

PORTFOLIO COMMENTARY

Fellow shareholders,

Equities posted a strong quarter on the back of encouraging economic data and the anticipation of a series of interest rate cuts by the Federal Reserve. Smaller-cap stocks tend to like this combination and acted accordingly, with the Russell 2000 Index rising +9.3% during the period – outpacing the S&P 500's +5.9% total return. The Equity Opportunity Fund posted a net return of +5.4% during the three-month period. With much of the year behind us, the Fund continues to perform solidly, gaining +8.6% on a net return basis through September.*

The third quarter was marked by solid corporate fundamentals and enthusiasm over the start of a new Federal Reserve interest rate-cutting cycle, punctuated by an initial 50 basis point reduction in mid-September. Smaller-cap stocks responded well to the first rate cut, though larger-caps still have posted roughly double the performance on a year-to-date basis. Nonetheless, we were pleased to see the modest reversion in Q3 performance by market capitalization.

During the quarter, financials and utilities led the Russell 2000 Index, while all sectors delivered positive returns except for energy. Growth and value styles both rose, with modest outperformance of value during the period. The Fund continues to be balanced on this front and, thus, did not see much impact from style bias.

Performance was bolstered by strong contributions from Clear Secure, public safety products maker Cadre Holdings, and med-tech company Merit Medical. Clear's stock price rose sharply after the company posted yet another strong quarter. Clear's positive results were hardly new – but this time, investors took notice. The company continues to benefit from its strong value proposition to frequent travelers, along with enviable execution. We have owned Cadre since its 2021 initial public offering, and the company continues to deliver on its promises. The thesis continues to feature predictable underlying growth and margin expansion that can be complemented by strategic acquisitions. Investors seem to like this recipe, and the stock has worked well.

Key detractors to the Fund's performance in Q3 included software names AvidXchange Holdings and ZoomInfo Technologies. These stocks fell during the quarter when solid Q2 results were overshadowed by a modestly disappointing back half outlook. Both companies have been impacted by the macro slowdown that has depressed their primary customer set of small- and mid-sized businesses. While near-term stock price performance might remain subdued, we have added to each position based on the view that better days lie ahead. Clarus Corporation also detracted from performance.

There has been much debate this year over whether the economy is more likely to have a hard landing (recession) or a soft one. Our working conjecture is that neither of these is most likely; instead, we anticipate a "hard takeoff," similar to an airplane that is nearing touchdown only to rev the engines and take off once again. A hard takeoff would be marked by still-decent – albeit decelerating – economic growth and increasingly easy financial conditions, fueled by interest rate cuts. Moreover, inflation in this scenario would almost certainly remain above the Fed's long-held 2% target rate. If this hypothesis proves directionally correct, it should be a decent backdrop for equities, especially smaller-cap stocks that tend to perform better during periods of improving economic growth and falling interest rates. We would expect periodic inflation scares to drive heightened market volatility, stoking debate over the pace of future interest rate cuts.

Nearer-term, we believe attention will shift to the U.S. Elections in early November. With candidates that feature vastly different agendas, the ultimate makeup of the White House and Congress will matter to an array of industries and companies. Additionally, while it seems there are always geopolitical hotspots, the current war in the Middle East remains an important wild card. Uncertainty over these developments could conspire to create market angst into year end, if not longer.

This creates a complicated backdrop for investors. Decent fundamentals and falling interest rates should serve as a tailwind for equities and smaller-cap stocks, in particular. But with equities trading near all-time highs and above-average valuation levels, we maintain a commitment to managing risk. We do this mainly by utilizing an investment process that relies heavily upon a risk-reward framework for individual ideas. Additionally, periodically, we employ portfolio insurance overlays; we have recently purchased relatively cheap protection on a portion of the portfolio's net assets that would help cushion a material downside move through mid-November. We do not believe the market will decline materially in the immediate term, per se, but consider it prudent portfolio management, nonetheless.

