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[Baird Small/Mid Cap Fund Statement of Additional Information](#)

[Baird Small/Mid Cap Value Fund Summary Prospectus](#)



Prospectus – Baird Funds

November 30, 2015

Baird Small/Mid Cap Value Fund

(Investor Class: BMV SX)

(Institutional Class: BMV IX)

The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

| | |
|--|------------|
| SUMMARY SECTION | 3 |
| BAIRD SMALL/MID CAP VALUE FUND | 3 |
| PRINCIPAL INVESTMENT STRATEGIES, RELATED RISKS AND DISCLOSURE OF PORTFOLIO HOLDINGS | 8 |
| INVESTMENT OBJECTIVE | 8 |
| PRINCIPAL INVESTMENT STRATEGIES..... | 8 |
| PRINCIPAL RISKS | 9 |
| PORTFOLIO HOLDINGS DISCLOSURE POLICY..... | 11 |
| WHO MAY WANT TO INVEST IN THE FUND..... | 12 |
| MANAGEMENT OF THE FUND | 12 |
| THE ADVISOR..... | 12 |
| PORTFOLIO MANAGER..... | 13 |
| HISTORICAL PERFORMANCE INFORMATION FOR SMALL/MID VALUE COMPOSITE | 13 |
| FINANCIAL HIGHLIGHTS | 15 |
| YOUR ACCOUNT | 16 |
| DISTRIBUTION OF SHARES..... | 16 |
| DESCRIPTION OF CLASSES | 17 |
| SHARE PRICE | 17 |
| BUYING SHARES..... | 18 |
| SELLING SHARES | 23 |
| EXCHANGING SHARES | 26 |
| GENERAL TRANSACTION POLICIES | 27 |
| DISTRIBUTIONS AND TAXES..... | 28 |
| DISTRIBUTIONS..... | 28 |
| TAXATION..... | 29 |
| PRIVACY POLICY | PP-1 |
| FOR MORE INFORMATION | BACK COVER |

Summary Section

Baird Small/Mid Cap Value Fund

Investment Objective

The investment objective of the Baird Small/Mid Cap Value Fund (the “Fund”) is to provide long-term capital appreciation.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Investor Class Shares</i> | <i>Institutional Class Shares</i> |
|--|----------------------------------|---------------------------------------|
| Management Fees | 0.80% | 0.80% |
| Distribution and Service (12b-1) Fees | 0.25% | None |
| Other Expenses ⁽¹⁾ | <u>1.35%</u> | <u>1.35%</u> |
| Total Annual Fund Operating Expenses | 2.40% | 2.15% |
| Less: Expense Reimbursement ⁽²⁾ | <u>-1.20%</u> | <u>-1.20%</u> |
| Total Annual Fund Operating Expenses After Expense Reimbursement | 1.20% | 0.95% |

(1) “Other Expenses” are based on amounts estimated to be incurred by the Fund in the current fiscal year and include custody, administration, transfer agency and other customary expenses.

(2) Robert W. Baird & Co. Incorporated (the “Advisor”) has contractually agreed to waive management fees and/or reimburse other expenses in order to limit the Fund’s total annual fund operating expenses to 1.20% of average daily net assets for the Investor Class shares and 0.95% of average daily net assets for the Institutional Class shares. This obligation includes interest expense and the fees and expenses incurred by the Fund in connection with the Fund’s investments in other investment companies and excludes taxes, brokerage commissions and extraordinary expenses. If such excluded expenses were incurred, Fund expenses would be higher. The agreement will continue in effect at least through April 30, 2017 and may only be terminated prior to the end of this term by or with the consent of the Board of Directors. The Advisor is entitled to recoup the fees waived and/or expenses reimbursed within a three-year period from the time the expenses were incurred to the extent of the expense limitations described above and in place at the time of the recoupment.

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Please note that the one-year numbers below are based on the Fund's net expenses resulting from the expense reimbursement agreement described above. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years |
|----------------------------|--------|---------|
| Investor Class Shares | \$22 | \$634 |
| Institutional Class Shares | \$97 | \$557 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund's performance. Because the Fund only recently commenced operations, portfolio turnover information is not yet available.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in a diversified portfolio of common stocks of companies with small to medium market capitalizations. The Advisor defines such companies as those companies with market capitalizations within the range of companies in the Russell 2500[®] Value Index at the time of investment. Although the Fund invests principally in U.S. companies, the Fund may invest up to 15% of its total assets in equity securities (consisting of common stocks, ordinary shares and American Depositary Receipts ("ADRs")) of foreign companies that are traded on U.S. exchanges. The Advisor seeks to identify industries and business models that it believes are priced at a discount to their true value because they are currently out of favor with the market or have earnings or profit potential that may be underestimated by Wall Street analysts. The Advisor seeks to purchase securities of small to medium capitalization companies believed to have favorable valuation characteristics and opportunities for increased growth. The Fund may have significant investments in the financial services sector. The Advisor primarily considers the following factors:

- **Valuation** – Low price/earnings, price/book and price/cash flow ratios. These characteristics are evaluated based upon a proprietary analysis of forecasted levels of profitability.
- **Balance Sheet Strength** – Above average projected net margins, returns on equity, returns on assets, free cash flow generation, and revenue and earnings growth rates; trends in balance sheet items, including inventories and accounts receivable and payable, are also scrutinized.

- **Product Offering/Market Position** – The company offers a valuable product or service and has a good market position within a viable industry.
- **Accounting Policies and Management** – The company possesses sound financial and accounting policies and has a high quality management team with a track record of success.

The Advisor will typically sell a security held by the Fund when the investment thesis changes, the Advisor identifies portfolio structure or risk management needs and/or the security's valuation relative to its peer group is no longer attractive.

Principal Risks

Please be aware that you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Stock Market Risks

Stock prices vary and may fall, thus reducing the value of the Fund's investments. Certain stocks selected for the Fund's portfolio may decline in value more than the overall stock market. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. Continuing market problems may have adverse effects on the Fund.

Value-Style Investing Risks

Because the Fund focuses on value-style stocks, its performance may at times be worse than the performance of funds that focus on other types of stocks or that have a broader investment style. Value style investing may go out of favor with investors, negatively impacting the Fund's growth and performance. Value stocks may also fail to appreciate as much as anticipated, and their intrinsic value may not be recognized by the broader market.

Management Risks

The Advisor's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

Equity Securities Risks

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This change may occur because of factors that affect securities markets generally or factors affecting specific industries, sectors or companies in which the Fund invests.

Common Stock Risks

Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors.

Smaller Market Capitalization Risks

Stocks of companies with small and medium market capitalizations involve a higher degree of risk than investments in the broad-based equities market. Small-to mid-cap stocks are often more volatile and less liquid than investments in larger companies, and are more likely to be adversely affected by poor economic or market conditions. In addition, small- to mid-cap companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure.

Financial Sector Risks

The Fund may invest a relatively large percentage of its assets in the financial sector and, therefore, the Fund's performance may be adversely affected by volatility in financial and credit markets. Financial services companies (e.g., banks and insurance companies) are subject to extensive government regulation, interest rate risk, credit losses and price competition, among other factors.

