

Baird Aggregate Bond Inv BAGSX

Consistent and excellent.

Morningstar's Take BAGSX

Overall Morningstar Rating™		★★★		
417 US Fund Intermediate Core Bond (30 Apr 2026)				
	3 Yr	5 Yr	10 Yr	
	417 funds	382 funds	285 funds	
Morningstar Rating™	3★	3★	3★	
Morningstar Medalist Rating™		🏆 Gold		
Analyst-Driven %		100.00		
Data Coverage %		100.00		
Morningstar Pillars				
Process (25 Apr 2026)		🟢 High		
People (25 Apr 2026)		🟢 High		
Parent (27 Feb 2026)		🟢 High		
Performance (25 Apr 2026)				
Price (25 Apr 2026)		Price Score: -0.51		

25 Apr 2026 | by Alec Lucas

Strong execution and a process whose incremental advantages add up make Baird Aggregate Bond a top choice in the intermediate core 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 Aggregated Bond 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 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 dials exposure up when credit spreads widen and down when they tighten.

Thanks to its modest fee hurdle and effective style, outperformance has been consistent. 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 90% of them. The only rolling five-year periods of underperformance included both 2008 and 2011, when the fund's penchant for corporate credit was a liability and caused it to modestly lag.

Process High | Alec Lucas | 25 Apr 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, it merits a High Process rating.

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

matching this fund's overall interest rate sensitivity, or duration, to the Aggregate Index. Aiming to beat this boggy by 25 to 50 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, 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 the strategy can hold on to debt that has lost its investment-grade rating—a stake that has been 1% of assets or less since 2015. As a result, the fund's credit profile tends to look tame relative to more aggressive intermediate core 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 sells those with the richest valuations.

Corporate credit exposure, especially to industrials and financials, has accounted for about 36% to 44% of the portfolio's market value, versus about 24% to 27% for the Aggregate Index over the past decade. The fund's corporate bond weighting relative to the index peaked in mid-2022 when credit spreads were historically wide; its nearly 40% stake was then 15.3 percentage points more than the index's. By year-end 2024, those spreads had halved, and the fund's 36% corporate bond stake was 12 percentage points overweight, around the lowest it has been over the past decade.

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 roughly 27% to 37% securitized allocation, especially among MBS. The

team eschews TBAs, for example, since taking delivery of these forward purchasing contracts can result in securities with significant negative convexity.

Beyond trying to minimize negative convexity, the portfolio's securitized allocation varies depending on how attractive the sector and its subsectors are to other areas of the bond market. At year-end 2025, the fund was underweight in agency MBS, but its 30.7% securitized allocation was 4.6 percentage points more than the index owing to hefty allocations to high-quality nonagency residential and commercial MBS and to a lesser extent ABS.

While the strategy steers clear of buying below-investment-grade bonds, it tends to maintain a high-single- to low-double-digit BBB overweighting versus its index and a lofty stake relative to most rivals. Indeed, since mid-2022, the strategy's 21% to 24% allocation to BBB bonds has consistently ranked in the intermediate core bond peer group's top quintile.

People ● High | Alec Lucas | 25 Apr 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 a 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 2000 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 | 27 Feb 2026

A bond-heavy blend of asset management businesses.

Baird continues to merit a High Parent rating.

Although Robert W. Baird and Co.'s origins date to 1919, its Milwaukee-based asset management business has, over more than a quarter-century, grown into an industry stalwart through deft talent acquisition. In early 2000, senior leaders from rival Firstar Investment Research & Management Co. joined to form the fixed-income-focused Baird Advisors. With modest fees and an effective, benchmark-aware approach, Baird's collaborative taxable bond team runs the lion's share of its assets under management. The firm bolstered its municipal bond expertise in mid-2015 and in August 2019; that part of the business now has considerable promise as well.

Baird's equity efforts are smaller and more geographically diffuse but also center on the opportunistic addition of talent. Baird Equity Asset Management purchased the international and global growth equity team of Colorado-based Chautauqua Capital Management in 2016, and in late 2021, it strengthened ties with proven Baltimore-based investor Joseph Milano, formerly of T. Rowe Price, while removing a small value team that had struggled over the prior decade.

