

# Baird Short-Term Bond Inst BSBI

Consistent and excellent.

## Morningstar's Take BSBI

<b>Overall Morningstar Rating™</b>	★★★		
528 US Fund Short-Term Bond (31 Jan 2026)			
	3 Yr	5 Yr	10 Yr
	528 funds	497 funds	380 funds
Morningstar Rating™	3★	3★	3★
<b>Morningstar Medalist Rating™</b>	Gold		
Analyst-Driven %	100.00		
Data Coverage %	100.00		

### Morningstar Pillars

Process (4 Feb 2026)	High
People (4 Feb 2026)	High
Parent (21 Feb 2024)	High
Performance (4 Feb 2026)	
Price (4 Feb 2026)	

4 Feb 2026 | by Alec Lucas

Strong execution and a process whose incremental advantages add up make Baird Short-Term Bond a top choice in the short-term bond Morningstar Category.

Baird's 10-person taxable bond management team may not be flashy, but its members excel as a group. Four senior leaders, including co-CIOs Warren Pierson and Jay Schwister, provide a mix of macroeconomic and investment guidance. The other six managers and their respective analyst benches focus on bond-picking and building the portfolio. Jeffrey Schrom, Andrew O'Connell, and Abhishek Pulakanti are corporate credit experts, Meghan Dean and Patrick Brown specialize in mortgage- and asset-backed securities, while M. Sharon deGuzman monitors portfolio construction and risk metrics.

The team concentrates on finding reliable sources of excess return. Since Baird believes interest rate calls are not one of them, the team matches the

Bloomberg US Government/Credit 1-3 Year Index's overall interest rate sensitivity, or duration, and then allocates to the bond sectors with the most attractive combination of underlying fundamentals, valuations, and liquidity. The result is a portfolio that tends to traffic heavily in corporate bonds relative to its index and most peers, especially those bonds with BBB ratings, while also consistently finding value in securitized bonds, including higher-quality nonagency residential and commercial MBS.

Discipline and simplicity are hallmarks of the approach. For example, rather than using derivatives to replicate the benchmark's duration, the team analyzes the impact of each trade and chooses specific Treasuries and mortgage exposures to keep the overall portfolio's interest rate sensitivity in line with the benchmark's. Similarly, the team does not use index-level credit default swaps but sticks to cash bonds that offer attractive yields relative to their risk and dial exposure up when credit spreads widen and down when they tighten.

Thanks to its modest fee hurdle and effective style, multiyear performance has been consistently competitive if not superior. Over the past two decades through January 2026, the institutional share class' rolling five-year returns have beaten the benchmark and peer median (based on each fund's cheapest share class) in nearly 92% and 64% of them, respectively.

**Process** High | Alec Lucas | 4 Feb 2026  
Baird Advisors' investing style is straightforward but effective. Focused on US dollar-denominated bonds of investment-grade quality without the potential complications of derivatives or leverage, or the need to clear lofty fee hurdles, the strategy merits a High Process rating.

Citing the difficulty of consistently predicting interest rate changes, Baird's approach begins with matching this fund's overall interest rate

sensitivity, or duration, to the Bloomberg US Government/Credit 1-3 Year Index. Aiming to beat this bogy by 15 to 40 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 (both agency mortgages and nonagency, high-quality securitizations), 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. The team does not buy junk bonds but can hold on to debt that has lost its investment-grade rating—a stake that has been 2% or less for more than five years. As a result, the fund's credit profile tends to look tame relative to more aggressive short-term bond peers.

The hunt for value even extends to yield-curve positioning through the fund's Treasury stake. The team looks for incrementally more attractive Treasuries when buying and selling those with the richest valuations.

Relative to its Treasury-heavy Bloomberg US Government/Credit 1-3 Year Index, the fund tends to overweight corporate credit. Over the past decade, it has allocated about 50% to 62% of its assets to the sector, versus 22% to 26% for the index. The fund's corporate bond weighting hit a recent high in September 2023 when credit spreads for short-term corporate debt were at or above their historic median of 83 basis points; its 58% stake was then 33.2 percentage points more than the index's. At year-end 2025, those spreads had roughly halved since, and the fund's 51.8% corporate bond stake was 29.8 percentage points overweight.