Foreign Securities Risks

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue and government policies, tax rates, prevailing interest rates and credit conditions that may differ from those affecting domestic corporations. Securities of foreign issuers and ADRs may also be subject to currency fluctuations and controls and greater fluctuation in price than the securities of domestic corporations. Foreign companies generally are not subject to uniform auditing and financial reporting standards comparable to those applicable to domestic companies.

Performance

No historical performance is available for the Fund because it only recently commenced operations. Performance information will be available after the Fund has been operating for a full calendar year. The Fund's primary benchmark index against which it will measure performance is the Russell 2500[®] Value Index.

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Manager

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|---|
| Michelle E. Stevens, CFA | 2015 | Senior Portfolio Manager for Baird Investment Management and Managing Director of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|---------------------|---|-----------------------------|
| Investor Class | \$1,000 – Individual Retirement Accounts (Traditional/Roth/SIMPLE/SEP IRAs) and Coverdell Education Savings Account | \$100 |
| | \$2,500 – All Other Accounts | \$100 |
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or long-term capital gains unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. You may be taxed later upon the withdrawal of such funds.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Principal Investment Strategies, Related Risks and Disclosure of Portfolio Holdings

This prospectus describes the Baird Small/Mid Cap Value Fund (the “Fund”), an investment portfolio offered by Baird Funds, Inc. (“Baird Funds” or the “Company”).

Investment Objective

The investment objective of the Fund is to provide long-term capital appreciation.

The investment objective is fundamental and may not be changed without shareholder approval. The Fund will provide its shareholders with at least a 60-day notice of any change in the Fund’s policy to invest at least 80% of its assets in the types of securities suggested by its name. The percentage limitations set forth under “Principal Investment Strategies” are measured at the time of investment.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in a diversified portfolio of common stocks of companies with small to medium market capitalizations. The Advisor defines such companies as those companies with market capitalizations within the range of companies in the Russell 2500[®] Value Index at the time of investment. As of September 30, 2015, the market capitalization of companies in the Russell 2500[®] Value Index ranged from \$25.5 million to \$13.44 billion, with median and weighted average market capitalizations of \$93.1 million and \$3.7 billion, respectively. The Index is reconstituted annually in June. The Fund can continue to increase its existing holdings of a company’s stock even if the company later falls outside of the range of Russell 2500[®] Value Index companies.

Although the Fund principally invests in U.S. companies, the Fund may invest up to 15% of its total assets in equity securities consisting of common stocks, ordinary shares and ADRs of foreign companies that are traded on U.S. exchanges. The Advisor seeks to identify industries and business models that it believes are priced at a discount to their true value because they are currently out of favor with the market or have earnings or profit potential that may be underestimated by Wall Street analysts. The Advisor seeks to purchase securities believed to have favorable valuation characteristics and opportunities for increased growth. The Advisor primarily considers the following factors:

- **Valuation** – Low price/earnings, price/book and price/cash flow ratios. These characteristics are evaluated based upon a proprietary analysis of forecasted levels of profitability.
- **Balance Sheet Strength** – Above average projected net margins, returns on equity, returns on assets, free cash flow generation, and revenue and earnings growth rates; trends in balance sheet items, including inventories and accounts receivable and payable, are also scrutinized.

- **Product Offering/Market Position** – The company offers a valuable product or service and has a good market position within a viable industry.
- **Accounting Policies and Management** – The company possesses sound financial and accounting policies and has a high quality management team with a track record of success.

The Advisor will typically sell a security held by the Fund when the investment thesis changes, the company's fundamentals deteriorate, the Advisor identifies portfolio structure or risk management needs and/or the security's valuation relative to its peer group is no longer attractive.

Cash or Similar Investments; Temporary Strategies

Under normal circumstances, the Fund may invest up to 10% of its total assets in cash or liquid reserves (such as U.S. government securities, money market mutual funds, repurchase agreements, commercial paper or certificates of deposit). However, the Fund may invest up to 100% of its net assets in cash or other short-term instruments as a temporary defensive position during adverse market, economic or political conditions and in other limited circumstances. To the extent the Fund engages in any temporary strategies or maintains a substantial cash position, the Fund may not achieve its investment objective.

Foreign Securities and American Depositary Receipts ("ADRs")

The Fund may invest up to 15% of its total assets in common stocks or ordinary shares of foreign issuers and ADRs that are traded on a major U.S. exchange. ADRs are receipts generally issued by U.S. banks or trust companies evidencing ownership of the underlying foreign securities and denominated in U.S. dollars. ADRs may be sponsored or unsponsored. "Sponsored" ADRs are issued jointly by the issuer of the underlying security and the depository and "unsponsored" ADRs are issued without the participation of the issuer of the deposited security. Holders of unsponsored ADRs generally bear all costs of the facility. With sponsored facilities, the underlying issuer typically bears some of the costs of the facility.

Principal Risks

The main risks of investing in the Fund are:

Stock Market Risks

Equity security prices vary and may fall, thus reducing the value of the Fund's investments. Certain stocks selected for the Fund's portfolio may decline in value more than the overall stock market. U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on the Fund.

Value-Style Investing Risks

Because the Fund focuses on value-style stocks, the Fund's performance may at times be worse than the performance of funds that focus on other types of stocks or that have a

broader investment style. Value style investing may go out of favor with investors, negatively impacting the Fund's growth and performance. Value stocks may also fail to appreciate as much as anticipated, and their intrinsic value may not be recognized by the broader market.

Management Risks

The Advisor's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

Equity Securities Risks

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This change may occur because of factors that affect the securities markets in general, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

Common Stock Risks

Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises. Holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors.

Smaller Market Capitalization Risks

Stocks of companies with small and medium market capitalizations involve a higher degree of risk than investments in the broad-based equities market. Small- to mid-cap stocks are often more volatile and less liquid than investments in larger companies, and are more likely to be adversely affected by poor economic or market conditions. The frequency and volume of trading in securities of smaller companies may be substantially less than is typical of larger companies. Therefore, the securities of small- to mid-cap companies may be subject to greater and more abrupt price fluctuations. In addition, small- to mid-cap companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure. A significant percentage of the outstanding shares of a smaller company may also be held by management, which could cause management to have greater influence over actions requiring shareholder approval. The risks of investing in smaller companies generally increase as the size of the companies decreases.

Financial Sector Risks

The Fund may invest a relatively large percentage of its assets in the financial sector and, therefore, the Fund's performance may be adversely affected by volatility in financial and credit markets. Financial services companies (e.g., banks and insurance companies) are subject to extensive government regulation, interest rate risk, credit losses and price competition, among other factors. In recent years, the financial sector has been significantly impacted by bankruptcies and consolidations of major financial firms. These events may continue to have a significant negative impact on the valuations and stock prices of companies in this sector.

Foreign Securities Risks

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue, the difficulty of predicting international trade patterns and the possibility of imposition of exchange controls. Such securities may also be subject to greater fluctuations in price than securities of domestic corporations. In addition, there may be less publicly available information about a foreign company than about a domestic company. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. With respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments, which could affect investments in those countries. These risks are more pronounced in emerging market countries.

