



BAIRD

# Semi-Annual Report – Baird Funds

June 30, 2016

Baird LargeCap Fund

Baird MidCap Fund

Baird Small/Mid Cap Value Fund

Baird SmallCap Value Fund

Chautauqua International Growth Fund

Chautauqua Global Growth Fund

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This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.

**Cautionary Note on Analyses, Opinions and Outlooks:** In this report we offer analyses and opinions on the performance of individual securities, companies, industries, sectors, markets, interest rates and governmental policies, including predictions, forecasts and outlooks regarding possible future events. These can generally be identified as such because the context of the statements may include such words as “believe,” “should,” “will,” “expects,” “anticipates,” “hopes” and words of similar effect. These statements reflect the portfolio managers’ good faith beliefs and judgments and involve risks and uncertainties, including the risk that the portfolio managers’ analyses, opinions and outlooks are or will prove to be inaccurate. It is inherently difficult to correctly assess and explain the performance of particular securities, sectors, markets, interest rate movements, governmental actions or general economic trends and conditions, and many unforeseen factors contribute to the performance of Baird Funds. Investors are, therefore, cautioned not to place undue reliance on subjective judgments contained in this report.

# Baird LargeCap Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the S&P 500® Index is shown below.

### Top 10 Holdings\*

Microsoft Corp.	2.9%
Apple, Inc.	2.3%
Rockwell Automation, Inc.	2.2%
Vanguard Consumer Staples ETF	2.1%
Exxon Mobil Corp.	2.1%
Amgen, Inc.	2.0%
Financial Select Sector SPDR Fund	1.9%
PepsiCo, Inc.	1.9%
Oracle Corp.	1.9%
The Coca-Cola Co.	1.9%

Net Assets:	\$35,559,395
Portfolio Turnover Rate:	46.2%†
Number of Equity Holdings:	107

### Annualized Portfolio Expense Ratio:\*\*\*

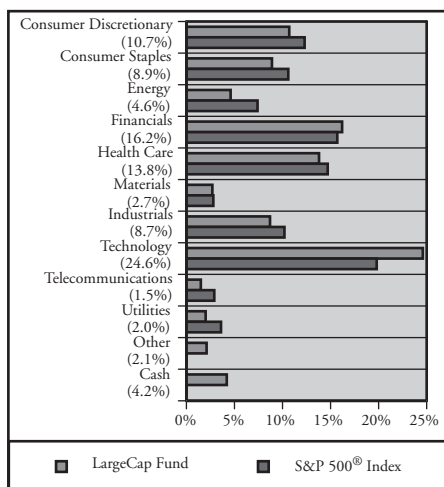
#### Gross

Institutional Class:	1.11%
Investor Class:	1.36%****

#### Net

Institutional Class:	0.75%
Investor Class:	1.00%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.75% of average daily net assets for the Institutional Class shares and 1.00% of average daily net assets for the Investor Class shares, at least through April 30, 2017.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Baird LargeCap Fund

June 30, 2016 (Unaudited)

## Total Returns

<i>For the Periods Ended June 30, 2016</i>	Six Months	One Year	Average Annual		
			Five Years	Ten Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	-1.25%	-5.03%	8.93%	6.09%	2.58%
Investor Class Shares	-1.51%	-5.30%	8.63%	5.83%	2.32%
S&P 500 <sup>®</sup> Index <sup>(2)</sup>	3.84%	3.99%	12.10%	7.42%	4.47%

(1) For the period from September 29, 2000 (inception date) through June 30, 2016.

(2) The S&P 500<sup>®</sup> Index measures the performance of 500 common stocks chosen for market size, liquidity and industry group representation of U.S. equity performance. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*Effective December 23, 2013, Baird Kailash Group, LLC (“BKG”) became the Fund’s subadviser. Effective April 30, 2016, L2 Asset Management, LLC replaced BKG as the Fund’s subadviser. The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund’s current prospectus, is set forth under “Portfolio Characteristics”.*

*The Fund’s subadviser makes investment decisions for the Fund primarily using quantitative investment models which rank securities based on fundamental measures of value, past performance and indicators of recent positive changes. The success of the quantitative investment methodologies and processes employed by the subadviser depends on the analyses and assessments that were used in developing such methodologies and processes, as well as on the accuracy and reliability of models and data provided by third parties. Incorrect analyses and assessments or inaccurate or incomplete models and data would adversely affect performance. Certain low-probability events or factors that are assigned little weight may occur or prove to be more likely or may have more relevance than expected, for short or extended periods of time. It is also possible that prices of securities may move in directions that were not predicted by the subadviser’s quantitative methodologies. The Fund may invest in stocks (or ADRs representing stocks) of foreign companies that are traded on U.S. exchanges. Foreign investments involve additional risk such as currency rate fluctuations, political and economic instability, and different and sometimes less strict financial reporting standards and regulation.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Aerospace &amp; Defense</b>			
The Boeing Co.	3,955	\$ 513,636	1.4%
Spirit AeroSystems Holdings, Inc. – Class A*	3,153	135,579	0.4%
		<u>649,215</u>	<u>1.8%</u>
<b>Airlines</b>			
Alaska Air Group, Inc.	3,079	179,475	0.5%
American Airlines Group, Inc.	6,438	182,260	0.5%
United Continental Holdings, Inc.*	2,670	109,577	0.3%
		<u>471,312</u>	<u>1.3%</u>
<b>Auto Components</b>			
Delphi Automotive PLC f	3,282	205,453	0.6%
Lear Corp.	4,582	466,265	1.3%
		<u>671,718</u>	<u>1.9%</u>
<b>Automobiles</b>			
Ford Motor Co.	42,938	539,731	1.5%
General Motors Co.	2,403	68,005	0.2%
Harley-Davidson, Inc.	7,647	346,409	1.0%
		<u>954,145</u>	<u>2.7%</u>
<b>Banks</b>			
Fifth Third Bancorp	4,509	79,313	0.2%
J.P. Morgan Chase & Co.	8,653	537,698	1.5%
U.S. Bancorp	4,531	182,735	0.5%
Wells Fargo & Co.	8,982	425,118	1.2%
		<u>1,224,864</u>	<u>3.4%</u>
<b>Beverages</b>			
The Coca-Cola Co.	14,773	669,660	1.9%
Coca-Cola European Partners PLC f	3,573	127,520	0.4%
Dr Pepper Snapple Group, Inc.	659	63,679	0.2%
PepsiCo, Inc.	6,476	686,068	1.9%
		<u>1,546,927</u>	<u>4.4%</u>
<b>Biotechnology</b>			
AbbVie, Inc.	10,395	643,554	1.8%
Amgen, Inc.	4,724	718,757	2.0%
Biogen, Inc.*	523	126,472	0.4%
Celgene Corp.*	2,097	206,827	0.6%
United Therapeutics Corp.*	982	104,013	0.3%
		<u>1,799,623</u>	<u>5.1%</u>
<b>Building Products</b>			
Masco Corp.	5,546	171,593	0.5%

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Capital Markets</b>			
Ameriprise Financial, Inc.	4,986	\$ 447,992	1.3%
The Blackstone Group LP	5,771	141,620	0.4%
SEI Investments Co.	6,758	325,128	0.9%
		914,740	2.6%
<b>Chemicals</b>			
CF Industries Holdings, Inc.	4,308	103,823	0.3%
LyondellBasell Industries NV – Class A f	7,772	578,392	1.6%
The Mosaic Co.	2,488	65,136	0.2%
Westlake Chemical Corp.	2,796	120,004	0.3%
		867,355	2.4%
<b>Commercial Banks</b>			
PNC Financial Services Group, Inc.	2,774	225,776	0.6%
<b>Communications Equipment</b>			
Cisco Systems, Inc.	4,292	123,137	0.3%
F5 Networks, Inc.*	2,645	301,107	0.9%
		424,244	1.2%
<b>Consumer Finance</b>			
American Express Co.	8,048	488,997	1.4%
Discover Financial Services	10,516	563,552	1.6%
Synchrony Financial*	21,796	551,003	1.5%
		1,603,552	4.5%
<b>Containers &amp; Packaging</b>			
Sealed Air Corp.	1,757	80,769	0.2%
<b>Diversified Consumer Services</b>			
H&R Block, Inc.	6,754	155,342	0.4%
<b>Diversified Financial Services</b>			
MSCI, Inc.	3,438	265,139	0.8%
<b>Diversified Telecommunication Services</b>			
AT&T, Inc.	12,205	527,378	1.5%
<b>Electrical Equipment</b>			
Emerson Electric Co.	2,214	115,482	0.3%
Rockwell Automation, Inc.	6,774	777,791	2.2%
		893,273	2.5%
<b>Energy Equipment &amp; Services</b>			
FMC Technologies, Inc.*	7,553	201,439	0.6%
<b>Food &amp; Staples Retailing</b>			
Rite Aid Corp.*	8,115	60,782	0.2%

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Food Products</b>			
Archer-Daniels-Midland Co.	5,335	\$ 228,818	0.6%
Bunge Ltd. f	204	12,067	0.0%
Campbell Soup Co.	1,586	105,516	0.3%
Ingredion, Inc.	4,148	536,793	1.5%
Mead Johnson Nutrition Co.	983	89,207	0.3%
		972,401	2.7%
<b>Gas Utilities</b>			
UGI Corp.	8,065	364,941	1.0%
<b>Health Care Equipment &amp; Supplies</b>			
Medtronic PLC f	1,165	101,087	0.3%
ResMed, Inc.	2,029	128,294	0.3%
Varian Medical Systems, Inc.*	2,968	244,058	0.7%
		473,439	1.3%
<b>Health Care Providers &amp; Services</b>			
Anthem, Inc.	572	75,127	0.2%
Centene Corp.*	2,225	158,798	0.5%
		233,925	0.7%
<b>Hotels, Restaurants &amp; Leisure</b>			
McDonald's Corp.	916	110,232	0.3%
Wyndham Worldwide Corp.	5,075	361,492	1.0%
		471,724	1.3%
<b>Household Products</b>			
The Procter & Gamble Co.	4,912	415,899	1.2%
<b>Independent Power and Renewable Electricity Producers</b>			
The AES Corp.	26,387	329,310	0.9%
<b>Insurance</b>			
Aflac, Inc.	6,180	445,949	1.2%
The Progressive Corp.	9,372	313,962	0.9%
The Travelers Companies, Inc.	514	61,186	0.2%
		821,097	2.3%
<b>Internet &amp; Catalog Retail</b>			
Expedia, Inc.	1,308	139,040	0.4%
<b>Internet Software &amp; Services</b>			
Alphabet, Inc.*	584	410,862	1.2%
Alphabet, Inc. – Class C*	585	404,878	1.1%
		815,740	2.3%

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>IT Services</b>			
Amdocs Ltd. f	1,594	\$ 92,006	0.3%
Global Payments, Inc.	4,859	346,835	1.0%
International Business Machines Corp.	757	114,898	0.3%
MasterCard, Inc. – Class A	972	85,594	0.2%
Visa, Inc. – Class A	2,116	156,944	0.4%
The Western Union Co.	21,880	419,658	1.2%
		<u>1,215,935</u>	<u>3.4%</u>
<b>Leisure Products</b>			
Hasbro, Inc.	4,118	345,871	1.0%
<b>Life Sciences Tools &amp; Services</b>			
Waters Corp.*	3,951	555,708	1.6%
<b>Machinery</b>			
Caterpillar, Inc.	6,630	502,620	1.4%
Deere & Co.	5,026	407,307	1.2%
		<u>909,927</u>	<u>2.6%</u>
<b>Media</b>			
Omnicom Group, Inc.	6,390	520,721	1.5%
Scripps Networks Interactive, Inc. – Class A	4,303	267,948	0.7%
		<u>788,669</u>	<u>2.2%</u>
<b>Multiline Retail</b>			
Kohl's Corp.	1,378	52,254	0.1%
Macy's, Inc.	1,311	44,062	0.1%
Nordstrom, Inc.	1,495	56,885	0.2%
		<u>153,201</u>	<u>0.3%</u>
<b>Oil, Gas &amp; Consumable Fuels</b>			
Exxon Mobil Corp.	7,859	736,703	2.1%
Marathon Petroleum Corp.	3,499	132,822	0.4%
Tesoro Corp.	2,197	164,599	0.4%
Valero Energy Corp.	7,832	399,432	1.1%
		<u>1,433,556</u>	<u>4.0%</u>
<b>Personal Products</b>			
Coty, Inc.	5,983	155,498	0.4%
<b>Pharmaceuticals</b>			
Jazz Pharmaceuticals PLC* f	746	105,417	0.3%
Johnson & Johnson	5,286	641,192	1.8%
Merck & Co., Inc.	11,265	648,977	1.8%
Pfizer, Inc.	12,772	449,702	1.3%
		<u>1,845,288</u>	<u>5.2%</u>

*The accompanying notes are an integral part of these financial statements.*



# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Intel Corp.	18,723	\$ 614,114	1.7%
Linear Technology Corp.	4,047	188,307	0.5%
Microchip Technology, Inc.	5,699	289,281	0.8%
NVIDIA Corp.	13,953	655,931	1.9%
NXP Semiconductors NV* f	5,393	422,488	1.2%
Xilinx, Inc.	14,242	656,983	1.9%
		2,827,104	8.0%
<b>Software</b>			
Cadence Design System, Inc.*	19,399	471,396	1.4%
Citrix Systems, Inc.*	1,024	82,012	0.2%
Microsoft Corp.	20,092	1,028,107	2.9%
Oracle Corp.	16,586	678,865	1.9%
		2,260,380	6.4%
<b>Specialty Retail</b>			
The Gap, Inc.	5,654	119,978	0.3%
<b>Technology Hardware, Storage &amp; Peripherals</b>			
Apple, Inc.	8,668	828,661	2.3%
Seagate Technology PLC f	15,996	389,662	1.1%
		1,218,323	3.4%
<b>Total Common Stocks</b>			
(Cost \$31,732,005)		32,576,140	91.5%
<b>Contingent Value Rights</b>			
<b>Contingent Value Rights</b>			
Safeway CASA LEY CVR*^†	2,216	2,249	0.0%
Safeway PDC LLC CVR*^†	2,216	108	0.0%
<b>Total Contingent Value Rights</b>			
(Cost \$0)		2,357	0.0%
<b>Exchange Traded Funds</b>			
<b>Exchange Traded Funds</b>			
Financial Select Sector SPDR Fund	30,542	697,274	1.9%
Vanguard Consumer Staples ETF	5,250	741,353	2.1%
<b>Total Exchange Traded Funds</b>			
(Cost \$1,368,363)		1,438,627	4.0%

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Short-Term Investments

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	861,755	\$ 861,755	2.4%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	650,000	650,000	1.9%
<b>Total Short-Term Investments</b> (Cost \$1,511,755)		1,511,755	4.3%
<b>Total Investments</b> (Cost \$34,612,123)		35,528,879	99.8%
Other Assets in Excess of Liabilities		30,516	0.2%
<b>TOTAL NET ASSETS</b>		\$35,559,395	100.0%

### Notes to Schedule of Investments

\* Non-Income Producing

f Foreign Security

^ Illiquid Security

† Priced at Fair Value by the Valuation Committee as delegated by the Baird Funds' Board of Directors.

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

## Schedule of Investments, June 30, 2016 (Unaudited)

### Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Funds' financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$32,576,140	\$ —	\$ —	\$32,576,140
<b>Total Equity</b>	<u>32,576,140</u>	<u>—</u>	<u>—</u>	<u>32,576,140</u>
<b>Contingent Value Rights</b>				
Contingent Value Rights	—	—	2,357	2,357
<b>Total Contingent Value Rights</b>	<u>—</u>	<u>—</u>	<u>2,357</u>	<u>2,357</u>
<b>Exchange Traded Funds</b>				
Exchange Traded Funds	1,438,627	—	—	1,438,627
<b>Total Exchange Traded Funds</b>	<u>1,438,627</u>	<u>—</u>	<u>—</u>	<u>1,438,627</u>
<b>Short-Term Investments</b>				
Money Market Mutual Funds	1,511,755	—	—	1,511,755
<b>Total Short-Term Investments</b>	<u>1,511,755</u>	<u>—</u>	<u>—</u>	<u>1,511,755</u>
<b>Total Investments*</b>	<u>\$35,526,522</u>	<u>\$ —</u>	<u>\$2,357</u>	<u>\$35,528,879</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of current assigned levels within the hierarchy. Two securities with a fair value of \$2,357 are priced at fair value by the Valuation Committee instead of the Fund's pricing vendor and are valued using level 3 inputs. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

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## Summary of Fair Value Exposure at June 30, 2016 (Unaudited) (cont.)

### Level 3 Reconciliation Disclosure

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

<u>Description</u>	<u>Investments in Securities</u>
Balance as of December 31, 2015	\$2,357
Accrued discounts/premiums	—
Realized gain (loss)	—
Change in unrealized appreciation (depreciation)	—
Purchases	—
Sales	—
Transfers in and/or out of Level 3*	—
Balance as of June 30, 2016	<u>\$2,357</u>

\* Transfers between levels are recognized at the end of the reporting period.