Preferring to build a portfolio with positive convexity (more upside and less downside potential than the index), the team tends to be highly

selective in the portfolio's high-quality out-of-benchmark securitized allocation. These bonds typically account for 9% to 20% of the portfolio. At year-end 2025, the fund's 11% securitized stake tilted toward nonagency commercial MBS (4.6%), with the remainder in asset-backed securities (3.5%) and nonagency residential MBS (2.9%).

While the strategy steers clear of buying below investment-grade bonds, it tends to maintain a 15- to 25-percentage-point BBB overweighting versus its index and a bigger stake than most rivals. Versus the peer group, though, this overweighting has fallen from the top quintile in mid-2019 to oscillating between the second and third quartiles since.

#### **People** ● High | Alec Lucas | 4 Feb 2026

Baird Advisors' capable and collaborative investing culture pairs well with the firm's straightforward but effective style. Other top-tier firms may have bigger staffs and broader remits; Baird's 10-person management team operates differently and is excellent in its own right. It earns a High People rating.

Four senior leaders with at least four decades of industry experience each provide a mix of macroeconomic and investment guidance to the team. They are co-founders Charles Groeschell and Mary Ellen Stanek, emeritus CIO since early 2025 and winner of Morningstar's 2022 Outstanding Portfolio Manager award, as well as co-CIOs Warren Pierson and Jay Schwister, who also serves as research director.

The six other named managers have a wide range of experience but collectively represent the next generation. Team lead Jeffrey Schrom and comanagers Andrew O'Connell and Abhishek Pulakanti work as part of an 11-strong credit group; Meghan Dean and Patrick Brown oversee a five-person (soon to be six-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 2004 inception. There have also been only five analyst departures since 2016, each for personal reasons.

Fund ownership stands out, too. All 10 managers invest in all their strategies, with three owning more than USD 5 million each across the lineup and another six more than USD 1 million each, marking their commitment alongside fundholders.

#### **Parent** ● High | Alec Lucas | 21 Feb 2024

Baird merits a High Parent rating.

Although Robert W. Baird and Co.'s origins date to 1919, its Milwaukee-based asset-management business has over the past 25 years grown into an industry stalwart through deft talent acquisition. In early 2000, Mary Ellen Stanek and her team joined to form the fixed-income-focused Baird Advisors. With modest fees and an effective, benchmark-aware approach, its taxable bond team now runs the lion's share of Baird's assets under management. The firm bolstered its municipal bond expertise in mid-2015 and in August 2019, and that part of the business now has considerable promise, too.

Although not as big or extensive in its lineup as its fixed-income counterpart, Baird Equity Asset Management has also opportunistically added key personnel. It purchased the international and global growth equity team of Chautauqua Capital Management in 2016 and in late 2021 strengthened ties with proven investor Joseph Milano, formerly of T. Rowe Price, while removing a small-value team that had struggled over the prior decade.

Succession bears monitoring. Indeed, Stanek and her co-CIO Warren Pierson are part of Baird Advisors' founding generation whose members each have nearly 40 if not more years of experience. That's offset, however, by a collaborative, team-based approach that should leave investors in good hands well after that generation's retirement.

#### **Performance** | Alec Lucas | 4 Feb 2026

The fund has a competitive long-term record. Since its 2004 inception, its institutional shares' 2.77% annualized gain through January 2026 beat the Bloomberg US Government/Credit 1-3 Year Index by 42 basis points and was near the median of distinct short-term bond peers. Adjusted for volatility, results looked even better: The institutional shares'

information ratio (a measure of excess return over excess standard deviation versus the benchmark) ranked in the peer group's top third.

Consistent outperformance versus the benchmark has been a hallmark here. Over the past decade through 2025, the fund has beaten its index in nine out of 10 calendar years. The fund's best showing over that span was in 2023, when its 5.65% gain beat the benchmark by 104 basis points. Corporate bond positioning within industrials and financials added the most to the fund's outperformance that year. The fund's industrials overweighting, for example, went from 17.1 percentage points in late 2022 to 13.5 percentage points by the end of 2023 as credit spreads tightened.