The Fund cannot guarantee that it will achieve its investment objective.

Portfolio Holdings Disclosure Policy

A description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio holdings is available in the Statement of Additional Information ("SAI") and on the Company's website at www.bairdfunds.com.

Note Regarding Percentage Limitations

Whenever an investment objective, policy or strategy of the Fund set forth in this Prospectus or the Fund's SAI states a maximum (or minimum) percentage of the Fund's assets that may be invested in any type of security or asset class, the percentage is determined immediately after the Fund's acquisition of that investment, except with respect to percentage limitations on temporary borrowing and illiquid investments. Accordingly, any later increase or decrease resulting from a change in the market value of a security or in the Fund's assets (e.g., due to net sales or redemptions of Fund shares) will not cause the Fund to violate a percentage limitation. As a result, due to market fluctuations, cash inflows or outflows or other factors, the Fund may exceed such percentage limitations from time to time.

Who May Want to Invest in the Fund

The Fund may be appropriate for investors who:

- Wish to invest for the long-term;
- Want to realize capital appreciation on investments in equity securities;
- Are looking for an equity component to their portfolio;
- Are willing to assume the risk of investing in equity securities; and
- Have long-term goals such as planning for retirement.

The Fund is not appropriate for investors who have short-term financial goals.

Before investing in the Fund, you should carefully consider:

- Your investment goals;
- The amount of time you are willing to leave your money invested; and
- The amount of risk you are willing to take.

Management of the Fund

The Advisor

Robert W. Baird & Co. Incorporated, subject to the general supervision of the Company's Board of Directors (the "Board"), serves as the Company's investment advisor and administers the Company's business affairs. The Advisor is responsible for the day-to-day management, including making investment decisions and buying and selling securities, of the Fund in accordance with the Fund's investment objective and policies. Pursuant to an Investment Advisory Agreement between the Company and the Advisor, for its services, the Advisor receives an annual fee of 0.80% of the average daily net assets of the Fund. The advisory fee is accrued daily and paid monthly.

The Advisor has contractually agreed to waive its fees and/or reimburse the Fund's total annual fund operating expenses at least through April 30, 2017 to the extent necessary to ensure that the total operating expenses, including interest expense and the fees and expenses incurred by the Fund in connection with the Fund's investments in other investment companies and excluding taxes, brokerage commissions and extraordinary expenses, do not exceed an annual rate of 1.20% of the Investor Class's average daily net assets and 0.95% of the Institutional Class's average daily net assets.

The Advisor can recapture any expenses or fees of the Fund it has waived or reimbursed within a three-year period if the expense ratios in those future years are less than the limits specified above and less than the limits in effect at that future time.

Any waivers or reimbursements have the effect of lowering the overall expense ratio for the Fund and increasing the overall return to investors at the time any such amounts are waived and/or reimbursed.

A discussion regarding the basis for the Board's approval of the Investment Advisory Agreement for the Fund will be available in the Fund's first semi-annual or annual report.

The Advisor was founded in 1919 and has its main office at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. The Advisor provides investment management services for individuals and institutional clients including pension and profit sharing plans. As of September 30, 2015, the Advisor had approximately \$62 billion in assets under discretionary management.

Portfolio Manager

Michelle E. Stevens, CFA

Michelle E. Stevens, CFA, is the portfolio manager for the Fund and has managed the Fund since its inception. Ms. Stevens joined the Advisor in December 2011 as a Managing Director and is a Senior Portfolio Manager for Baird Investment Management. From October 2008 to December 2011, Ms. Stevens was Principal and the Chief Investment Officer of Riazzi Asset Management. From June 2001 through September 2008, she was Principal, Portfolio Manager and Value Equity Chief Investment Officer at Transamerica Investment Management, LLC.

The Fund's SAI provides additional information about the portfolio manager, including other accounts managed, ownership of Fund shares and compensation.

Historical Performance Information for Small/Mid Value Composite

The following table sets forth the historical composite performance data for all advisory accounts that have investment objectives, policies, strategies and risks substantially similar to those of the Fund (the "Composite"). The Composite accounts were managed solely by the Portfolio Management Team, which included Michelle E. Stevens, the portfolio manager of the Fund, while she was employed by the Advisor (December 2011 to present), Riazzi Asset Management (October 2008 to December 2011), Transamerica Investment Management, LLC (June 2001 through September 2008), and C.H. Dean & Associates (March 1999 to May 2001). The remaining members of the Portfolio Management Team were analysts who supported Ms. Stevens. The Composite includes all fully discretionary commission accounts that are fully invested in the small-to-mid cap value investment strategy including those accounts no longer managed by the portfolio manager. The minimum account size for the composite is \$100,000. As of September 30, 2015, the Composite consisted of 16 accounts.

PERFORMANCE OF THE COMPOSITE IS HISTORICAL AND DOES NOT REPRESENT THE FUTURE PERFORMANCE OF THE FUND OR THE ADVISOR.

All returns presented were calculated on a total return basis and include all dividends and interest, accrued income, and realized and unrealized gains and losses and are net of transaction costs. Composite performance reflects the deduction of all fees and expenses and any transaction costs. For periods prior to December 31, 2011, Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains. The Composite's performance would have been lower than that shown if the accounts included in the Composite had been subject to the Investor Class Shares' net annual operating expenses. The investment management fee schedule for the Composite is 0.95% on the first \$20 million and 0.75% on the remainder. Actual investment advisory fees may vary. Further information on the fees can be found in Part 2A of the Advisor's Form ADV. Beginning January 1, 2012, net of fee performance is presented calculated using actual management fees. Prior to December 31, 2011, net of fee performance was calculated using the highest fee. Securities transactions are accounted for on the trade date and accrual accounting is utilized. Cash and cash equivalents are included in performance returns. The Composite's returns are calculated on a time-weighted basis. The Composite is not subject to the diversification requirements, tax restrictions or investment limitations imposed on the Fund by the Investment Company Act of 1940, as amended, or Subchapter M of the Internal Revenue Code of 1986, as amended. Consequently, the performance results of the Composite could have been adversely affected if it had been regulated under the federal securities and tax laws. The standards used to calculate total return as presented in the following table, which are referred to as the Global Investment Performance Standards (GIPS®) developed by the CFA Institute, differ from the standards required by the SEC for calculation of average annual total return.

**Composite
Average Annual Total Returns**

| <u>Periods ended 9/30/15</u> | <u>Composite Net</u> | <u>Russell 2500® Value Index⁽¹⁾</u> |
|------------------------------|----------------------|--|
| 1 Year | 5.0% | -2.4% |
| 3 Year | 14.5% | 11.0% |
| 5 Year | 14.7% | 11.5% |
| 10 Year | 8.0% | 6.3% |

**Composite
Calendar Year Total Returns**

| <u>Periods Ended</u> | <u>Composite Net</u> | <u>Russell 2500[®] Value Index⁽¹⁾</u> |
|----------------------|----------------------|---|
| 9/30/15 | -0.2% | -8.0% |
| 2014 | 8.7% | 7.1% |
| 2013 | 35.9% | 33.3% |
| 2012 | 16.4% | 19.2% |
| 2011* | 5.1% | -3.4% |
| 2010* | 9.3% | 24.9% |
| 2009* | 28.2% | 27.7% |
| 2008* | -39.3% | -32.0% |
| 2007* | 23.1% | -7.3% |
| 2006* | 16.1% | 20.2% |
| 2005* | 12.4% | 7.7% |
| 2004* | 24.6% | 21.6% |
| 2003* | 33.3% | 44.9% |
| 2002* | -9.7% | -9.9% |
| 2001* | 10.6% | 9.7% |
| 2000* | 27.1% | 20.8% |

(1) The Russell 2500[®] Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. The Index reflects no deduction for fees, expenses or taxes.