Another facet of Baird stems from the parent company's 2018 acquisition of Strategas, a New York-based institutional brokerage firm that provides macro research, capital market, and advisory services. Strategas now offers three

thematic equity exchange-traded funds through a partnership with Vident Asset Management, the biggest of which is Strategas Macro Thematic Opportunities. This ETF has cycled through at least 15 themes since its early 2022 inception while turning its portfolio over about 1-1.5 times per year and often holding hefty cash stakes that in April 2025 consistently exceeded 20%. Performance has been strong within its large-blend peer group thus far, but the ETF through late February 2026 modestly lagged the S&P 500 over its lifetime.

Each asset management business faces its own challenges. At Baird Advisors, succession bears monitoring as each of the firm's four senior leaders from Firmco is now a veteran of more than 40 years. Baird Equity Asset Management's strategies have a mixed record that requires the right balance of patience, support, and, if necessary, change. Strategas' approach, which is hardly staid, must show it offers enduring value to investors who can achieve broad market equity exposure through passive options for a fraction of the cost.

With more than 95% of its assets under management in fixed income strategies, Baird's bond-heavy blend of asset management businesses serves investors well. Backed by a strong parent company, Baird offers reliable active strategies at a reasonable cost that can serve as a cornerstone for the fixed-income portion of portfolios while complementing the equity side.

Performance | Alec Lucas | 25 Apr 2026

The fund has a strong long-term record. Since its late 2000 inception, its institutional shares' 4.36% annualized gain through January 2026 beat the Aggregate Index by 46 basis points while placing in the top decile out of roughly 50 distinct intermediate core 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 third overall in the entire peer group.

Consistent outperformance has been a hallmark here. Over the past decade through 2025, the fund has beaten its index and distinct peer median in eight out of 10 calendar years. This past year, strong bond-picking and an overweighting in corporate bonds helped the fund to a 7.36% gain, 6

and 15 basis points ahead of the index and peer median, respectively.

Versus the benchmark, the fund's best showing was in 2020, when its 8.63% return outpaced the index by 112 basis points. The fund didn't start that year well, though. Its typical Treasury underweighting was a headwind in 2020's first-quarter, coronavirus-driven credit selloff. Increasing exposure to investment-grade credit after spreads widened helped for the year as a whole, though, as did active positioning in that space.

The fund has meaningfully increased its investors' purchasing power over its lifetime by beating inflation as measured by the Consumer Price Index. From its 2000 inception through December 2025 (the most recent month for which CPI data is available), the fund grew each initial dollar invested into USD 2.94, ahead of the roughly USD 1.87 required to maintain purchasing power. Still, like all 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 17.6%, roughly in line with the benchmark's 17.02% drop.

Price | Alec Lucas | 25 Apr 2026

Baird Aggregate Bond Inv's Prospectus Adjusted Expense Ratio is 0.55% per year. It places it in the second-most-expensive quintile of the Morningstar US Fund Intermediate Core Bond Category, where the median fee is 0.46% per year. This cost positioning translates into a Medalist Rating Price Score of -0.51, which reflects its relative price positioning within the category. The Price Score ranges from -2.50 (most expensive) to +2.50 (cheapest), with higher scores indicating better cost competitiveness.

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Morningstar Medalist Rating™

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

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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.

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The average annual total returns for the Investor Class of the Baird Aggregate Bond Fund as April 30, 2026, are 4.01% for the one-year, 0.15% for the five-year and 1.82% for the ten-year periods and 4.06% since its September 29, 2000, inception date. The expense ratio of the Investor Class is 0.55%.

The average annual total returns for the Bloomberg U.S. Aggregate Bond Index as of April 30, 2026, are 4.06% for the one-year, 0.18% for the five-year and 1.67% for the ten-year periods and 3.85% since the fund's inception.

The Bloomberg U.S. Aggregate Bond Index is a fixed income, market-value index generally representative of investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. Indices are unmanaged and are not available for direct investment.

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