The fund has increased its investors' purchasing power over its lifetime by beating inflation as measured by the Consumer Price Index. From its 2004 inception through December 2025 (the most recent month for which CPI data is available), the fund grew each initial dollar invested into about USD 1.79, ahead of the roughly USD 1.71 required to maintain purchasing power. Still, like all short-term bond strategies holding primarily fixed-rate debt, the fund can struggle when inflation surges. Between the start of 2021 and Oct. 31, 2022, the cost of goods and services rose 14.4% cumulatively while the fund lost 5.38%, roughly in line with the benchmark's 5.11% drop.

#### **Price** | Alec Lucas | 4 Feb 2026

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 Medalist Rating of Gold.

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### 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.

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The Morningstar Medalist Rating is the summary expression of Morningstar's forward-looking analysis of

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### Morningstar Rating™

The Morningstar Rating™ for funds, or "star rating", is

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## 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

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The average annual total returns for the Institutional Class of the Baird Short-Term Bond Fund as of January 31, 2026, are 5.41% for the one-year, 2.44% for the five-year and 2.60% for the ten-year periods and 2.77% since its August 31, 2004, inception date. The expense ratio of the Institutional Class is 0.30%.

The average annual total returns for the Bloomberg 1-3 U.S. Government/Credit Bond Index as of January 31, 2026, are 5.11% for the one-year, 2.01% for the five-year, 2.06% for the ten-year periods and 2.35% since the fund's inception.

The Bloomberg 1-3 Year 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. In a rising interest rate environment, the value of fixed-income securities generally decline and conversely, in a falling interest rate environment, the value of fixed income securities generally increase. All investments carry risk, including loss of principal.

*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](http://www.bairdfunds.com).*

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Citing the difficulty of consistently predicting interest rate changes, Baird's approach begins with matching this fund's overall interest rate

sensitivity, or duration, to the Bloomberg US Government/Credit 1-3 Year Index. Aiming to beat this bogy by 15 to 40 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 (both agency mortgages and nonagency, high-quality securitizations), 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. The team does not buy junk bonds but can hold on to debt that has lost its investment-grade rating—a stake that has been 2% or less for more than five years. As a result, the fund's credit profile tends to look tame relative to more aggressive short-term bond peers.

The hunt for value even extends to yield-curve positioning through the fund's Treasury stake. The team looks for incrementally more attractive Treasuries when buying and selling those with the richest valuations.

Relative to its Treasury-heavy Bloomberg US Government/Credit 1-3 Year Index, the fund tends to overweight corporate credit. Over the past decade, it has allocated about 50% to 62% of its assets to the sector, versus 22% to 26% for the index. The fund's corporate bond weighting hit a recent high in September 2023 when credit spreads for short-term corporate debt were at or above their historic median of 83 basis points; its 58% stake was then 33.2 percentage points more than the index's. At year-end 2025, those spreads had roughly halved since, and the fund's 51.8% corporate bond stake was 29.8 percentage points overweight.

Preferring to build a portfolio with positive convexity (more upside and less downside potential than the index), the team tends to be highly

selective in the portfolio's high-quality out-of-benchmark securitized allocation. These bonds typically account for 9% to 20% of the portfolio. At year-end 2025, the fund's 11% securitized stake tilted toward nonagency commercial MBS (4.6%), with the remainder in asset-backed securities (3.5%) and nonagency residential MBS (2.9%).

While the strategy steers clear of buying below investment-grade bonds, it tends to maintain a 15- to 25-percentage-point BBB overweighting versus its index and a bigger stake than most rivals. Versus the peer group, though, this overweighting has fallen from the top quintile in mid-2019 to oscillating between the second and third quartiles since.

**People** ● High | Alec Lucas | 4 Feb 2026

Baird Advisors' capable and collaborative investing culture pairs well with the firm's straightforward but effective style. Other top-tier firms may have bigger staffs and broader remits; Baird's 10-person management team operates differently and is excellent in its own right. It earns a High People rating.

Four senior leaders with at least four decades of industry experience each provide a mix of macroeconomic and investment guidance to the team. They are co-founders Charles Groeschell and Mary Ellen Stanek, emeritus CIO since early 2025 and winner of Morningstar's 2022 Outstanding Portfolio Manager award, as well as co-CIOs Warren Pierson and Jay Schwister, who also serves as research director.