* Performance presented prior to December 31, 2011 occurred while the Portfolio Management Team was affiliated with prior firms and the Portfolio Management Team were the only individuals responsible for selecting the securities to buy and sell.

Baird Investment Management, a division of the Advisor, claims compliance with GIPS[®]. For a complete list and description of the Advisor's composites, additional information regarding policies for valuing portfolios and calculating performance and/or complete presentation that adheres to the GIPS[®] standards, contact the Advisor at 777 East Wisconsin Avenue, Milwaukee, WI 53202 or call 1-800-792-4011.

Financial Highlights

Because the Fund recently commenced operations, there are no financial highlights available at this time.

Your Account

Distribution of Shares

Distributor

The Advisor, Robert W. Baird & Co. Incorporated, is also the distributor (the “Distributor”) for shares of the Fund, and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

Rule 12b-1 Plan

The Fund has adopted a distribution and shareholder service plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 (the “Rule 12b-1 Plan”). Under the Rule 12b-1 Plan, the Investor Class shares pay the Distributor a fee at an annual rate of 0.25% of their average daily net asset value. The Distributor uses this fee primarily to finance activities that promote the sale of Investor Class shares. Such activities include, but are not necessarily limited to, compensating brokers, dealers, financial intermediaries and sales personnel for distribution and shareholder services, printing and mailing prospectuses to persons other than current shareholders, printing and mailing sales literature, and advertising. Because 12b-1 fees are ongoing, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Referral Program

The Distributor has established a referral program pursuant to which it may pay cash compensation to its sales personnel for sales of Institutional Class shares of the Fund. Compensation paid to participants in this program for sales of Institutional Class shares of the Fund may be more or less than compensation they receive for sales of shares of other investment companies. These payments may influence the Distributor’s sales personnel to recommend the Institutional Class shares of the Fund over another investment. The Distributor will pay compensation under the referral program out of its own resources. Accordingly, the referral program will not affect the price an investor will pay for Institutional Class shares of the Fund. Please see “Fees and Expenses of the Fund” for information about the Fund’s fees and expenses.

Fund Purchases Through a Financial Intermediary

Financial intermediaries, such as banks, fiduciaries, custodians, investment advisers, and broker-dealers, may hold shares of the Fund for their clients through omnibus or networked accounts. The Fund, and/or Distributor on behalf of the Fund, may retain financial intermediaries, as agents, to provide sub-transfer agency, administrative or related shareholder services to their clients for the Fund. The Distributor or the Fund may pay the financial intermediary for performing such services.

The Distributor may also retain financial intermediaries to provide sales, marketing support, or related services to their clients who beneficially own Fund shares. From time to time, the Distributor may pay those financial intermediaries for the provision of those

services. These payments, sometimes referred to as marketing support or revenue sharing payments, are in addition to or in lieu of any amounts payable to the financial intermediary under the Fund's Rule 12b-1 Plan. Any such payments will be made from the Distributor's own resources. Payments may also be made under the Fund's Rule 12b-1 Plan with respect to distribution and shareholder services provided by financial intermediaries on behalf of Investor Class shares.

The payments made to these financial intermediaries may vary based on a number of factors, including, the types of services provided and amount of their clients' assets invested in the Fund, and, with respect to marketing support payments, the level of sales activity. These payments may influence the financial intermediary to recommend the Fund, or a particular class of Fund shares, over another investment.

Description of Classes

The Fund offers two classes of shares: Investor Class and Institutional Class. The classes differ with respect to their minimum investments. In addition, expenses of the classes differ. Investor Class shares impose a Rule 12b-1 fee that is assessed against the assets of the Fund attributable to that class. Accordingly, the performance information for the Investor Class shares would be lower than the performance information shown for the Institutional Class shares for the Fund.

Financial institutions may receive 12b-1 fees from the Distributor based upon Investor Class shares owned by their clients or customers. The Distributor will determine the schedule of such fees and the basis upon which such fees will be paid.

Share Price

Shares of each class in the Fund are sold at their net asset value ("NAV"). Shares may be purchased or redeemed on days the New York Stock Exchange (the "NYSE") is open. The NYSE is closed most national holidays and Good Friday.

The NAV for each class of shares of the Fund is determined as of the close of regular trading on the NYSE (normally 3:00 p.m., Central time) Monday through Friday, except on days the NYSE is not open. If the NYSE closes early, the Fund will calculate the NAV at the closing time on that day. If an emergency exists as permitted by the SEC, NAV may be calculated at a different time.

The NAV for a class of shares is determined by adding the value of the Fund's investments, cash and other assets attributable to a particular share class, subtracting the liabilities attributable to that class and then dividing the result by the total number of shares outstanding in the class.

When making a purchase request, make sure your request is in good order. "Good order" means your purchase request includes:

- The name of the Fund;
- The dollar amount of shares to be purchased;
- Purchase application or investment stub; and
- Check payable to Baird Funds or, if paying by wire, receipt of Federal Funds.

The Fund’s investments are valued at market value when market quotations are readily available or otherwise at fair value in accordance with pricing and valuation policies and procedures approved by the Board of Directors. The valuation committee of the Advisor is responsible for fair value determinations, subject to the ultimate supervision of the Board of Directors. In general, the “fair value” of a security means the amount that the Fund might reasonably expect to receive for the security upon its current sale. Pursuant to Accounting Standards Codification 820, “fair value” means “the price that would be received to sell [a security] in an orderly transaction between market participants at the measurement date.”

Under the Fund’s pricing and valuation policies and procedures, stocks are generally valued according to market value. Most stocks held by the Fund are listed on a U.S. exchange, and their market values are equal to their last quoted sales prices (or, for NASDAQ-listed stocks, the NASDAQ Official Closing Prices). If there were no transactions on a particular trading day, stocks will be valued at the average of their most recent bid and asked prices. Debt securities purchased with a remaining maturity of 60 days or less may be valued at amortized cost or fair value if a market price is not available. Mutual fund shares are valued at their last calculated NAV. When a market quote for a security is not readily available or deemed to be inaccurate by the Advisor, the Advisor will value the security at “fair value”. In determining fair value, the Advisor applies valuation methods approved by the Board and takes into account all relevant factors and available information. Consequently, the value of the security used by the Fund to calculate its NAV may differ from a quoted or published price for the same security. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

Buying Shares

Minimum Investments

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|----------------------------|--|-----------------------------|
| Investor Class Shares | \$1,000 - IRAs \$2,500 - all other accounts | \$100 \$100 |
| Institutional Class Shares | \$25,000 | No minimum |

Minimum Investment Reductions – Institutional Class Shares

The minimum initial investment amount for Institutional Class shares is waived for all employees, directors and officers of the Advisor or the Company and members of their families (including parents, grandparents, siblings, spouses, children and in-laws of such employees, directors and officers). It is also waived for clients of the Advisor who acquire shares of the Fund made available through a mutual fund asset allocation program offered by the Advisor. Also, the minimum initial investment amount for Institutional Class shares may be waived or reduced at the discretion of the Distributor, including waivers or reductions for purchases made through certain registered investment advisers and qualified third-party platforms.

