International and Global Growth Funds

Q4 2022 Commentary and Market Outlook

Baird Funds

MARKET RECAP

An era of low inflation and low interest rates has ended. Inflation is running at its fastest pace in decades in many places, and a range of central banks are pushing rates quickly higher. The war in Ukraine has only intensified the picture. It has been the geopolitical wild card, and it has further disrupted critical energy and food supplies. More likely, interest rates will probably need to stay high enough for some time to meaningfully weigh on the economy.

For these reasons, 2022 was an extremely difficult market environment, and there looks to be more choppiness ahead. While portfolios underperformed their respective equity benchmarks in the past year due to a broad rotation to value stocks, they were not far behind. But more striking, portfolios significantly outperformed the growth styles of their respective equity benchmarks, due to a consistent application of our investment process that not only considers growth, but also returns on capital and valuation.

Our investment philosophy emphasizes businesses that benefit from secular trends and possess strong competitive advantages and market positions. Additionally, portfolio companies are purposefully selected that earn attractive profit margins, carry strong balance sheets, and generate cash on a consistent basis. We expect these attributes to hold tack even if the macro backdrop is deteriorating. For these reasons, portfolios can outgrow market growth rates over the long-term.

In this inflationary environment, we have also managed by making ongoing adjustments to emphasize holdings that are well-suited to transmit pricing power or are valued more attractively. These attributes should help protect against two of the most pernicious effects of inflation for equity investors, namely the compression of profit margins and the compression of valuation multiples.

Thank you for entrusting us to invest your precious capital and to navigate this increasingly uncertain market environment.

In the fourth quarter of 2022, the Chautauqua International Growth Fund Net Investor Class returned 13.99%, versus the MSCI ACWI ex-U.S. Index® ND, which returned 14.28%. The Chautauqua Global Growth Fund Net Investor Class returned 11.50% during the quarter, outperforming the MSCI ACWI Index® ND, which returned 9.76%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index, growth style underperformed value style. Within the MSCI ACWI Index, growth style also underperformed value style, and large capitalization stocks underperformed small capitalization stocks. In emerging markets, growth style performed in line with value style.

Sector and country performance were mostly positive for the quarter.

MSCI Sector and Country Performance (QTD as of 12/31/2022)

Sector	Performance
Energy	18.04%
Industrials	17.60%
Materials	16.30%
Financials	14.49%
Health Care	13.24%
Consumer Staples	11.33%
Utilities	10.47%
Real Estate	6.13%
Information Technology	5.85%
Communication Services	2.50%
Consumer Discretionary	-0.66%

Country	Performance	Country	Performance
Denmark	31.64%	Singapore	10.46%
France	22.30%	Switzerland	10.41%
Ireland	21.49%	Taiwan	9.69%
Netherlands	21.03%	Canada	7.65%
Hong Kong	18.21%	United States	7.12%
Australia	15.73%	India	2.06%
China	13.53%	Israel	0.57%
Japan	13.26%	Indonesia	-3.51%

Source: FactSet. Based on select MSCI country returns.

*Performance data represents past performance and does not guarantee future results. The investment return and principal value of the investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the data quoted. For performance data as of the most recent month-end, please visit bairdfunds.com.

The global economy continued to deteriorate through the end of 2022, but not to the extent that was previously feared. In fact, some parts of the U.S. and European economies showed resilience despite the high inflationary environment, rising interest rates, and war in Ukraine. In the U.S., the labor market is still tight, and household balance sheets are still strong. Europe has managed the energy disruption by cutting back on energy consumption and doling out fiscal support to households to help address high energy and food costs. China is currently facing a swell of Covid cases, but it has taken a momentous step by easing tough pandemic policies and setting the stage for a reopening rebound.

Still, rising interest rates and slowing economic growth are heightening recession fears around the world. In the past year, the Federal Reserve (Fed) embarked on an aggressive campaign to hike interest rates in order to tame the most rapid inflation seen in decades, and what the Fed does reverberates across the world. Other central banks also hiked rates, both to fight inflation in their own economies and to stabilize their currencies against the dollar to the extent possible.

In the U.S., personal consumption expenditures (PCE) inflation slowed to 5.5% in November. This is an encouraging sign that, after a year and a half of swift and consistent price increases, inflation in the U.S. is beginning to abate. The Fed hiked rates by 75 basis points in November and then just 50 basis points in December, with the fed funds rate now set to a range of 4.25-4.5%. After months of hiking rates rapidly, the Fed is entering a phase in which it expects to adjust policy more cautiously. However, this does not mean the Fed is letting up.

