International and Global Growth Funds

Q2 2024 Commentary and Market Outlook

Baird Funds

MARKET RECAP

Global equity markets continued to appreciate during the second quarter, but artificial intelligence (AI) has been the real fuel. It has supercharged the performance of U.S. stocks in particular because the biggest, marquee AI plays are heavily represented in the U.S. index. As a result, U.S. stock market performance and earnings growth have been quite narrow recently, and U.S. stocks outside of the AI orbit have lagged. Stocks in the emerging markets and international developed markets also appreciated but have a fraction of the AI theme represented in their indexes.

On the economic side, the soft-landing scenario has gained more traction. Global inflation has continued to moderate, while economic expansion has remained relatively healthy. However, central banks remain concerned about some lingering inflation pressures, and the extent of the decline in global interest rates has also moderated.

Our investment strategies focus on the long-term, allowing us to navigate short-term economic fluctuations. We prioritize businesses that align with secular trends and have strong competitive advantages and market positions. Our portfolio companies are chosen for their high profit margins, strong balance sheets, and consistent cash generation. We believe these qualities will endure even in challenging macroeconomic conditions. Our concentrated, conviction-weighted portfolios are designed to outperform market growth rates over an investment cycle. Additionally, our portfolios are diversified across a wide range of secular growth themes. For instance, within the top ten holdings of our international strategy, in addition to holdings in AI, themes include obesity, industrial automation, financial services in emerging markets, e-commerce, mobile gaming, and digitalization.

In this inflationary environment, we have consistently made adjustments to focus on assets that we consider are capable of maintaining pricing power or are more attractively valued. These characteristics should safeguard against the negative impacts of inflation on equity investors, specifically, the shrinking of profit margins and valuation multiples.

In the second quarter of 2024, the Baird Chautauqua International Growth Fund Net Investor Class returned +1.18%, outperforming the MSCI ACWI ex-U.S. Index® ND, which returned +0.96%. The Baird Chautauqua Global Growth Fund Net Investor Class returned +4.12% during the quarter, outperforming the MSCI ACWI Index® ND, which returned +2.87%.*

MARKET UPDATE

For the MSCI ACWI ex-U.S. Index, growth style slightly underperformed value style. Within the MSCI ACWI Index, growth style significantly outperformed value style, and large capitalization stocks significantly outperformed small capitalization stocks. In emerging markets, growth style slightly underperformed value style.

Sector and country performance were mixed for the quarter.

MSCI Sector and Country Performance (QTD as of 06/30/2024)

Sector	Performance
Information Technology	11.44%
Communication Services	8.17%
Utilities	3.84%
Health Care	0.44%
Financials	0.37%
Consumer Staples	0.05%
Energy	-0.56%
Consumer Discretionary	-1.36%
Industrials	-1.65%
Real Estate	-2.68%
Materials	-3.03%

Country	Performance	Country	Performance
Taiwan	15.20%	Australia	1.66%
India	10.36%	Hong Kong	0.95%
Singapore	8.89%	Ireland	-0.34%
Denmark	7.49%	Canada	-1.95%
China	7.16%	Japan	-4.24%
Netherlands	5.15%	France	-6.96%
United States	4.04%	Indonesia	-12.15%
Switzerland	3.64%		

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 risk appetite in equity markets has picked up this year, and volatility has been subdued. There is optimism that resilient economic growth can accompany disinflation, or in other words, form a soft landing. Market sentiment waned briefly in April, but it rebounded significantly in May and June.

U.S. stock market performance was strong and driven by a handful of mega-cap technology and technology-adjacent stocks that underpin the artificial intelligence growth theme. As a result, these sectors massively outperformed the rest of the market. There were worries about the narrowness in both stock performance and earnings, as the rest of the U.S. market lagged the handful of AI-related companies along both measures. The stock performance of emerging markets was also strong during the quarter, while that of international developed markets was up modestly.

In the U.S., the latest economic data revealed more traction for disinflation and the soft-landing narrative. Both the headline and core measures of personal consumption expenditures (PCE) inflation registered their lowest levels, both at 2.6%, this year in May. Additionally, the purchasing managers' index (PMI) survey in June showed the fastest expansion in the U.S. for the last two years. On the monetary policy side, the Federal Reserve has tempered expectations for rate cuts this year considerably. It started the year forecasting three rate cuts, but instead has held rates firm and forecasts only one this year. Fed officials have been advocating for patience so that there is greater confidence that inflation is consistently moving toward its target.