Timing of Requests

Shares may only be purchased on days when the NYSE is open for business. Your price per share will be the NAV next computed after your request is received in good order by the Fund or its agents. All requests received in good order before the close of regular trading on the NYSE will be executed at the NAV computed on that day. Requests received after the close of regular trading on the NYSE will receive the next business day's NAV.

Receipt of Orders

The Fund may authorize one or more broker-dealers to accept on its behalf purchase and redemption orders that are in good order. In addition, these broker-dealers may designate other financial intermediaries to accept purchase and redemption orders on the Fund's behalf. Contracts with these agents require the agents to track the time that purchase and redemption orders are received. Purchase and redemption orders must be received by the Fund or its authorized intermediaries before the close of regular trading on the NYSE to receive that day's share price.

Customer Identification Procedures

The Company, on behalf of the Fund, is required to comply with various anti-money laundering laws and regulations. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions, including mutual funds, to obtain, verify and record information that identifies each person who opens an account.

In compliance with the USA PATRIOT Act, please note that U.S. Bancorp Fund Services, LLC, the Company's transfer agent (the "Transfer Agent"), will verify certain information on your account application as part of the Fund's Anti-Money Laundering Program. As requested on the account application, you should supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. If you require assistance when completing your application, please call (toll free) 1-866-44BAIRD.

If the Company or the Transfer Agent does not have a reasonable belief of the identity of a shareholder, the initial purchase will be rejected or the shareholder will not be allowed to perform a transaction on the account until such information is received. The Fund also reserves the right to close the account within five business days if clarifying information and/or documentation is not received. The shareholder will be notified of such action within five business days. Any delay in processing your order will affect the purchase price you receive for your shares. The Company, the Distributor and the Transfer Agent are not liable for fluctuations in NAV experienced as a result of such delays in processing. If at any time the Company or the Transfer Agent detects suspicious behavior or if certain account information matches government lists of suspicious persons, the Company or the Transfer Agent may determine not to open an account, may reject additional purchases, may close an existing account, may file a suspicious activity report and/or may take other action.

The Fund may not be sold to investors residing outside the U.S. and its territories, except upon evidence of compliance with the laws of the applicable foreign jurisdictions.

The Company has appointed an anti-money laundering compliance officer to oversee the implementation of the Company's anti-money laundering program.

Market Timing Policy

Depending on various factors (including the size of the Fund, the amount of assets the Advisor typically maintains in cash or cash equivalents, and the dollar amount, number and frequency of trades), short-term or excessive trading into and out of the Fund, generally known as market timing, may harm all shareholders by: disrupting investment strategies; increasing brokerage, administrative and other expenses; decreasing tax efficiency; diluting the value of shares held by long-term shareholders; and impacting Fund performance. The Board has approved policies that seek to discourage frequent purchases and redemptions and curb the disruptive effects of market timing (the "Market Timing Policy"). Pursuant to the Market Timing Policy, the Fund may decline to accept an application or may reject a purchase request, including an exchange, from a market timer or an investor who, in the Advisor's sole discretion, has a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Fund. For these purposes, the Advisor may consider an investor's trading history in the Fund or other Baird Funds. The Fund, the Advisor, and affiliates thereof are prohibited from entering into arrangements with any shareholder or other person to permit frequent purchases and redemptions of Fund shares.

The Company monitors and enforces its market timing policy through:

- Regular reports to the Board by the Fund's Chief Compliance Officer regarding any instances of suspected market timing;
- Monitoring of trade activity; and
- Restrictions and prohibitions on purchases and/or exchanges by persons believed to engage in frequent trading activity.

In addition, if market timing is detected in an omnibus account held by a financial intermediary, the Fund may request that the intermediary restrict or prohibit further purchases or exchanges of Fund shares by any shareholder that has been identified as having violated the Market Timing Policy. The Fund may also request that the intermediary provide identifying information, such as social security numbers, and trading information about the underlying shareholders in the account in order to review any unusual patterns of trading activity discovered in the omnibus account.

While the Fund seeks to take action that will detect and deter market timing, the risks of market timing cannot be completely eliminated. For example, the Fund may not be able to identify or reasonably detect or deter market timing transactions that may be facilitated by financial intermediaries or made difficult to identify through the use of omnibus accounts by those intermediaries that transmit purchase, exchange, or redemption orders to the Fund on behalf of their customers who are the beneficial owners. More specifically, unless the financial intermediaries have the ability to detect

and deter market timing transactions themselves, the Fund may not be able to determine whether the purchase or sale is connected with a market timing transaction. Additionally, there can be no assurance that the systems and procedures of the Transfer Agent will be able to monitor all trading activity in a manner that would detect market timing. However, the Fund, the Advisor, the Distributor and the Transfer Agent will attempt to detect and deter market timing in transactions by all Fund investors, whether directly through the Transfer Agent or through financial intermediaries.

Householding

In an effort to decrease costs, the Fund intends to reduce the number of duplicate prospectuses and annual and semi-annual reports you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders we reasonably believe are from the same family or household. Once implemented, if you would like to discontinue householding for your accounts, please call the Fund toll-free at 1-866-44BAIRD to request individual copies of these documents. Once the Fund receives notice to stop householding, we will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

Methods of Buying

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|--------------|---|--|
| By Telephone | You may not use the telephone purchase option for your initial purchase of the Fund's shares. However, you may call the Fund (toll-free) at 1-866-44BAIRD to open a new account by requesting an exchange into another Baird Fund. See "Exchanging Shares." | After your account has been open for 15 days, you may call the Fund (toll-free) at 1-866-44BAIRD to place your order for Fund shares. Money will then be moved from your bank account to your Fund account upon request. Only bank accounts held at domestic institutions that are Automated Clearing House ("ACH") members may be used for telephone transactions. The minimum telephone purchase is \$100. |