Russia's war in Ukraine is responsible for much of the uncertainty facing the world because it has disrupted critical energy and food supplies. Recently, the U.S. and its Western allies capped the price of Russian oil in an effort to dwindle the energy-related revenues that Russia reaps and uses to finance its war. In response, Russia banned the sale of its oil to countries that impose the cap, which threatens to continue the uncertainty for global energy markets. For its part, Ukraine has repeated that it will resist until its territory is restored and Russia is held accountable for violations of international law, meaning there is still no line of sight to an armistice.

Higher energy prices have been heavily responsible for the sharp increase in inflation in Europe. Prices of food, service businesses, and wages have also gotten more expensive, as inflation has seeped into more pockets of the European economy. Uncertainty about energy prices has hampered manufacturing activity. Inflation in Europe is among the highest in developed economies and is still in the double digits. The European Central Bank (ECB) hiked rates by 75 basis points in October and by an additional 50 basis points in December, with the policy rate now set to 2%, and it is bracing for more hikes in 2023.

President Xi Jinping secured a third term as China's leader in October, and the Chinese equity market stumbled to multi-year lows. The fear was that China would prioritize Communist Party ideology over the country's growth and that Covid lockdowns would continue indefinitely. However, the situation has turned incrementally more positive after the government instated several moves to support its battered economy. In a remarkable pivot, the Chinese government announced a broad rollback of Covid containment measures, including mass testing, lockdowns, and quarantines, that have dragged down the economy and impacted day-to-day life. This was an implicit concession to public discontent after mass street protests in late November posed a widespread challenge to the Communist Party. Separately, President Xi Jinping called for more economic stimulus and for the central bank to instate a loose monetary policy, which has conveyed a pro-growth stance.

PERFORMANCE ATTRIBUTION

The Chautauqua International Growth Fund slightly underperformed its benchmark for the quarter. Overall, stock selection was a detractor to relative returns, particularly in information technology, industrials, and utilities holdings. Holdings in health care were the largest contributors to relative returns. Lack of exposure to consumer staples and holdings in financials also contributed. Regionally, holdings in Africa and the Middle East and Europe, and lack of exposure to Latin America contributed most to performance while holdings in Asia and the Pacific Basin and relative overweight to North America detracted. The largest contributors to the Fund were BeiGene, Novo Nordisk, and Genmab. The largest detractors were Atlassian, Temenos, and Waste Connections.

Stock selection was a positive contributor to relative outperformance in the Chautauqua Global Growth Fund, particularly in health care, consumer discretionary, and information technology holdings. Holdings in industrials, utilities, and financials were the largest detractors from relative returns. Lack of exposure to energy was also a detractor. Regionally, holdings in Europe and Africa and the Middle East as well as relative overweight to Europe and underweight in North America contributed most to performance while holdings in Asia and the Pacific Basin detracted. The largest contributors to the Fund were Novo Nordisk, Genmab, and BeiGene. The largest detractors were Atlassian, SVB Financial, and Brookfield Renewable.

FUND PERFORMANCE AS OF DECEMBER 31, 2022

	Total Return (%)	Average Annual Total Returns (%)				
	QTR	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Expense Ratio (net/gross)*
International Growth Fund Institutional Class (net)	14.10	-17.84	7.09	5.27	8.07	0.80/0.86
International Growth Fund Investor Class (net)	13.99	-18.03	6.79	4.98	7.80	1.05/1.11
MSCI ACWI ex-U.S. Index - ND	14.28	-16.00	0.07	0.88	4.79	
Excess Returns (Institutional Net)	-0.18	-1.84	7.02	4.39	3.28	
Morningstar % Rank in US Fund Foreign Large Growth Category (Rank/Count)		12% (49/425)	1% (1/395)	7% (26/380)	7% (25/358)	

	Total Return (%)	Average Annual Total Returns (%)				
	QTR	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Expense Ratio (net/gross)*
Global Growth Fund Institutional Class (net)	11.57	-20.11	7.57	6.68	10.21	0.80/0.92
Global Growth Fund Investor Class (net)	11.50	-20.32	7.38	6.46	9.97	1.05/1.17
MSCI ACWI Index - ND	9.76	-18.36	4.00	5.23	8.19	
Excess Returns (Institutional Net)	1.81	-1.75	3.57	1.45	2.02	
Morningstar % Rank in US Fund Global Large-Stock Growth Category (Rank/Count)		19% (69/368)	5% (15/325)	35% (104/298)	15% (42/275)	

Performance data represents past performance and does not guarantee future results. Returns over one year are annualized unless otherwise specified. The investment return and principal value of the investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the data quoted. For performance data as of the most recent month-end, please visit bairdfunds.com.