In contrast, the European Central Bank (ECB) cut interest rates for the first time since 2019. Inflation in the eurozone has fallen substantially since last year. Underlying inflation has also eased, reinforcing the signs that price pressures have weakened, and inflation expectations have declined at all horizons. That said, ECB officials appear to be divided on policy thereafter and therefore should be in no rush to cut rates again soon. Economic data in Europe continues to point toward easing inflation and a soft landing. Eurozone PMI has been in expansion territory for four straight months. The services sector continues to drive the recovery, and the rate of contraction in manufacturing continues to slow. Also, there are signs of recovery in Germany as well, with the business surveys steady in May and consumer confidence picking up.

FUND PERFORMANCE AS OF JUNE 30, 2024

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Expense Ratio (net/gross)*
International Growth Fund Institutional Class (net)	1.28	6.46	6.80	-0.51	9.12	8.91	0.80/0.87
International Growth Fund Investor Class (net)	1.18	6.26	6.49	-0.76	8.83	8.63	1.05/1.12
MSCI ACWI ex-U.S. Index - ND	0.96	5.69	11.62	0.46	5.55	6.47	
Excess Returns (Institutional Net)	0.32	0.77	-4.82	-0.97	3.57	2.44	
Morningstar % Rank in US Fund Foreign Large Growth Category (Rank/Count)			72% (275/382)	34% (129/377)	10% (34/354)	13% (40/317)	

	Total Return (%)		Average Annual Total Returns (%)				
	QTR	YTD	1 Year	3 Year	5 Year	Since Inception (04/15/2016)	Expense Ratio (net/gross)*
Global Growth Fund Institutional Class (net)	4.21	13.74	18.27	2.85	11.87	12.03	0.80/0.92
Global Growth Fund Investor Class (net)	4.12	13.65	18.00	2.60	11.64	11.78	1.05/1.17
MSCI ACWI Index – ND	2.87	11.30	19.38	5.43	10.76	10.72	
Excess Returns (Institutional Net)	1.34	2.44	-1.11	-2.58	1.11	1.31	
Morningstar % Rank in US Fund Global Large-Stock Growth Category (Rank/Count)			58% (199/343)	43% (141/326)	31% (91/294)	42% (110/258)	

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, 2025 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.

PERFORMANCE ATTRIBUTION

The Baird Chautauqua International Growth Fund outperformed its benchmark during the quarter. Allocation effect and stock selection were both positive for the period, with holdings in consumer discretionary and industrials, and relative overweight to information technology, contributing most to returns. Stock selection in the financials and health care sectors detracted most from relative returns. Regionally, holdings in Asia & the Pacific Basin and North America—particularly Japan, Singapore, and Canada—contributed, while holdings in Europe—predominately in the Netherlands and Denmark—were the largest relative detractors. The largest contributors to relative returns in the Fund were Sea Limited, Taiwan Semiconductor, and Recruit Holdings. The largest detractors were Adyen, Bank Rakyat, and Genmab.

The Baird Chautauqua Global Growth Fund outperformed its benchmark during the quarter. Stock selection was the primary driver of performance during the period, with holdings in consumer discretionary, industrials, and communication services contributing most to relative returns. Stock selection in financials and relative overweighting and holdings in health care detracted. Regionally, holdings in North America and Asia & the Pacific Basin—particularly the U.S., Singapore, Taiwan, Japan, and Canada—contributed, while holdings in Europe—predominately in the Netherlands and Denmark—were the largest relative detractors. The largest contributors to relative returns in the Fund were Taiwan Semiconductor, Alphabet, and Sea Limited. The largest detractors were Adyen, Bank Rakyat, and Genmab.

Largest Contributors

Sea Limited
Sea reported first quarter earnings that substantially beat expectations. Its important e-commerce business achieved record-high revenue, order volume, and gross merchandise volume. Additionally, there had been a reduction in competitive intensity, whereby Sea and its competitors had raised commissions, and Sea has been a market share gainer.

Taiwan Semiconductor
Taiwan Semiconductor (TSMC) reported first quarter earnings that beat expectations. Additionally, TSMC has been an important beneficiary as a picks-and-shovels play with rising data center and AI revenue, and its capacity in leading-edge manufacturing nodes have been fully booked through the end of next year.

Recruit Holdings (International)
Recruit reported March results that were in-line with expectations. Though its near-term forecasts were for flattish growth, the company highlighted the fact that its HR technology business was near its cyclical bottom after declining over the last year. Additionally, this business has extremely high operating leverage, which sets the company up for increased earnings power in 2025 and beyond.

Alphabet (Global)
Alphabet reported Q1 results that beat expectations, with growth accelerating in each of its business segments: Google, YouTube, and Cloud. Google is benefitting from usage and cost amortization from its AI improvements and showcased a number of new products for both consumer and enterprise segments in its recent user conference to monetize this technology transition.