*The accompanying notes are an integral part of these financial statements.*

# Baird MidCap Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell MidCap® Growth Index is shown below.

### Top 10 Holdings\*

Fiserv, Inc.	3.2%
A.O. Smith Corp.	2.9%
LKQ Corp.	2.8%
Burlington Stores, Inc.	2.6%
Dollar General Corp.	2.6%
Acuity Brands, Inc.	2.5%
Fortune Brands Home & Security, Inc.	2.5%
Hasbro, Inc.	2.4%
Genpact Ltd.	2.4%
Watsco, Inc.	2.4%

<b>Net Assets:</b>	\$1,313,144,891
<b>Portfolio Turnover Rate:</b>	29.4%
<b>Number of Equity Holdings:</b>	54

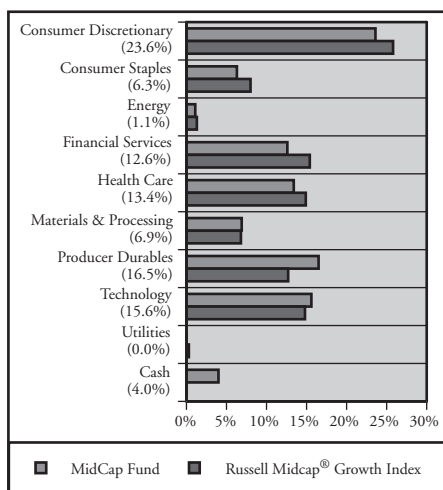
### Annualized Portfolio Expense Ratio:\*\*\*

<b>Gross</b>	
Institutional Class:	0.81%
Investor Class:	1.06%****

### Net

Institutional Class:	0.81%
Investor Class:	1.06%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.85% of average daily net assets for the Institutional Class shares and 1.10% of average daily net assets for the Investor Class shares, at least through April 30, 2017.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Baird MidCap Fund

June 30, 2016 (Unaudited)

## Total Returns

<i>For the Periods Ended June 30, 2016</i>	Six Months	One Year	Average Annual		
			Five Years	Ten Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	2.60%	-4.93%	8.88%	7.92%	6.26%
Investor Class Shares	2.44%	-5.20%	8.61%	7.67%	6.01%
Russell MidCap <sup>®</sup> Growth Index <sup>(2)</sup>	2.15%	-2.14%	9.98%	8.12%	5.62%

(1) For the period from December 29, 2000 (inception date) through June 30, 2016.

(2) The Russell Midcap<sup>®</sup> Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund's current prospectus, is set forth under "Portfolio Characteristics".*

*The Fund focuses on growth-style stocks and therefore the performance of the Fund will typically be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. The Fund may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. Foreign investments involve additional risks such as currency rate fluctuations, political and economic instability, and different and sometimes less strict financial reporting standards and regulation. The Fund invests a substantial portion of its assets in the stocks of mid-capitalization companies. Mid-capitalization companies often are more volatile and face greater risks than larger, more established companies.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird MidCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Banks</b>			
East West Bancorp, Inc.	615,276	\$ 21,030,134	1.6%
<b>Beverages</b>			
Constellation Brands, Inc.	3	496	0.0%
Dr Pepper Snapple Group, Inc.	197,890	19,122,111	1.5%
		19,122,607	1.5%
<b>Building Products</b>			
AO Smith Corp.	437,040	38,507,594	2.9%
Fortune Brands Home & Security, Inc.	566,399	32,834,150	2.5%
		71,341,744	5.4%
<b>Capital Markets</b>			
Affiliated Managers Group, Inc.*	204,620	28,804,357	2.2%
Northern Trust Corp.	280,410	18,579,967	1.4%
		47,384,324	3.6%
<b>Commercial Services &amp; Supplies</b>			
Stericycle, Inc.*	148,822	15,495,347	1.2%
<b>Distributors</b>			
LKQ Corp.*	1,156,709	36,667,675	2.8%
<b>Electrical Equipment</b>			
Acuity Brands, Inc.	135,026	33,481,047	2.5%
Rockwell Automation, Inc.	181,687	20,861,301	1.6%
		54,342,348	4.1%
<b>Electronic Equipment, Instruments &amp; Components</b>			
CDW Corp.	601,994	24,127,920	1.9%
Trimble Navigation Ltd.*	882,404	21,495,361	1.6%
		45,623,281	3.5%
<b>Food &amp; Staples Retailing</b>			
Casey's General Stores, Inc.	48,990	6,442,675	0.5%
<b>Food Products</b>			
Mccormick & Co, Inc.	259,163	27,644,917	2.1%
<b>Health Care Equipment &amp; Supplies</b>			
The Cooper Cos, Inc.	114,307	19,611,652	1.5%
Edwards Lifesciences Corp.*	241,036	24,038,520	1.8%
Globus Medical, Inc.*	622,273	14,828,766	1.1%
IDEXX Laboratories, Inc.*	300,685	27,921,609	2.1%
Intuitive Surgical, Inc.*	36,826	24,357,085	1.9%
		110,757,632	8.4%
<b>Health Care Providers &amp; Services</b>			
Acadia Healthcare Co., Inc.*	310,160	17,182,864	1.3%

*The accompanying notes are an integral part of these financial statements.*

# Baird MidCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Health Care Providers &amp; Services (cont.)</b>			
Laboratory Corp. of America Holdings*	205,151	\$ 26,725,021	2.0%
		43,907,885	3.3%
<b>Health Care Technology</b>			
Veeva Systems, Inc.*	615,295	20,993,865	1.6%
<b>Hotels, Restaurants &amp; Leisure</b>			
Dominos Pizza, Inc.	196,120	25,766,246	2.0%
<b>Household Durables</b>			
Harman International Industries, Inc.	171,151	12,292,065	0.9%
<b>Household Products</b>			
Church & Dwight Co., Inc.	292,717	30,117,652	2.3%
<b>IT Services</b>			
Alliance Data Systems Corp.*	133,963	26,246,031	2.0%
Euronet Worldwide, Inc.*	415,705	28,762,629	2.2%
Fiserv, Inc.*	391,973	42,619,224	3.2%
Gartner, Inc.*	217,014	21,139,334	1.6%
Genpact Ltd.* f	1,161,046	31,162,475	2.4%
		149,929,693	11.4%
<b>Leisure Products</b>			
Hasbro, Inc.	372,406	31,278,380	2.4%
<b>Machinery</b>			
Graco, Inc.	230,652	18,219,201	1.4%
The Middleby Corp.*	230,474	26,562,128	2.0%
Snap On, Inc.	163,802	25,851,232	2.0%
WABCO Holdings, Inc.*	231,094	21,161,278	1.6%
		91,793,839	7.0%
<b>Media</b>			
Cable One, Inc.	26,525	13,565,150	1.0%
Lions Gate Entertainment Corp. f	572,420	11,580,057	0.9%
		25,145,207	1.9%
<b>Multiline Retail</b>			
Burlington Stores, Inc.*	510,179	34,034,041	2.6%
Dollar General Corp.	359,035	33,749,290	2.6%
		67,783,331	5.2%
<b>Oil, Gas &amp; Consumable Fuels</b>			
Diamondback Energy, Inc.*	161,590	14,738,624	1.1%
<b>Road &amp; Rail</b>			
J.B. Hunt Transport Services, Inc.	223,480	18,086,236	1.4%

*The accompanying notes are an integral part of these financial statements.*



# Baird MidCap Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Integrated Device Technology, Inc.*	984,194	\$ 19,811,825	1.5%
Monolithic Power Systems, Inc.	260,525	17,799,068	1.4%
		37,610,893	2.9%
<b>Software</b>			
Akamai Technologies, Inc.*	348,410	19,486,571	1.5%
ANSYS, Inc.*	142,818	12,960,733	1.0%
Manhattan Associates, Inc.*	204,975	13,145,047	1.0%
Synopsys, Inc.*	427,921	23,141,968	1.7%
Tyler Technologies, Inc.*	170,620	28,444,060	2.2%
The Ultimate Software Group, Inc.*	118,203	24,856,909	1.9%
		122,035,288	9.3%
<b>Specialty Retail</b>			
O'Reilly Automotive, Inc.*	101,380	27,484,118	2.1%
Tractor Supply Co.	321,497	29,314,097	2.2%
		56,798,215	4.3%
<b>Trading Companies &amp; Distributors</b>			
Fastenal Co.	587,119	26,062,212	2.0%
Watsco, Inc.	219,672	30,905,654	2.3%
		56,967,866	4.3%
<b>Total Common Stocks</b> (Cost \$1,076,568,748)		1,261,097,969	96.0%
<b>Short-Term Investments</b>			
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	32,404,225	32,404,225	2.5%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	25,000,000	25,000,000	1.9%
<b>Total Short-Term Investments</b> (Cost \$57,404,225)		57,404,225	4.4%
<b>Total Investments</b> (Cost \$1,133,972,973)		1,318,502,194	100.4%
Liabilities in Excess of Other Assets		(5,357,303)	(0.4)%
<b>TOTAL NET ASSETS</b>		\$1,313,144,891	100.0%

## Notes to Schedule of Investments

\* Non-Income Producing

f Foreign Security

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird MidCap Fund

## Schedule of Investments, June 30, 2016 (Unaudited)

### Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Fund's financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$1,261,097,969	\$ —	\$ —	\$1,261,097,969
<b>Total Equity</b>	<u>1,261,097,969</u>	<u>—</u>	<u>—</u>	<u>1,261,097,969</u>
<b>Short-Term Investments</b>				
Money Market Mutual Funds	57,404,225	—	—	57,404,225
<b>Total Short-Term Investments</b>	<u>57,404,225</u>	<u>—</u>	<u>—</u>	<u>57,404,225</u>
<b>Total Investments*</b>	<u>\$1,318,502,194</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,318,502,194</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*

# Baird Small/Mid Cap Value Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 2500® Value Index is shown below.

### Top 10 Holdings\*

Mid-America Apartment Communities, Inc.	3.9%
B & G Foods, Inc.	3.8%
LTC Properties, Inc.	3.8%
Silicon Motion Technology Corp.	3.4%
Physicians Realty Trust	3.4%
Alliant Energy Corp.	3.4%
CMS Energy Corp.	3.3%
Pinnacle West Cap Corp.	3.2%
Healthcare Trust of America, Inc.	3.1%
Omega Healthcare Investors, Inc.	3.0%

<b>Net Assets:</b>	\$8,761,695
<b>Portfolio Turnover Rate:</b>	21.4%†
<b>Number of Equity Holdings:</b>	37

### Annualized Portfolio Expense Ratio:\*\*\*

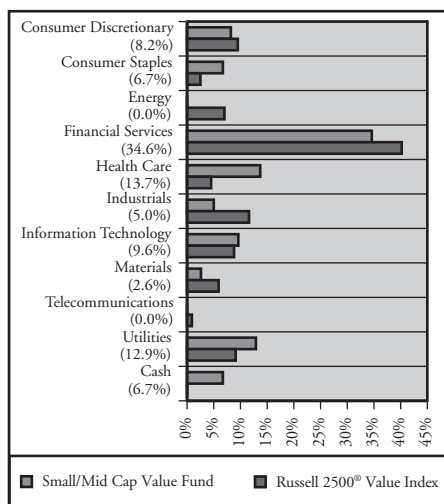
#### Gross

Institutional Class:	6.88%
Investor Class:	7.13%****

#### Net

Institutional Class:	0.95%
Investor Class:	1.20%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2017.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Baird Small/Mid Cap Value Fund

June 30, 2016 (Unaudited)

## Total Returns

<i>For the Periods Ended June 30, 2016</i>	Six Months	Since Inception <sup>(1)</sup>
Institutional Class Shares	4.10%	-0.75%
Investor Class Shares	3.99%	-0.87%
Russell 2500 <sup>®</sup> Value Index <sup>(2)</sup>	7.84%	2.91%

(1) For the period from November 30, 2015 (inception date) through June 30, 2016.

(2) The Russell 2500<sup>®</sup> Value Index measures the performance of the small cap value segment of the U.S. equity universe. It includes those Russell 2500<sup>®</sup> Index companies with lower price-to-book ratios and lower forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund's current prospectus, is set forth under "Portfolio Characteristics".*

*The Fund focuses on small to mid cap value style stocks and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. The Fund may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. 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 regulation.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird Small/Mid Cap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Aerospace &amp; Defense</b>			
Hexcel Corp.	4,470	\$ 186,131	2.1%
<b>Auto Components</b>			
Motorcar Parts of America, Inc.*	7,450	202,491	2.3%
<b>Banks</b>			
Renasant Corp.	7,078	228,832	2.6%
<b>Commercial Services &amp; Supplies</b>			
Deluxe Corp.	2,700	179,199	2.1%
<b>Distributors</b>			
LKQ Corp.*	6,005	190,359	2.2%
<b>Diversified Consumer Services</b>			
H&R Block, Inc.	5,820	133,860	1.5%
<b>Electric Utilities</b>			
Avangrid, Inc.	5,540	255,172	2.9%
Pinnacle West Cap Corp.	3,490	282,900	3.2%
		538,072	6.1%
<b>Food Products</b>			
B & G Foods, Inc.	6,985	336,678	3.8%
Pinnacle Foods, Inc.	5,260	243,485	2.8%
		580,163	6.6%
<b>Health Care Equipment &amp; Supplies</b>			
Alere, Inc.*	3,541	147,589	1.7%
ICU Medical, Inc.*	1,770	199,567	2.3%
		347,156	4.0%
<b>Health Care Providers &amp; Services</b>			
Aceto Corp.	10,245	224,262	2.6%
Laboratory Corp. of America Holdings*	1,630	212,340	2.4%
Mednax, Inc.*	2,885	208,961	2.4%
PAREXEL International Corp.*	3,260	204,989	2.3%
		850,552	9.7%
<b>Household Products</b>			
Orchids Paper Products Co.	6,520	231,916	2.6%
<b>Insurance</b>			
American Financial Group, Inc.	3,355	248,035	2.8%
Atlas Financial Holdings, Inc.* f	11,640	200,441	2.3%
		448,476	5.1%

*The accompanying notes are an integral part of these financial statements.*

# Baird Small/Mid Cap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Internet Software &amp; Services</b>			
j2 Global, Inc.	3,400	\$ 214,778	2.4%
VeriSign, Inc.*	2,190	189,347	2.2%
		<u>404,125</u>	<u>4.6%</u>
<b>Multiline Retail</b>			
Dollar Tree, Inc.*	2,000	188,480	2.2%
<b>Multi-Utilities</b>			
Alliant Energy Corp.	7,450	295,765	3.4%
CMS Energy Corp.	6,285	288,230	3.3%
		<u>583,995</u>	<u>6.7%</u>
<b>Oil, Gas &amp; Consumable Fuels</b>			
Navigator Holdings Ltd.* f	6,145	70,668	0.8%
<b>Real Estate Investment Trusts (REITs)</b>			
Agree Realty Corp.	5,355	258,325	2.9%
Blackstone Mortgage Trust, Inc.	8,290	229,384	2.6%
Healthcare Trust of America, Inc.	8,380	271,009	3.1%
LTC Properties, Inc.	6,380	330,037	3.8%
Mid-America Apartment Communities, Inc.	3,215	342,076	3.9%
Omega Healthcare Investors, Inc.	7,685	260,906	3.0%
Physicians Realty Trust	14,200	298,342	3.4%
		<u>1,990,079</u>	<u>22.7%</u>
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Integrated Device Technology, Inc.*	6,610	133,059	1.5%
Silicon Motion Technology Corp. f	6,285	300,424	3.4%
		<u>433,483</u>	<u>4.9%</u>
<b>Thriffs &amp; Mortgage Finance</b>			
Bofi Holding, Inc.*	5,588	98,963	1.1%
Meta Financial Group, Inc.	5,029	256,278	3.0%
		<u>355,241</u>	<u>4.1%</u>
<b>Total Common Stocks</b>			
(Cost \$7,828,840)		8,143,278	92.9%

*The accompanying notes are an integral part of these financial statements.*

# Baird Small/Mid Cap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Short-Term Investments

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	254,142	\$ 254,142	2.9%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	150,000	150,000	1.7%
<b>Total Short-Term Investments</b> (Cost \$404,142)		404,142	4.6%
<b>Total Investments</b> (Cost \$8,232,982)		8,547,420	97.5%
Other Assets in Excess of Liabilities		214,275	2.5%
<b>TOTAL NET ASSETS</b>		\$8,761,695	100.0%

### Notes to Schedule of Investments

\* Non-Income Producing

f Foreign Security

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird Small/Mid Cap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Fund's financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$8,143,278	\$ —	\$ —	\$8,143,278
<b>Total Equity</b>	<u>8,143,278</u>	<u>—</u>	<u>—</u>	<u>8,143,278</u>
<b>Short-Term Investments</b>				
Money Market Mutual Funds	<u>404,142</u>	<u>—</u>	<u>—</u>	<u>\$404,142</u>
<b>Total Short-Term Investments</b>	<u>404,142</u>	<u>—</u>	<u>—</u>	<u>404,142</u>
<b>Total Investments*</b>	<u>\$8,547,420</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$8,547,420</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*



# Baird SmallCap Value Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 2000® Value Index is shown below.

### Top 10 Holdings\*

Pinnacle Foods, Inc.	4.8%
LTC Properties, Inc.	3.9%
B & G Foods, Inc.	3.9%
South Jersey Industries, Inc.	3.8%
Alliant Energy Corp.	3.6%
Agree Realty Corp.	3.4%
Silicon Motion Technology Corp.	3.4%
Physicians Realty Trust	3.4%
Omega Healthcare Investors, Inc.	3.1%
ICU Medical, Inc.	3.0%

<b>Net Assets:</b>	\$27,405,990
<b>Portfolio Turnover Rate:</b>	26.6%†
<b>Number of Equity Holdings:</b>	34

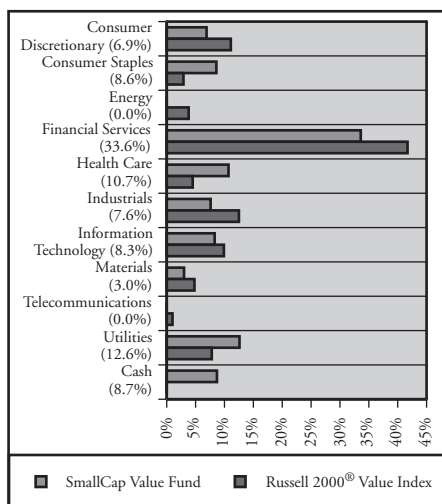
### Annualized Portfolio Expense Ratio:\*\*\*

<u>Gross</u>	
Institutional Class:	1.52%
Investor Class:	1.77%****

### Net

Institutional Class:	1.00%
Investor Class:	1.25%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 1.00% of average daily net assets for the Institutional Class shares and 1.25% of average daily net assets for the Investor Class shares, at least through April 30, 2017.

\*\*\*\* Includes 0.25% 12b-1 fee.

# Baird SmallCap Value Fund

June 30, 2016 (Unaudited)

## Total Returns

<i>For the Periods Ended June 30, 2016</i>	Six Months	One Year	Average Annual	
			Three Year	Since Inception <sup>(1)</sup>
Institutional Class Shares	6.06%	-1.78%	6.93%	9.56%
Investor Class Shares	5.93%	-2.04%	6.65%	9.28%
Russell 2000® Value Index <sup>(2)</sup>	6.08%	-2.58%	6.36%	9.81%

(1) For the period from April 30, 2012 (inception date) through June 30, 2016.

