International and Global Growth Funds

Q4 2024 Commentary and Market Outlook

Baird Funds

MARKET RECAP

Central bank updates signaled monetary policy remains on an easing path, but the pace of rate cuts may be slower or shallower than recently anticipated. The Federal Reserve (Fed) decision has led the way in this regard amid persistent inflation concerns, with the Fed updating its forecast to just two rate cuts in 2025. Additionally, following the Trump presidential victory, there has been a growing focus on his trade policies and election pledges, which many have viewed as inflationary and possibly leading to higher-for-longer rates. U.S. equities substantially outperformed international equities given this backdrop during the fourth quarter. Despite these headwinds, we managed to protect on the downside in the International portfolios, mostly due to our stock selection.

Our investment approach emphasizes a long-term perspective, allowing us to navigate short-term economic fluctuations. We focus on businesses that align with secular trends and have strong competitive advantages and market positions. The companies in our portfolios are selected for their high profit margins, strong balance sheets, and consistent cash generation. We believe these attributes will endure even in adverse macroeconomic conditions. Our concentrated, conviction-weighted portfolios aim to outperform market growth rates over an investment cycle. Furthermore, our portfolios are diversified across a broad spectrum of secular growth themes. For example, among the top ten holdings of our International strategy, in addition to holdings in AI, themes include electronic payments, industrial automation, financial services in emerging markets, e-commerce, mobile gaming, and digitalization.

Amid the current inflationary climate, we have continually adjusted portfolios to focus on assets we believe can maintain pricing power or are more attractively valued. These qualities should help shield equity investors from the negative impacts of inflation, specifically, the shrinking of profit margins and valuation multiples.

In the fourth quarter of 2024, the Baird Chautauqua International Growth Fund Net Investor Class returned -4.31%, outperforming the MSCI ACWI ex-U.S. Index® ND, which returned -7.60%. The Baird Chautauqua Global Growth Fund Net Investor Class returned -2.96% during the quarter, underperforming the MSCI ACWI Index® ND, which returned -0.99%.*

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 outperformed small capitalization stocks. In emerging markets, growth style outperformed value style.

Sector and country performance were mixed, but leaned negative for the quarter.

MSCI Sector and Country Performance (QTD as of 12/31/2024)

Sector	Performance
Consumer Discretionary	5.50%
Communication Services	4.85%
Information Technology	4.33%
Financials	2.77%
Energy	-3.79%
Industrials	-4.78%
Consumer Staples	-7.02%
Utilities	-8.61%
Real Estate	-8.80%
Health Care	-11.33%
Materials	-14.99%

Country	Performance	Country	Performance
Taiwan	3.39%	India	-10.63%
Singapore	3.17%	Switzerland	-11.25%
United States	2.79%	Australia	-11.36%
Canada	-1.64%	Netherlands	-12.37%
Japan	-3.57%	Ireland	-12.44%
China	-7.66%	Indonesia	-15.34%
Hong Kong	-9.80%	Denmark	-21.48%
France	-10.17%		

Source: FactSet. Based on MSCI country returns.

*Returns less than one year are not annualized. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate and 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. Returns include reinvestment of dividends and capital gains. To obtain the most recent month-end performance data available, please visit bairdfunds.com.**

During the fourth quarter, U.S. equities substantially outperformed both international developed and emerging markets equities. Much of this outperformance stemmed from enthusiasm about Donald Trump's re-election, which sparked hopes of stronger domestic growth, potential corporate tax cuts, and an improved regulatory environment. November was the best month of 2024 for the U.S. market, propelled by cyclicals and names levered to a friendlier regulatory environment. However, some of these gains receded in December as investors reassessed the impacts of future policy changes and unwound part of the initial "Trump trade."

Overall, U.S. economic data has pointed to positive trends in economic growth and the labor market, and progress in disinflation throughout the year, even though the pace has sometimes fluctuated. Progress on inflation data stalled this quarter. Based on the core personal consumption expenditures (PCE) index, which strips out food and energy costs, inflation increased 2.8% in both October and November. This was slightly higher than in preceding months, indicating some firming in price levels. A firmer labor market alongside the firmer inflation figures pushed the Fed in a slightly more hawkish direction. After the initial bumper 50 basis point cut in September, the Fed followed with two 25 basis point cuts in November and December, ultimately settling rates in the 4.25% to 4.5% range.

Europe continued to grapple with subdued economic conditions and wary market sentiment. Purchasing managers' index (PMI) data showed a notable divergence between services sectors, which have returned to expansion, and manufacturing sectors, which have remained in contraction. Inflationary pressures also remained a concern, with headline inflation moving slightly upward and core and services inflation holding firm. The European Central Bank (ECB) marked a significant policy shift by implementing back-to-back rate cuts. This decision reflected growing concerns about economic weakness and falling inflation, with the ECB's focus pivoting from inflation control to growth support.

