI ex-U.S. Index® is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets excluding the United States.

The Fund focuses on growth-style stocks and therefore the performance of the Fund will typically be more volatile than the performance of funds that focus on types of stocks that have a broader investment style.

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.

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