(2) The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund's current prospectus, is set forth under "Portfolio Characteristics".*

*The Fund focuses on small cap value style stocks and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. The Fund may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. 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 regulation.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird SmallCap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Aerospace &amp; Defense</b>			
Hexcel Corp.	12,706	\$ 529,078	1.9%
<b>Auto Components</b>			
Drew Industries, Inc.	6,747	572,415	2.1%
Motorcar Parts of America, Inc.*	28,860	784,415	2.9%
		1,356,830	5.0%
<b>Banks</b>			
Renasant Corp.	22,117	715,043	2.6%
<b>Building Products</b>			
Patrick Industries, Inc.*	10,588	638,351	2.3%
<b>Commercial Services &amp; Supplies</b>			
Deluxe Corp.	10,037	666,156	2.4%
<b>Electric Utilities</b>			
Avangrid, Inc.	16,626	765,794	2.8%
<b>Food Products</b>			
B & G Foods, Inc.	21,960	1,058,472	3.9%
Pinnacle Foods, Inc.	28,234	1,306,952	4.8%
		2,365,424	8.7%
<b>Gas Utilities</b>			
South Jersey Industries, Inc.	32,783	1,036,598	3.8%
<b>Health Care Equipment &amp; Supplies</b>			
Alere, Inc.*	16,472	686,553	2.5%
ICU Medical, Inc.*	7,373	831,306	3.0%
		1,517,859	5.5%
<b>Health Care Providers &amp; Services</b>			
Aceto Corp.	31,370	686,689	2.5%
PAREXEL International Corp.*	11,275	708,972	2.6%
		1,395,661	5.1%
<b>Hotels, Restaurants &amp; Leisure</b>			
Diamond Resorts International, Inc.*	17,602	527,356	1.9%
<b>Household Products</b>			
Orchids Paper Products Co.	22,900	814,553	3.0%
<b>Insurance</b>			
Atlas Financial Holdings, Inc.* f	39,215	675,282	2.5%
<b>Internet Software &amp; Services</b>			
j2 Global, Inc.	11,606	733,151	2.7%

*The accompanying notes are an integral part of these financial statements.*

# Baird SmallCap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Multi-Utilities</b>			
Alliant Energy Corp.	25,100	\$ 996,470	3.6%
<b>Oil, Gas &amp; Consumable Fuels</b>			
Navigator Holdings Ltd.* f	21,566	248,009	0.9%
<b>Real Estate Investment Trusts (REITs)</b>			
Agree Realty Corp.	19,605	945,745	3.4%
Blackstone Mortgage Trust, Inc.	23,531	651,103	2.4%
Capstead Mortgage Corp.	82,890	804,033	2.9%
Healthcare Trust of America, Inc.	21,960	710,186	2.6%
Hersha Hospitality Trust	18,632	319,539	1.2%
LTC Properties, Inc.	20,860	1,079,088	3.9%
Omega Healthcare Investors, Inc.	25,095	851,975	3.1%
Physicians Realty Trust	43,920	922,759	3.4%
		6,284,428	22.9%
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Integrated Device Technology, Inc.*	29,488	593,593	2.2%
Silicon Motion Technology Corp. f	19,605	937,119	3.4%
		1,530,712	5.6%
<b>Thriffs &amp; Mortgage Finance</b>			
Bofi Holding, Inc.*	23,783	421,197	1.5%
Capitol Federal Financial, Inc.	21,247	296,396	1.1%
Meta Financial Group, Inc.	15,850	807,716	3.0%
		1,525,309	5.6%
<b>Water Utilities</b>			
Connecticut Water Service, Inc.	11,765	661,193	2.4%
<b>Total Common Stocks</b> <b>(Cost \$20,718,254)</b>		24,983,257	91.2%

*The accompanying notes are an integral part of these financial statements.*

# Baird SmallCap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Short-Term Investments

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	1,841,210	\$ 1,841,210	6.7%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	500,000	500,000	1.8%
<b>Total Short-Term Investments</b> (Cost \$2,341,210)		2,341,210	8.5%
<b>Total Investments</b> (Cost \$23,059,464)		27,324,467	99.7%
Other Assets in Excess of Liabilities		81,523	0.3%
<b>TOTAL NET ASSETS</b>		\$27,405,990	100.0%

### Notes to Schedule of Investments

\* Non-Income Producing

f Foreign Security

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird SmallCap Value Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Fund's financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
<b>Equity</b>				
Common Stocks	\$24,983,257	\$ —	\$ —	\$24,983,257
<b>Total Equity</b>	24,983,257	—	—	24,983,257
<b>Short-Term Investments</b>				
Money Market Mutual Funds	2,341,210	—	—	2,341,210
<b>Total Short-Term Investments</b>	2,341,210	—	—	2,341,210
<b>Total Investments*</b>	\$27,324,467	\$ —	\$ —	\$27,324,467

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua International Growth Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the MSCI ACWI ex USA Index is shown below.

### Top 10 Holdings\*

Dreyfus Institutional Cash Advantage Fund, Institutional Class	14.9%
Ctrip.com International Ltd.	5.6%
Sinopharm Group Co. Ltd.	5.1%
Hargreaves Lansdown PLC	4.5%
AIA Group Ltd.	4.1%
Julius Baer Group Ltd.	4.1%
Lululemon Athletica, Inc.	4.1%
Wirecard AG	4.0%
Tencent Holdings Ltd.	4.0%
Alibaba Group Holding Ltd.	4.0%

Net Assets:	\$8,536,050
Portfolio Turnover Rate:	7.0%†
Number of Equity Holdings:	31

### Annualized Portfolio Expense Ratio:\*\*\*

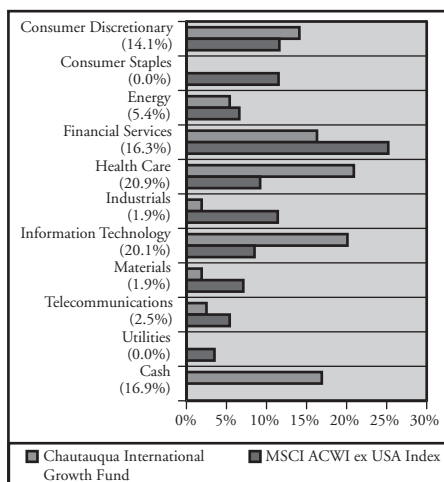
#### Gross

Institutional Class:	2.36%
Investor Class:	2.61%****

#### Net

Institutional Class:	0.95%
Investor Class:	1.20%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2018.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Chautauqua International Growth Fund

June 30, 2016 (Unaudited)

## Total Returns

	Since Inception <sup>(1)</sup>
<i>For The Period Ended June 30, 2016</i>	
Institutional Class Shares	-1.60%
Investor Class Shares	-1.70%
MSCI ACWI ex USA Index <sup>(2)</sup>	-2.42%

- (1) For the period from April 15, 2016 (inception date) through June 30, 2016.
- (2) The MSCI ACWI ex USA Index is a market-capitalization-weighted index maintained by MSCI, Inc. and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI ACWI ex USA Index includes both developed and emerging markets. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund's current prospectus, is set forth under "Portfolio Characteristics".*

*The Fund focuses on both U.S. and non-U.S. stocks with medium to large market capitalizations and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. Under normal market conditions, the Fund will invest at least 65% of its total assets in non-U.S. 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 regulation. In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) following a referendum referred to as "Brexit." It is expected that the UK will exit the EU within two years; however, the exact timeframe for the UK's exit is unknown. There is significant market uncertainty regarding Brexit's ramifications, and the range of possible political, regulatory, economic, and market outcomes are difficult to predict. The negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Geopolitical events, including those in Ukraine and the Middle East, may cause market disruptions. The portfolio manager for the Fund has over 30 years of experience investing in the global markets and will attempt to minimize the negative impact of these events. However, it is possible that these or other geopolitical events could have an adverse effect on the value of the Fund's investments.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*



# Chautauqua International Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Alternative Carriers</b>			
Iliad SA (France)^	1,002	\$ 202,269	2.4%
<b>Apparel, Accessories &amp; Luxury Goods</b>			
Lululemon Athletica, Inc. (Canada)*	4,685	346,034	4.1%
<b>Asset Management &amp; Custody Banks</b>			
Hargreaves Lansdown PLC (United Kingdom)^	23,153	386,217	4.5%
Julius Baer Group Ltd. (Switzerland)^	8,649	348,107	4.1%
		734,324	8.6%
<b>Auto Parts &amp; Equipment</b>			
Delphi Automotive PLC (Jersey)	2,228	139,473	1.6%
<b>Cable &amp; Satellite</b>			
Naspers Ltd. (South Africa)^	1,180	180,180	2.1%
<b>Data Processing &amp; Outsourced Services</b>			
Wirecard AG (Germany)^	7,832	344,969	4.0%
<b>Diversified Banks</b>			
Banco Santander SA (Spain)^	63,430	246,153	2.9%
<b>Electronic Equipment &amp; Instruments</b>			
Keyence Corp. (Japan)^	142	96,891	1.1%
<b>Health Care Equipment</b>			
Olympus Corp. (Japan)^	5,994	223,825	2.6%
<b>Integrated Oil &amp; Gas</b>			
Galp Energia SGPS (Portugal)^	13,501	187,777	2.2%
<b>Internet Retail</b>			
Ctrip.com International Ltd. (Cayman Islands)*	11,589	477,467	5.6%
<b>Internet Software &amp; Services</b>			
NAVER Corp. (Republic of Korea)^	157	97,264	1.2%
Tencent Holdings Ltd. (Cayman Islands)^	15,032	344,829	4.0%
		442,093	5.2%
<b>IT Consulting &amp; Other Services</b>			
Alibaba Group Holding Ltd. (Cayman Islands)*	4,294	341,502	4.0%
<b>Life &amp; Health Insurance</b>			
AIA Group Ltd. (Hong Kong)^	57,990	348,736	4.1%
<b>Oil &amp; Gas Equipment &amp; Services</b>			
Core Laboratories NV (Netherlands)	1,012	125,377	1.5%
<b>Oil &amp; Gas Exploration &amp; Production</b>			
ENN Energy Holdings Ltd. (Cayman Islands)^	24,561	121,650	1.4%

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua International Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Pharmaceuticals</b>			
Allergan PLC (Ireland)*	1,068	\$ 246,804	2.9%
Grifols SA (Spain)	11,024	183,770	2.2%
Novo Nordisk A/S (Denmark)	6,325	340,158	4.0%
Roche Holding AG (Switzerland)^	1,011	266,783	3.1%
Sinopharm Group Co. Ltd. (China)^	91,110	437,664	5.1%
		<u>1,475,179</u>	<u>17.3%</u>
<b>Research &amp; Consulting Services</b>			
Nielsen Holdings PLC (United Kingdom)	1,681	87,362	1.0%
<b>Semiconductor Equipment</b>			
ARM Holdings PLC (United Kingdom)^	17,268	262,298	3.1%
ASML Holding NV (Netherlands)	778	77,186	0.9%
		<u>339,484</u>	<u>4.0%</u>
<b>Semiconductors</b>			
Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan)	2,527	66,283	0.8%
<b>Specialty Chemicals</b>			
Croda International PLC (United Kingdom)^	3,620	151,963	1.8%
<b>Trading Companies &amp; Distributors</b>			
Bunzl PLC (United Kingdom)^	2,281	70,183	0.8%
<b>Total Common Stocks</b> (Cost \$6,718,726)		<u>6,749,174</u>	<u>79.1%</u>
<b>Short-Term Investments</b>			
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	1,273,041	1,273,041	14.9%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	100,000	100,000	1.2%
<b>Total Short-Term Investments</b> (Cost \$1,373,041)		<u>1,373,041</u>	<u>16.1%</u>
<b>Total Investments</b> (Cost \$8,091,767)		<u>8,122,215</u>	<u>95.2%</u>
Other Assets in excess of Liabilities		<u>413,835</u>	<u>4.8%</u>
<b>TOTAL NET ASSETS</b>		<u>\$8,536,050</u>	<u>100.0%</u>

### Notes to Schedule of Investments

\* Non-Income Producing

^ Fair Valued Security – See Note 2a to Financial Statements

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC (“S&P”). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua International Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Fund's financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$2,431,416	\$4,317,758	\$ —	\$6,749,174
<b>Total Equity</b>	<u>2,431,416</u>	<u>4,317,758</u>	<u>—</u>	<u>6,749,174</u>
<b>Short-Term Investments</b>				
Money Market Mutual Funds	1,373,041	—	—	\$1,373,041
<b>Total Short-Term Investments</b>	<u>1,373,041</u>	<u>—</u>	<u>—</u>	<u>1,373,041</u>
<b>Total Investments*</b>	<u>\$3,804,457</u>	<u>\$4,317,758</u>	<u>\$ —</u>	<u>\$8,122,215</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua Global Growth Fund

June 30, 2016 (Unaudited)

## Portfolio Characteristics

A June 30, 2016 summary of the Fund's top 10 holdings and equity sector analysis compared to the MSCI ACWI Index is shown below.

### Top 10 Holdings\*

Hargreaves Lansdown PLC	4.6%
Illumina, Inc.	4.4%
Sinopharm Group Co. Ltd.	4.4%
MasterCard, Inc. – Class A	4.2%
Dreyfus Institutional Cash	
Advantage Fund, Institutional Class	4.1%
Lululemon Athletica, Inc.	4.0%
Priceline.com, Inc.	4.0%
Julius Baer Group Ltd.	4.0%
Amazon.com, Inc.	3.7%
ARM Holdings PLC	3.6%

<b>Net Assets:</b>	\$3,124,014
<b>Portfolio Turnover Rate:</b>	10.2%†
<b>Number of Equity Holdings:</b>	45

### Annualized Portfolio Expense Ratio:\*\*\*

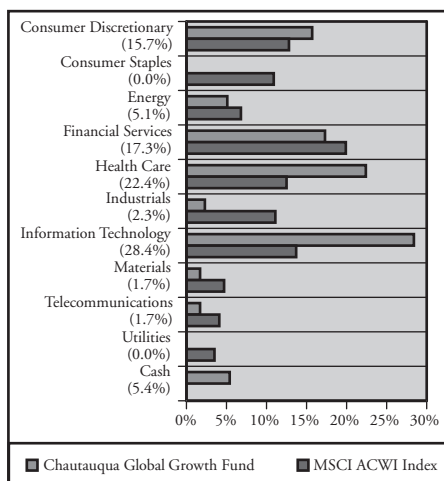
#### Gross

Institutional Class:	2.36%
Investor Class:	2.61%****

#### Net

Institutional Class:	0.95%
Investor Class:	1.20%****

### Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2016.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2016, and may not add up to 100% due to rounding.

\*\*\* Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2018.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Chautauqua Global Growth Fund

June 30, 2016 (Unaudited)

## Total Returns

	Since Inception <sup>(1)</sup>
<i>For The Period Ended June 30, 2016</i>	
Institutional Class Shares	-2.30%
Investor Class Shares	-2.40%
MSCI ACWI Index <sup>(2)</sup>	-0.45%

- (1) For the period from April 15, 2016 (inception date) through June 30, 2016.
- (2) The MSCI ACWI Index is a market-capitalization-weighted index maintained by MSCI, Inc. and designed to provide a broad measure of stock performance throughout the world. The MSCI ACWI Index includes both developed and emerging markets. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns reflect the actual performance for each period and do not include the impact of trades executed on the last business day of the period that were recorded on the first business day of the next period.*

*The gross expense ratio for each Class, as reflected in the Fund's current prospectus, is set forth under "Portfolio Characteristics".*

*The Fund focuses on both U.S. and non-U.S. stocks with medium to large market capitalizations and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. Under normal market conditions, the Fund will invest at least 40% of its total assets in non-U.S. 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 regulation. In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) following a referendum referred to as "Brexit." It is expected that the UK will exit the EU within two years; however, the exact timeframe for the UK's exit is unknown. There is significant market uncertainty regarding Brexit's ramifications, and the range of possible political, regulatory, economic, and market outcomes are difficult to predict. The negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Geopolitical events, including those in Ukraine and the Middle East, may cause market disruptions. The portfolio manager for the Fund has over 30 years of experience investing in the global markets and will attempt to minimize the negative impact of these events. However, it is possible that these or other geopolitical events could have an adverse effect on the value of the Fund's investments.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Chautauqua Global Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Alternative Carriers</b>			
Iliad SA (France)^	268	\$ 54,100	1.7%
<b>Apparel, Accessories &amp; Luxury Goods</b>			
Lululemon Athletica, Inc. (Canada)*	1,698	125,414	4.0%
<b>Asset Management &amp; Custody Banks</b>			
Hargreaves Lansdown PLC (United Kingdom)^	8,715	145,376	4.6%
Julius Baer Group Ltd. (Switzerland)^	3,086	124,206	4.0%
		269,582	8.6%
<b>Biotechnology</b>			
Regeneron Pharmaceuticals, Inc. (United States)*	259	90,450	2.9%
<b>Cable &amp; Satellite</b>			
Naspers Ltd. (South Africa)^	333	50,847	1.6%
<b>Communications Equipment</b>			
Palo Alto Networks, Inc. (United States)*	258	31,641	1.0%
<b>Computer Hardware</b>			
Apple, Inc. (United States)	651	62,236	2.0%
<b>Data Processing &amp; Outsourced Services</b>			
Wirecard AG (Germany)^	2,393	105,402	3.4%
<b>Diversified Banks</b>			
Banco Santander SA (Spain)^	20,278	78,693	2.5%
<b>Electronic Equipment &amp; Instruments</b>			
Keyence Corp. (Japan)^	50	34,116	1.1%
<b>Health Care Equipment</b>			
Athenahealth, Inc. (United States)*	568	78,390	2.5%
Olympus Corp. (Japan)^	776	28,977	0.9%
		107,367	3.4%
<b>Health Care Services</b>			
Celgene Corp. (United States)*	668	65,885	2.1%
<b>Integrated Oil &amp; Gas</b>			
Galp Energia SGPS (Portugal)^	5,781	80,404	2.6%
<b>Internet Retail</b>			
Amazon.com, Inc. (United States)*	160	114,499	3.7%
Ctrip.com International Ltd. (Cayman Islands)*	2,352	96,902	3.1%
Priceline.com, Inc. (United States)*	100	124,842	4.0%
		336,243	10.8%