Largest Detractors

Adyen
Adyen provided a revenue update in Q1, whereby net revenue growth met expectations. It also demonstrated volume growth that was substantially above the end market growth rate, indicating substantial market share gains, particularly with large enterprise customers. Therefore, take rates also compressed due to the mix effect. Adyen's products clearly remain attractive to global retailers on product integration and lowering the total cost of ownership.

Bank Rakyat
Bank Rakyat reported first quarter earnings that missed expectations. A significant increase in provision expenses was the main drag on earnings, primarily due to a weaker repayment capacity for borrowers that have been impacted by high food price inflation and El Niño. In addition to raising provision expenses, Bank Rakyat lowered its growth forecast for the microloan segment and also tightened its underwriting standards in light of this development. Nonetheless, return on equity for Bank Rakyat remains robust and is expected to remain above the 10-year average for the bank.

Genmab
Genmab reported better-than-expected revenues, and sales of their new drug Epkinly also beat consensus. Genmab did not raise its 2024 guidance but plans to update guidance by the next earnings report. Shares are down largely on investor concerns regarding the upcoming head-to-head data of their next-generation candidate GEN3014 versus Darzalex and whether Johnson & Johnson will opt-in to the product. Management remains confident about GEN3014, and results will likely be known before year-end.

Baird Chautauqua International Growth Fund Top & Bottom Contributors for Q2 2024

Top 5 Contributors

Security	Avg. Weight
Sea Limited	3.15
Taiwan Semiconductor	5.40
Recruit Holdings Co., Ltd.	3.72
HDFC Bank Limited	3.95
Novo Nordisk A/S	5.01

Bottom 5 Contributors

Security	Avg. Weight
Adyen NV	3.99
Bank Rakyat	3.51
Genmab A/S	2.99
Coloplast A/S	3.17
Atlassian Corporation	3.23

Source: FactSet. The holdings identified do not represent all the securities held, purchased or sold for the Funds during the period; past performance does not guarantee future results. To obtain information about the calculation methodology and a list showing all holdings and their contribution, please contact Baird.

Baird Chautauqua Global Growth Fund Top & Bottom Contributors for Q2 2024

Top 5 Contributors

Security	Avg. Weight
Taiwan Semiconductor	3.97
Alphabet Inc.	4.34
Sea Limited	1.99
Recruit Holdings Co., Ltd.	2.40
Novo Nordisk A/S	4.37

Bottom 5 Contributors

Security	Avg. Weight
Adyen NV	2.82
Bank Rakyat	2.33
Genmab A/S	2.19
Mastercard Inc.	4.21
Coloplast A/S	2.11

Source: FactSet. The holdings identified do not represent all the securities held, purchased or sold for the Funds during the period; past performance does not guarantee future results. To obtain information about the calculation methodology and a list showing all holdings and their contribution, please contact Baird.

PORTFOLIO HIGHLIGHTS | BUYS AND SELLS

For the Baird Chautauqua International Growth Fund, 78% of companies that reported earnings during the quarter were in-line with or exceeded consensus estimates.

For the Baird Chautauqua Global Growth Fund, 79% of companies that reported earnings during the quarter were in-line with or exceeded consensus estimates.

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.

In the International Fund, we reduced positions in ASML, Novo Nordisk, Recruit Holdings, and Taiwan Semiconductor. Proceeds were used to increase the Fund’s position in Brookfield Renewable.

In the Global Fund, we reduced positions in Alphabet, ASML, Novo Nordisk, Nvidia, and Taiwan Semiconductor.

OUTLOOK

Global economic growth looks to be steadying, following several years of negative shocks and despite the current environment of elevated interest rates and heightened geopolitical tensions. According to the World Bank, global growth is projected to hold steady at 2.6% in 2024 before edging up to an average of 2.7% in 2025-2026. Growth this year is estimated to be faster than previously thought, due mainly to the continued solid performance of the U.S. economy. Additionally, the World Bank projects growth in developed economies to remain steady at 1.5% in 2024 before rising to 1.7% in 2025, and it projects growth in emerging economies to be 4% on average over 2024-2025.

This outlook is muted in comparison to growth rates during the decade prior to the pandemic, which averaged 3.1%, despite the anticipated moderation of various cyclical headwinds, such as supply chain shocks and high commodity prices. Slower growth is true for both developed and emerging economies, and it has weakened notably in countries that have experienced high rates of inflation.

Global trade growth is recovering, supported by a pickup in goods trade. Services growth is less of a tailwind this year, given that tourism has nearly recovered to pre-pandemic levels. However, the trade outlook remains tepid, partly reflecting a surge in trade-restrictive measures and heightened trade policy uncertainty.