Overall, Asian equities fell during the quarter amid renewed concerns over trade tensions following Trump's victory. Greater China equities fell as the positive sentiment from the prior quarter, which was fueled by the government's launch of stimulus efforts, gave way to skepticism over how much fiscal stimulus would be deployed and new concerns that additional tariffs would stunt economic growth. At the top of concerns was Trump's campaign threat to enact 60% tariffs on Chinese imports and then a later message that he was considering a 10% increase on current Chinese tariffs. Although that reaction moderated toward the end of the quarter, apprehension about trade relations continued to influence market sentiment.

Much of the focus on China during the quarter was on details regarding the government's fiscal stimulus measures. The government has laid out four goals of fiscal stimulus, of which resolving the hidden debts of local governments was first. The other goals include increasing bank lending, stabilizing the property sector, and supporting consumers.

In November, the Chinese government introduced a RMB¥10 trillion (about US$1.4 trillion) package to bail out local governments with bad debt. After the property sector crash, many local governments could no longer use land sales to pay back loans. Swapping out the debt will limit financial risks and free up some spending capacity, though the size of the relief has been seen as relatively small and not directly benefiting Chinese consumers. In December, the government announced additional plans. First, it stated that a moderately loose monetary policy would commence in 2025, marking the first shift toward easing since 2011. This measure is intended to work in tandem with a more aggressive fiscal stance to uphold growth. Second, the government approved raising its budget deficit to 4% of GDP for 2025, up from the 3% deficit target set for 2024. This percentage point increase represents roughly RMB¥1.3 trillion (about US$180 billion) in extra spending capacity, helping the government maintain a 5% economic growth target. Third, the government announced a RMB¥3 trillion (about US$410 billion) special treasury bond issuance. These bonds will help recapitalize state-owned banks and provide support for consumer initiatives.

Despite these moves, recent economic data in China suggested lingering challenges. Retail sales growth tapered off throughout the quarter, despite various incentives to boost consumption. Although industrial output remained relatively strong, part of the uptick may be tied to a pull-forward of goods for export ahead of expected tariffs. PMI data was generally steady, but the export-orders component raised concerns due to its slowdown. The property sector continued to struggle, with house prices and transaction volumes continuing to decline.

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 as holdings and overweighting in information technology and holdings in industrials contributed the most to relative returns. Stock selection and overweight in the health care and real estate sectors were the largest relative detractors. Regionally, holdings in Asia & the Pacific Basin—particularly Australia, Singapore, and India—contributed most to relative returns, while lack of exposure to Africa & the Middle East detracted. The largest contributors to returns in the Fund were Atlassian, Recruit Holdings, and Sea Limited. The largest relative detractors were BeiGene, Novo Nordisk, and Bank Rakyat.

The Baird Chautauqua Global Growth Fund underperformed its benchmark during the quarter. Stock selection was negative for the period, with holdings in information technology and holdings and overweighting in health care detracting most from relative returns. Holdings in the industrials sector and lack of exposure to materials and consumer staples were the largest relative contributors. Regionally, North America and Europe—particularly the U.S. and Denmark—detracted, while holdings in Asia & the Pacific Basin—predominately in Australia and Singapore—were the largest relative contributors. The largest detractors to returns in the Fund were Regeneron Pharmaceuticals, Novo Nordisk, and BeiGene. The largest relative contributors were Atlassian, Recruit Holdings, and Sea Limited.

FUND PERFORMANCE AS OF DECEMBER 31, 2024

	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)	-4.25	11.59	1.01	9.03	8.96	0.80/0.86
International Growth Fund Investor Class (net)	-4.31	11.30	0.77	8.74	8.69	1.05/1.11
MSCI ACWI ex-U.S. Index - ND	-7.60	5.53	0.82	4.10	6.07	
Excess Returns (Institutional Net)	3.35	6.06	0.19	4.93	2.89	
Morningstar % Rank in US Fund Foreign Large Growth Category (Rank/Count)		10% (27/368)	10% (34/361)	3% (8/340)	11% (26/303)	

	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)	-2.89	16.32	2.63	10.99	11.59	0.80/0.88
Global Growth Fund Investor Class (net)	-2.96	16.07	2.37	10.76	11.33	1.05/1.13
MSCI ACWI Index - ND	-0.99	17.49	5.44	10.06	10.76	
Excess Returns (Institutional Net)	-1.90	-1.17	-2.81	0.93	0.83	
Morningstar % Rank in US Fund Global Large-Stock Growth Category (Rank/Count)		44% (167/344)	33% (121/330)	32% (98/298)	49% (128/258)	

Returns less than one year are not annualized. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate and 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. Returns include reinvestment of dividends and capital gains. To obtain the most recent month-end performance data available, please visit bairdfunds.com.**

The Morningstar percentile rankings are for the Institutional Share Class of the Funds and are **based on the average annual total returns** for the periods stated and do not include any sales charges but do include reinvestment of dividends and capital gains and Rule 12b-1 fees. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100.