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua Global Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Internet Software &amp; Services</b>			
Alphabet, Inc. (United States)*	111	\$ 78,092	2.5%
NAVER Corp. (Republic of Korea)^	94	58,235	1.9%
Salesforce.com, Inc. (United States)*	383	30,414	1.0%
Tencent Holdings Ltd. (Cayman Islands)^	4,006	91,896	2.9%
		<u>258,637</u>	<u>8.3%</u>
<b>IT Consulting &amp; Other Services</b>			
Alibaba Group Holding Ltd. (Cayman Islands)*	827	65,771	2.1%
MasterCard, Inc. – Class A (United States)	1,477	130,065	4.2%
		<u>195,836</u>	<u>6.3%</u>
<b>Life &amp; Health Insurance</b>			
AIA Group Ltd. (Hong Kong)^	12,598	75,761	2.4%
<b>Life Sciences Tools &amp; Services</b>			
Illumina, Inc. (United States)*	982	137,853	4.4%
<b>Oil &amp; Gas Exploration &amp; Production</b>			
Antero Resources Corp. (United States)*	2,192	56,949	1.8%
Pioneer Natural Resources Co. (United States)	200	30,242	1.0%
		<u>87,191</u>	<u>2.8%</u>
<b>Other Diversified Financial Services</b>			
The Charles Schwab Corp. (United States)	4,189	106,024	3.4%
<b>Pharmaceuticals</b>			
Allergan PLC (Ireland)*	288	66,554	2.1%
Grifols SA (Spain)	2,961	49,360	1.6%
Novo Nordisk A/S (Denmark)	1,034	55,609	1.8%
Roche Holding AG (Switzerland)^	74	19,527	0.6%
Sinopharm Group Co. Ltd. (China)^	28,539	137,092	4.4%
		<u>328,142</u>	<u>10.5%</u>
<b>Regional Banks</b>			
SVB Financial Group (United States)*	351	33,401	1.1%
<b>Research &amp; Consulting Services</b>			
Nielsen Holdings PLC (United Kingdom)	860	44,694	1.4%
<b>Semiconductor Equipment</b>			
ARM Holdings PLC (United Kingdom)^	7,446	113,103	3.6%
ASML Holding NV (Netherlands)	303	30,061	1.0%
		<u>143,164</u>	<u>4.6%</u>
<b>Semiconductors</b>			
Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan)	1,067	27,987	0.9%

*The accompanying notes are an integral part of these financial statements.*

# Chautauqua Global Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Specialty Chemicals</b>			
Croda International PLC (United Kingdom)^	537	\$ 22,543	0.7%
The Sherwin-Williams Co. (United States)	110	32,304	1.0%
		<u>54,847</u>	<u>1.7%</u>
<b>Systems Software</b>			
Adobe Systems, Inc. (United States)*	674	64,562	2.1%
<b>Trading Companies &amp; Distributors</b>			
Bunzl PLC (United Kingdom)^	1,003	30,862	1.0%
<b>Total Common Stocks</b> (Cost \$3,113,568)		3,081,341	98.6%
<b>Short-Term Investments</b>			
<b>Money Market Mutual Funds</b>			
Dreyfus Institutional Cash Advantage Fund, Institutional Class, 0.39%«	126,655	126,655	4.1%
Short-Term Investments Trust – Liquid Assets Portfolio, Institutional Class, 0.43%«	50,000	<u>50,000</u>	<u>1.6%</u>
<b>Total Short-Term Investments</b> (Cost \$176,655)		176,655	5.7%
<b>Total Investments</b> (Cost \$3,290,223)		3,257,996	104.3%
Liabilities in Excess of Other Assets		<u>(133,982)</u>	<u>(4.3)%</u>
<b>TOTAL NET ASSETS</b>		<u>\$3,124,014</u>	<u>100.0%</u>

### Notes to Schedule of Investments

\* Non-Income Producing

^ Fair Valued Security – See Note 2a to Financial Statements

« 7-Day Yield

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC (“S&P”). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*



# Chautauqua Global Growth Fund

Schedule of Investments, June 30, 2016 (Unaudited)

## Summary of Fair Value Exposure at June 30, 2016 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Fund's financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$1,830,201	\$1,251,140	\$ —	\$3,081,341
<b>Total Equity</b>	1,830,201	1,251,140	—	3,081,341
<b>Short-Term Investments</b>				
Money Market Mutual Funds	176,655	—	—	\$176,655
<b>Total Short-Term Investments</b>	176,655	—	—	176,655
<b>Total Investments*</b>	<u>\$2,006,856</u>	<u>\$1,251,140</u>	<u>\$ —</u>	<u>\$3,257,996</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the reporting period. See the Fund's valuation policy in Note 2a to the financial statements.

*The accompanying notes are an integral part of these financial statements.*

# Additional Information on Fund Expenses

June 30, 2016 (Unaudited)

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## Example

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, which may include sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, such as management fees; distribution and/or service (12b-1) fees; and other fund expenses. Although the Funds do not charge any sales loads, redemption fees (with the exception of the Chautauqua International Growth Fund and Chautauqua Global Growth Fund. See Note 9 to the financial statements), or other transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently the Fund's transfer agent charges a \$15.00 fee.

This Example is intended to help you understand your ongoing costs (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (1/1/16 – 6/30/16).

## Actual Expenses

The third and fourth columns of the following table provide information about account values based on actual returns and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the fourth column entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## Hypothetical Example for Comparison Purposes

The fifth and sixth columns of the following table provide information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other mutual funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the sixth column of the table (entitled "Expenses Paid During Period") is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different mutual funds. In addition, if these transactional costs were included, your costs could have been higher.

# Additional Information on Fund Expenses

June 30, 2016 (Unaudited)

## Actual vs. Hypothetical Returns

For the Six Months Ended June 30, 2016

	Fund's Annualized Expense Ratio <sup>(1)(2)</sup>	Beginning Account Value 1/1/16	Actual		Hypothetical (5% return before expenses)	
			Ending Account Value 6/30/16	Expenses Paid During Period <sup>(1)(2)</sup>	Ending Account Value 6/30/16	Expenses Paid During Period <sup>(1)(2)</sup>
<b>Baird LargeCap Fund</b>						
Institutional Class	0.75%	\$1,000.00	\$ 987.50	\$3.71	\$1,021.13	\$3.77
Investor Class	1.00%	\$1,000.00	\$ 984.90	\$4.94	\$1,019.89	\$5.02
<b>Baird MidCap Fund</b>						
Institutional Class	0.83%	\$1,000.00	\$1,026.00	\$4.18	\$1,020.74	\$4.17
Investor Class	1.08%	\$1,000.00	\$1,024.40	\$5.44	\$1,019.49	\$5.42
<b>Baird Small/Mid Cap Value Fund</b>						
Institutional Class	0.95%	\$1,000.00	\$1,041.00	\$4.82	\$1,020.14	\$4.77
Investor Class	1.20%	\$1,000.00	\$1,039.90	\$6.09	\$1,018.90	\$6.02
<b>Baird SmallCap Value Fund</b>						
Institutional Class	1.00%	\$1,000.00	\$1,060.60	\$5.12	\$1,019.89	\$5.02
Investor Class	1.25%	\$1,000.00	\$1,059.30	\$6.40	\$1,018.65	\$6.27
<b>Chautauqua International Growth Fund</b>						
Institutional Class	0.95%	\$1,000.00	\$ 984.00	\$1.98	\$1,008.52	\$2.01
Investor Class	1.20%	\$1,000.00	\$ 983.00	\$2.50	\$1,007.99	\$2.53
<b>Chautauqua Global Growth Fund</b>						
Institutional Class	0.95%	\$1,000.00	\$ 977.00	\$1.98	\$1,008.52	\$2.01
Investor Class	1.20%	\$1,000.00	\$ 976.00	\$2.49	\$1,007.99	\$2.53

(1) Expenses are equal to the Fund's annualized net expense ratio multiplied by the average account value over the period, multiplied by 182 days and divided by 366 to reflect the one-half year period.

(2) Expenses are equal to the annualized net expense ratio for the Chautauqua International Growth Fund and the Chautauqua Global Growth Fund multiplied by the average account value over the period, multiplied by 77 days and divided by 366 to reflect the period since the Fund's inception on April 15, 2016.

# Statements of Assets and Liabilities

June 30, 2016 (Unaudited)

	Baird LargeCap Fund	Baird MidCap Fund	Baird Small/Mid Cap Value Fund
<b>ASSETS:</b>			
Investments, at value (cost \$34,612,123, \$1,133,972,973 and \$8,232,982, respectively)*	\$35,528,879	\$1,318,502,194	\$8,547,420
Dividends receivable	27,786	378,899	21,050
Interest receivable	460	16,702	207
Receivable for investments sold	—	7,981,685	—
Receivable for Fund shares sold	29,300	1,521,903	—
Receivable from Advisor and Distributor	—	—	4,573
Uninvested cash	—	—	179,243
Prepaid expenses and other assets	16,995	533,098	24,527
Total assets	<u>35,603,420</u>	<u>1,328,934,481</u>	<u>8,777,020</u>
<b>LIABILITIES:</b>			
Payable for securities purchased	—	12,850,365	—
Payable for Fund shares repurchased	2,403	1,291,413	—
Payable to Advisor and Distributor	6,408	1,390,880	—
Payable to directors	390	976	841
Accrued expenses and other liabilities	34,824	255,956	14,484
Total liabilities	<u>44,025</u>	<u>15,789,590</u>	<u>15,325</u>
<b>NET ASSETS</b>	<u>\$35,559,395</u>	<u>\$1,313,144,891</u>	<u>\$8,761,695</u>
<b>NET ASSETS CONSIST OF:</b>			
Capital stock	\$35,765,105	\$1,206,205,318	\$8,649,499
Accumulated undistributed net investment income (loss)	273,538	(905,595)	46,578
Accumulated net realized loss on investments sold	(1,396,004)	(76,684,053)	(248,820)
Net unrealized appreciation on investments	916,756	184,529,221	314,438
<b>NET ASSETS</b>	<u>\$35,559,395</u>	<u>\$1,313,144,891</u>	<u>\$8,761,695</u>
<b>INSTITUTIONAL CLASS SHARES</b>			
Net Assets	\$34,963,593	\$1,174,149,066	\$8,733,505
Shares outstanding (\$0.01 par value, unlimited shares authorized)	4,422,701	76,347,029	881,322
Net asset value, offering and redemption price per share	<u>\$ 7.91</u>	<u>\$ 15.38</u>	<u>\$ 9.91</u>
<b>INVESTOR CLASS SHARES</b>			
Net Assets	\$ 595,802	\$ 138,995,825	\$ 28,190
Shares outstanding (\$0.01 par value, unlimited shares authorized)	75,861	9,443,401	2,848
Net asset value, offering and redemption price per share	<u>\$ 7.85</u>	<u>\$ 14.72</u>	<u>\$ 9.90</u>

*The accompanying notes are an integral part of these financial statements.*

# Statements of Assets and Liabilities

June 30, 2016 (Unaudited)

	Baird SmallCap Value Fund	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
<b>ASSETS:</b>			
Investments, at value (cost \$23,059,464, \$8,091,767 and \$3,290,223, respectively)*	\$27,324,467	\$8,122,215	\$3,257,996
Dividends receivable	98,728	8,816	3,821
Interest receivable	765	159	62
Receivable for investments sold	—	—	29,543
Receivable for Fund shares sold	26,000	1,553,588	—
Receivable from Advisor and Distributor	—	10,787	12,969
Prepaid expenses and other assets	17,174	911	890
Total assets	<u>27,467,134</u>	<u>9,696,476</u>	<u>3,305,281</u>
<b>LIABILITIES:</b>			
Payable for securities purchased	—	1,120,930	143,625
Payable for Fund shares repurchased	18,318	1,666	—
Payable to Advisor and Distributor	9,792	—	—
Payable to directors	490	7,104	7,104
Accrued expenses and other liabilities	32,544	30,726	30,538
Total liabilities	<u>61,144</u>	<u>1,160,426</u>	<u>181,267</u>
<b>NET ASSETS</b>	<u>\$27,405,990</u>	<u>\$8,536,050</u>	<u>\$3,124,014</u>
<b>NET ASSETS CONSIST OF:</b>			
Capital stock	\$23,500,209	\$8,501,202	\$3,161,119
Accumulated undistributed net investment income	228,652	15,597	4,085
Accumulated net realized loss on investments sold and foreign currency translations	(587,874)	(10,903)	(8,909)
Net unrealized appreciation/depreciation on:			
Investments	4,265,003	30,448	(32,227)
Other assets and liabilities denominated in foreign currency	—	(294)	(54)
<b>NET ASSETS</b>	<u>\$27,405,990</u>	<u>\$8,536,050</u>	<u>\$3,124,014</u>
<b>INSTITUTIONAL CLASS SHARES</b>			
Net Assets	\$25,215,110	\$8,498,388	\$2,991,216
Shares outstanding (\$0.01 par value, unlimited shares authorized)	1,824,648	862,261	306,233
Net asset value, offering and redemption price per share	<u>\$ 13.82</u>	<u>\$ 9.86</u>	<u>\$ 9.77</u>
<b>INVESTOR CLASS SHARES</b>			
Net Assets	\$ 2,190,880	\$ 37,662	\$ 132,798
Shares outstanding (\$0.01 par value, unlimited shares authorized)	159,188	3,824	13,598
Net asset value, offering and redemption price per share	<u>\$ 13.76</u>	<u>\$ 9.85</u>	<u>\$ 9.77</u>

*The accompanying notes are an integral part of these financial statements.*

# Statements of Operations

Six Months Ended June 30, 2016 (Unaudited)

	Baird LargeCap Fund	Baird MidCap Fund	Baird Small/Mid Cap Value Fund
<b>INVESTMENT INCOME:</b>			
Dividends (net of foreign taxes withheld of \$0, \$14,938 and \$0, respectively)	\$ 402,121	\$ 4,208,961	\$ 73,274
Interest	1,944	88,976	976
Total investment income	<u>404,065</u>	<u>4,297,937</u>	<u>74,250</u>
<b>EXPENSES:</b>			
Investment advisory fees	112,409	4,557,180	23,480
Administration fees	3,289	46,535	3,924
Shareholder servicing fees	6,789	249,271	1,021
Fund accounting fees	6,524	30,989	3,293
Professional fees	18,665	19,722	15,925
Federal and state registration	21,126	45,669	19,000
Directors fees	23,695	25,172	20,340
Custody fees	3,425	13,333	3,442
Reports to shareholders	3,001	30,304	3,546
Miscellaneous expenses	96	544	295
Distribution expense – Investor Class Shares (Note 8)	724	184,813	27
Total expenses	<u>199,743</u>	<u>5,203,532</u>	<u>94,293</u>
Fee waiver by Advisor (Note 5)	<u>(69,216)</u>	<u>—</u>	<u>(66,332)</u>
Net expenses	<u>130,527</u>	<u>5,203,532</u>	<u>27,961</u>
<b>NET INVESTMENT INCOME (LOSS)</b>	<u>273,538</u>	<u>(905,595)</u>	<u>46,289</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>			
Net realized loss on investments	(757,868)	(47,817,057)	(209,466)
Change in unrealized appreciation on investments	43,594	78,200,218	509,140
Net realized and unrealized gain (loss) on investments	<u>(714,274)</u>	<u>30,383,161</u>	<u>299,674</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$(440,736)</u>	<u>\$ 29,477,566</u>	<u>\$ 345,963</u>

*The accompanying notes are an integral part of these financial statements.*

# Statements of Operations

Six Months Ended June 30, 2016 (Unaudited)

	Baird SmallCap Value Fund	Chautauqua International Growth Fund <sup>^</sup>	Chautauqua Global Growth Fund <sup>^</sup>
<b>INVESTMENT INCOME:</b>			
Dividends (net of foreign taxes withheld of \$0, \$1,985 and \$715, respectively)	\$ 341,954	\$ 24,152	\$ 8,931
Interest	4,381	396	176
Other income	910	14	—
Total investment income	<u>347,245</u>	<u>24,562</u>	<u>9,107</u>
<b>EXPENSES:</b>			
Investment advisory fees	105,067	7,560	4,222
Administration fees	2,012	1,110	1,110
Shareholder servicing fees	7,460	2,405	2,405
Fund accounting fees	7,990	5,846	5,846
Professional fees	12,207	9,176	9,176
Federal and state registration	19,406	10,064	10,149
Directors fees	24,614	7,104	7,104
Custody fees	2,621	740	740
Reports to shareholders	3,842	1,036	1,036
Miscellaneous expenses	287	154	154
Distribution expense – Investor Class Shares (Note 8)	2,475	13	34
Total expenses	<u>187,981</u>	<u>45,208</u>	<u>41,976</u>
Fee waiver by Advisor (Note 5)	<u>(61,901)</u>	<u>(36,243)</u>	<u>(36,954)</u>
Net expenses	<u>126,080</u>	<u>8,965</u>	<u>5,022</u>
<b>NET INVESTMENT INCOME</b>	<u>221,165</u>	<u>15,597</u>	<u>4,085</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>			
Net realized gain (loss) on investments	172,241	(6,900)	(6,950)
Net realized loss on foreign currency translations	—	(4,003)	(1,959)
Change in unrealized appreciation/depreciation on investments and foreign currency translations	<u>1,185,430</u>	<u>30,154</u>	<u>(32,281)</u>
Net realized and unrealized gain (loss) on investments	<u>1,357,671</u>	<u>19,251</u>	<u>(41,190)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$1,578,836</u>	<u>\$ 34,848</u>	<u>\$(37,105)</u>

<sup>^</sup> Inception of the Chautauqua International Growth Fund and the Chautauqua Global Growth Fund was the close of business on April 15, 2016.

