

Baird Ultra Short Bond Fund

Institutional – BUBIX | Investor – BUBSX

BAIRD

Baird Funds

As of September 30, 2017

bairdfunds.com | 866-442-2473

INVESTMENT OBJECTIVE

The investment objective of the Fund is to seek current income consistent with preservation of capital.

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 substantially equal to the duration of the Bloomberg Barclays U.S. Short-Term Government/Corporate 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
- Money market instruments

The Fund invests primarily in investment grade debt obligations, but may invest up to 10% of its net assets in non-investment grade obligations. Non-investment grade obligations, at the time of purchase, are generally rated at least B or higher by at least one major rating agency or, if unrated, determined by Baird Advisors to be comparable in quality to the rated obligations.

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 duration of the Fund will normally be more than three months but less than one year during normal market conditions. The Fund may invest in debt obligations of all maturities. The Advisor attempts to diversify the Fund's portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

MORNINGSTAR CATEGORY

Ultrashort Bond

BENCHMARK

Bloomberg Barclays U.S. Short-Term Government/Corporate Bond Index

OVERALL MORNINGSTAR RATING¹



FUND STATISTICS

| | |
|----------------------------|---------------|
| Fund Assets | \$544,893,293 |
| Average Effective Duration | 0.43 Years |
| Average Effective Maturity | 0.75 Years |
| Annual Turnover Rate | 85.3% |
| Number of Holdings | 258 |

YIELD INFORMATION

| | Institutional Shares | Investor Shares |
|--|----------------------|-----------------|
| SEC 30-Day Yield ² | 1.45% | 1.21% |
| SEC 30-Day Unsubsidized Yield ³ | 1.30% | 1.06% |
| Distribution Frequency | Monthly | Monthly |

FUND INFORMATION

| | Institutional Shares | Investor Shares |
|----------------------------|----------------------|------------------------|
| Ticker | BUBIX | BUBSX |
| CUSIP | 057071722 | 057071714 |
| Net Asset Value (NAV) | \$10.04 | \$10.04 |
| 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% |
| Net Expense Ratio* | 0.15% | 0.40% |

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 (12/31/13) |
| Institutional | 0.97 | 0.34 | 1.27 | 0.93 | N/A | N/A | 1.08 |
| Investor | 0.78 | 0.26 | 1.01 | 0.72 | N/A | N/A | 0.84 |
| Benchmark | 0.75 | 0.32 | 0.89 | 0.60 | N/A | N/A | 0.53 |

Calendar Year Total Returns (%)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------|------|------|------|------|------|------|------|------|------|------|
| Institutional | 1.56 | 0.30 | 1.21 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Investor | 1.32 | 0.16 | 0.88 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Benchmark | 0.80 | 0.26 | 0.18 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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.

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 PROFILE ⁴ | Fund | Index |
|------------------------------|-------|-------|
| U.S. Treasury | 24.1% | 68.5% |
| U.S. Agency | 1.1% | 7.1% |
| AAA | 21.2% | 0.1% |
| AA | 5.6% | 4.0% |
| A | 21.5% | 11.3% |
| BBB | 24.8% | 9.0% |
| Below BBB | 1.3% | 0.0% |
| Not Rated | 0.4% | 0.0% |

| SECTOR PROFILE | Fund | Index |
|--------------------------|-------|-------|
| U.S. Treasury | 24.1% | 68.5% |
| U.S. Agency (Non-MBS) | 0.0% | 7.1% |
| Other Government Related | 0.3% | 0.0% |
| Industrials | 25.3% | 11.7% |
| Utilities | 2.0% | 1.2% |
| Financials | 22.8% | 11.5% |
| U.S. Agency RMBS | 0.1% | 0.0% |
| Non-Agency RMBS | 2.8% | 0.0% |
| U.S. Agency CMBS | 1.0% | 0.0% |
| Non-Agency CMBS | 0.0% | 0.0% |
| Other ABS | 20.4% | 0.0% |
| Cash | 1.2% | 0.0% |

*The Advisor has contractually agreed to waive management fees in an amount equal to an annual rate of 0.15% of the average daily net assets for the Fund until April 30, 2018. The agreement may only be terminated prior to the end of this term by or with the consent of the Baird Funds Board of Directors.

¹Rated against 135 Ultrashort 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.

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.

²The SEC 30-Day Yield reflects the rate at which the fund is earning income on its current portfolio of holdings after expenses.

³The SEC 30-Day Unsubsidized Yield reflects the rate at which the fund is earning income on its current portfolio net of any expense waivers or reimbursements.

⁴The 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).

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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.