

PORTFOLIO COMMENTARY

Fellow shareholders,

Equities rallied during the third quarter, with the Russell 2000 Index posting a 12.4% return. The Baird Equity Opportunity Fund generated a net return of 4.2%.* For the year-to-date period, the fund has returned 1.6% net versus the Russell's 10.4% return. While 2025's performance is clearly lagging thus far, we see it as more of a blip in the Fund's long-term track record, which remains excellent.

Following a few years of relative calm since the animal-spirited 2021, the market casino reopened for business. Speculative, price momentum-driven stocks performed best in the quarter, while value-oriented, quality risk-reward ideas meandered. This impacted our ability to capture index level upside during the quarter and year-to-date. Notably, while the Russell 2000 Index has generated a gain of over 10% this year, the S&P SmallCap 600 Index has risen by less than half that, or 4.2%. The main difference between these two small cap indices is that the Russell 2000 embraces a large swath of unprofitable companies (40% of the index, at times) – often synonymous with the notion of animal spirits – while the S&P 600 does not.

For more specific perspective, consider the “quantum computing” and “flying taxi” stocks, which have recently turned darlings of the smaller cap universe. The four public quantum computing companies we track sport over \$50 billion in combined market cap – a hefty sum considering they will generate a total of just \$125 million in revenue this year and hundreds of millions in losses. A similar story can be told with the flying taxi duo of Joby and Archer, which have cornered roughly \$25 billion of market cap despite having roughly zero revenue and around \$1 billion in annual losses. Niche market segments like these have been in great demand, particularly from retail investors, and have been sucking the oxygen out of the room for many of the more established, profitable SMID-cap names that we stylistically favor. To be fair, we have investments in several of the preferred areas of the market, including AI (Astera Labs), nuclear (Fluor, through its investment in NuScale), and defense technology (Teledyne and Cadre), which benefited the fund's performance during the quarter. Nevertheless, generally unattractive risk-reward profiles in such areas limited our overall exposure.

Perhaps unsurprisingly, AI-semiconductor company Astera Labs was the fund's best contributor to Q3 results. We bought the stock earlier in the year when AI stocks sold off materially, enabling us to establish a position without sacrificing our risk-reward discipline. Globalstar moved sharply higher as investors began to focus on the company's underappreciated and valuable spectrum assets. The catalyst for this was a competitor selling its spectrum to multiple buyers. Norwegian Cruise Lines rallied after posting solid operating results. We like this cruise line for its strong consumer value proposition, business momentum, and inexpensive valuation. Bill Holdings lifted on good results and the arrival of activists that are agitating for accelerated shareholder value creation.

Chime and Phreesia were key detractors during the period – surprisingly so since each reported strong results during the most recent quarter. Chime, a new position, is a digital banking leader boasting nearly 10 million customers. The business model is fee-light, steady and predictable, and unlike most banks, focuses on card payments instead of credit to generate revenue. The stock declined on macro concerns over lower to middle income consumers' health – and thus Chime's payment vitality. While certainly a fair concern, we do not believe that cyclical factors will greatly impede the company's strong growth profile, and we would point to the bolus of tax refunds arriving in their core customer's account in early 2026 as a more-than-offsetting tailwind to any macro softness. Sweetgreen and Confluent also detracted during the quarter.

During the quarter, we added a new position in ADT, Inc., which is the leading provider of home security services, a business marked by steady, non-cyclical growth, very attractive profit margins, and prodigious free cash flow. Trading at a depressed valuation for much of its public market existence, we think the removal of several key overhangs – including the soon-to-be exit of ADT's private equity sponsor, significant deleveraging of its balance sheet, and simplification of its business from three segments to one – should drive the stock's valuation higher over the coming years.

***Returns less than one year are not annualized. The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Returns include reinvestment of dividends and capital gains. To obtain the most recent month-end performance data available, please visit [bairdfunds.com](https://www.bairdfunds.com).**

Baird Equity Opportunity Fund (Q3 2025)

Looking ahead, we admit to being somewhat concerned about how long speculation will grip the equity markets. We do not plan to throw caution to the wind by buying, in our opinion, materially overpriced assets in the hope of finding a greater fool to purchase them from us later. Instead, we expect to continue to exercise sound judgment as we emphasize especially attractive risk-reward ideas. We acknowledge that we do not know when the tide will turn back to some sort of normality; but we do believe it will occur. This is how we felt in 2021 when SPACs abounded, and corners of the tech market (software, at that time) ripped higher with little regard for fundamental value.

