

Baird Short-Term Bond Fund

Institutional – BSBIX | Investor – BSBSX

BAIRD

Baird Funds

As of September 30, 2017

bairdfunds.com | 866-442-2473

INVESTMENT OBJECTIVE

The investment objective of the Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index.

INVESTMENT PHILOSOPHY

Risk control is the foundation of the Baird Advisors investment discipline. Since interest rates are extremely difficult to consistently forecast over time, Baird Advisors employs a duration-neutral, risk-controlled approach. The duration of the Fund is set equal to the duration of the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index, thus helping to ensure a high degree of predictability in tracking benchmark returns. Incremental value is added through security selection, yield curve positioning, sector allocation and competitive execution of trades.

INVESTMENT STRATEGY

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt obligations:

- U.S. government and other public-sector entities
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The Fund only invests in debt obligations rated investment grade at the time of purchase by at least one major rating agency or, if unrated, determined by Baird Advisors to be investment grade.

Baird Advisors attempts to keep the duration of the Fund's portfolio equal to the duration of the Fund's benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than one year but less than three years during normal market conditions. The Fund may invest in debt obligations of all maturities. Baird Advisors attempts to diversify the Fund's portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

MORNINGSTAR CATEGORY

Short-Term Bond

MORNINGSTAR ANALYST RATING¹



BENCHMARK

Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index

OVERALL MORNINGSTAR RATING²



FUND STATISTICS

Fund Assets	\$5,527,090,114
Average Effective Duration	1.93 Years
Average Effective Maturity	2.09 Years
Annual Turnover Rate	57.2%
Number of Holdings	599

YIELD INFORMATION

	Institutional Shares	Investor Shares
SEC 30-Day Yield ³	1.68%	1.44%
Distribution Frequency	Monthly	Monthly

FUND INFORMATION

	Institutional Shares	Investor Shares
Ticker	BSBIX	BSBSX
CUSIP	057071409	057071730
Net Asset Value (NAV)	\$9.70	\$9.70
Load Type	No-Load	No-Load
12b-1 Fees	–	0.25%
Minimum Initial Investment	\$25,000	\$2,500 (IRA: \$1,000)
Expense Ratio	0.30%	0.55%

PERFORMANCE INFORMATION (as of September 30, 2017)

	Total Returns (%)		Average Annual Total Returns (%)				
	YTD	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception (8/31/04)
Institutional	1.62	0.51	1.26	1.65	1.64	2.60	2.82
Investor	1.44	0.45	1.01	1.40	1.39	2.35	2.57
Benchmark	1.06	0.34	0.66	1.05	0.91	2.09	2.41

	Calendar Year Total Returns (%)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Institutional	2.25	0.89	1.49	1.33	4.16	2.08	4.39	8.14	-1.79	6.08
Investor	2.00	0.64	1.25	1.11	3.93	1.83	4.13	7.88	-2.03	5.82
Benchmark	1.28	0.65	0.77	0.64	1.26	1.59	2.80	3.82	4.97	6.83

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment in the fund will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. The fund's current performance may be lower or higher than the performance data quoted. For performance current to the most recent month-end, please visit bairdfunds.com.

Baird Short-Term Bond Fund

Institutional – BSBOX | Investor – BSBSX

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FUND MANAGEMENT TEAM

The Fund is managed by a very deep and seasoned portfolio management team with uncommon longevity. Baird Advisors uses a holistic approach to portfolio management that integrates the sector focus and expertise of various team members. All team members are involved in the bottom-up portfolio construction and optimization process across the duration spectrum with cross sector relative value analysis and security selection occurring collaboratively across the team.

Named Portfolio Managers:

- Mary Ellen Stanek, CFA
- Gary A. Elfe, CFA
- Charles B. Groeschell
- Warren D. Pierson, CFA
- Daniel A. Tranchita, CFA
- M. Sharon deGuzman

QUALITY PROFILE⁴

	Fund	Index
U.S. Treasury	20.6%	62.6%
U.S. Agency	1.9%	5.5%
AAA	15.5%	6.2%
AA	9.5%	4.6%
A	22.4%	10.9%
BBB	29.4%	10.2%
Below BBB	0.7%	0.0%
Not Rated	0.0%	0.0%

SECTOR PROFILE

	Fund	Index
U.S. Treasury	20.6%	62.6%
U.S. Agency (Non-MBS)	0.0%	5.5%
Other Government Related	3.3%	8.4%
Industrials	30.1%	12.8%
Utilities	1.8%	1.1%
Financials	25.2%	9.6%
U.S. Agency RMBS	0.0%	0.0%
Non-Agency RMBS	3.6%	0.0%
U.S. Agency CMBS	1.9%	0.0%
Non-Agency CMBS	1.6%	0.0%
Other ABS	9.3%	0.0%
Cash	2.6%	0.0%

¹ Based on a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating ultimately reflects the analyst's overall assessment and is overseen by Morningstar's Analyst Rating Committee. The approach serves not as a formula but as a framework to ensure consistency across Morningstar's global coverage universe. The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. Gold rating - Fund distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. Silver rating - Fund has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. Bronze rating - Fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. Neutral rating - Fund isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. Negative rating - Fund is flawed in at least one if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated at least every 14 months.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Investor Class shares were first offered on September 19, 2012. Investor Class share results prior to the date of first sale are hypothetical based on Institutional Class share results and were calculated using an estimated total annual fund operating expense of 0.55%. Investment results assume all distributions are reinvested and reflect applicable fees and expenses.

The Fund may invest in mortgage- and asset-backed securities which may be subject to prepayment risk and thus may be more sensitive to interest rate changes than other types of debt securities. The Fund may also invest in U.S. dollar denominated securities issued by foreign issuers which involve additional risks including political and economic instability, differences in financial reporting standards and less regulated securities markets. While the U.S. government has historically provided financial support to various U.S. government-sponsored agencies, no assurance can be given that it will do so in the future if it is not obligated by law. All investments carry risk, including loss of principal. In a rising interest rate environment, the value of fixed-income securities generally decline and conversely, in a falling interest rate environment, the value of fixed income securities generally increase. Indices are unmanaged and direct investment is not possible.

² Rated against 463 Short-Term Bond Funds, as of 9/30/2017, based on risk-adjusted total return. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the performance figures associated with its three-, five and 10-year (if applicable) Morningstar Rating metrics. For each mutual fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's adjusted monthly performance placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star.

³ The SEC 30-Day Yield reflects the rate at which the fund is earning income on its current portfolio of holdings after expenses.

⁴ The quality profile is calculated on a market value-weighted basis using the highest credit quality rating given by S&P, Moody's or Fitch for each security in the fund. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

Indices are unmanaged and direct investment is not possible.

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

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