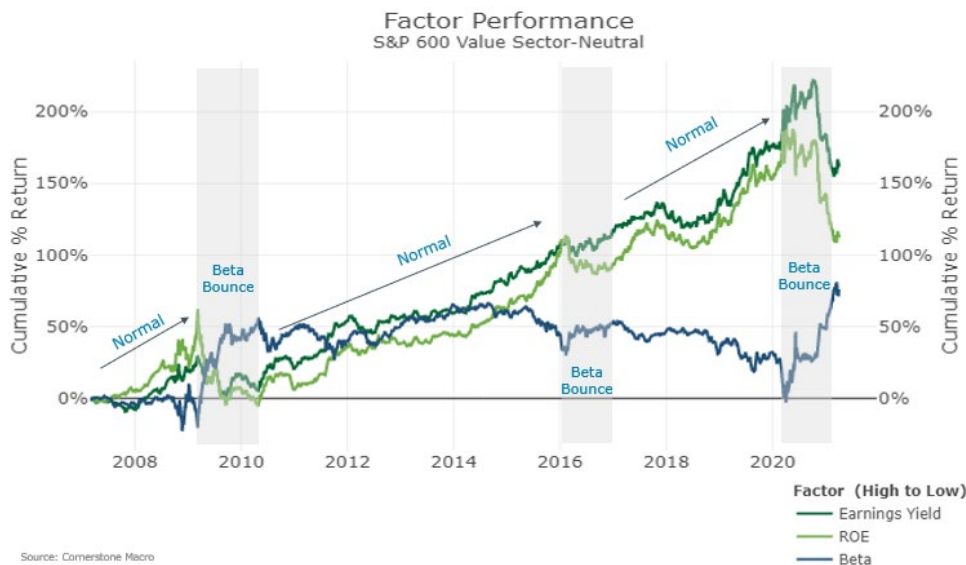


THE LIGHT AT THE END OF THE TUNNEL WAS A TRAIN

We are a Small and SMID Value Manager with a strong quality bias. The cornerstone of our investment process is to buy businesses with above average returns on equity at compelling valuations (high earnings yield) with a catalyst for earnings surprise. As illustrated in the chart below, stocks exhibiting these qualities have yielded superior results over time. Their outperformance is punctuated by relatively short periods of underperformance following bear markets when an initial market recovery is led by the weakest equities (highest beta) that have avoided bankruptcy. This is followed by a multi-year period of outperformance by high quality stock leadership throughout the remainder of the economic cycle.



Consistent with past economic and market cycles, low quality/high beta stocks led out of the bear market of 2020. While we had hoped at the end of last year that the baton had been handed off to quality value leadership, we were early, and the beta trade outperformance accelerated to what appears to have been a blow off top by mid-March. In total, the 12 months witnessed the quintile of the highest beta stocks up 255% versus a 29% gain for the quintile of the lowest beta stocks in the Russell 2000 Value! A near 10-fold better return and something we have not witnessed since the 2009 rally post the Great Financial Crisis.

Beta - Performance by Quintiles for Trailing 12 months ended 3/31/21

Quintile	Total Return Russell 2000 Value	Baird Small Cap Value Weight	Relative Weight
Q1 (highest)	255%	8%	-12%
Q2	134%	19%	-1%
Q3	95%	13%	-7%
Q4	53%	24%	+4%
Q5 (lowest)	29%	31%	+11%

Source: Factset; Jefferies

SMALL & SMALL/MID VALUE EQUITY INVESTMENT TEAM

MICHELLE STEVENS, CFA
Senior Portfolio Manager

RICHARD ROESCH, CFA
Senior Research Analyst

JONATHAN DEMOSS, CFA, CPA, CFP
Senior Research Analyst

ROB ZWIEBEL
Portfolio Specialist & Consultant Relations

JESSE PARSONS
Trading & Operations Analyst

PHILOSOPHY & PROCESS

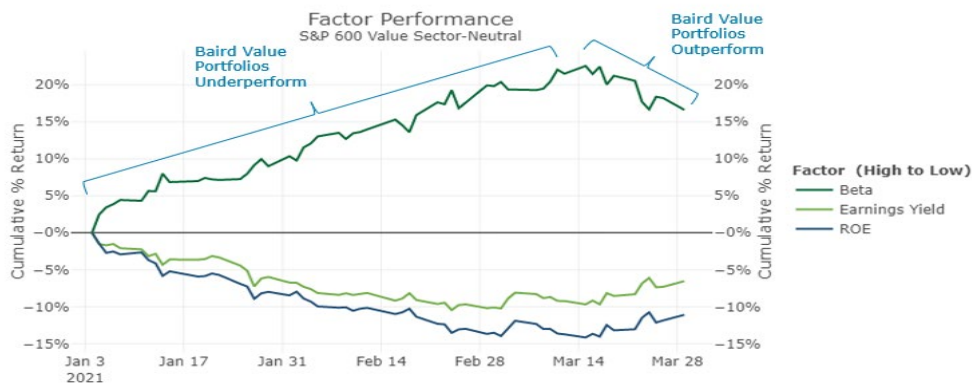
- The portfolio is grounded in the belief that value and growth investing are not mutually exclusive.
- Emphasis on companies likely to exceed “street” expectations but trade at a discount to our in-house calculation of fair value.