*The accompanying notes are an integral part of these financial statements.*

# Statement of Changes in Net Assets

## Baird LargeCap Fund

	Six Months Ended	
	June 30, 2016	Year Ended
	(Unaudited)	December 31, 2015
<b>OPERATIONS:</b>		
Net investment income	\$ 273,538	\$ 467,691
Net realized gain (loss) on investments	(757,868)	1,215,765
Change in unrealized appreciation/depreciation on investments	43,594	(3,284,296)
Net decrease in net assets resulting from operations	(440,736)	(1,600,840)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	2,975,663	7,717,424
Shares issued to holders in reinvestment of distributions	—	2,431,224
Cost of shares redeemed	(3,226,503)	(10,040,992)
Net increase (decrease) in net assets resulting from capital share transactions	(250,840)	107,656
<b>DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:</b>		
From net investment income	—	(469,154)
From net realized gains	—	(1,918,299)
Total Distributions	—	(2,387,453)
<b>DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:</b>		
From net investment income	—	(6,047)
From net realized gains	—	(37,847)
Total Distributions	—	(43,894)
<b>TOTAL DECREASE IN NET ASSETS</b>	(691,576)	(3,924,531)
<b>NET ASSETS:</b>		
Beginning of period	36,250,971	40,175,502
End of period (including accumulated undistributed net investment income of \$273,538 and \$0, respectively)	<u>\$35,559,395</u>	<u>\$36,250,971</u>

*The accompanying notes are an integral part of these financial statements.*



# Statement of Changes in Net Assets

Baird MidCap Fund

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
<b>OPERATIONS:</b>		
Net investment loss	\$ (905,595)	\$ (2,768,264)
Net realized loss on investments	(47,817,057)	(27,744,335)
Change in unrealized appreciation/depreciation on investments	78,200,218	(22,515,811)
Net increase (decrease) in net assets resulting from operations	29,477,566	(53,028,410)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	297,612,068	449,697,294
Shares issued to holders in reinvestment of distributions	—	1,614,082
Cost of shares redeemed	(233,070,074)	(293,658,295)
Net increase in net assets resulting from capital share transactions	64,541,994	157,653,081
<b>DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:</b>		
From net realized gains	—	(1,484,630)
Total Distributions	—	(1,484,630)
<b>DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:</b>		
From net realized gains	—	(278,941)
Total Distributions	—	(278,941)
<b>TOTAL INCREASE IN NET ASSETS</b>	94,019,560	102,861,100
<b>NET ASSETS:</b>		
Beginning of period	1,219,125,331	1,116,264,231
End of period (including distributions in excess of net investment income of \$(905,595) and \$0, respectively)	\$1,313,144,891	\$1,219,125,331

*The accompanying notes are an integral part of these financial statements.*

# Statement of Changes in Net Assets

## Baird Small/Mid Cap Value Fund

	Six Months Ended June 30, 2016 (Unaudited)	November 30, 2015 <sup>^</sup> through December 31, 2015
<b>OPERATIONS:</b>		
Net investment income	\$ 46,289	\$ 7,703
Net realized loss on investments	(209,466)	(39,584)
Change in unrealized appreciation/depreciation on investments	509,140	(194,702)
Net increase (decrease) in net assets resulting from operations	345,963	(226,583)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	3,758,304	4,960,000
Shares issued to holders in reinvestment of distributions	—	7,184
Cost of shares redeemed	(75,989)	—
Net increase in net assets resulting from capital share transactions	3,682,315	4,967,184
<b>DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:</b>		
From net investment income	—	(7,158)
Total Distributions	—	(7,158)
<b>DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:</b>		
From net investment income	—	(26)
Total Distributions	—	(26)
<b>TOTAL INCREASE IN NET ASSETS</b>	4,028,278	4,733,417
<b>NET ASSETS:</b>		
Beginning of period	4,733,417	—
End of period (including accumulated undistributed net investment income of \$46,578 and \$289, respectively)	\$8,761,695	\$4,733,417

<sup>^</sup> Inception was the close of business on November 30, 2015.

*The accompanying notes are an integral part of these financial statements.*

# Statement of Changes in Net Assets

## Baird SmallCap Value Fund

	Six Months Ended	
	June 30, 2016	Year Ended
	(Unaudited)	December 31, 2015
<b>OPERATIONS:</b>		
Net investment income	\$ 221,165	\$ 186,109
Net realized gain (loss) on investments	172,241	(676,064)
Change in unrealized appreciation/depreciation on investments	<u>1,185,430</u>	<u>(826,483)</u>
Net increase (decrease) in net assets resulting from operations	<u>1,578,836</u>	<u>(1,316,438)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	2,845,893	5,084,558
Shares issued to holders in reinvestment of distributions	—	133,162
Cost of shares redeemed	<u>(2,145,307)</u>	<u>(4,171,336)</u>
Net increase in net assets resulting from capital share transactions	<u>700,586</u>	<u>1,046,384</u>
<b>DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:</b>		
From net investment income	<u>—</u>	<u>(148,738)</u>
Total Distributions	<u>—</u>	<u>(148,738)</u>
<b>DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:</b>		
From net investment income	<u>—</u>	<u>(8,071)</u>
Total Distributions	<u>—</u>	<u>(8,071)</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>2,279,422</b>	<b>(426,863)</b>
<b>NET ASSETS:</b>		
Beginning of period	<u>25,126,568</u>	<u>25,553,431</u>
End of period (including accumulated undistributed net investment income of \$228,652 and \$7,487, respectively)	<u>\$27,405,990</u>	<u>\$25,126,568</u>

*The accompanying notes are an integral part of these financial statements.*

# Statement of Changes in Net Assets

Chautauqua International Growth Fund

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>OPERATIONS:</b>	
Net investment income	\$ 15,597
Net realized loss on investments	(6,900)
Net realized loss on foreign currency translations	(4,003)
Change in unrealized appreciation on investments and foreign currency translations	<u>30,154</u>
Net increase in net assets resulting from operations	<u>34,848</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>	
Proceeds from shares sold	8,514,809
Cost of shares redeemed	<u>(13,607)</u>
Net increase in net assets resulting from capital share transactions	<u>8,501,202</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>8,536,050</b>
<b>NET ASSETS:</b>	
Beginning of period	<u>—</u>
End of period (including accumulated undistributed net investment income of \$15,597)	<u><u>\$8,536,050</u></u>

<sup>^</sup> Inception was the close of business on April 15, 2016.

*The accompanying notes are an integral part of these financial statements.*

# Statement of Changes in Net Assets

## Chautauqua Global Growth Fund

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>OPERATIONS:</b>	
Net investment income	\$ 4,085
Net realized loss on investments	(6,950)
Net realized loss on foreign currency translations	(1,959)
Change in unrealized depreciation on investments and foreign currency translations	(32,281)
Net decrease in net assets resulting from operations	(37,105)
<b>CAPITAL SHARE TRANSACTIONS:</b>	
Proceeds from shares sold	3,174,809
Cost of shares redeemed	(13,690)
Net increase in net assets resulting from capital share transactions	3,161,119
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>3,124,014</b>
<b>NET ASSETS:</b>	
Beginning of period	—
End of period (including accumulated undistributed net investment income of \$4,085)	<u>\$3,124,014</u>

<sup>^</sup> Inception was the close of business on April 15, 2016.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird LargeCap Fund – Institutional Class

	Six Months Ended		Year Ended December 31,			
	June 30, 2016 <sup>(1)</sup> (Unaudited)	2015	2014	2013 <sup>(1)</sup>	2012	2011
<b>Per Share Data:</b>						
Net asset value, beginning of period	\$ 8.01	\$ 8.93	\$ 7.92	\$ 9.86	\$ 8.71	\$ 8.93
<b>Income from investment operations:</b>						
Net investment income	0.06 <sup>(2)</sup>	0.10 <sup>(2)</sup>	0.09 <sup>(2)</sup>	0.03 <sup>(2)</sup>	0.04 <sup>(2)</sup>	0.01
Net realized and unrealized gains (losses) on investments	(0.16)	(0.45)	1.10	3.16	1.15	(0.22)
Total from investment operations	(0.10)	(0.35)	1.19	3.19	1.19	(0.21)
<b>Less distributions:</b>						
Distributions from net investment income	—	(0.11)	(0.08)	(0.04)	(0.04)	(0.01)
Distributions from net realized gains	—	(0.46)	(0.10)	(5.09)	—	—
Total distributions	—	(0.57)	(0.18)	(5.13)	(0.04)	(0.01)
<b>Net asset value, end of period</b>	<b>\$ 7.91</b>	<b>\$ 8.01</b>	<b>\$ 8.93</b>	<b>\$ 7.92</b>	<b>\$ 9.86</b>	<b>\$ 8.71</b>
<b>Total return</b>	<b>(1.25)%<sup>(3)</sup></b>	<b>(3.94)%</b>	<b>15.09%</b>	<b>32.68%</b>	<b>13.62%</b>	<b>(2.34)%</b>
<b>Supplemental data and ratios:</b>						
Net assets, end of period (millions)	\$35.0	\$35.6	\$39.0	\$28.0	\$24.0	\$20.5
Ratio of expenses to average net assets	0.75% <sup>(4)</sup>	0.75%	0.75%	0.75%	0.75%	0.75%
Ratio of expenses to average net assets (before waivers)	1.15% <sup>(4)</sup>	1.11%	1.17%	1.24%	1.34%	1.35%
Ratio of net investment income to average net assets	1.59% <sup>(4)</sup>	1.18%	1.08%	0.28%	0.37%	0.12%
Ratio of net investment income (loss) to average net assets (before waivers)	1.19% <sup>(4)</sup>	0.82%	0.66%	(0.21)%	(0.22)%	(0.48)%
Portfolio turnover rate <sup>(5)</sup>	46.2% <sup>(3)</sup>	86.5%	88.2%	127.7%	39.2%	38.2%

(1) Effective December 23, 2013, Baird Kailash Group, LLC became the Fund's subadviser. The Fund changed its subadviser to L2 Asset Management, LLC as of April 30, 2016.

(2) Calculated using average shares outstanding during the period.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued. The Baird LargeCap Fund's portfolio turnover rate in 2013 was higher than previous years primarily due to the implementation of a new investment strategy for the Fund by Baird Kailash Group, LLC, the Fund's previous subadviser.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird LargeCap Fund – Investor Class

	Six Months Ended		Year Ended December 31,			
	June 30, 2016 <sup>(1)</sup> (Unaudited)	2015	2014	2013 <sup>(1)</sup>	2012	2011
<b>Per Share Data:</b>						
Net asset value, beginning of period	\$ 7.97	\$ 8.87	\$ 7.87	\$ 9.82	\$ 8.68	\$ 8.91
<b>Income from</b>						
<b>investment operations:</b>						
Net investment income (loss)	0.05 <sup>(2)</sup>	0.08 <sup>(2)</sup>	0.05 <sup>(2)</sup>	0.00 <sup>(2)(3)</sup>	0.01 <sup>(2)</sup>	(0.01)
Net realized and unrealized gains (losses) on investments	(0.17)	(0.45)	1.12	3.14	1.15	(0.22)
Total from investment operations	(0.12)	(0.37)	1.17	3.14	1.16	(0.23)
<b>Less distributions:</b>						
Distributions from net investment income	—	(0.07)	(0.07)	—	(0.02)	—
Distributions from net realized gains	—	(0.46)	(0.10)	(5.09)	—	—
Total distributions	—	(0.53)	(0.17)	(5.09)	(0.02)	—
<b>Net asset value, end of period</b>	<b>\$ 7.85</b>	<b>\$ 7.97</b>	<b>\$ 8.87</b>	<b>\$ 7.87</b>	<b>\$ 9.82</b>	<b>\$ 8.68</b>
<b>Total return</b>	<b>(1.51)%<sup>(4)</sup></b>	<b>(4.18)%</b>	<b>14.89%</b>	<b>32.34%</b>	<b>13.32%</b>	<b>(2.58)%</b>
<b>Supplemental data and ratios:</b>						
Net assets, end of period (millions)	\$0.6	\$0.6	\$1.2	\$0.2	\$0.4	\$0.2
Ratio of expenses to average net assets	1.00% <sup>(5)</sup>	1.00%	1.00%	1.00%	1.00%	1.00%
Ratio of expenses to average net assets (before waivers)	1.40% <sup>(5)</sup>	1.36%	1.42%	1.49%	1.59%	1.60%
Ratio of net investment income (loss) to average net assets	1.34% <sup>(5)</sup>	0.93%	0.83%	0.03%	0.12%	(0.13)%
Ratio of net investment income (loss) to average net assets (before waivers)	0.94% <sup>(5)</sup>	0.57%	0.41%	(0.46)%	(0.47)%	(0.73)%
Portfolio turnover rate <sup>(6)</sup>	46.2% <sup>(4)</sup>	86.5%	88.2%	127.7%	39.2%	38.2%

- (1) Effective December 23, 2013, Baird Kailash Group, LLC became the Fund's subadviser. The Fund changed its subadviser to L2 Asset Management, LLC as of April 30, 2016.
- (2) Calculated using average shares outstanding during the period.
- (3) Amount is less than \$0.005.
- (4) Not annualized.
- (5) Annualized.
- (6) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued. The Baird LargeCap Fund's portfolio turnover rate in 2013 was higher than previous years primarily due to the implementation of a new investment strategy for the Fund by Baird Kailash Group, LLC, the Fund's previous subadviser.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird MidCap Fund – Institutional Class

	Six Months Ended		Year Ended December 31,			
	June 30, 2016 (Unaudited)	2015	2014	2013	2012	2011
<b>Per Share Data:</b>						
Net asset value, beginning of period	\$14.99	\$15.57	\$15.00	\$11.52	\$ 9.98	\$10.04
<b>Income from investment operations:</b>						
Net investment income (loss)	(0.01) <sup>(1)</sup>	(0.03) <sup>(1)</sup>	(0.03) <sup>(1)</sup>	(0.01)	0.07 <sup>(1)</sup>	(0.01) <sup>(1)</sup>
Net realized and unrealized gains (losses) on investments	0.40	(0.53)	0.76	3.80	1.57	0.54
Total from investment operations	0.39	(0.56)	0.73	3.79	1.64	0.53
<b>Less distributions:</b>						
Distributions from net investment income	—	—	—	—	(0.04)	—
Distributions from net realized gains	—	(0.02)	(0.16)	(0.31)	(0.06)	(0.59)
Total distributions	—	(0.02)	(0.16)	(0.31)	(0.10)	(0.59)
<b>Net asset value, end of period</b>	<u>\$15.38</u>	<u>\$14.99</u>	<u>\$15.57</u>	<u>\$15.00</u>	<u>\$11.52</u>	<u>\$ 9.98</u>
<b>Total return</b>	2.60% <sup>(2)</sup>	(3.59)%	4.85%	32.90%	16.49%	5.19%
<b>Supplemental data and ratios:</b>						
Net assets, end of period (millions)	\$1,174.1	\$1,035.0	\$910.9	\$286.1	\$137.2	\$40.9
Ratio of expenses to average net assets	0.83% <sup>(3)</sup>	0.80%	0.85%	0.85%	0.85%	0.85%
Ratio of expenses to average net assets (before waivers)	0.83% <sup>(3)</sup>	0.80%	0.87%	0.87%	0.97%	1.21%
Ratio of net investment income (loss) to average net assets	(0.12)% <sup>(3)</sup>	(0.18)%	(0.17)%	(0.04)%	0.65%	(0.10)%
Ratio of net investment income (loss) to average net assets (before waivers)	(0.12)% <sup>(3)</sup>	(0.18)%	(0.19)%	(0.06)%	0.53%	(0.46)%
Portfolio turnover rate <sup>(4)</sup>	29.4% <sup>(2)</sup>	52.8%	37.3%	36.3%	29.5%	44.8%

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*



# Financial Highlights

## Baird MidCap Fund – Investor Class

	Six Months Ended		Year Ended December 31,			
	June 30, 2016 (Unaudited)	2015	2014	2013	2012	2011
<b>Per Share Data:</b>						
Net asset value, beginning of period	\$14.36	\$14.96	\$14.45	\$11.13	\$ 9.66	\$ 9.76
<b>Income from investment operations:</b>						
Net investment income (loss)	(0.03) <sup>(1)</sup>	(0.06) <sup>(1)</sup>	(0.06) <sup>(1)</sup>	(0.03)	0.04 <sup>(1)</sup>	(0.03) <sup>(1)</sup>
Net realized and unrealized gains (losses) on investments	0.39	(0.52)	0.73	3.66	1.52	0.52
Total from investment operations	0.36	(0.58)	0.67	3.63	1.56	0.49
<b>Less distributions:</b>						
Distributions from net investment income	—	—	—	—	(0.03)	—
Distributions from net realized gains	—	(0.02)	(0.16)	(0.31)	(0.06)	(0.59)
Total distributions	—	(0.02)	(0.16)	(0.31)	(0.09)	(0.59)
<b>Net asset value, end of period</b>	<u>\$14.72</u>	<u>\$14.36</u>	<u>\$14.96</u>	<u>\$14.45</u>	<u>\$11.13</u>	<u>\$ 9.66</u>
<b>Total return</b>	2.44% <sup>(2)</sup>	(3.80)%	4.62%	32.62%	16.16%	4.93%
<b>Supplemental data and ratios:</b>						
Net assets, end of period (millions)	\$139.0	\$184.1	\$205.4	\$143.1	\$84.1	\$2.6
Ratio of expenses to average net assets	1.08% <sup>(3)</sup>	1.05%	1.10%	1.10%	1.10%	1.10%
Ratio of expenses to average net assets (before waivers)	1.08% <sup>(3)</sup>	1.05%	1.12%	1.12%	1.22%	1.46%
Ratio of net investment income (loss) to average net assets	(0.37)% <sup>(3)</sup>	(0.43)%	(0.42)%	(0.29)%	0.40%	(0.35)%
Ratio of net investment income (loss) to average net assets (before waivers)	(0.37)% <sup>(3)</sup>	(0.43)%	(0.44)%	(0.31)%	0.28%	(0.71)%
Portfolio turnover rate <sup>(4)</sup>	29.4% <sup>(2)</sup>	52.8%	37.3%	36.3%	29.5%	44.8%

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird Small/Mid Cap Value Fund – Institutional Class

	Six Months Ended June 30, 2016 (Unaudited)	November 30, 2015 <sup>^</sup> through December 31, 2015
<b>Per Share Data:</b>		
Net asset value, beginning of period	\$ 9.52	\$10.00
<b>Income from investment operations:</b>		
Net investment income	0.08 <sup>(1)</sup>	0.02 <sup>(1)</sup>
Net realized and unrealized gains (losses) on investments	0.31	(0.49)
Total from investment operations	0.39	(0.47)
<b>Less distributions:</b>		
Distributions from net investment income	—	(0.01)
Total distributions	—	(0.01)
<b>Net asset value, end of period</b>	<b>\$ 9.91</b>	<b>\$ 9.52</b>
<b>Total return</b>	<b>4.10%<sup>(2)</sup></b>	<b>(4.66)%<sup>(2)</sup></b>
<b>Supplemental data and ratios:</b>		
Net assets, end of period (millions)	\$8.7	\$4.7
Ratio of expenses to average net assets	0.95% <sup>(3)</sup>	0.95% <sup>(3)</sup>
Ratio of expenses to average net assets (before waivers)	3.21% <sup>(3)</sup>	6.88% <sup>(3)</sup>
Ratio of net investment income to average net assets	1.58% <sup>(3)</sup>	1.96% <sup>(3)</sup>
Ratio of net investment loss to average net assets (before waivers)	(0.68)% <sup>(3)</sup>	(3.97)% <sup>(3)</sup>
Portfolio turnover rate <sup>(4)</sup>	21.4% <sup>(2)</sup>	14.7% <sup>(2)</sup>

<sup>^</sup> Inception was the close of business on November 30, 2015.