***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](https://www.bairdfunds.com).**

Baird Equity Opportunity Fund (Q3 2024)

While there is no dearth of macro considerations that require thought and analysis, we believe that the Fund's long-term performance is more heavily influenced by the individual positions in our portfolio. For example, we recently built a significant position in NCR Voyix following disappointing early-year results. The point-of-sale leader has undergone massive change, including new management, an enhanced business model that focuses on software and services, and a recent asset sale that allowed the balance sheet to delever from over 4x EBITDA to under 2x. We look to improved growth and profitability in 2025 to drive valuation expansion from currently depressed levels.

We believe that the Fund is well positioned into year end and, if smaller-cap tailwinds persist, the portfolio should enter 2025 with more wind in its sails than has been our experience since inception. We wish you a happy and healthy set of upcoming holidays and look forward to providing another update early next year.

Respectfully,



Joe Milano

Baird Equity Opportunity Fund (Q3 2024)

PERFORMANCE

Periods Ending September 30, 2024 ¹ (%)	Total Return (%)		Average Annual Total Returns (%)				Since Inception (05/01/2012)	Expense Ratios (Net/Gross) ²
	QTR	YTD	1 Year	3 Year	5 Year	10 Year		
Equity Opportunity Fund Institutional Class (net)	5.39	8.55	23.37	5.58	7.15	5.90	7.61	1.25 / 1.70
Equity Opportunity Fund Investor Class (net)	5.36	8.39	23.09	5.39	6.91	5.65	7.36	1.50 / 1.95
Russell 2000 Index	9.27	11.17	26.76	1.84	9.39	8.78	9.92	

¹Performance data represents past performance and does not guarantee future results. Returns over one year are annualized unless 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 may be lower or higher than the data quoted. Performance figures assume reinvestment of all dividends and capital gains. For performance data as of the most recent month-end, please visit bairdfunds.com. 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. Fund performance is net of fees.

²The 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 1.50% of the Investor Class's average daily net assets and 1.25% of the Institutional Class's average daily net assets.

TOP 10 HOLDINGS AS OF JUNE 30, 2024

Security	% of Fund
Chefs' Warehouse, Inc. (CHEF)	5.60
Cadre Holdings, Inc. (CDRE)	5.58
Universal Display Corporation (OLED)	5.51
Sportradar Group AG (SRAD)	5.48
Fluor Corporation (FLR)	5.38
Envestnet, Inc. (ENV)	4.56
Merit Medical Systems, Inc. (MMSI)	4.54
Madison Square Garden Sports Corp. (MSGS)	4.44
AvidXchange Holdings, Inc. (AVDX)	4.06
Valmont Industries, Inc. (VMI)	3.98

INVESTMENT TEAM

Investment Professional	Years of Experience	Team Since	Coverage Responsibility
Joe Milano, CFA Portfolio Manager	28	2013	Generalist
Chip Morris, CFA Analyst	37	2014	Technology
Scott Barry Analyst	27	2014	Consumer Discretionary & Consumer Staples
Ben Landy Analyst	15	2014	Industrials & Materials
Scott Mafale Analyst	8	2021	Healthcare

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Prior to December 12, 2021, the fund was managed in accordance with a different investment strategy. The Subadvisor 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 a Subadvisor.

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 investments 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 regulation.

The Russell 2000 is the most widely quoted measure of the overall performance of small-cap to mid-cap stocks. It represents approximately 10% of the total Russell 3000 market capitalization. It is made up of the bottom two-thirds in company size of the Russell 3000 index. Indices are unmanaged and are not available for direct investment. Time periods greater than one year are annualized. The Equity Opportunity Fund (the "Fund") has been developed solely by Robert W. Baird & Co. Incorporated. The Fund is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain of the LSE Group companies. All rights in the Russell 2000 Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. The Index is calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the Fund. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Robert W. Baird & Co. Incorporated. CFA is a trademark owned by the CFA Institute.

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