The six other named managers have a wide range of experience but collectively represent the next generation. Team lead Jeffrey Schrom and comanagers Andrew O'Connell and Abhishek Pulakanti work as part of an 11-strong credit group; Meghan Dean and Patrick Brown oversee a five-person (soon to be six-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 2004 inception. There have also been only five analyst departures since 2016, each for personal reasons.

Fund ownership stands out, too. All 10 managers invest in all their strategies, with three owning more than USD 5 million each across the lineup and another six more than USD 1 million each, marking their commitment alongside fundholders.

**Parent** ● High | Alec Lucas | 21 Feb 2024

Baird merits a High Parent rating.

Although Robert W. Baird and Co.'s origins date to 1919, its Milwaukee-based asset-management business has over the past 25 years grown into an industry stalwart through deft talent acquisition. In early 2000, Mary Ellen Stanek and her team joined to form the fixed-income-focused Baird Advisors. With modest fees and an effective, benchmark-aware approach, its taxable bond team now runs the lion's share of Baird's assets under management. The firm bolstered its municipal bond expertise in mid-2015 and in August 2019, and that part of the business now has considerable promise, too.

Although not as big or extensive in its lineup as its fixed-income counterpart, Baird Equity Asset Management has also opportunistically added key personnel. It purchased the international and global growth equity team of Chautauqua Capital Management in 2016 and in late 2021 strengthened ties with proven investor Joseph Milano, formerly of T. Rowe Price, while removing a small-value team that had struggled over the prior decade.

Succession bears monitoring. Indeed, Stanek and her co-CIO Warren Pierson are part of Baird Advisors' founding generation whose members each have nearly 40 if not more years of experience. That's offset, however, by a collaborative, team-based approach that should leave investors in good hands well after that generation's retirement.

**Performance** | Alec Lucas | 4 Feb 2026

The fund has a competitive long-term record. Since its 2004 inception, its institutional shares' 2.77% annualized gain through January 2026 beat the Bloomberg US Government/Credit 1-3 Year Index by 42 basis points and was near the median of distinct short-term bond peers. Adjusted for volatility, results looked even better: The institutional shares'

information ratio (a measure of excess return over excess standard deviation versus the benchmark) ranked in the peer group's top third.

Consistent outperformance versus the benchmark has been a hallmark here. Over the past decade through 2025, the fund has beaten its index in nine out of 10 calendar years. The fund's best showing over that span was in 2023, when its 5.65% gain beat the benchmark by 104 basis points. Corporate bond positioning within industrials and financials added the most to the fund's outperformance that year. The fund's industrials overweighting, for example, went from 17.1 percentage points in late 2022 to 13.5 percentage points by the end of 2023 as credit spreads tightened.

The fund has increased its investors' purchasing power over its lifetime by beating inflation as measured by the Consumer Price Index. From its 2004 inception through December 2025 (the most recent month for which CPI data is available), the fund grew each initial dollar invested into about USD 1.79, ahead of the roughly USD 1.71 required to maintain purchasing power. Still, like all short-term bond strategies holding primarily fixed-rate debt, the fund can struggle when inflation surges. Between the start of 2021 and Oct. 31, 2022, the cost of goods and services rose 14.4% cumulatively while the fund lost 5.38%, roughly in line with the benchmark's 5.11% drop.

**Price** | Alec Lucas | 4 Feb 2026

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 Medalist Rating of Gold.

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### **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**

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The average annual total returns for the Investor Class of the Baird Short-Term Bond Fund as of January 31, 2026, are 5.15% for the one-year, 2.19% for the five-year and 2.35% for the ten-year periods and 2.05% since its August 31, 2004, inception date. The expense ratio of the Investor Class is 0.55%.

The average annual total returns for the Bloomberg 1-3 U.S. Government/Credit Bond Index as of January 31, 2026, are 5.11% for the one-year, 2.01% for the five-year, 2.06% for the ten-year periods and 2.35% since the fund's inception.

The Bloomberg 1-3 Year 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.

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