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|-----------------------|--|---|
| By Mail | <p>Make your check payable to “Baird Funds.” All checks must be in U.S. dollars drawn on a U.S. financial institution. Forward the check and your application to the address below. To prevent fraud, the Funds will not accept cash, money orders, third party checks, traveler’s checks, credit card checks, starter checks or U.S. Treasury checks for the purchase of shares. If your check is returned for any reason, a \$25 fee will be assessed against your account and you will be responsible for any loss incurred by the Fund(s). The Funds are unable to accept post-dated checks or any conditional order or payment.</p> | <p>Fill out the investment stub from an account statement, or indicate the Fund name and account number on your check. Make your check payable to “Baird Funds.” Forward the check and stub to the address below.</p> |
| By Federal Funds Wire | <p>Forward your application to Baird Fund at the address below. Call (toll-free) 1-866-44BAIRD to obtain an account number. Wire funds using the instructions to the right.</p> | <p>Notify the Fund of an incoming wire by calling (toll-free) 1-866-44BAIRD. Use the following instructions: U.S. Bank, N.A. 777 E. Wisconsin Ave. Milwaukee, WI 53202 ABA#: 075000022 Credit: U.S. Bancorp Fund Services, LLC Account #: 112-952-137 Further Credit: (name of Fund, share class) (name/title on the account) (account #) Wired funds must be received prior to 3:00 pm Central time to be eligible for same day pricing. The Fund, the Advisor and the Transfer Agent are not responsible for the consequences of delays resulting from the banking or Federal Reserve Wire system, or from incomplete wiring instructions.</p> |

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|---|--|--|
| Automatic Investment Plan | Open the Fund account with one of the other methods. If by mail, be sure to include your checking account number on the appropriate section of your application and enclose a voided check or deposit slip with your initial purchase application. | Call the Fund (toll-free) at 1-866-44BAIRD for instructions on how to set up an Automatic Investment Plan if you did not select the option on your original application. Regular automatic investments (minimum of \$100) will be taken from your checking account on a monthly basis. If you do not have sufficient funds in your account or if your account is closed at the time of the automatic transaction, you will be assessed a \$25 fee. |
| Through Shareholder Service Organizations | To purchase shares for another investor, call the Fund (toll-free) at 1-866-44BAIRD. | To purchase shares for another investor, call the Fund (toll-free) at 1-866-44BAIRD. |
| By Exchange | Call the Fund (toll-free) at 1-866-44BAIRD to obtain exchange information. See “Exchanging Shares.” | Call the Fund (toll-free) at 1-866-44BAIRD to obtain exchange information. See “Exchanging Shares.” |

You should use the following addresses when sending documents by mail or by overnight delivery:

By Mail

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

By Overnight Delivery

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
615 E. Michigan Street, Third Floor
Milwaukee, Wisconsin 53202

NOTE: The Fund and the Transfer Agent do not consider the U.S. Postal Service or other independent delivery services to be their agents. Therefore, deposit in the mail or with such services, or receipt at the Transfer Agent’s post office box, of purchase orders or redemption requests does not constitute receipt by the Transfer Agent.

Selling Shares

Methods of Selling

| | <i>To Sell Some or All of Your Shares</i> |
|--------------|---|
| By Telephone | Call the Fund (toll-free) at 1-866-44BAIRD to place the order. (Note: for security reasons, requests by telephone will be recorded.) Telephone redemptions involving \$50,000 or more of Investor Class shares are not permitted. |

To Sell Some or All of Your Shares

| | |
|----------------------------------|---|
| By Mail | Send a letter to the Fund that indicates the dollar amount or number of shares you wish to redeem. The letter should contain the Fund's name, the account number and the number of shares or the dollar amount of shares to be redeemed. Be sure to have all shareholders sign the letter and, if necessary, have the signature guaranteed. For Individual Retirement Accounts ("IRAs"), requests submitted without an election regarding tax withholding will be subject to tax withholding. |
| Systematic Withdrawal Plan | The Fund offers shareholders a Systematic Withdrawal Plan. Call the Funds (toll-free) at 1-866-44BAIRD to obtain information on how to arrange for regular monthly or quarterly fixed withdrawal payments. The minimum payment you may receive is \$50 per period. Note that this plan may deplete your investment and affect your income or yield. |
| Shareholder Service Organization | Consult your account agreement for information on redeeming shares. |
| By Exchange | Call the Fund (toll-free) at 1-866-44BAIRD to obtain exchange information. See "Exchanging Shares" for further information. |

Payment of Redemption Proceeds

You may request redemption of your shares at any time. Shares may be redeemed on days the NYSE is open. The NYSE is closed most national holidays and Good Friday. Your shares will be redeemed at the next NAV per share calculated after your order is received in good order by a Fund or its agents. All requests received in good order before the close of regular trading on the NYSE will be executed at the NAV computed on that day. Requests received after the close of regular trading on the NYSE will receive the next business day's NAV. You may receive the proceeds in one of three ways:

- 1) A check mailed to your account's address. Your proceeds will typically be sent on the business day following the day on which the Fund or its agent receives your request in good order. Checks will not be forwarded by the U.S. Postal Service, so please notify us if your address has changed prior to a redemption request. A redemption request made within 15 days of an address change will require a signature guarantee. Proceeds will be sent to you in this way, unless you request one of the alternatives described below.
- 2) The proceeds transmitted by Electronic Funds Transfer ("EFT") to a properly pre-authorized bank account. The proceeds usually will arrive at your bank two banking days after we process your redemption.
- 3) The proceeds transmitted by wire to a pre-authorized bank account for a \$15 fee. This fee will be deducted from your redemption proceeds for complete

When making a redemption request, make sure your request is in good order. "Good order" means your letter of instruction includes:

- The name of the Fund;
- The number of shares or the dollar amount of shares to be redeemed;
- Signatures of all registered shareholders exactly as the shares are registered and, if necessary, with a signature guarantee; and
- The account number.

redemptions. In the case of a partial redemption, the fee will be deducted from the remaining account balance. The fee is paid to the Transfer Agent to cover costs associated with the transfer. The Advisor reserves the right to waive the wire fee in limited circumstances. The proceeds usually will arrive at your bank the first banking day after we process your redemption. Be sure to have all necessary information from your bank. Your bank may charge a fee to receive wired funds.

Before selling recently purchased shares, please note that if the Transfer Agent has not yet collected payment for the shares you are selling, there may be a delay in sending the proceeds until the payment is collected, which may take up to 12 calendar days from the purchase date. This procedure is intended to protect the Fund and its shareholders from loss.

The Transfer Agent will send redemption proceeds by wire or EFT only to the bank and account designated on the account application or in written instructions (with signatures guaranteed) subsequently received by the Transfer Agent, and only if the bank is a member of the Federal Reserve System. If the dollar or share amount requested to be redeemed is greater than the current value of your account, your entire account balance will be redeemed. If you choose to redeem your account in full, any Automatic Investment Plan currently in effect for the account will be terminated unless you indicate otherwise in writing and any Systematic Withdrawal Plan will be terminated.

Signature Guarantees

The Transfer Agent may require a signature guarantee for certain redemption requests. A signature guarantee ensures that your signature is genuine and protects you from unauthorized account redemptions. A signature guarantee, from either a Medallion program member or a non-Medallion program member, or other acceptable signature verification of each owner is required to redeem shares in the following situations:

- If you are requesting a change in ownership on your account;
- When redemption proceeds are payable or sent to any person, address or bank account not on record;
- If a change of address request has been received by the Transfer Agent within the last 15 calendar days; and
- For all redemptions of Investor Class shares totaling \$50,000 or more from any shareholder account.

In addition to the situations described above, the Fund and/or the Transfer Agent reserve the right to require a signature guarantee or other acceptable signature verification in other instances based on the circumstances relative to the particular situation.