PORTFOLIO CONSTRUCTION

- Concentrated portfolio of 40-50 stocks
- Top holdings generally limited to 5% at cost, 8% at market
- Sectors capped at 30% excluding financials
- Buy and hold approach

Both the Baird Small Cap and Small Mid Cap Value Portfolios are consistently underweight high beta stocks (as well as non-earners, low profitability companies and high valuations). Put simply, this extreme disparity of returns created an overwhelming headwind detracting over 2500 basis points of portfolio performance relative to our benchmarks.

As of this writing, we have seen a swift reversion back toward quality which began in the middle of March and has so far allowed us to recoup about a third of the lost ground versus our benchmarks since the beginning of the year. If indeed this is the beginning of a shift in leadership, history would tell us it has multiple years to run and would be a catalyst for outperformance of quality value stocks such as those in which we invest. A true contrarian, indeed, would salivate at the opportunity to invest in a segment of the market that has yet to fully participate in this bull market despite solid fundamentals.



Source: Cornerstone Factor Screener

BAIRD SMALL/MID CAP VALUE

For the quarter, the Baird Small/Mid Cap Value Portfolio provided a gross total return of 10.5% versus a gross total return of 16.8% for the benchmark Russell 2500 Value. Since inception (1/1/00), the Baird Small/Mid Cap Portfolio has provided a gross annual return of 11.0% vs 10.2% for the Russell 2500 Value.

Portfolio attribution for the quarter looks like a carbon copy of the market ricochet off the lows following the Great Financial Crisis of 2009. Then, as now, an analysis of each sector of our benchmark showed evidence of extreme outperformance of traits such as low profitability, high beta, and high valuations.

Early cycle sectors such as Industrials were among the greatest detractors in terms of sector performance. Air Transport Group and CACI International, while only down 7% and 1%, were among stocks not keeping pace with the frothy returns of the quarter. Information Technology was also a drag on relative return as growth stocks were liquidated in favor of deep value. Two of the biggest winners in the portfolio last quarter, Cerence and Immersion Technology, pulled back 11% and 15% respectively, despite posting strong earnings. Not surprisingly, more defensive sectors such as Utilities and Real Estate Investment Trusts posted less stellar returns in a speculative market environment. We repositioned meaningfully away from these areas during the fourth quarter of 2020, but still held an overweighted position versus the Russell 2500 Value in Utilities.

Financials were winners for the quarter on a relative basis. Merchants Bancorp, American Financial Group, and Axos Financial were standout performers. Our Consumer Discretionary holdings also bested the benchmark sector thanks to a 77% return from new position William Sonoma, as well as a strong turnout from Urban Outfitters and Tractor Supply.

Trading was active during the quarter given strong equity market performance.

Consumer Discretionary winners Urban Outfitters and One SpaWorld Holdings were sold

to make way for new positions in Thor Industries and OneWater Marine. For the first time in several years, we have become more constructive on energy given stronger demand as world economies recover and a lack of inventory overhang. We initiated positions in Diamondback Energy, Cabot Oil and Gas, as well as service companies Solaris Industries and Select Energy. Other notable purchases include Acacia Research, National Retail Properties and Element Solutions. Verisign, Atmos Energy and ICU Medical were sold to make room for new purchases, as well as trims of several stocks that had outperformed.

BAIRD SMALL CAP VALUE

For the quarter, the Baird Small Cap Value Portfolio provided a gross return of 9.6% versus the benchmark Russell 2000 Value gross return of 21.2%. Since inception (3/1/05), the Baird Small Cap Value Portfolio has provided a gross annual return of 8.8% vs 8.2% for the Russell 2000 Value.

Portfolio attribution for the quarter looks like a carbon copy of the market ricochet off the lows following the Great Financial Crisis of 2009. Then, as now, an analysis of our benchmark showed evidence of extreme outperformance for companies with traits such as low profitability, high beta, and high valuations across each sector. It is the only other time I can recall lagging performance across most sectors with no meaningful individual stock distractors. In short, it is more evidence that our investment style was out of favor during the quarter.

Early cycle sectors such as Industrials and Consumer Discretionary were among the greatest detractors in terms of sector performance. In Consumer Discretionary, to illustrate, our holdings gained 25% versus the Russell 2000 Value sector which surged 34% for the three months. Information Technology was also a drag on relative return as growth stock winners were liquidated in favor of deep value. Two of the biggest winners in the portfolio last quarter, Cerence and Immersion Technology, pulled back 11% and 15% respectively, despite posting strong earnings. Not surprisingly, more defensive sectors such as Utilities and Consumer Staples posted less stellar returns in a frothy market environment. We repositioned meaningfully away from these areas during the fourth quarter of 2020, but still held an overweighted position vs the Russell 2000 Value in Utilities and Consumer Staples. Financials were the bright spot for the quarter on a relative basis. Merchants Bancorp, Axos Financial and Preferred Bank were standout performers.