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird Small/Mid Cap Value Fund – Investor Class

	Six Months Ended June 30, 2016 (Unaudited)	November 30, 2015 <sup>^</sup> through December 31, 2015
<b>Per Share Data:</b>		
Net asset value, beginning of period	\$ 9.52	\$10.00
<b>Income from investment operations:</b>		
Net investment income	0.07 <sup>(1)</sup>	0.01 <sup>(1)</sup>
Net realized and unrealized gains (losses) on investments	0.31	(0.48)
Total from investment operations	0.38	(0.47)
<b>Less distributions:</b>		
Distributions from net investment income	—	(0.01)
Total distributions	—	(0.01)
<b>Net asset value, end of period</b>	<b>\$ 9.90</b>	<b>\$ 9.52</b>
<b>Total return</b>	<b>3.99%<sup>(2)</sup></b>	<b>(4.67)%<sup>(2)</sup></b>
<b>Supplemental data and ratios:</b>		
Net assets, end of period (thousands)	\$28.2	\$19.0
Ratio of expenses to average net assets	1.20% <sup>(3)</sup>	1.20% <sup>(3)</sup>
Ratio of expenses to average net assets (before waivers)	3.46% <sup>(3)</sup>	7.13% <sup>(3)</sup>
Ratio of net investment income to average net assets	1.33% <sup>(3)</sup>	1.71% <sup>(3)</sup>
Ratio of net investment loss to average net assets (before waivers)	(0.93)% <sup>(3)</sup>	(4.22)% <sup>(3)</sup>
Portfolio turnover rate <sup>(4)</sup>	21.4% <sup>(2)</sup>	14.7% <sup>(2)</sup>

<sup>^</sup> Inception was the close of business on November 30, 2015.

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird SmallCap Value Fund – Institutional Class

	Six Months Ended			April 30, 2012 <sup>^</sup> through	
	June 30, 2016 (Unaudited)	Year Ended December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
<b>Per Share Data:</b>					
Net asset value, beginning of period	\$13.03	\$13.82	\$14.01	\$10.20	\$10.00
<b>Income from investment operations:</b>					
Net investment income <sup>(1)</sup>	0.12	0.11	0.05	0.07	0.15
Net realized and unrealized gains (losses) on investments	0.67	(0.82)	0.01	3.99	0.20
Total from investment operations	0.79	(0.71)	0.06	4.06	0.35
<b>Less distributions:</b>					
Distributions from net investment income	—	(0.08)	(0.05)	(0.05)	(0.12)
Distributions from net realized gains	—	—	(0.20)	(0.20)	(0.03)
Total distributions	—	(0.08)	(0.25)	(0.25)	(0.15)
<b>Net asset value, end of period</b>	<u>\$13.82</u>	<u>\$13.03</u>	<u>\$13.82</u>	<u>\$14.01</u>	<u>\$10.20</u>
<b>Total return</b>	6.06% <sup>(2)</sup>	(5.11)%	0.42%	39.85%	3.52% <sup>(2)</sup>
<b>Supplemental data and ratios:</b>					
Net assets, end of period (millions)	\$25.2	\$23.1	\$23.5	\$19.0	\$8.1
Ratio of expenses to average net assets	1.00% <sup>(3)</sup>	1.00%	1.00%	1.00%	1.00% <sup>(3)</sup>
Ratio of expenses to average net assets (before waivers)	1.50% <sup>(3)</sup>	1.51%	1.55%	2.02%	3.06% <sup>(3)</sup>
Ratio of net investment income to average net assets	1.81% <sup>(3)</sup>	0.79%	0.36%	0.71%	2.32% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	1.31% <sup>(3)</sup>	0.28%	(0.19)%	(0.31)%	0.26% <sup>(3)</sup>
Portfolio turnover rate <sup>(4)</sup>	26.6% <sup>(2)</sup>	42.1%	41.9%	36.9%	24.6% <sup>(2)</sup>

<sup>^</sup> Inception was the close of business on April 30, 2012.

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Baird SmallCap Value Fund – Investor Class

	Six Months Ended			April 30, 2012 <sup>^</sup> through December 31, 2012	
	June 30, 2016 (Unaudited)	Year Ended December 31, 2015	2014	2013	
<b>Per Share Data:</b>					
Net asset value, beginning of period	\$12.99	\$13.78	\$13.98	\$10.19	\$10.00
<b>Income from investment operations:</b>					
Net investment income <sup>(1)</sup>	0.10	0.07	0.02	0.04	0.14
Net realized and unrealized gains (losses) on investments	0.67	(0.81)	0.00 <sup>(2)</sup>	3.99	0.19
Total from investment operations	0.77	(0.74)	0.02	4.03	0.33
<b>Less distributions:</b>					
Distributions from net investment income	—	(0.05)	(0.02)	(0.04)	(0.11)
Distributions from net realized gains	—	—	(0.20)	(0.20)	(0.03)
Total distributions	—	(0.05)	(0.22)	(0.24)	(0.14)
Net asset value, end of period	\$13.76	\$12.99	\$13.78	\$13.98	\$10.19
<b>Total return</b>	5.93% <sup>(3)</sup>	(5.37)%	0.13%	39.58%	3.32% <sup>(3)</sup>
<b>Supplemental data and ratios:</b>					
Net assets, end of period (millions)	\$2.2	\$2.0	\$2.1	\$1.1	\$0.2
Ratio of expenses to average net assets	1.25% <sup>(4)</sup>	1.25%	1.25%	1.25%	1.25% <sup>(4)</sup>
Ratio of expenses to average net assets (before waivers)	1.75% <sup>(4)</sup>	1.76%	1.80%	2.27%	3.31% <sup>(4)</sup>
Ratio of net investment income to average net assets	1.56% <sup>(4)</sup>	0.54%	0.11%	0.46%	2.07% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	1.06% <sup>(4)</sup>	0.03%	(0.44)%	(0.56)%	0.01% <sup>(4)</sup>
Portfolio turnover rate <sup>(5)</sup>	26.6% <sup>(3)</sup>	42.1%	41.9%	36.9%	24.6% <sup>(3)</sup>

<sup>^</sup> Inception was the close of business on April 30, 2012.

(1) Calculated using average shares outstanding during the period.

(2) Amount is less than \$0.005.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Chautauqua International Growth Fund – Institutional Class

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>Per Share Data:</b>	
Net asset value, beginning of period	\$10.00
<b>Income from investment operations:</b>	
Net investment income	0.03 <sup>(1)</sup>
Net realized and unrealized loss on investments and foreign currency translations	(0.17) <sup>(2)</sup>
Total from investment operations	(0.14)
<b>Less distributions:</b>	
Distributions from net investment income	—
Total distributions	—
<b>Net asset value, end of period</b>	<b>\$ 9.86</b>
<b>Total return</b>	<b>(1.60)%<sup>(3)</sup></b>
<b>Supplemental data and ratios:</b>	
Net assets, end of period (millions)	\$8.5
Ratio of expenses to average net assets	0.95% <sup>(4)</sup>
Ratio of expenses to average net assets (before waivers)	4.80% <sup>(4)</sup>
Ratio of net investment income to average net assets	1.66% <sup>(4)</sup>
Ratio of net investment loss to average net assets (before waivers)	(2.19)% <sup>(4)</sup>
Portfolio turnover rate <sup>(5)</sup>	7.0% <sup>(3)</sup>

<sup>^</sup> Inception was close of business on April 15, 2016.

- (1) Calculated using average shares outstanding during the period.
- (2) Due to timing of capital share transactions, the per share amount of net realized and unrealized loss on investments and foreign currency transactions varies from the amounts shown in the statement of operations.
- (3) Not annualized.
- (4) Annualized.
- (5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Chautauqua International Growth Fund – Investor Class

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>Per Share Data:</b>	
Net asset value, beginning of period	\$10.00
<b>Income from investment operations:</b>	
Net investment income	0.03 <sup>(1)</sup>
Net realized and unrealized loss on investments and foreign currency translations	(0.18) <sup>(2)</sup>
Total from investment operations	(0.15)
<b>Less distributions:</b>	
Distributions from net investment income	—
Total distributions	—
<b>Net asset value, end of period</b>	<u>\$ 9.85</u>
<b>Total return</b>	(1.70)% <sup>(3)</sup>
<b>Supplemental data and ratios:</b>	
Net assets, end of period (thousands)	\$37.6
Ratio of expenses to average net assets	1.20% <sup>(4)</sup>
Ratio of expenses to average net assets (before waivers)	5.05% <sup>(4)</sup>
Ratio of net investment income to average net assets	1.41% <sup>(4)</sup>
Ratio of net investment loss to average net assets (before waivers)	(2.44)% <sup>(4)</sup>
Portfolio turnover rate <sup>(5)</sup>	7.0% <sup>(3)</sup>

<sup>^</sup> Inception was close of business on April 15, 2016.

(1) Calculated using average shares outstanding during the period.

(2) Due to timing of capital share transactions, the per share amount of net realized and unrealized loss on investments and foreign currency transactions varies from the amounts shown in the statement of operations.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Financial Highlights

## Chautauqua Global Growth Fund – Institutional Class

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>Per Share Data:</b>	
Net asset value, beginning of period	\$10.00
<b>Income from investment operations:</b>	
Net investment income	0.02 <sup>(1)</sup>
Net realized and unrealized loss on investments and foreign currency translations	(0.25)
Total from investment operations	(0.23)
<b>Less distributions:</b>	
Distributions from net investment income	—
Total distributions	—
<b>Net asset value, end of period</b>	<b>\$ 9.77</b>
<b>Total return</b>	<b>(2.30)%<sup>(2)</sup></b>
<b>Supplemental data and ratios:</b>	
Net assets, end of period (millions)	\$3.0
Ratio of expenses to average net assets	0.95% <sup>(3)</sup>
Ratio of expenses to average net assets (before waivers)	7.99% <sup>(3)</sup>
Ratio of net investment income to average net assets	0.78% <sup>(3)</sup>
Ratio of net investment loss to average net assets (before waivers)	(6.26)% <sup>(3)</sup>
Portfolio turnover rate <sup>(4)</sup>	10.2% <sup>(2)</sup>

<sup>^</sup> Inception was close of business on April 15, 2016.

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*



# Financial Highlights

## Chautauqua Global Growth Fund – Investor Class

	April 15, 2016 <sup>^</sup> through June 30, 2016 (Unaudited)
<b>Per Share Data:</b>	
Net asset value, beginning of period	\$10.00
<b>Income from investment operations:</b>	
Net investment income	0.01 <sup>(1)</sup>
Net realized and unrealized loss on investments and foreign currency translations	(0.24)
Total from investment operations	(0.23)
<b>Less distributions:</b>	
Distributions from net investment income	—
Total distributions	—
<b>Net asset value, end of period</b>	<b>\$ 9.77</b>
<b>Total return</b>	<b>(2.40)%<sup>(2)</sup></b>
<b>Supplemental data and ratios:</b>	
Net assets, end of period (millions)	\$0.1
Ratio of expenses to average net assets	1.20% <sup>(3)</sup>
Ratio of expenses to average net assets (before waivers)	8.24% <sup>(3)</sup>
Ratio of net investment income to average net assets	0.53% <sup>(3)</sup>
Ratio of net investment loss to average net assets (before waivers)	(6.51)% <sup>(3)</sup>
Portfolio turnover rate <sup>(4)</sup>	10.2% <sup>(2)</sup>

<sup>^</sup> Inception was close of business on April 15, 2016.

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

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## 1. Organization

Baird Funds, Inc. (the “Corporation”) was incorporated on June 9, 2000 as a Wisconsin corporation and is registered as an open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The accompanying financial statements include the Baird LargeCap Fund, the Baird MidCap Fund, the Baird Small/Mid Cap Value Fund, the Baird SmallCap Value Fund, the Chautauqua International Growth Fund and the Chautauqua Global Growth Fund (each a “Fund” and collectively the “Funds”), six of the fifteen series comprising the Corporation. Pursuant to the 1940 Act, the Funds are “diversified” series of the Corporation. The investment advisor to the Funds is Robert W. Baird & Co. Incorporated (“Baird” or the “Advisor”).

The Baird LargeCap Fund commenced with the sale of both Institutional and Investor Class Shares on September 29, 2000. The Baird MidCap Fund commenced with the sale of both Institutional and Investor Class Shares on December 29, 2000. The Baird Small/Mid Cap Value Fund commenced with the sale of both Institutional and Investor Class Shares on November 30, 2015. The Baird SmallCap Value Fund commenced with the sale of both Institutional and Investor Class Shares to the public on May 1, 2012. The Chautauqua International Growth Fund and the Chautauqua Global Growth Fund commenced with the sale of both Institutional and Investor Class Shares to the public on April 18, 2016. Institutional Class shares are not subject to a distribution and service (12b-1) fee, while Investor Class shares are subject to a distribution and service (12b-1) fee up to 0.25%. See Note 8.

The Baird LargeCap Fund seeks long-term growth of capital through investments in equity securities of large-capitalization companies.

The Baird MidCap Fund seeks long-term growth of capital through investments in equity securities of mid-capitalization companies.

The Baird Small/Mid Cap Value Fund seeks long-term growth of capital through investments in equity securities of small- to mid-capitalization companies.

The Baird SmallCap Value Fund seeks long-term growth of capital through investments in equity securities of small-capitalization companies.

The Chautauqua International Growth Fund seeks to provide long-term capital appreciation through investment in equity securities of both U.S. and non-U.S. companies with medium to large market capitalization.

The Chautauqua Global Growth Fund seeks to provide long-term capital appreciation through investment in equity securities of both U.S. and non-U.S. companies with medium to large market capitalization.

On June 30, 2016, shareholders affiliated with the Advisor held 91% of the Institutional Class shares of the Baird LargeCap Fund, 3% of the Institutional Class shares of the Baird MidCap Fund, 66% of the Institutional Class shares of the Baird Small/Mid Cap Value Fund, 53% of the Institutional Class shares of the Baird SmallCap Value Fund, 28% of the Institutional Class shares of the Chautauqua International Growth Fund and 37% of the Institutional Class shares of the Chautauqua Global Growth Fund. These shareholders included the Advisor’s participant-directed retirement and deferred compensation plans and the Baird Foundation.

## 2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America.

- a) **Investment Valuation** – Section 2(a)(41) of the 1940 Act, together with the rules and interpretations of the SEC, require the Funds, in computing net asset value, to value their portfolio securities using market quotations when they are “readily available.” When market quotations are not readily available (e.g., because there is no regular market quotation for such securities, the market for such security is limited, the validity of quotations is questionable or, for debt securities, the Funds’ independent pricing service,

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

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## 2. Significant Accounting Policies (cont.)

does not provide a price), the Board of Directors of the Corporation must value the securities at “fair value determined in good faith.” The Board has delegated such responsibility to the Advisor pursuant to pricing policies and procedures that the Board has adopted and regularly reviews. In general, the “fair value” of a security means the price that would be received to sell a security in an orderly transaction between market participants at the measurement date.

The Funds determine the fair value of their investments and compute their net asset value per share as of the close of regular trading of the New York Stock Exchange (4:00 p.m. EST).

Consistent with Section 2(a)(41) of the 1940 Act, the Funds price their securities as follows: common stocks that are listed on a securities exchange (other than NASDAQ) are valued at the last quoted sale price. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. Price information on listed stocks is taken from the exchange where the security is primarily traded. Securities that were not traded on the valuation date, as well as stocks that are not listed on an exchange, including NASDAQ, are valued at the average of the current bid and asked price. Debt securities are valued at their evaluated bid prices as provided by an independent pricing service using valuation methods that are designed to represent fair value, such as matrix pricing and other analytical pricing models, market transactions and dealer quotations. Debt securities purchased with maturities of 60 days or less are valued as described above unless an evaluated price is not available, in which case such security is valued at acquisition cost, plus or minus any amortized discount or premium (“amortized cost”), or, if the Advisor does not believe amortized cost is reflective of the value of the security, the security is priced at fair value as described below. Investments in mutual funds are valued at their stated net asset value. Other assets and securities for which market quotations are not readily available are valued at fair value as determined in good faith by the Advisor in accordance with procedures approved by the Corporation’s Board of Directors. In accordance with such procedures, the Advisor may use broker quotes or prices obtained from alternative independent pricing services or, if broker quotes or prices from alternative pricing services are unavailable or deemed to be unreliable, fair value will be determined by a valuation committee of the Advisor. In determining fair value, the valuation committee takes into account all relevant factors and available information. Consequently, the price of the security used by a Fund to calculate its NAV may differ from quoted or published prices for the same security. Fair value pricing involves subjective judgments and there is no single standard for determining a security’s fair value. As a result, different mutual funds could reasonably arrive at a different fair value for the same security. It is possible that the fair value determined for a security is materially different from the value that could be realized upon the sale of that security or from the values that other mutual funds may determine. In addition, given the volatility and periodic illiquidity experienced in recent years, the prices determined for any individual security on any given day may vary significantly from the amount that can be obtained in an actual sale of that security, and the Funds’ NAV may fluctuate significantly from day to day or from period to period.

