

## MARKET UPDATE

Equities rallied to start the year, spurred by falling interest rates along with an uptick in economic activity and related company fundamentals. However, as March began, macro conditions became much less forgiving. U.S. military action against Iran, followed by escalation across the Middle East, helped push oil prices above \$100 per barrel, while firmer-than-expected inflation data added to concerns around the level of interest rates and the sustainability of economic growth. This unfavorable combination introduced a higher level of market volatility and ultimately drove broad equity returns into negative territory for the quarter.

## PORTFOLIO COMMENTARY

The Baird Mid Cap Growth portfolio declined -2.2%, net of fees, in the quarter, outperforming the Russell Midcap Growth Index, which decreased -6.4%.<sup>\*</sup> This outperformance was driven by strong relative results in the portfolio's two largest sectors, consumer discretionary and industrials, where new idea generation and positive capital allocation decisions enabled both sectors to outpace their respective benchmark sectors. In addition, the market backdrop for our investment style was more constructive than in recent quarters, with profitable, higher-return businesses outperforming. More detailed commentary on sectors and portfolio changes follows.

The industrials sector was the largest contributor to positive relative performance. Strength in holdings such as Curtiss-Wright, BWX Technologies, Woodward, EMCOR, and Hubbell reflected the market's increasing appreciation for durable spending tied to aerospace and defense, electric grid investment, and infrastructure. The sector's best performing holding was trucking company XPO, as the industry's multi-year downturn appears to be ending, with improved volumes and strong pricing supporting a favorable growth outlook. UL Solutions also performed well.

We were active during the quarter in this sector, adding four new positions, three of which were among the most significant contributors. Hubbell, designs, manufactures, and sells electrical products for construction, industrial, and utility applications and is positioned to benefit from a demand inflection as global electricity consumption increases, particularly from data centers and large infrastructure projects. Woodward is a leading supplier of mission-critical aircraft engine control systems, with significant aftermarket and defense exposure, as well as a presence in industrial motion-control markets. UL Solutions is a high-quality testing and certification business with resilient growth and self-help potential. Verisk is a competitively advantaged information business serving the insurance industry, where we believe recent weakness overstated AI-related risks. Offsetting these additions, we exited BWX Technologies following a strong run, as we believe similar end-market exposure can be achieved with more attractive risk/reward elsewhere. We also exited Zebra Technologies due to inconsistent execution. Trex was sold to reduce housing exposure in a more volatile rate environment, and we exited Shift4 Payments as our conviction in both the company-specific outlook and broader industry dynamics declined. The net effect of these changes was an increased allocation to a sector where we see several industries with strong and improving fundamentals.

The consumer discretionary sector was another key source of outperformance. Restaurant and experiential holdings such as CAVA, Wingstop, Hilton, and Live Nation responded well to earnings results and improving 2026 growth expectations, while Kontoor Brands and BJ's Wholesale Club also contributed. Wingstop and Dutch Bros declined on concerns about the potential impact of higher oil prices on consumers; however, we believe the long-term growth opportunity outweighs this risk. We continue to opportunistically increase our exposure to the sector, while remaining mindful of volatility stemming from the conflict with Iran. Companies such as Floor & Décor and Wingstop weakened alongside rising rates and gasoline prices, but we used that volatility to add selectively where our core theses remain intact. We added Delta Air Lines, reflecting our view that the U.S. airline industry is entering a more rational, supply-constrained phase, with Delta best positioned given its premium franchise, loyalty ecosystem, operational execution, and balance sheet. We also initiated a position in Victoria's Secret, a leading specialty retailer of branded apparel and beauty products. Under new leadership, we see improved marketing and brand positioning, along with tailwinds from a broader resurgence in mall-based apparel, which should support stronger sales growth and margin expansion over time. We exited e.l.f. Beauty as our confidence in the brand's growth and market share trajectory diminished.

Consumer staples, despite its modest overall weight, made a solid contribution. Casey's General Stores remained a steady performer, supported by strong fuel margins and solid in-store execution. We initiated a position in Brown-Forman, where a

<sup>\*</sup>Returns less than one year are not annualized. The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance data may be lower or higher than the data quoted. Returns are presented net of management fees and include the reinvestment of all income. Actual investment advisory fees may vary across accounts and result in different net returns. For performance data to the most recent month end, contact Baird directly at 800-792-4011.

## Baird Mid Cap Growth Equity (Q1 2026)

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prolonged period of underperformance has created an attractive setup relative to modest expectations for this leading beverage provider.

Healthcare lagged the benchmark, largely due to a broad pullback in medtech, where in several cases, solid fundamental performance did not translate into good stock returns. Early in the quarter, Penumbra contributed positively following its announced sale to Boston Scientific. We sold following the acquisition and initiated a position in Align Technology, the market leader in dental clear aligners, where we see potential for improving domestic trends, continued international expansion, and margin upside, particularly with activist involvement. We also reinitiated IDEXX Laboratories, a leading developer and manufacturer of proprietary diagnostic instruments, consumables, and software primarily serving animal veterinary clinics. We also added to long-time holdings Insulet and DexCom, as we believe price weakness created attractive entry points into businesses with durable, recurring growth characteristics. We look for improved performance from a sector that has served us well historically.

