

Baird Core Intermediate Municipl Bd Instl BMNIX

A compelling tax-exempt muni offering.

Morningstar's Take **BMNIX**

Overall Morningstar Rating™	★★★★		
266 US Fund Muni National Interm (30 Jun 2024)	3 Yr 266 funds	5 Yr 243 funds	10 Yr — funds
Morningstar Rating™	5★	4★	—

Morningstar Medalist Rating™	🏆 Silver
Analyst-Driven %	100.00
Data Coverage %	100.00

Morningstar Pillars

Process (13 Jun 2024)	🟢 Above Average
People (13 Jun 2024)	🟢 Above Average
Parent (21 Feb 2024)	🟢 High
Performance (13 Jun 2024)	
Price (13 Jun 2024)	

13 Jun 2024 | by Max Curtin

Baird Core Intermediate Municipal Bond's experienced team capably executes this all-weather municipal approach, which rivals the Morningstar Category's best.

Seasoned portfolio managers Duane McAllister and Lyle Fitterer oversee Baird's growing municipal platform. Though the team remains modest in size with just seven investment professionals—five managers, including McAllister and Fitterer, and two credit analysts—its collaborative focus and straightforward mandate pair nicely with the group as presently constructed. McAllister came aboard in 2015 from BMO alongside fellow portfolio managers Erik Schleicher and Joseph Czechowicz. Fitterer, meanwhile, joined in 2019 from Allspring (formerly Wells Fargo), and portfolio manager Gabriel Diederich followed suit in 2022, rounding out the firm's current five-manager cohort. The lead comanagers each had roughly three decades of experience at the time of joining, including strong track records managing munis at their prior firms.

All five managers function as credit analysts and traders, too, and work in tandem with the group's two dedicated credit analysts.

Baird's sensible, straightforward approach is made possible by its modest fee hurdles, enabling the team to focus its energy on adding incremental value through credit selection, yield-curve positioning, and trade execution. The managers anchor the portfolio's duration (a measure of interest-rate risk) to the strategy's Bloomberg 1-15 Year Municipal Index, resulting in a structural shorter-duration posture versus muni-national intermediate Morningstar Category peers. Baird's proprietary credit scoring system also eases the research burden on the leaner team, which focuses most of its fundamental research efforts on the least stable credits such as senior-care and multifamily housing bonds.

Consistently strong bond-picking and timely curve positioning within the firm's prudent risk mitigation framework has led to an enviable track record dating back to the strategy's 2015 inception. Indeed, the mutual fund's institutional shares outpaced its distinct peer median in six of eight full calendar years, and its index in all but one.

Process 🟢 Above Average | Max Curtin | 13 Jun 2024

Baird's straightforward approach lacks some of the levers of more complex municipal strategies, but not to its detriment. The strategy earns an Above Average Process rating.

The muni suite resembles Baird Advisors' highly successful taxable-bond platform in many respects. For starters, modest mutual fund fee hurdles limit the need for excessive risk-taking, and the managers avoid large duration bets. The team manages the strategy's duration (a measure of interest-rate risk) tightly around its Bloomberg 1-15 Year Municipal Index's and forgoes the use of derivatives or leverage. The result is a strategy focused on bottom-up security selection, tactical

yield-curve positioning, and competitive trade execution aiming to generate an average of 25-50 basis points of net outperformance versus its index over a market cycle.

Fluid collaboration between the muni team and the firm's taxable cohorts, strong adherence to risk mitigation, and a proprietary credit scoring system ease concerns around the smaller team. All credits receive a score based on 20 factors ranging from the obligor's underlying credit rating to third-party enhancements and are bucketed into one of three categories. The team allocates most of its research time to credits grouped in the weakest bucket, which often features bonds in the senior-care, multifamily housing, and land development sectors.

High-quality, tax-exempt bonds are the focus of this strategy. Bonds rated A and above often constitute more than 80% of portfolio assets, the majority of which are rated AA (51% as of March 2024, based on this strategy's mutual fund vehicle). Bonds rated below-investment-grade (including nonrated) are officially capped at 10% of assets, though this bucket has seldom breached 6% since the strategy's 2015 inception. The March 2024 portfolio's 4.5% below-investment-grade stake was just below its muni-national intermediate category peer median's 5.2% and down from an average allocation of 5.8% in 2023.

Housing bonds have long stood out as a preferred sector relative to the strategy's index. The portfolio's position floated between 12% to 14% over the past year through March 2024, dwarfing its bogy's low-single-digit positions. Yet, that position does not account for the multifamily housing bonds that roll up into the portfolio's prerefunded bucket, an area of the portfolio that has grown in recent years. Managers have held at least 10% in prerefunded bonds (100% government-backed bonds that can offer attractive yields relative to standard AAA rated munis) since December 2022, up from a 3.5% average over the previous five years.