*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 a 0.25% 12b-1 fee.

Largest Contributors

Atlassian Corporation
Atlassian delivered solid earnings with cloud revenues growing 31%, ahead of consensus expectations of 27%. It also raised the full-year cloud guidance from 23% to 24% growth. Paid seat expansion rate is stabilizing, and its AI offerings have potential. We remain positive on the long-term opportunity for the company from continued migration, paid seat expansion, pricing, and new customer acquisition.

Recruit Holdings
Recruit reported both September quarter sales and profits ahead of consensus estimates. And while the employee recruiting market has not yet bottomed for their business, Recruit is already beginning to see accelerating double-digit profit growth due to cost take-outs it had completed. The earnings power should strengthen even more when Indeed revenue snaps back more strongly.

Largest Detractors

BeiGene
BeiGene retracted after strong stock appreciation in the previous quarter. Fundamentals on the stock remain the same; it is expected to have excellent top- and bottom-line growth over the next several years, driven by Brukinsa, their best-in-class product for several hematology cancers, with a global market size of around $9 billion in 2023. In the fourth quarter, BeiGene announced it is changing its name to BeOne Medicines Ltd and its ticker in the U.S. to ONC.

Novo Nordisk
Novo reported results from the phase III REDEFINE-1 study for CagriSema, which showed 20.4% weight loss, in-line with Eli Lilly's Zepbound but below expectations of 25%. The lower-than-expected efficacy is likely due to the design of the trial, which allowed flexible dosing protocol by patients. The concern is that because CagriSema's tolerability is low, patients did not dose to the highest dose. However, the results are better than the 15% weight loss on Wegovy and are similar to Zepbound, which is best-in-class. Given the huge size of the obesity market, we remain positive on Novo.

Largest Contributors (continued)

Sea Limited
Sea beat consensus estimates for sales and profits in the third quarter. E-commerce is growing above 25% while resuming profitability. That is also helped by the competitive environment behaving much more rationally. Additionally, the fintech business continues to gain momentum, and the gaming business has experienced a resurgence in bookings and engagement with new game play updates.

Largest Detractors (continued)

Bank Rakyat (International)
Bank Rakyat grew its loan book slower than the Indonesian banking industry due to a slowdown in the micro and small business segments. Government subsidies for micro loans have been rolling off, and therefore demand has been softer as these loans have been repriced to borrowers at higher market rates. Asset quality and loan growth will continue to be monitored, but we see this as a temporary issue that will be worked through, and Bank Rakyat is the dominant player in this specialty banking niche.

Regeneron Pharmaceuticals (Global)
Although Regeneron reported solid 3Q24 earnings, its Eylea HD missed expectations, and thus caused concern for near-term Eylea franchise sales. The overall Eylea franchise (2mg + HD) still grew 3% YoY, and the launch of Eylea HD is in-line to slightly higher than its competitor drug Vabysmo. Dupixent sales continue to be strong, and its pipeline continues to progress. We remain positive on Regeneron.

Baird Chautauqua International Growth Fund Top & Bottom Contributors for Q4 2024

Top 5 Contributors

Security	Avg. Weight
Atlassian Corporation	3.72
Recruit Holdings Co., Ltd.	3.56
Sea Limited	3.39
Fairfax Financial Holdings Limited	3.72
DBS Group Holdings Ltd.	3.78

Bottom 5 Contributors

Security	Avg. Weight
BeiGene, Ltd.	3.73
Novo Nordisk A/S	3.55
Bank Rakyat	2.83
KE Holdings, Inc.	3.47
Alibaba Group Holding Limited	2.30

Baird Chautauqua Global Growth Fund Top & Bottom Contributors for Q4 2024

Top 5 Contributors

Security	Avg. Weight
Atlassian Corporation	2.42
Recruit Holdings Co., Ltd.	2.43
Sea Limited	2.76
Charles Schwab Corp.	2.64
Alphabet Inc.	3.52

Bottom 5 Contributors

Security	Avg. Weight
Regeneron Pharmaceuticals, Inc.	2.71
Novo Nordisk A/S	3.17
BeiGene, Ltd.	2.15
Bank Rakyat	2.23
Micron Technology, Inc.	2.33

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. Holdings are subject to risk and can change at any time. 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, 65% of companies that reported earnings during the quarter were in-line with or exceeded consensus estimates.