Trading was active during the quarter given strong equity market performance. Consumer Discretionary winners Urban Outfitters and One SpaWorld Holdings were sold to make way for new positions in retailers William Sonoma and Haverty Furniture, as well as Thor Industries and OneWater Marine. For the first time in several years, we have become more constructive on energy given stronger demand as world economies recover and a lack of inventory overhang. We initiated positions in Diamondback Energy, Cabot Oil and Gas, as well as service companies Solaris Industries and Select Energy. Other notable purchases include People's Bancorp, Syneos Health, Acacia Research, and Element Solutions. Ryman Hospitality and ICU Medical were sold to make room for new purchases, as well as trims of several names that had outperformed.

Please contact us for a more detailed portfolio analysis and update.

Michelle E. Stevens, CFA
Portfolio Manager

Top 5 Small/Mid Value Portfolio Contributors			Bottom 5 Small/Mid Value Portfolio Contributors		
Security	Avg. Weight	Contribution	Security	Avg. Weight	Contribution
Merchants Bancorp	2.60	1.22	Immersion Corp	2.78	-0.35
Williams-Sonoma	1.94	1.15	Leidos	3.79	-0.34
Axos Financial	3.38	0.87	Versign	1.38	-0.25
American Financial Group	2.83	0.80	Davita	2.26	-0.22
Laboratory Corp	3.30	0.79	Air Transport Services	2.30	-0.22

Top 5 Small Cap Value Portfolio Contributors			Bottom 5 Small Cap Value Portfolio Contributors		
Security	Avg. Weight	Contribution	Security	Avg. Weight	Contribution
Merchants Bancorp	2.59	1.19	Immersion Corp	2.77	-0.36
Axos Financial	3.28	0.85	Select Energy Services	0.36	-0.22
J2 Global	3.69	0.77	Air Transport Services	2.24	-0.22
Preferred Bank	2.87	0.74	Science Applications	1.68	-0.20
Urban Outfitters	1.41	0.69	CyrusOne	2.26	-0.17

	Baird Small/Mid Value Composite Performance							Baird Small Value Composite Performance						
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (1/1/00)	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (3/1/05)
GROSS OF FEES	10.48	10.48	55.33	5.28	8.95	9.97	10.99	9.61	9.61	55.44	5.37	9.33	9.27	8.81
NET OF FEES	10.26	10.26	54.10	4.42	8.04	9.09	10.03	9.48	9.48	54.74	4.86	8.78	8.66	8.02
INDEX*	16.83	16.83	87.47	10.88	12.15	10.23	10.16	21.17	21.17	97.05	11.57	13.56	10.06	8.16

* Index for the Baird Small/Mid Value Composite is the Russell 2500 Value. Index for the Baird Small Value Composite is the Russell 2000 Value.

Positions identified above do not represent all the securities held, purchased or sold during this time period. The contribution to return of these securities is calculated by multiplying the weight of the security at the beginning of the time period by the security return and represents a model portfolio. To obtain a complete list of positions and contributions for the period, please contact Baird Equity Asset Management at 800-792-4011. Past performance does not guarantee future results.

Performance for the Small & Small/Mid Value Strategies can be found on our website BairdEquityAssetManagement.com, or by clicking on the following links: [Small Cap Value Strategy](#) & [Small/Mid Cap Value Strategy](#).

Returns are presented gross and net of management fees and include the reinvestment of all income. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains.

The Russell 2500 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2500 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Indices are a trademark of the Frank Russell Company. The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Indices are a trademark of the Frank Russell Company. Indices are unmanaged and direct investment is not possible.

This commentary represents portfolio management views and portfolio holdings as of 03/31/21. Those views and portfolio holdings are subject to change without notice. The specific securities identified do not represent all the securities purchased, sold or held for accounts and you should not assume these securities were or will be profitable.

Investment Professional	Years of Experience	Years with Baird	Educational Background
Michelle Stevens, CFA Senior Portfolio Manager	28	9	MBA – (University of Cincinnati) BS – Economics (Wittenberg University)
Richard Roesch, CFA Senior Research Analyst	28	9	BS – Finance (Butler University)
Jonathan DeMoss, CFA, CPA, CFP Senior Research Analyst	25	9	MBA – (Indiana University) BS – Accounting & Management (Iowa State University)
Rob Zwiebel Portfolio Specialist & Consultant Relations	30	9	BS – Finance (University of Dayton)
Jesse Parsons Trading & Operations Analyst	16	9	BBA – Finance & Marketing (University of Kentucky)