The portfolio feels especially attractive to us. While the Russell 2000 Index has been flirting with its yearly highs, at quarter end, over roughly two-thirds of our long positions are at least 20% away from their recent highs. Furthermore, based on our internal assumptions, a similar two-thirds of the names are showing upside to our price targets – assuming only base case performance and valuation – of at least 30%. Finally, average risk-reward (calculated as projected upside relative to downside risk) measures as high or higher since we began keeping track many years ago. While we never expect our assumptions to be 100% accurate, we hope this color offers a view on the latent value we believe resides in the portfolio right now.

While it is unusual for us to be out of step with the markets, the drivers of our long-term success remain squarely in place. Notably, our long-tenured team, our proven idea generation and research process, and our core investment philosophies are unchanged. We clearly aspire to perform better, but our team takes solace in relying upon the convictions that have served us well since our inception twelve years ago. Sadly, we do not control stock prices, but we do control our actions and commitment to doing what we feel is in the best interests of our investment partners.

We wish you all a happy and safe set of upcoming holidays, and we look forward to sharing a final year-end update in January.

Respectfully,

A handwritten signature in black ink, appearing to read "Joe Milano", written in a cursive style.

Joe Milano

Baird Equity Opportunity Fund (Q3 2025)

PERFORMANCE

Periods Ending September 30, 2025	Total Return (%)		Average Annual Total Returns (%)					Expense Ratios (Net/Gross)*
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	
Equity Opportunity Fund Institutional Class (net)	4.20	1.59	16.06	16.17	14.07	7.59	8.22	1.25 / 1.73
Equity Opportunity Fund Investor Class (net)	4.18	1.54	15.91	15.95	13.85	7.35	7.97	1.50 / 1.98
Russell 2000 Index	12.39	10.39	10.76	15.21	11.56	9.77	9.98	

Inception Date: 5/01/2012. Returns less than one year are not annualized. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Returns include reinvestment of dividends and capital gains. To obtain the most recent month-end performance data available, please visit bairdfunds.com.** *The Net Expense Ratio is the Gross Expense Ratio minus any reimbursement from the advisor. The advisor has contractually agreed to waive its fees and/or reimburse expenses at least through April 30, 2026, to the extent necessary to ensure that the total operating expenses do not exceed 1.50% of the Investor Class's average daily net assets and 1.25% of the Institutional Class's average daily net assets. Investor class expense ratios include a 0.25% 12b-1 fee.

TOP 10 HOLDINGS (AS OF 06/30/2025)

Holdings	% of Fund
Sportradar Group AG (SRAD)	9.0
NCR Voyix Corporation (VYX)	8.4
BILL Holdings, Inc. (BILL)	5.7
ZoomInfo Technologies Inc (GTM)	4.2
Norwegian Cruise Line Holdings Ltd. (NCLH)	4.1
Universal Display Corporation (OLED)	4.1
Phreesia, Inc. (PHR)	3.9
Mister Car Wash, Inc. (MCW)	3.9
HealthEquity Inc (HQY)	3.9
Madison Square Garden Sports (MSGS)	3.8
Total	51.0

INVESTMENT TEAM

Investment Professional	Years of Experience	Team Since	Coverage Responsibility
Joe Milano, CFA Portfolio Manager	29	2013	Generalist
Chip Morris, CFA Analyst	38	2014	Technology
Scott Barry Analyst	28	2014	Consumer Discretionary & Consumer Staples
Ben Landy Analyst	16	2014	Industrials & Materials
Scott Mafale Analyst	9	2021	Healthcare

Investors should consider the investment objectives, risks, charges and expense of each fund carefully before investing. This and other information is found in the prospectus and summary prospectus. For a prospectus or summary prospectus, visit bairdfunds.com. Please read the prospectus or summary prospectus carefully before investing.

Prior to December 12, 2021, the Baird Equity Opportunity Fund was managed in accordance with a different investment strategy. Greenhouse Funds LLLP became the Fund's subadvisor effective December 12, 2021. The performance results shown are from periods during which the Fund was managed by the Advisor prior to the retention of Greenhouse Funds LLLP.

As a non-diversified fund, the Fund may invest a larger percentage of its assets in a smaller number of companies compared to a diversified fund, which increases risk and volatility because each investment has a greater effect on the overall performance. The Fund focuses on small- and mid-cap stocks and therefore the performance of the fund may be more volatile, less liquid and more likely to be adversely affected by poor economic or market conditions than investment in larger companies. The fund may invest up to 15% of its total assets in the equity securities of foreign companies. Foreign investments involve additional risks such as currency rate fluctuations, the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulations.

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The Russell 2000® Index is a capitalization-weighted index representing the smallest 2,000 companies in the Russell 3000 Index, ranked by total market capitalization. Indices are unmanaged and are not available for direct investment.

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