For the Baird Chautauqua Global Growth Fund, 74% 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 Atlassian, Constellation Software, HDFC Bank, Prosus, and Sea Limited. Proceeds were used to increase the Fund’s position in Ryanair.

In the Global Fund, we reduced positions in Constellation Software, Nvidia, and Sea Limited. Proceeds were used to increase the Fund’s position in Ryanair.

Constellation Software had a 4.73%, HDFC Bank 3.79%, Prosus 4.06%, and Ryanair 1.99% weighting in the International Fund as of 12/31/2024. Constellation Software had a 4.08%, Nvidia 3.33%, and Ryanair 1.65% weighting in the Global Fund as of 12/31/2024.

OUTLOOK

Takeaways from the December Fed meeting were more hawkish than presumed. The Fed now forecasts two rate cuts in 2025, which is down from four rate cuts it had previously forecasted in September. Nearer term growth and inflation projections also moved higher. The new forecasts indicate the Fed anticipates more stubborn price pressures than it had previously.

In addition to a marginally more hawkish Fed and softer disinflation traction, there is considerable uncertainty and potential headwinds around some of Trump's policy proposals. Trump has threatened to raise or impose new tariffs on trading partners and to tighten immigration rules, which could boost prices and wages in the near term, thereby stalling the progress on disinflation. Tariffs can also be a growth drag in spite of the broader enthusiasm surrounding a shift toward deregulation. Additional concerns include a growing budget deficit in the new administration and skepticism on extended U.S. stock market valuations.

When Trump escalated the trade war in his first term, the Fed ended up lowering rates. The Fed feared the hit to business sentiment would swamp the potential effects of higher prices from tariffs. However, inflation was low back then, and consumers and businesses did not have the fresh experience of absorbing significant price hikes for multiple years.

U.S. trade policy has steered much of the discourse in markets, and tariffs are the immediate concern. In Europe, as the economic data has been gradually worsening, the ECB is now much more focused on rate cuts to support the economy, in contrast with the more inflation-focused Fed. The potential impact of Trump tariffs also weighed on the outlook and sentiment, as a potential 10% blanket tariff is likely to stunt eurozone GDP. ECB President Lagarde advocated for a diplomatic approach, proposing a checkbook strategy of increased American product purchases to avoid trade conflicts.

Trump campaigned on applying 60% tariffs on Chinese imports, and in November he said he would add 10% to existing tariffs on such goods. As exports are among the few bright spots in the Chinese economy currently, China needs to maintain its ability to sell to its major trading partners as much as possible to prevent another big hit to overall growth. If Trump follows through with his promise to impose higher tariffs, Chinese exports would inevitably decline, and China will have to bolster domestic demand to keep the economy going. China has also drawn up plans to hit back at any tariff hikes, through retaliatory measures such as restrictions on sales of raw materials the U.S. needs to make semiconductors, auto engines, and defense products.

China's economy has struggled this year due to a severe property crisis, high local government debt, and weak consumer demand. While the risks to exports means China will need to rely on domestic sources of growth, consumers are feeling less wealthy due to falling property prices and minimal social welfare. Weak consumer confidence is a key risk.

Regarding the stimulus measure, the concern is not just whether these initiatives will be enough to stimulate the faltering real economy, but if they will be enough to drive a lasting recovery and stave off the threat of deflation. Given the government's goals, a more substantial fiscal package may take shape in the coming months leading up to the parliamentary meeting in March. The Chinese government will need to keep some economic ammunition dry ahead of a likely escalation in trade tensions.

In International portfolios, roughly 16% of assets are invested in Greater China* holdings, which is overweight relative to the benchmark. In Global portfolios, roughly 10% 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.

*Includes China, Hong Kong, and Prosus.

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.

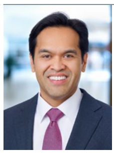
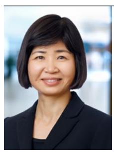
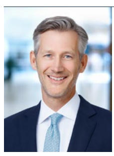
BUSINESS UPDATE

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	KEY PILLARS OF OUR INVESTMENT PROCESS	ORGANIZED FOR INVESTMENT SUCCESS
▪ Generalists with specialized skills ▪ Average more than 24 years investment experience	▪ Security selection drives returns ▪ Long-term focus ▪ Concentrated conviction-weighted portfolios	▪ 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	32	Marsico Capital Management Transamerica Investment Management Janus Capital
	**Nate Velarde** Partner	MIDS, UC Berkeley MBA, University of Chicago BA, University of Chicago	23	PIMCO Nuveen Investments TCW

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The Funds may hold fewer securities than other diversified funds, which increases the risk and volatility because each investment has a greater effect on the overall performance. The Funds invest in equity securities of foreign companies. Foreign investments 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.

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

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