Signature guarantees are designed to protect both you and the Fund from fraud. Signature guarantees can be obtained from most banks, credit unions or saving associations, or from broker-dealers, national securities exchanges, registered securities exchanges or clearing agencies deemed eligible by the SEC. Notaries cannot provide signature guarantees.

Non-financial transactions including establishing or modifying certain services on an account may require signature verification from a Signature Validation Program member, or other acceptable form of authentication from a financial institution.

Corporate, Trust and Other Accounts

Redemption requests from corporate, trust and institutional accounts, and executors, administrators and guardians, require documents in addition to those described above evidencing the authority of the officers, trustees or others. In order to avoid delays in processing redemption requests for these accounts, you should call the Fund (toll-free) at 1-866-44BAIRD before making the redemption request to determine what additional documents are required.

Transfer of Ownership

In order to change the account registrant or transfer ownership of an account, additional documents will be required. To avoid delays in processing these requests, you should call the Fund (toll free) at 1-866-44BAIRD before making your request to determine what additional documents are required.

Exchanging Shares

You may exchange all or a portion of your investment from the same class of one Baird Fund to another Baird Fund. You may also exchange between classes of the Fund or other Baird Funds if you meet the minimum investment requirements for the class into which you would like to exchange. Any new account established through an exchange will be subject to the minimum investment requirements applicable to the shares acquired. Exchanges will be executed on the basis of the relative NAV of the shares exchanged. The exchange privilege may be exercised only in those states where the class of shares of the Fund being acquired legally may be sold.

An exchange from one Baird Fund to another Baird Fund is considered to be a sale of shares for federal income tax purposes on which you may realize a taxable capital gain or loss unless you are a tax-exempt investor or hold your shares through a tax-deferred account such as a 401(k) plan or an IRA. A conversion from shares of one class to shares of a different class within the same Baird Fund is generally not a taxable transaction for federal income tax purposes.

Call the Fund (toll-free) at 1-866-44BAIRD to learn more about exchanges and other Baird Funds.

More Information about the Exchange Privilege

The Fund and other Baird Funds are intended as long-term investment vehicles and not to provide a means of speculating on short-term market movements. In addition, excessive trading can hurt the Fund's performance and shareholders. Therefore, the Fund may terminate, without notice, the exchange privilege of any shareholder who uses the exchange privilege excessively. See "Your Account—Buying Shares—Market Timing Policy." The Fund may change or temporarily suspend the exchange privilege during unusual market conditions.

General Transaction Policies

The Fund reserves the right to:

- Vary or waive any minimum investment requirement.
- Refuse, change, discontinue, or temporarily suspend account services, including purchase, exchange, or telephone redemption privileges, for any reason.
- Reject any purchase or the purchase side of an exchange request for any reason. Generally, the Fund does this if the purchase or exchange is disruptive to the efficient management of the Fund (due to the timing of the investment or a shareholder's history of excessive trading).
- Reinvest a distribution check in your account at the Fund's then-current NAV and reinvest all subsequent distributions if you elect to receive distributions in cash and the U.S. Postal Service cannot deliver your check, or if a distribution check remains uncashed for six months.
- Redeem all shares in your account if your balance falls below the Fund's minimum initial purchase amount for the applicable class of shares. If, within 60 days of the Fund's written request, you have not increased your account balance, you may be required to redeem your shares. The Fund will not require you to redeem shares if the value of your account drops below the investment minimum due to fluctuations of NAV.
- Delay paying redemption proceeds for up to seven days after receiving a request.
- Modify or terminate the Automatic Investment and Systematic Withdrawal Plans at any time.
- Modify or terminate the exchange privilege after a 60-day written notice to shareholders.
- Make a "redemption in kind" (a payment in portfolio securities rather than cash) if the amount you are redeeming is in excess of the lesser of (i) \$250,000 or (ii) 1% of the Fund's assets. In such cases, you may incur brokerage costs in converting these securities to cash. The Fund expects that any redemptions in kind will be made with readily marketable securities. However, shareholders who receive a redemption in kind will bear market risk until they sell the securities. For federal income tax purposes, redemptions in kind are taxed in the same manner as redemptions made in cash.
- Reject any purchase or redemption request that does not contain all required documentation.

If you elect telephone privileges on the account application or in a letter to the Fund, you may be responsible for any fraudulent telephone orders as long as the Fund has taken reasonable precautions to verify your identity. If an account has more than one owner or authorized person, the Fund will accept telephone instructions from any one

owner or authorized person. In addition, once you place a telephone transaction request, it cannot be canceled or modified.

Telephone trades must be received by or prior to market close. During periods of significant economic or market change, shareholders may encounter higher than usual call waits and telephone transactions may be difficult to complete. Please allow sufficient time to place your telephone transaction. If you are unable to contact the Fund by telephone, you may also mail the requests to the Fund at the address listed under “Buying Shares.”

Your broker-dealer or other financial organization may establish policies that differ from those of the Fund. For example, the organization may charge transaction fees, set higher minimum investments, or impose certain limitations on buying or selling shares in addition to those identified in this prospectus. Contact your broker-dealer or other financial organization for details.

Inactive Accounts. Your mutual fund account may be transferred to your state of residence if no activity occurs within your account during the “inactivity period” specified in your state’s abandoned property laws. If the Fund is unable to locate the investor, then they will determine whether the investor’s account can legally be considered abandoned. The Fund is legally obligated to escheat (or transfer) abandoned property to the appropriate state’s unclaimed property administrator in accordance with statutory requirements. The investor’s last known address of record determines which state has jurisdiction.

Distributions and Taxes

Distributions

The Fund makes distributions to its shareholders from the Fund’s net investment income and any realized net capital gain.

Distributions from the Fund’s net investment income are declared and paid annually. Net capital gain, if any, is generally distributed annually. It is expected that the Fund’s distributions will be primarily distributions of net capital gain.

Each share class determines its net investment income and net capital gain distributions in the same manner. However, because Investor Class shares have Rule 12b-1 distribution fees, distributions of net investment income paid to Investor Class shareholders will be lower per share than those paid to Institutional Class shareholders.

All of your distributions from the Fund’s net investment income and net capital gain will be reinvested in additional shares of the same class of the Fund unless you instruct otherwise on your account application or have redeemed all shares you held in the Fund.

Taxation

Fund distributions are taxable regardless of whether the distributions are received in cash or reinvested in additional Fund shares, unless you hold your shares through a tax-deferred account, such as a 401(k) plan or an IRA. Distributions of the Fund's investment company taxable income (which includes dividends, interest, net short-term capital gain and net gain from foreign currency transactions), if any, generally are taxable to the Fund's shareholders as ordinary income (for non-corporate shareholders, currently taxed at a maximum federal income tax rate of 39.6%), except to the extent any of the distributions are attributable to and reported as "qualified dividend income," as described below. For corporate shareholders, distributions of the Fund's investment company taxable income may be eligible for the inter-corporate dividends-received deduction. Fund distributions may not be subject to federal income tax if you are a tax-exempt investor or are investing through a tax-deferred arrangement, such as a 401(k) plan or an IRA, in which case you may be subject to federal income tax upon withdrawal of money from such tax-deferred arrangements.