There are some notable bright spots in the global economy. In particular, the U.S. economy has shown impressive resilience amidst the most drastic monetary tightening in four decades, and it is one of the main reasons that the global economy could have some upside potential.

India and Indonesia are two additional examples of global bright spots, and they continue to be relative overweights in our portfolios. India’s economy has been buoyed by strong domestic demand, growing investment, and strong services activity. The World Bank projects it to grow at an average rate of 6.7% for the next three years, making India the fastest growing large economy in the world. Indonesia is projected to benefit from a growing middle class and generally prudent economic policies, and the World Bank projects it to grow at an average rate of 5.1% for the next two years.

On the other hand, growth in China is predicted to slow this year and ease further in 2025 and 2026, with cyclical headwinds weighing on growth in the near term, along with a continuing structural slowdown.

Inflation continues to decline globally, making progress toward central bank targets, but at a slower pace than previously estimated. Core inflation has remained stubbornly high in many countries, propped up by fast growth of services prices. Recently, the pace of disinflation has slowed, reflecting a slowdown in the rate of decline of core inflation and a partial rebound in energy prices. As a result, many central banks are remaining cautious in lowering interest rates. The World Bank forecasts that global inflation will moderate to 3.5% in 2024, 2.9% in 2025, and 2.8% in 2026.

Major central banks are projected to gradually lower interest rates over the remainder of the year, but the level of real interest rates may remain a headwind to economic activity and should help reduce inflation further. Central banks continue to emphasize that the pace of easing will be cautious, reflecting persistent inflationary pressures, and even robust economic activity in the case of the U.S. Over the next couple of years, interest rates are likely to remain high, especially as compared to those of the recent decades. If further delays in the disinflation process emerge, policy rate cuts may be postponed.

Over the last two-plus 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 11% of assets are invested in Greater China holdings, which is overweight relative to the benchmark. We believe our Chinese holdings are at valuation levels, in the context of their long-term growth outlooks and competitive positioning, that more than compensate us for the risks. Our Chinese holdings are exposed to secular growth areas of the domestic economy (private consumption and health care) that align with government priorities, have strong balance sheets and resilient cash flows, and are not reliant on restricted Western technology inputs for future growth.

Our investment strategies focus on companies that benefit from long-term secular trends and have strong competitive advantages and market positions. Some of the most promising growth opportunities over long investment horizons may not be heavily influenced by current global events or specific regional circumstances. These opportunities include our investments in and around cloud computing, software-as-a-service, digital transformation, artificial intelligence, semiconductor technology, e-commerce, payment systems, industrial automation, electric vehicles, and innovative biologic and biosimilar therapies. Additionally, there are other exciting growth prospects related to the rapid expansion of consumer markets, particularly in emerging economies and notably in Asia, which are driving the demand for various consumer products and financial services.

The ongoing trend of economic slowdown should not undermine the enduring strength of these investment themes, or the business models and market positions of the companies in our portfolios. Additionally, we have deliberately chosen companies with healthy profit margins, robust balance sheets, and consistent cash flow generation. Essentially, we have selected portfolio companies that we consider to be financially stable, even in challenging times. As a result, our portfolios have the capacity to surpass market growth rates in the long run.

We have made significant efforts to protect against the most damaging risks associated with inflation on equity investments—margin pressure and multiple compression. Our focus has been on selecting companies with pricing power due to the critical nature or value-added aspect of their products and services. These companies are capable of adjusting prices in times of inflation, safeguarding their profit margins. Additionally, we have adjusted our portfolios to include companies with more appealing valuations, considering the increased market discount rates.

BUSINESS UPDATE

There have been no changes to the investment team at Chautauqua Capital Management nor have there been changes to the ownership structure of our parent company, Baird.

Respectfully submitted,

The Partners of Chautauqua Capital Management – a Division of Baird

INVESTMENT TEAM

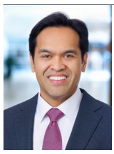
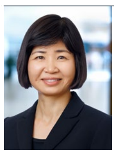
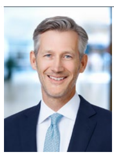
- **Generalists with specialized skills**
- **Average more than 24 years investment experience**

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	18	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	23	TCW
	**David Lubchenco** Partner	MBA, University of Denver BA, The Colorado College	31	Marsico Capital Management Transamerica Investment Management Janus Capital
	**Nate Velarde** Partner	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	22	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 06/30/24. 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 Baird Chautauqua International Growth Fund and Baird 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.

Baird Funds are offered through Robert W. Baird & Co., a registered broker/dealer, member NYSE and SIPC. Robert W. Baird & Co. also serves as investment advisor for the Fund and receives compensation for these services as disclosed in the current prospectus. First use: 07/2024