The Chautauqua International Growth and Chautauqua Global Growth Funds have retained an independent fair value pricing service to assist in valuing foreign securities in order to adjust for possible changes in value that may occur between the close of the foreign exchange and the time at which the Fund calculates its NAV. The fair value pricing service uses statistical data based on historical performance of securities and markets, and other data in developing factors used to estimate fair value for that day.

- b) **Foreign Securities** – For purposes of these financial statements, foreign securities are defined as securities issued by companies that are organized outside the United States. Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include foreign currency fluctuations and adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government. Occasionally, events

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

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## 2. Significant Accounting Policies (cont.)

that affect these values and exchange rates may occur after the close of the exchange on which such securities are traded. If such events materially affect the value of a Fund's securities, these securities may be valued at their fair value pursuant to procedures adopted by the Board of Directors. All of the foreign securities owned by the Funds as of June 30, 2016 are traded directly on the New York Stock Exchange or NASDAQ or through an American Depository Receipt (ADR).

- c) **Income Tax Status** – The Funds intend to continue to qualify as regulated investment companies as provided in subchapter M of the Internal Revenue Code and to distribute substantially all of their taxable income to their shareholders in a manner which results in no tax expense to the Funds. Therefore, no federal income or excise tax provision is recorded.

There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2015, or for any other tax years which are open for exam. As of June 30, 2016, open tax years include the tax years ended December 31, 2012 through 2015. The Funds are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as interest expense and other expense, respectively, in the Statement of Operations. During the period, the Funds did not incur any interest or penalties.

- d) **Distributions to Shareholders** – Dividends from net investment income, if any, are declared and paid annually. Distributions of net realized capital gains, if any, are declared and paid at least annually. The book basis character of distributions may differ from their ultimate characterization for Federal income tax purposes.

- e) **Allocation of Income and Expenses** – Each Fund is charged for those expenses directly attributable to it. Expenses directly attributable to a class of shares, such as Rule 12b-1 distribution fees, are charged to that class of shares. Income, expenses and realized and unrealized gains and losses are allocated to the classes based on their respective net assets. Expenses that are not directly attributable to a Fund are allocated among the Funds in the series in proportion to their assets or are divided equally amongst the Funds.

- f) **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- g) **Securities Transactions and Investment Income** – Investment and shareholder transactions are recorded on trade date. The Funds determine the gain or loss realized from investment transactions by comparing the original cost of the security lot sold with the net sales proceeds. Dividend income is recognized on the ex-dividend date net of withholding taxes, if any, and interest income is recognized on an accrual basis.

- h) **Guarantees and Indemnifications** – In the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds' maximum exposure under these arrangements is unknown and would involve future claims against the Funds that have not yet occurred. Based on experience, the Funds would expect the risk of loss to be remote.

- i) **Recent Accounting Pronouncement** – In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-07 "Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)". The amendments in ASU No. 2015-07 remove the requirement to categorize within the fair value hierarchy investments measured using the NAV practical expedient. The ASU also removes certain disclosure requirements for

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 2. Significant Accounting Policies (cont.)

investments that qualify, but do not utilize, the NAV practical expedient. The amendments in the ASU are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Management has evaluated this standard and determined it will not affect the Baird Funds.

## 3. Capital Share Transactions

The following table summarizes the capital share transactions of each Fund for the past two fiscal periods:

### Baird LargeCap Fund

#### Institutional Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	387,538	\$ 2,900,466
Shares redeemed	(414,173)	(3,151,937)
Net decrease	(26,635)	\$ (251,471)
Shares Outstanding:		
Beginning of period	4,449,336	
End of period	<u>4,422,701</u>	

#### Investor Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	10,085	\$ 75,197
Shares redeemed	(9,705)	(74,566)
Net increase	380	\$ 631
Shares Outstanding:		
Beginning of period	75,481	
End of period	<u>75,861</u>	

#### Institutional Class Shares

	Year Ended December 31, 2015	
	Shares	Amount
Shares sold	741,344	\$ 6,555,160
Shares issued to shareholders in reinvestment of dividends	295,843	2,387,452
Shares redeemed	(949,026)	(8,371,963)
Net increase	88,161	\$ 570,649
Shares Outstanding:		
Beginning of year	4,361,175	
End of year	<u>4,449,336</u>	

#### Investor Class Shares

	Year Ended December 31, 2015	
	Shares	Amount
Shares sold	129,900	\$ 1,162,264
Shares issued to shareholders in reinvestment of dividends	5,451	43,772
Shares redeemed	(196,702)	(1,669,029)
Net decrease	(61,351)	\$ (462,993)
Shares Outstanding:		
Beginning of year	<u>136,832</u>	
End of year	<u>75,481</u>	

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 3. Capital Share Transactions (cont.)

### Baird MidCap Fund

#### Institutional Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	19,309,632	\$284,179,371
Shares redeemed	(12,003,656)	(174,066,898)
Net increase	7,305,976	\$110,112,473
Shares Outstanding:		
Beginning of period	69,041,053	
End of period	76,347,029	

#### Investor Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	955,558	\$13,432,697
Shares redeemed	(4,329,517)	(59,003,176)
Net decrease	(3,373,959)	\$(45,570,479)
Shares Outstanding:		
Beginning of period	12,817,360	
End of period	9,443,401	

#### Institutional Class Shares

	Year Ended December 31, 2015	
	Shares	Amount
Shares sold	24,895,673	\$ 397,319,033
Shares issued to shareholders in reinvestment of dividends	88,675	1,340,418
Shares redeemed	(14,443,816)	(227,556,679)
Net increase	10,540,532	\$ 171,102,772
Shares Outstanding:		
Beginning of year	58,500,521	
End of year	69,041,053	

#### Investor Class Shares

	Year Ended December 31, 2015	
	Shares	Amount
Shares sold	3,431,190	\$ 52,378,261
Shares issued to shareholders in reinvestment of dividends	18,891	273,664
Shares redeemed	(4,362,243)	(66,101,616)
Net decrease	(912,162)	\$(13,449,691)
Shares Outstanding:		
Beginning of year	13,729,522	
End of year	12,817,360	

### Baird Small/Mid Cap Value Fund

#### Institutional Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	394,145	\$3,750,304
Shares redeemed	(8,129)	(75,989)
Net increase	386,016	\$3,674,315
Shares Outstanding:		
Beginning of period	495,306	
End of period	881,322	

#### Investor Class Shares

	Six Months Ended June 30, 2016	
	Shares	Amount
Shares sold	845	\$8,000
Shares redeemed	—	—
Net increase	845	\$8,000
Shares Outstanding:		
Beginning of period	2,003	
End of period	2,848	

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 3. Capital Share Transactions (cont.)

### Baird Small/Mid Cap Value Fund (cont.)

	Institutional Class Shares			Investor Class Shares	
	Period Ended December 31, 2015 <sup>^</sup>			Period Ended December 31, 2015 <sup>^</sup>	
	Shares	Amount		Shares	Amount
Shares sold	494,559	\$4,940,000	Shares sold	2,000	\$20,000
Shares issued to shareholders in reinvestment of dividends	747	7,158	Shares issued to shareholders in reinvestment of dividends	3	26
Net increase	495,306	\$4,947,158	Net increase	2,003	\$20,026
Shares Outstanding: Beginning of period	—		Shares Outstanding: Beginning of period	—	
End of period	495,306		End of period	2,003	

<sup>^</sup> Inception was the close of business on November 30, 2015.

### Baird SmallCap Value Fund

	Institutional Class Shares			Investor Class Shares	
	Six Months Ended June 30, 2016			Six Months Ended June 30, 2016	
	Shares	Amount		Shares	Amount
Shares sold	212,977	\$ 2,697,411	Shares sold	11,256	\$148,482
Shares redeemed	(164,008)	(2,078,556)	Shares redeemed	(4,970)	(66,751)
Net increase	48,969	\$618,855	Net increase	6,286	\$ 81,731
Shares Outstanding: Beginning of period	1,775,679		Shares Outstanding: Beginning of period	152,902	
End of period	1,824,648		End of period	159,188	

### Institutional Class Shares

	Institutional Class Shares			Investor Class Shares	
	Year Ended December 31, 2015			Year Ended December 31, 2015	
	Shares	Amount		Shares	Amount
Shares sold	340,633	\$ 4,606,208	Shares sold	35,000	\$ 478,350
Shares issued to shareholders in reinvestment of dividends	9,857	129,529	Shares issued to shareholders in reinvestment of dividends	277	3,633
Shares redeemed	(272,018)	(3,706,223)	Shares redeemed	(34,792)	(465,113)
Net increase	78,472	\$ 1,029,514	Net increase	485	\$ 16,870
Shares Outstanding: Beginning of year	1,697,207		Shares Outstanding: Beginning of year	152,417	
End of year	1,775,679		End of year	152,902	

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 3. Capital Share Transactions (cont.)

### Chautauqua International Growth Fund<sup>^</sup>

Institutional Class Shares	Period Ended June 30, 2016		Investor Class Shares	Period Ended June 30, 2016	
	Shares	Amount		Shares	Amount
Shares sold	863,614	\$8,477,455	Shares sold	3,824	\$37,354
Shares redeemed	(1,353)	(13,607)	Shares redeemed	—	—
Net increase	862,261	<u>\$8,463,848</u>	Net increase	3,824	<u>\$37,354</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	—		Beginning of period	—	
End of period	<u>862,261</u>		End of period	<u>3,824</u>	

<sup>^</sup> Inception was the close of business on April 15, 2016.

### Chautauqua Global Growth Fund<sup>^</sup>

Institutional Class Shares	Period Ended June 30, 2016		Investor Class Shares	Period Ended June 30, 2016	
	Shares	Amount		Shares	Amount
Shares sold	307,617	\$3,040,809	Shares sold	13,598	\$134,000
Shares redeemed	(1,384)	(13,690)	Shares redeemed	—	—
Net increase	306,233	<u>\$3,027,119</u>	Net increase	13,598	<u>\$134,000</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	—		Beginning of period	—	
End of period	<u>306,233</u>		End of period	<u>13,598</u>	

<sup>^</sup> Inception was the close of business on April 15, 2016.

## 4. Investment Transactions and Income Tax Information

During the six months ended June 30, 2016, purchases and sales of investment securities (excluding short-term investments) were as follows:

	Baird LargeCap Fund	Baird MidCap Fund	Baird Small/Mid Cap Value Fund
Purchases:	\$15,818,953	\$396,304,127	\$4,632,295
Sales:	\$17,063,823	\$348,532,102	\$1,178,071
	Baird SmallCap Value Fund	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
Purchases:	\$6,520,396	\$7,090,319	\$3,403,507
Sales:	\$6,082,817	\$ 366,567	\$ 282,970

The Baird LargeCap Fund, Baird MidCap Fund, Baird Small/Mid Cap Value Fund, and Baird SmallCap Value Fund did not purchase or sell U.S. Government securities during the six months ended June 30, 2016. The Chautauqua International Growth Fund and Chautauqua Global Growth Fund did not purchase or sell U.S. Government securities during the period April 15, 2016 through June 30, 2016.



# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 4. Investment Transactions and Income Tax Information (cont.)

At December 31, 2015, accumulated earnings/losses on a tax basis were as follows:

	Baird LargeCap Fund	Baird MidCap Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
Cost of Investments	\$35,712,019	\$1,117,935,880	\$ 4,925,435	\$22,030,410
Gross unrealized appreciation	2,943,658	181,880,311	29,694	4,551,108
Gross unrealized depreciation	(2,397,998)	(76,205,148)	(224,396)	(1,477,718)
Net unrealized appreciation (depreciation)	\$ 545,660	\$ 105,675,163	\$ (194,702)	\$ 3,073,390
Undistributed ordinary income	—	—	289	7,487
Total distributable earnings	\$ —	\$ —	\$ 289	\$ 7,487
Other accumulated losses	(310,635)	(28,213,156)	(39,354)	(753,932)
Total accumulated earnings (losses)	\$ 235,025	\$ 77,462,007	\$ (233,767)	\$ 2,326,945

Undistributed income or net realized gains for financial statement purposes may differ from amounts recognized for federal income tax purposes due to differences in the recognition and characterization of income, expense and capital gain items. The difference between book-basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses on wash sales.

Additionally, U.S. generally accepted accounting principles require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications are primarily due to differing treatments for losses deferred due to wash sales, equalization accounting for tax purposes, and non-deductible expenses. These reclassifications have no effect on net assets or net asset value per share.

Under the current tax law, capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the year ended December 31, 2015, Baird LargeCap Fund elected to defer capital losses occurring between November 1, 2015 and December 31, 2015 in the amount of \$181,372.

To the extent the Funds realize future net capital gains, those gains will be offset by any unused capital loss carryovers. At December 31, 2015, accumulated net realized capital loss carryovers, if any, and the year(s) in which the capital loss carryovers expire were:

	Capital Loss Carryover	Character	Year of Expiration
Baird MidCap Fund	\$28,213,156	Short-Term	Indefinitely
Baird Small/Mid Cap Value Fund	39,354	Short-Term	Indefinitely
Baird SmallCap Value Fund	528,085	Short-Term	Indefinitely
	225,847	Long-Term	Indefinitely

During the six months ended June 30, 2016, the Funds did not pay any distributions.

During the year ended December 31, 2015, the Funds paid the following distributions:

	Ordinary Income Dividends	Long-Term Capital Gain
Baird LargeCap Fund	\$1,286,082	\$1,145,265
Baird MidCap Fund	1,763,571	—
Baird Small/Mid Cap Value Fund	7,184	—
Baird SmallCap Value Fund	156,809	—

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 4. Investment Transactions and Income Tax Information (cont.)

The Funds designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended December 31, 2015. To the extent necessary to fully distribute such capital gains, the Baird LargeCap Fund designated earnings and profits distributed to shareholders on the redemption of shares.

## 5. Investment Advisory and Other Agreements

The Funds have entered into Investment Advisory Agreements with Baird for the provision of investment advisory services. Pursuant to the Investment Advisory Agreements, the Advisor is entitled to receive a fee, calculated daily and payable monthly, at the annual rate of 0.65% for the Baird LargeCap Fund, 0.75% for the Baird MidCap Fund, 0.80% for the Baird Small/Mid Cap Value Fund, 0.85% for the Baird SmallCap Value Fund, 0.80% for the Chautauqua International Growth Fund and 0.80% for the Chautauqua Global Growth Fund as applied to the respective Fund's average daily net assets. Certain officers of the Advisor are also officers of the Funds.

Baird has entered into a Sub-Advisory Agreement with L2 Asset Management, LLC ("L2"), pursuant to which L2 acts as subadvisor to the Baird LargeCap Fund (the "Sub-Advisory Agreement"). Baird is responsible for paying L2 a sub-advisory fee equivalent to a percentage of the net advisory fee received by the Advisor from the Fund which is calculated daily at the annual rate of 0.65% of the average daily net assets of the Fund and paid monthly after giving effect for the expense cap/reimbursement agreement between the Advisor and the Company on behalf of the LargeCap Fund.

The percentage of sub-advisory fee is subject to increase based on the assets managed by the Subadvisor on behalf of the Advisor as follows:

<u>% Net Advisory Fee</u>	<u>Market Value of Assets Managed by L2</u>
50%	Less than \$3 billion
60%	Between \$3 billion and \$5 billion
70%	Greater than \$5 billion

For the six months ended June 30, 2016 and through April 30, 2017 for the Baird LargeCap Fund, Baird MidCap Fund, Baird Small/Mid Cap Value Fund and Baird SmallCap Value Fund, and through April 30, 2018 for the Chautauqua International Growth Fund and Chautauqua Global Growth Fund, the Advisor has contractually agreed to waive its investment advisory fee and/or reimburse the Funds' operating expenses (exclusive of brokerage, taxes, and extraordinary expenses) to the extent necessary to ensure that each Fund's annual operating expenses do not exceed the following percentages of average daily net assets:

	<u>Institutional Class Shares</u>	<u>Investor Class Shares</u>
Baird LargeCap Fund	0.75%	1.00%
Baird MidCap Fund	0.85%	1.10%
Baird Small/Mid Cap Value Fund	0.95%	1.20%
Baird SmallCap Value Fund	1.00%	1.25%
Chautauqua International Growth Fund	0.95%	1.20%
Chautauqua Global Growth Fund	0.95%	1.20%

To the extent that the Advisor reimburses or absorbs fees and expenses, it may seek payment of such amounts for three years after the year in which expenses were reimbursed or absorbed. A Fund will make no such payment, however, if its total annual operating expenses exceed the expense limits in effect at the time the expenses were reimbursed or at the time these payments are proposed.

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

## 5. Investment Advisory and Other Agreements (cont.)

	Six Months Ended	Fiscal Year Ended December 31,		
	June 30, 2016	2015	2014	2013
Reimbursed/Absorbed Expenses Subject to be Recovered by Advisor Until:	2019	2018	2017	2016
Baird LargeCap Fund	\$69,216	\$143,538	\$140,955	\$136,768
Baird Small/MidCap Value Fund	\$66,332	\$ 23,659	N/A	N/A
Baird SmallCap Value Fund	\$61,901	\$131,370	\$131,933	\$133,188
Chautauqua International Growth Fund	\$36,243	N/A	N/A	N/A
Chautauqua Global Growth Fund	\$36,954	N/A	N/A	N/A

U.S. Bancorp Fund Services, LLC (“USBFS”) serves as transfer agent, administrator, and accounting services agent for the Funds. U.S. Bank, N.A. (“U.S. Bank”) serves as custodian for the Funds. U.S. Bank may be considered an “affiliated person” of the Funds for purposes of the 1940 Act as a result of U.S. Bank’s fiduciary accounts for which it has investment authority and/or voting authority collectively acquiring 5% or more of the shares of the Baird Aggregate Bond Fund, a separate series of the Company. In such a case, USBFS would be an affiliated person of an affiliated person (or a “second tier” affiliate) of the Funds. Effective March 9, 2016, U.S. Bank was not considered an “affiliated person” of the Funds for purposes of the 1940 Act.

Robert W. Baird & Co. Incorporated (the “Distributor”) is the sole distributor of the Funds pursuant to a distribution agreement.