People ● Above Average | Max Curtin | 13 Jun 2024

The experience and stability of Baird's municipal group more than offset its smaller size and support an Above Average People rating.

Two capable muni veterans guide this seven-person investment team as co-leads of the platform. With careers spanning over three decades, Duane McAllister and Lyle Fitterer each built established track records before joining Baird in 2015 and 2019, respectively. McAllister came aboard in 2015 from BMO, where he had success managing tax-exempt strategies across the yield curve between 2007 and 2015. He brought with him portfolio managers Erik Schleicher and Joseph Czechowicz, both of whom came from muni credit research and portfolio management at BMO. Fitterer, meanwhile, joined in 2019 after stepping down as Allspring's (formerly Wells Fargo's) head of munis; the switch also reunited him with McAllister, whom he worked alongside at Wells Fargo's predecessor firm over a decade prior. Portfolio manager Gabriel Diederich followed Fitterer to Baird in 2022, rounding out the group's five-person manager cohort, which remains intact today.

All five managers wear multiple hats, working as managers, analysts, and traders. Other contributors include two credit analysts, five dedicated operations professionals, and Baird's taxable-bond team, which provides support in areas like corporate-backed and housing bonds.

Parent ● High | Max Curtin | 21 Feb 2024
Baird merits a High Parent rating.

Although Robert W. Baird and Co.'s origins date to 1919, its Milwaukee-based asset-management business has over the past 25 years grown into an industry stalwart through deft talent acquisition. In early 2000, Mary Ellen Stanek and her team joined to form the fixed-income-focused Baird Advisors. With modest fees and an effective, benchmark-aware approach, its taxable bond team now runs the lion's share of Baird's assets under management. The firm bolstered its municipal bond expertise in mid-2015 and in August 2019, and that part of the business now has considerable promise, too.

Although not as big or extensive in its lineup as its fixed-income counterpart, Baird Equity Asset Management has also opportunistically added key personnel. It purchased the international and global growth equity team of Chautauqua Capital Management in 2016 and in late 2021 strengthened ties with proven investor Joseph Milano, formerly of T. Rowe Price, while removing a small-value team that had struggled over the prior decade.

Succession bears monitoring. Indeed, Stanek and her co-CIO Warren Pierson are part of Baird Advisors' founding generation whose members each have nearly 40 if not more years of experience. That's offset, however, by a collaborative, team-based approach that should leave investors in good hands well after that generation's retirement.

Performance | Max Curtin | 13 Jun 2024

This strategy's track record is stellar versus both its Bloomberg 1-15 Year Municipal Index and municipal intermediate category peers.

The managers' cautious yet opportunistic approach has so far translated to a lower-volatility strategy rivaling the category's best. Indeed, the mutual fund's institutional shares' 2.45% annualized return since September 2015 (the strategy's first full month) through May 2024 ranked in the category's top decile and outpaced its index by 56 basis points. The strategy's volatility-adjusted performance (as measured by Sharpe ratio) was better than all but four distinct rivals during that period, indicating a very strong risk/reward trade-off.

The strong long-term numbers are largely a product of the strategy's excellent downside protection during stressed market environments. Positioned as duration-neutral against its index, the portfolio's duration is structurally shorter than that of its peers, which will cause the strategy to lag in periods of falling long-term yields while helping limit losses when interest rates rise. For instance, the strategy's 6.07% loss in 2022, while painful, was less harsh than about 85% of distinct peers. Meanwhile, the team's measured approach to credit risk, including thoughtful position sizing guardrails, enables the managers to steer clear of

concentrated credit risk that can spell trouble during rocky credit markets.

Price | Max Curtin | 13 Jun 2024

It's critical to evaluate expenses, as they come directly out of returns. Based on our assessment of the fund's People, Process, and Parent Pillars in the context of these expenses, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Medalist Rating of Silver.

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Morningstar Medalist Rating™

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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

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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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Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and summary prospectus, containing this and other information, visit bairdfunds.com. Read it carefully before investing.

[Click here](#) for the most recent Morningstar rating for Baird Core Intermediate Municipal Bond Fund and performance.

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The average annual total returns for the Institutional Class of the Baird Core Intermediate Municipal Bond Fund as of June 30, 2024, are 4.05% for the one-year, 1.74% for the five-year, and 2.57% since its December 31, 2013, inception date. The gross expense ratio of the Institutional Class is 0.30%, the net expense ratio is 0.15%.

The average annual total returns for the Bloomberg Municipal Bond (1-15 Year) Index Bond Index as of February 29, 2024, are 2.69% for the one-year, 1.16% for the five-year, and 2.03% since the fund's inception.

The Bloomberg Municipal Bond (1-15 Year) Index is an unmanaged, market value weighted index of investment-grade, tax-exempt, and fixed-rate securities with maturities between 1 and 17 years. Indices are unmanaged and are not available for direct investment.

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