The Morningstar Percentile Rank is **based on the fund's total return** relative to all funds in the same category for the period. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. Morningstar total returns include both income and capital gains/losses and excludes sales charges.

*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, 2023 to the extent necessary to ensure that the total operating expenses do not exceed 1.05% of the Investor Class's average daily net assets and 0.80% of the Institutional Class's average daily net assets. Investor class expense ratios include 0.25% 12b-1 fee.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Chautauqua International Growth Fund, 75% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

For the Chautauqua Global Growth Fund, 70% of companies that reported earnings during the quarter were in-line with or exceeded consensus expectations.

Our conviction weighting process, which considers our estimates for growth, profitability, and valuation, is key to our portfolio management strategy and has been additive to returns over the long run.

Chautauqua International Growth Fund Top & Bottom Average Weighted Holdings for Q4 2022

Top 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Novo Nordisk	5.14	0.79
Genmab	5.02	0.75
Constellation Software	4.70	-0.13
Fairfax Financial Holdings	4.68	0.72
Bank Rakyat	4.65	-0.32

Bottom 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Sea Limited	0.17	-0.16
WuXi Biologics	1.20	0.15
Aptiv	1.90	0.03
Alibaba Group Holding	1.94	0.05
Brookfield Renewable	2.04	-0.68

Source: FactSet. The holdings identified do not represent all of the securities purchase, sold, or recommended for the funds; and past performance does not guarantee future results. To obtain information about the calculation methodology and a list showing every holding’s contribution, please contact Baird.

Chautauqua Global Growth Fund Top & Bottom Average Weighted Holdings for Q4 2022

Top 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Novo Nordisk	4.12	0.85
Genmab	4.05	0.75
Charles Schwab Corporation	3.84	0.23
TJX Companies	3.83	0.62
DBS Group Holdings	3.63	-0.01

Bottom 5 Average Weighted Holdings

Security	Avg. Weight	Contribution
Sea Limited	0.13	-0.12
WuXi Biologics	0.79	0.14
Universal Display Corporation	0.94	0.05
Illumina, Inc.	0.97	-0.03
Alibaba Group Holding	1.04	0.06

Source: FactSet. The holdings identified do not represent all of the securities purchase, sold, or recommended for the funds; and past performance does not guarantee future results. To obtain information about the calculation methodology and a list showing every holding's contribution, please contact Baird.

In the International Fund, we reduced positions in ASML, DBS Group Holdings, Fairfax Financial Holdings, Genmab, Novo Nordisk, and Waste Connections. Proceeds were used to initiate a position in Sea Limited and increase positions in Aptiv, Atlassian, Coloplast, and Safran.

In the Global Fund, we reduced positions in DBS Group Holdings, Fairfax Financial Holdings, Genmab, Novo Nordisk, and TJX Companies. Proceeds were used to initiate a position in Sea Limited and increase positions in Aptiv, Atlassian, Coloplast, and Safran.

OUTLOOK

The global economic outlook remains highly uncertain. The energy shock has pushed up inflation to levels not seen in many decades. Higher rates slow inflation by cooling business investments and consumer demand for goods and services, paving the way for more moderate price increases. But, in the process, higher rates also curtail employment, weaken wage growth, and ripple through financial markets in disruptive ways. Just how much pain these moves will ultimately cause remains unclear. So many countries are raising rates so quickly, and so in sync, that it is difficult to determine how intense any slowdown will be once it takes full effect. Monetary policy is a blunt tool, and it often acts with a lag.

There is already a broad slowdown of the global economy. However, Asia should be the main engine of growth, whereas North America, Europe, and Latin America should see very little growth. The most recent forecast for global economic growth in 2023 is 2.2% according to the Organization for Economic Cooperation and Development (OECD), or 2.7% according to the International Monetary Fund (IMF). Global inflation is thought to have already peaked and is forecasted to be 6.5% in 2023. The big question is how quickly inflation comes down.

In the U.S., the Fed plans to hike rates higher than previously expected, to 5.1% by the end of 2023, and to keep rates elevated for longer. This will give the Fed time to see how inflation and the labor market react to policy changes it has already put in place. It expects that it will still take years for inflation to fully return to its 2% target and that inflation risks remain to the upside. In particular, the job market is still very strong, and wages are growing rapidly, so a sharper economic deceleration may be needed for inflation to fully fade. The Fed has projected economic growth of 0.5% in 2023, which would be consistent with a short and shallow recession during the year. On the contrary, because the recent inflation data in the U.S. had started to abate, there is also speculation in the markets that the Fed could pursue a less aggressive policy path in 2023 and that there is a chance of accomplishing the elusive soft landing. In the press conference following the recent Fed meeting, Chairman Powell answered "I don't think anyone knows whether we're going to have a recession or not, and if we do, whether it's going to be a deep one or not. It is not knowable."