For non-corporate shareholders, to the extent that a distribution of investment company taxable income is attributable to and reported as "qualified dividend" income, the receipt of such income may be eligible for the reduced federal income tax rates applicable to net long-term capital gain. If the Fund has gross income (excluding net capital gain) of which more than 95% was "qualified dividends," all of the Fund's distributions of investment company taxable income will be eligible for the lower federal income tax rates on "qualified dividends." Certain holding period requirements also must be satisfied by both the Fund and the shareholder to obtain "qualified dividend" treatment.

Distributions of the Fund's net capital gain (the excess of net long-term capital gain over net short-term capital loss) will generally be taxable as long-term capital gains (for non-corporate shareholders, currently taxed at a maximum federal income tax rate of 20%) whether reinvested in additional Fund shares or received in cash and regardless of the length of time that a shareholder has owned Fund shares.

A distribution of the Fund's investment company taxable income or net capital gain declared by the Fund in October, November or December, but paid during January of the following year, is taxable as if received on December 31 of the year such distribution was declared.

If the value of shares is reduced below a shareholder's cost basis as a result of a distribution by the Fund, the distribution will be taxable even though it, in effect, represents a return of invested capital. Investors considering buying shares just prior to a distribution of the Fund's investment company taxable income or net capital gain should be aware that, although the price of shares purchased at that time may reflect the amount of the forthcoming distribution, those who purchase just prior to the record date for a distribution may receive a distribution which will be taxable to them.

Certain individuals, trusts, and estates may be subject to a Medicare tax of 3.8% (in addition to regular income tax). The Medicare tax is imposed on the lesser of (i) a taxpayer's investment income, net of deductions properly allocable to such income or (ii) the amount by which the taxpayer's modified adjusted gross income exceeds certain thresholds (\$250,000 for married individuals filing jointly, \$200,000 for unmarried individuals and \$125,000 for married individuals filing separately). The Fund's distributions are includable in a shareholder's investment income for purposes of this Medicare tax. In addition, any capital gain realized by a shareholder upon a sale, exchange or redemption of Fund shares is includable in the shareholder's investment income for purposes of this Medicare tax.

The federal income tax status of all distributions made by the Fund for the preceding year will be reported to shareholders annually. Distributions made by the Fund may also be subject to state and local taxes. Please note that distributions of both investment company taxable income and net capital gain are taxable even if reinvested in additional Fund shares.

Shareholders who sell, exchange or redeem shares generally will have a capital gain or loss from the sale, exchange or redemption. The amount of the gain or loss and the rate of tax will depend mainly upon the amount paid for the shares, the amount received from the sale, exchange or redemption, and the length of time that the shares were held by a shareholder. Gain or loss realized upon a sale, exchange or redemption of Fund shares will generally be treated as long-term capital gain or loss if the shares have been held for more than one year, and, if held for one year or less, as short-term capital gain or loss. Any loss arising from the sale, exchange or redemption of shares held for six months or less, however, is treated as a long-term capital loss to the extent of any distributions of net capital gain received or deemed to be received with respect to such shares. In determining the holding period of such shares for this purpose, any period during which your risk of loss is offset by means of options, short sales or similar transactions is not counted. If you purchase Fund shares (through reinvestment of distributions or otherwise) within 30 days before or after selling, exchanging or redeeming shares of the Fund at a loss, all or part of that loss will not be deductible and will instead increase the basis of the newly acquired shares to preserve the loss until a future sale, exchange or redemption.

The Fund is required to report to certain shareholders and the IRS the cost basis of Fund shares acquired on or after January 1, 2012, when such shareholders subsequently sell, exchange or redeem those Fund shares. The Fund will determine cost basis using the average cost method unless you elect in writing (and not over the telephone) any alternate IRS-approved cost basis method. Please see the SAI for more information regarding cost basis reporting.

Additional tax information may be found in the SAI. Because everyone's tax situation is unique, always consult your tax professional about federal, state and local tax consequences of an investment in the Fund.

BAIRD FUNDS, INC. PRIVACY POLICY

Protecting the privacy of Fund shareholders is important to us. The following is a description of the practices and policies through which Baird Funds, Inc. protects the privacy and security of your non-public personal information.

What Information We Collect

We collect and maintain information about you so that we can open and maintain your account in the Fund and provide various services to you. We may collect and maintain the following personal information about you:

- Information we receive from you or your financial advisor on account applications or other forms, correspondence, or conversations, such as your name, address, e-mail address, phone number, social security number, assets, income and date of birth; and
- Information about your transactions with us, our affiliates, or others, such as your account number and balance, positions, activity, history, cost basis information, and other financial information.

What Information We Disclose

We do not sell any non-public personal information about our current or former shareholders to third parties. We do not disclose any non-public personal information about our current or former shareholders to anyone, except as permitted or required by law. We are permitted by law to share any of the information we collect, as described above, with our affiliates. In addition, we may share such information with nonaffiliated third parties to the extent necessary to effect, process, administer or enforce a transaction that the shareholder requests or authorizes, in connection with maintaining or servicing the shareholder's account, as requested by regulatory authorities or as otherwise permitted or required by law. For example, we are permitted by law to disclose all of the information we collect, as described above, to our transfer agent to process your transactions. We may also provide your name and address to third party service providers who send account statements and other Fund-related material to you.

How We Protect Your Information

We restrict access to your non-public personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to protect the confidentiality, integrity and security of your non-public personal information.

We will continue to adhere to the privacy policies and practices in this notice even after your account is closed or becomes inactive.

In the event that you hold shares of the Fund(s) through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with nonaffiliated third parties.

For More Information

You can find more information about the Fund in the following documents:

Statement of Additional Information (“SAI”)

The SAI contains details about the investments and techniques of the Fund and certain other additional information. A current SAI is on file with the Securities and Exchange Commission (“SEC”) and is incorporated by reference into this prospectus. This means that the SAI is legally considered a part of this prospectus even though it is not physically within this prospectus.

Annual and Semi-Annual Reports

The Fund’s annual and semi-annual reports provide information regarding the Fund’s financial reports and portfolio holdings. The annual report contains a discussion of the market conditions and investment strategies that significantly affected the Fund’s performance during the Fund’s last fiscal year.

You can obtain a free copy of these documents, request other information, or make general inquiries about the Fund by calling the Fund (toll-free) at 1-866-44BAIRD or by writing to:

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701

The Fund’s prospectus, SAI and the annual and semi-annual reports are also available, free of charge, on the Fund’s website at www.bairdfunds.com.

You may write to the SEC’s Public Reference Room at the regular mailing address or the e-mail address below and ask them to mail you information about the Fund, including the SAI. They will charge you a fee for this duplicating service. You can also visit the SEC’s Public Reference Room and review and copy documents while you are there. For more information about the operation of the SEC’s Public Reference Room, call the SEC at the telephone number below.

Public Reference Section
Securities and Exchange Commission
100 F Street
Washington, D.C. 20549-1520
publicinfo@sec.gov
(202) 551-8090

Reports and other information about the Fund are also available on the EDGAR database on the SEC’s Internet website at <http://www.sec.gov>.