No commissions were earned by the Distributor for services rendered as a registered broker-dealer in securities transactions for the Baird LargeCap Fund, Baird MidCap Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund and Chautauqua Global Growth Fund for the six months ended June 30, 2016.

## 6. Securities Lending

Each Fund may lend up to one-third of its total assets (including such loans) to borrowers under terms of participation in a securities lending program administered by U.S. Bank N.A., the Funds’ custodian and an affiliate of USBFS, the Funds’ transfer agent and administrator. The securities lending agreement requires that loans are collateralized at all times in an amount equal to at least 102% of the market value of any loaned securities at the time of the loan, plus accrued interest.

The Funds receive compensation in the form of fees and earn interest on the cash collateral. The amount of fees depends on a number of factors including the type of security and length of the loan. Each Fund continues to receive interest payments or dividends on the securities loaned during the borrowing period. Each Fund has the right under the terms of the securities lending agreement to recall the securities from the borrower on demand.

As of June 30, 2016, none of the Funds had securities on loan. When a Fund engages in securities lending, loaned securities are collateralized by cash equivalents. The cash collateral is invested by the custodian in accordance with approved investment guidelines. Those guidelines require the cash collateral to be invested in readily marketable, high quality, short-term obligations; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. A Fund could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the Funds are indemnified from this risk by contract with the securities lending agent.

The Funds receive cash as collateral in return for securities lent as part of a securities lending program. The collateral is invested in the Mount Vernon Securities Lending Prime Portfolio (a securities lending trust subject to Rule 2a-7 under the 1940 Act).

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

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## 6. Securities Lending (cont.)

The interest income earned by the Funds, if any, on investments of cash collateral received from borrowers for the securities loaned to them (“securities lending income”) is reflected in the Funds’ statements of operations. The Funds did not participate in the securities lending program during the six months ended June 30, 2016.

## 7. Line of Credit

The Corporation maintains an uncommitted, senior secured and unsecured line of credit (“LOC”) with U.S. Bank, N.A. (the “Bank”) to provide the Funds a temporary liquidity source to meet unanticipated redemptions. The unsecured line of credit is available to the Funds for any period during which U.S. Bank is an affiliate of the Funds. Under the terms of the LOC, borrowings for each Fund are limited to one-third of the total assets (including the amount borrowed) of the respective Fund, or as otherwise indicated within the Funds’ agreement with the Bank. The Bank charges interest at the Bank’s Prime Rate less 2% (weighted average rate of 1.50% for the first six months of 2016). For the six months ended June 30, 2016, the Funds did not borrow on the LOC.

## 8. Distribution and Shareholder Service Plan

The Funds have adopted a distribution and shareholder service plan (the “Plan”) pursuant to Rule 12b-1 under the 1940 Act. The Plan allows the Funds to compensate the Distributor for the costs incurred in distributing the Funds’ Investor Class Shares, including amounts paid to brokers or dealers, at an annual rate of 0.25% of the average daily net assets of the Funds’ Investor Class Shares. The Baird LargeCap Fund, Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund and Chautauqua Global Growth Fund incurred \$724, \$184,813, \$27, \$2,475, \$13 and \$34, respectively, in fees pursuant to the Plan during the six months ended June 30, 2016.

## 9. Redemption Fees

A redemption fee of 2.00% will be assessed on Institutional and Investor Class shares of the Chautauqua International Growth Fund and Chautauqua Global Growth Fund if redeemed (including in connection with an exchange) 90 days or less from their date of purchase, determined on a first-in, first-out (“FIFO”) basis. The redemption fee is paid directly to the Funds and is designed to offset brokerage commissions, market impact and other costs associated with fluctuations in Fund asset levels and cash flow caused by short-term shareholder trading. There were no redemption fees charged by the Chautauqua International Growth Fund or Chautauqua Global Growth Fund for the period ended June 30, 2016. The Baird LargeCap Fund, Baird MidCap Fund, Baird Small/ Mid Cap Value Fund and Baird SmallCap Value Fund do not charge redemption fees.

## 10. Special Meeting of Baird LargeCap Fund Shareholders

A special meeting of the shareholders of the Baird LargeCap Fund (the “LargeCap Fund”), a series of Baird Funds, Inc. (the “Corporation”), was held at the offices of the Corporation at 777 East Wisconsin Avenue, 29th Floor, Milwaukee, Wisconsin 53202 on Friday, April 22, 2016, at 8:00 a.m. (Central Time). The special meeting was held pursuant to notice to all shareholders of record as of the close of business on February 29, 2016. The purpose of the special meeting was to consider the approval of a new subadvisory agreement between the Advisor and L2 Asset Management, LLC, the proposed new subadvisor to the LargeCap Fund. The proposal was more fully described in the LargeCap Fund’s proxy statement dated March 9, 2016 (“Proxy Statement”). At the special meeting, the shareholders of the LargeCap Fund voted unanimously to approve the proposal. A report of the votes cast is set forth below.

<b>Proposal</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
To approve a new subadvisory agreement between the Advisor and L2 Asset Management, LLC	4,162,845	0	0

# Notes to the Financial Statements

June 30, 2016 (Unaudited)

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## 11. Subsequent Event

In preparing these financial statements, the Corporation has evaluated subsequent events after June 30, 2016 through the date the financial statements were issued. There were no subsequent events since June 30, 2016 that would require adjustment to or additional disclosure in these financial statements.

# Baird Funds, Inc.

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## Disclosure Regarding the Board of Directors' Approval of the Subadvisory Agreement for the Baird LargeCap Fund

The Board of Directors (the "Board") of Baird Funds, Inc. (the "Corporation"), including the directors who are not "interested persons" of the Corporation within the meaning of the Investment Company Act of 1940 (the "Independent Directors"), met on February 23, 2016 to consider the approval of a new subadvisory agreement between Robert W. Baird & Co. Incorporated ("Baird" or the "Advisor") and L2 Asset Management, LLC ("L2") with respect to the Baird LargeCap Fund (the "Fund") (the "Subadvisory Agreement"). The Advisor recommended that L2 replace the Fund's existing subadvisor, Baird Kailash Group, LLC ("Baird Kailash"). The Board reviewed and discussed various information that had been provided with respect to the Subadvisory Agreement. The Board considered information relevant to its consideration of the Subadvisory Agreement including a copy of the Subadvisory Agreement, information regarding the Advisor's recommendation of L2 as the subadvisor to the Fund, the fees proposed to be paid by the Advisor to L2, information regarding L2's investment strategy and financial condition and other information in response to a request for information sent to L2 and the Advisor on behalf of the Board. The Board discussed the Subadvisory Agreement and the response to the Board's request with representatives of the Advisor and Matthew J. Malgari and Sanjeev Bhojraj, the proposed portfolio managers for the Fund. Mr. Malgari and Dr. Bhojraj also discussed the firm's investment strategy, personnel, compliance program and operations. The Board also reviewed the proposed fee schedule under the Subadvisory Agreement, noting that the Advisor would pay L2 50% of the net management fee received from the Advisor from the Fund, subject to increase based on the assets managed by L2 on behalf of the Advisor.

The Board, with the assistance of the Corporation's legal counsel, considered their legal responsibilities and other factors deemed to be relevant, including, but not limited to, the following: (1) the fact that Mr. Malgari will continue to manage the Fund as lead portfolio manager and that Dr. Bhojraj will be added as a co-portfolio manager; (2) the subadvisory fee to be paid to L2 by the Advisor under the Subadvisory Agreement; (3) the fact that the subadvisory services under the Subadvisory Agreement and the existing subadvisory agreement between the Advisor and Baird Kailash are substantially similar; (4) the fact that the replacement of Baird Kailash with L2 is expected to result in organizational and operational efficiencies without any changes to the Fund's investment objective, strategy, fees or expenses; (5) the fact that Mr. Malgari and Dr. Bhojraj have strong investment experience; and (6) the fact that L2 has sufficient financial resources to conduct investment operations. The Board also considered the Advisor's responsibilities in overseeing L2 as subadvisor to the Fund and noted that L2 is unaffiliated with the Advisor. The Board also reviewed and analyzed various other factors with respect to the Fund that it determined were relevant, including the factors below, and made the following conclusions. In their deliberations, the Board did not identify any single factor as determinative but considered all factors together.

### Nature, Extent and Quality of Services to be Provided by L2

The Board considered L2's organization, qualification and background, as well as the qualifications of its personnel, and the expertise of L2 and its affiliate, Kailash Capital, LLC ("Kailash Capital"), in developing and implementing investment methodologies to select stocks for the Fund. The Board considered L2's investment process and analytical/research capabilities. The Board also considered the experience of the investment professionals of L2 who would continue to provide the fundamental analyses and quantitative methodologies behind the investment model employed by the Fund through a licensing agreement with Kailash Capital. The Board noted that Mr. Malgari will continue to serve as the Fund's lead portfolio manager and that Dr. Bhojraj, the proposed co-manager, had previously provided services to the Fund through the development of Kailash Capital's methodologies, models and intellectual property. The Board concluded that the nature, extent and quality of the services to be provided by L2 to the Fund were appropriate and that the Fund was likely to benefit from services provided by L2 under the Subadvisory Agreement.

# Baird Funds, Inc.

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## Disclosure Regarding the Board of Directors' Approval of the Subadvisory Agreement for the Baird LargeCap Fund (cont.)

### Investment Performance of the Fund and L2

The Board reviewed and considered the performance data for the Fund for the periods ended December 31, 2015. The Board noted that while L2 was proposed to replace Baird Kailash as subadvisor to the Fund, Mr. Malgari would continue to serve as lead portfolio manager using the same quantitative and fundamental investment methodologies and focus on large cap companies. The Board considered the Fund's performance results for the period during which Mr. Malgari served as portfolio manager, and noted that the Fund outperformed the S&P 500 Index (the "Index") for the year ended December 31, 2014 and underperformed the Index for the year ended December 31, 2015. After considering Mr. Malgari's explanation for the Fund's underperformance for the year ended December 31, 2015, the Board concluded that the Fund and its shareholders were likely to benefit from L2's management.

### Subadvisory Fees

The Board considered the proposed fee payable under the Subadvisory Agreement, noting that the fee would be paid by the Advisor (not the Fund) and therefore would not impact the fees paid by the Fund. The Board also reviewed information regarding L2's fee schedules for the two private funds managed by L2. The Board determined that the subadvisory fee was appropriate.

### Costs of Services to be Provided and Profitability

The Board did not consider the cost of services to be provided by L2 under the Subadvisory Agreement because it did not view this factor as relevant given that the subadvisory fee is paid by the Advisor.

### Economies of Scale and Fee Levels Reflecting Those Economies

Because the subadvisory fee is not paid by the Fund, the Board did not consider whether the fees should reflect any potential economies of scale that might be realized as the Fund assets increase.

### Benefits to be Derived from the Relationship with the Fund

The Board noted that under the Subadvisory Agreement, L2 is entitled to receive research products and services received from unaffiliated broker dealers who execute portfolio trades for the Fund. The Board noted that L2 uses research from Kailash Capital under a licensing agreement paid for in hard dollars and therefore is unlikely to benefit from third-party research. The Board considered that L2 may benefit from its association with the Fund in terms of name recognition and asset growth in other products managed by L2. The Board also noted that Kailash Capital (an affiliate of L2) receives fees from the Advisor for allowing the Advisor to use Kailash Capital's investment methodologies, monthly ranking files and other intellectual property in generating research for the Advisor's institutional equity trading clients. The Board concluded that the other benefits to be realized by L2 from its relationship with the Fund were appropriate.

Based on their evaluation of the above factors, as well as other factors relevant to their consideration of the Subadvisory Agreement, the directors, including all of the Independent Directors, concluded that the approval of the Subadvisory Agreement was in the best interest of the Fund and its shareholders.

# Baird Funds, Inc.

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## Disclosure Regarding the Board of Directors' Approval of the Investment Advisory Agreement for Chautauqua International Growth and Chautauqua Global Growth Funds

The Board of Directors (the "Board") of Baird Funds, Inc. (the "Corporation"), including the directors who are not "interested persons" of the Corporation within the meaning of the Investment Company Act of 1940 (the "Independent Directors"), met on February 23, 2016 to consider the approval of the investment advisory agreement between Robert W. Baird & Co. Incorporated (the "Advisor") and the Corporation on behalf of the Chautauqua Global Growth Fund (the "Global Growth Fund") and the Chautauqua International Growth Fund (the "International Growth Fund" and, together with the Global Growth Fund, the "Funds"), each a new portfolio of the Corporation.

The Board discussed the advisory agreement and various aspects of the response to the Board's request for information from the Advisor with Brian Beitner, Chief Investment Officer of Chautauqua Capital Management ("CCM"), a division of the Advisor, and the portfolio manager of the Funds. The Board reviewed and discussed the information that had been provided with respect to the investment advisory agreement, including the amendments to the investment advisory agreement, the memorandum provided by legal counsel discussing the Board's fiduciary obligations and factors the Board should assess in considering the approval of the investment advisory agreement, information in response to the request from the Board from the Advisor, the proposed advisory fee and expense ratios, and other pertinent information. In considering the investment advisory agreement, the Board reviewed and analyzed various factors that it determined were relevant, including the factors below. The Board noted that it had received extensive information about the Funds' proposed investment strategies, prior performance for the international and global strategies and information about the members of CCM's investment team at a previous meeting with Mr. Beitner held on November 30, 2015.

Based on their review, the Board concluded that it was in the best interests of the Funds to approve the investment advisory agreement. In deciding to approve the investment advisory agreement for the Funds, the Board did not identify any single factor as determinative but considered all factors together.

### Nature, Extent and Quality of Services to be Provided to the Funds

The Board analyzed the nature, extent and quality of the services to be provided by the Advisor to each Fund. The Board discussed the experience and resources of the Advisor, as well as the qualifications of the CCM team. The Board noted that the Funds' proposed portfolio manager, Mr. Beitner, has extensive experience in international investing and a long career in the financial services industry. The Board further noted that the Advisor, in its capacity as a registered broker-dealer, was proposed to serve as distributor and principal underwriter of shares of the Funds and would assist in marketing the Funds. The Board also considered other services the Advisor would provide the Funds, such as providing compliance support and overseeing the Funds' other service providers. The Board concluded that the nature, extent and quality of the services to be provided by the Advisor to the Funds were appropriate and that each Fund was likely to benefit from services provided under the investment advisory agreement.

### Investment Performance

Because the Funds had not yet commenced operations, the Board did not consider any performance information with respect to the Funds. The Board reviewed the composite performance for the international growth equity and global growth equity strategies for the periods ended December 31, 2015 and concluded that the CCM team appeared to have an effective investment process for each strategy. The Board concluded that although past performance is not a guarantee of future results, each Fund and its shareholders were likely to benefit from the Advisor's management.



# Baird Funds, Inc.

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## Disclosure Regarding the Board of Directors' Approval of the Investment Advisory Agreement for Chautauqua International Growth and Chautauqua Global Growth Funds (cont.)

### Expense Information

The Board examined the proposed fee and expense information for each Fund, including a comparison of such information to other mutual funds in the respective Morningstar category. The Board considered that the Advisor has agreed to a contractual expense limitation for each Fund through at least April 30, 2018. The Board noted that the Global Growth Fund's proposed advisory fee was slightly below the Morningstar category average and median and the Fund's total expense ratio for the Institutional Class and Investor Class was below the category median and average, taking into effect the expense cap agreement. With respect to the International Growth Fund, the Fund's proposed advisory fee was the same or slightly above the Morningstar category average and median and the Fund's total expense ratio for the Institutional Class and Investor Class was below the category median and average, taking into effect the expense cap agreement.

The Board also reviewed and considered the advisory fees charged to CCM's other investment advisory clients in similar strategies as well as private limited partnerships managed by CCM and found that the proposed advisory fee was 20 basis points (or 0.20%) less than what CCM charges on the first \$50 million for both separately managed accounts and private limited partnerships. The Board also considered the subadvisory fees received by CCM with respect to two registered investment company portfolios, but did not deem them to be relevant due to the differences in services provided. The Board recognized the extent of the significant additional services to be provided to the Funds that the Advisor does not provide to separate account, private limited partnership and subadvisory clients, such as certain administrative services, oversight of the Funds' other service providers, director support, risk management, regulatory compliance, valuation and various other services.

### Costs of Services Provided and Profitability

The Board reviewed updated information about the financial condition of the Advisor. As part of its review at the August 27, 2015 meeting, the Board had reviewed the Advisor's annual report and determined that the financial condition was sound. The Board did not consider any specific information regarding the costs of services to be provided or the profits the Advisor might realize because the Funds had not yet commenced operations.

In light of all of the information that it received and considered, the Board concluded that the proposed advisory fee and total expense ratio of the Funds were reasonable.

### Economies of Scale and Fee Levels Reflecting Those Economies

Because the Funds had not yet commenced operations, the Board did not consider whether any alternative fee structures, such as breakpoint fees, would be appropriate to reflect any economies of scale that may result from increases in the Funds' assets.

### Benefits to be Derived from the Relationship with the Funds

The Board considered other potential benefits to the Advisor from serving as advisor to the Funds (in addition to the advisory fee). The Board noted that the Advisor may derive ancillary benefits from its association with the Funds in the form of research products and services received from unaffiliated broker-dealers who execute portfolio trades for the Funds. The Board noted that the "Baird" name may be more broadly disseminated given the national nature of the mutual fund business, which could result in growth in the Advisor's asset management business. The Board concluded that other benefits that may be realized by the Advisor from its relationship with the Funds were appropriate.

Based on their evaluation of the above factors, as well as other factors relevant to their consideration of the investment advisory agreement, the directors, including all of the Independent Directors, concluded that the approval of the investment advisory agreement was in the best interest of each Fund.

# Additional Information

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## Proxy Voting

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll free, 1-866-44BAIRD, or by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com); and by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

Each Fund's proxy voting record for the most recent 12-month period ended June 30 is available without charge, upon request, by calling toll free, 1-866-44BAIRD, or by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com); and by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

## Portfolio Holdings Disclosure

The Funds file a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-732-0330. The Funds' Forms N-Q may also be obtained by calling toll-free 1-866-44BAIRD.

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Cory L. Nettles  
Marlyn J. Spear  
Frederick P. Stratton, Jr.

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