Europe faces the strongest economic headwinds in the months ahead. It is heavily reliant on Russia for its energy, and it could face sharp increases in energy prices as additional sanctions have gone into effect in December. The ECB expects to raise interest rates significantly further because inflation remains far too high, and therefore, interest rates have still not reached the levels where they are restrictive. The situation in Europe is fundamentally different as compared the one in the U.S., where both rates have been hiked significantly and inflation has come down significantly. Economic growth is expected to be weak, and likely negative in the first quarter, due to high energy costs and softening business sentiment. The ECB has projected economic growth of 0.5% in 2023.

In China, the recent surge in Covid infections and weak consumer sentiment have raised questions on how soon the economy can rebound. However, there has been a clear pivot on Covid policies and better visibility on an exit strategy. Additionally, the government has pledged more support for the housing market and more of a pro-growth stance on the economy. Inflation is also much lower than in the U.S. and other Western economies. Taken together, the changes point to an incrementally brighter outlook for China, though the

ASML had 3.96%, Atlassian 1.95%, BeiGene 2.69%, Coloplast 2.34%, DBS Group Holdings 4.28%, Safran 3.20%, Sea Limited 0.85%, Temenos 2.01%, and Waste Connections 4.24% weighting in the International Fund as of 12/31/2022. Aptiv had a 1.54%, Atlassian 1.29%, BeiGene 1.53%, Brookfield Renewable 1.63%, Coloplast 1.62%, Fairfax Financial Holdings 3.34%, Safran 2.08%, Sea Limited 0.64%, and SVB Financial Group 1.30% weighting in the Global Fund as of 12/31/2022.

ride is still likely to be bumpy. The World Bank forecasts economic growth in China of 4.3% in 2023, rebounding from 2.7% in 2022 as the economy reopens. Lastly, for context, institutional holdings of Chinese stocks are the lowest they have been in five years, and valuations are far below average. Amidst the positive shifts in the economic picture in China, the risk-to-reward is incrementally more favorable. Over the last two years, we have reduced Greater China weightings on a net basis, inclusive of holdings in Mainland China, Hong Kong, and Taiwan. In International portfolios, roughly 18% of assets are invested in Greater China holdings, which is modestly overweight relative to the benchmark. In Global portfolios, roughly 13% of assets are invested in Greater China holdings, which is overweight relative to the benchmark.

The factors roiling the global economy explain why the dollar became much stronger for the first three quarters in 2022. However, that trend reversed in the fourth quarter, with the dollar giving back roughly half of its gains during the year, as U.S. inflation has slowed and the pace of U.S. rate hiking is set to decelerate.

As global investors, our investments in foreign ordinary securities naturally exposes portfolios to currency risk, which, in this case, is defined as the difference between portfolio return and local market return. The same is true for both the benchmark and other investors which invest in these same types of foreign securities. Dollar performance during the past year created a headwind for these investments due to the negative currency return, but again, the partial reversal of that trend was a tailwind in the fourth quarter.

We have mitigated the impact of currency movements in two ways. First, less of the assets in portfolios are directly invested in the currencies that have performed poorly, as compared to the benchmark weights. On a relative basis, this is a positive. The worst performing major currencies in the past year were the yen and the pound, which were both down by low double digits percentages. The euro was down just by a mid-single digit percentage. In International portfolios, roughly 11% of assets are invested in yen-denominated securities, and approximately 11% of assets are invested in euro-denominated securities. In Global portfolios, roughly 7% of assets are invested in yen-denominated securities, and approximately 8% of assets are invested in euro-denominated securities. Portfolios are not invested at all in any securities denominated in the pound. And as far as emerging market exposures go, portfolios are exposed to the relatively benign emerging market currencies. Roughly 9% of assets in International portfolios and approximately 6% of assets in Global portfolios are invested in rupee or rupiah-denominated securities. The economies of India and Indonesia are outperforming as they benefit from reopening tailwinds of their large domestic markets.

Second, from a revenue footprint standpoint, portfolios are more overweight revenue sources from the geographies with stronger currency performance and more underweight revenue sources from the geographies with weaker currency performance, as compared to the benchmark exposures. International portfolios are more overweight in revenue sources from North America, India, and Indonesia, and they are more underweight revenue sources from Japan, Europe, and China. Global portfolios are more overweight in revenue sources from India and Indonesia, and they are more underweight in revenue sources from Japan and China. The exceptions in Global portfolios are an overweight to revenue sources in Europe and an underweight to revenue sources in North America.