Performance within technology was mixed but modestly positive relative to the benchmark. Early in the quarter, we reduced exposure to software and services, exiting PTC and EPAM Systems. These sales reflect our evolving and updated view that AI-driven disruption may put these two business models at severe competitive risk. Some of this capital was reallocated to Veeva Systems, where we believe its vertical-market positioning in healthcare is more defensible. We continue to reassess software models overall in the face of AI developments, be it the sustainability of what were historically durable, fast growing recurring revenue models, or the historically high margins and rich valuations. AI- and data center-related enthusiasm remained supportive for certain holdings, with Vertiv and Monolithic Power notable beneficiaries. We trimmed both positions following significant strength, although this proved premature in the near-term given their continued resilience and performance through the March volatility.

Financials contributed positively to relative performance, supported by solid trends at MSCI and Raymond James, as well as our limited exposure to weaker areas of the sector, particularly alternative asset managers and certain insurance-related businesses that declined during the quarter. While we made limited changes in the sector, results continue to reinforce our preference for businesses with durable data, advisory, and market structure advantages.

Outside the core sector groupings, energy was a relative headwind, as our underweight to the sector detracted during the spike in oil prices, although Viper Energy performed well on an absolute basis. Materials exposure was more supportive, with Fastenal benefiting from improving industrial activity

### OUTLOOK

We enter the second quarter with a macro backdrop that is clearly more complex than at the start of the year. Military conflict has put geopolitical risk at the fore, while higher oil prices introduced additional upside risk to already persistent inflation making the path of interest rates remain uncertain; not to mention the tremendous potential and uncertainty brought on by the progress of AI. Further bouts of volatility and significant stock price swings should be expected.

In our view, the first quarter served as a useful reminder that fundamentals matter. Businesses with strong returns on capital, resilient margins, differentiated assets, and exposure to durable investment cycles received greater recognition from the market. Our long-term investment approach is built on these characteristics.

The portfolio remains well diversified in differentiated mid-cap companies with attractive risk/reward characteristics. Our goal is to use periods of volatility opportunistically to enhance overall portfolio fundamentals and long-term return potential. We are encouraged by the start to the year and look forward to the work ahead. On behalf of the entire team at Baird Equity Asset Management, thank you for your continued support of our Mid Cap Growth Strategy.

# Baird Mid Cap Growth Equity (Q1 2026)

## PERFORMANCE

Periods Ending March 31, 2026 (%)	Total Return (%)		Average Annual Total Returns (%)			
	QTR	1 Year	3 Year	5 Year	10 Year	Since Inception (06/30/1993)
<b>Baird Mid Cap Growth Composite</b> (Gross)	-1.97	-0.91	-0.89	-0.78	9.38	10.91
<b>Baird Mid Cap Growth Composite</b> (Net)	-2.16	-1.69	-1.65	-1.52	8.59	10.25
<b>Russell Midcap® Growth Index</b>	-6.35	9.56	12.74	5.38	11.69	10.10

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## BAIRD MID CAP GROWTH INVESTMENT TEAM

Investment Professional	Years of Experience	Years with Baird	Educational Background
<b>Chuck Severson, CFA</b> Senior Portfolio Manager	39	39	MS – Finance, The Applied Security Analysis Program BBA – Accounting and Finance (UW-Madison)
<b>Ken Hemauer, CFA</b> Co-Senior Portfolio Manager	32	32	MS – Finance, The Applied Security Analysis Program BBA – Finance (UW-Madison)
<b>Jonathan Good</b> Senior Research Analyst	26	19	MBA – (Northwestern University-Kellogg) BS – Applied and Biomedical Sciences (Pennsylvania)
<b>Corbin Weyer, CFA, CPA</b> Director of Research & Senior Research Analyst	16	16	BSBA – Finance and Accounting (Marquette University)
<b>Christopher Brennan</b> Senior Research Analyst	7	2	MBA – Finance (The Wharton School of Pennsylvania) BA – Economics and Mandarin Chinese (Washington University in St. Louis)
<b>Josh Heinen, CFA</b> Research Analyst	5	5	MS – Finance, The Applied Security Analysis Program BBA – Accounting and Finance (UW-Madison)
<b>Margaret Guanci</b> Research Analyst	4	4	BBA – Finance (UW-Madison)

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The strategy focuses on small- and mid-cap growth style stocks and therefore performance will typically be more volatile than the performance of strategies that focus on types of stocks that have a broader investment style. The strategy may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. 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.

Portfolio holdings and sector exposures reflect a representative account as of the date listed above and are subject to change without notice. A representative account is selected based on accounts with substantially similar investment policies, objectives, and strategies that closely resemble, or are most representative of, the strategy it represents. Individual accounts may differ from a representative account due to asset size, market conditions, and client guidelines.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. Indices are unmanaged and are not available for direct investment.

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