Our investment philosophy emphasizes businesses that should benefit from secular trends and that we believe possess strong competitive advantages and market positions. Over longer investment horizons, some of the most exciting growth areas can be relatively agnostic to the global picture or the specific situations impacting certain regions. These include our many investments in and adjacent to cloud computing, software-as-a-service, digitalization, artificial intelligence, semiconductor advancement, e-commerce and payments, industrial automation, electric vehicles, and novel biologic and biosimilar therapies. Other exciting growth areas pertain to rapidly expanding consumer classes, broadly in emerging economies and especially in Asia, which are propelling the uptake of various consumer goods and financial products.

We do not expect the current environment of weakening economic growth to dislodge the long-term staying power of these investment themes, nor the business models or market positions of portfolio companies. Furthermore, portfolio companies that earn attractive profit margins, carry strong balance sheets, and generate cash on a consistent basis are purposefully selected. In other words, portfolio companies we believe are on solid footing, even when times are tough. For these reasons, portfolios can outgrow market growth rates over the long-term.

We have also taken great care to try to insulate against the most pernicious risks that inflation poses to equity investments, namely pressure on company profit margins and compression of valuation multiples. First, we have emphasized companies that we believe have pricing power because of the mission-critical or value-add nature of their products and services. Because of these features, these companies are able to transmit price in inflationary environments, and therefore protect their profit margins. Furthermore, we have made incremental adjustments to portfolios to emphasize companies with more attractive valuations, in light of higher market discount rates. We have implemented these adjustments in a long series throughout 2021 and 2022.

BUSINESS UPDATE

During the quarter, Brian Beitner, CFA, completed his planned retirement, which was originally announced in December 2021. On behalf of the Partners of Chautauqua Capital Management, we would like to express our gratitude and appreciation to Brian for all his immense contributions to our organization. He is not only the Founder and long-time Managing Partner of Chautauqua Capital, but he is also an exceptional investor, a sage teacher, and a dear friend, and we are sincerely grateful to him.

Respectfully submitted,

The Partners of Chautauqua Capital Management – a Division of Baird

INVESTMENT TEAM

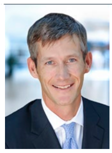
- **Generalists with specialized skills**
- **Average more than 22 years' investment experience**

KEY PILLARS OF OUR INVESTMENT PROCESS

- **Security selection drives returns**
- **Long-term focus**
- **Concentrated conviction-weighted portfolios**

ORGANIZED FOR INVESTMENT SUCCESS

- **Autonomous institutional boutique**
- **Employee owners**
- **We invest alongside our clients**
- **Self-imposed limit of growth**

Investment Professional		Educational Background	Years of Experience	Prior Affiliation
	**Jesse Flores, CFA** Partner	MBA, Stanford University BS, Cornell University	16	Roth Capital Partners Blavin & Company Lehman Brothers
	**Haicheng Li, CFA** Managing Partner	MBA, Stanford University MMSc, Harvard Medical School MS, Harvard University BA, Rutgers University	21	TCW
	**David Lubchenco** Partner	MBA, University of Denver BA, The Colorado College	30	Marsico Capital Management Transamerica Investment Management Janus Capital
	**Nate Velarde** Partner	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	21	PIMCO Nuveen Investments TCW

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information can be found in the prospectus or summary prospectus. A prospectus or summary prospectus may be obtained by visiting bairdfunds.com. Please read the prospectus or summary prospectus carefully before investing.

This commentary represents portfolio management views and fund holdings as of 12/31/22. Those views and fund holdings are subject to change without notice. The performance of any single fund holding is no indication of the performance of other holdings of the Chautauqua International Growth Fund and Chautauqua Global Growth Fund. Past performance is no guarantee of future results.

The Funds invest in foreign securities, which 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. They may also hold fewer securities than other funds, which increases the risk and volatility because each investment has a greater effect on the overall performance.

The MSCI ACWI Index® is a free float-adjusted market capitalization weighted index that is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets, including the United States. The MSCI ACWI ex-U.S. Index® is a free float-adjusted market capitalization weighted index that is designed to capture large- and mid-cap stocks across 22 of 23 developed markets countries, excluding the United States, and 24 emerging markets countries. Indexes are unmanaged and direct investment is not possible. "ND" represents net of dividends returns for the benchmark.