

MARKET COMMENTARY

The third quarter of 2017 saw the S&P 500 rise 4.48%, extending the market's year-to-date gain to 14.24%. By comparison, the Baird LargeCap Fund posted a return of 5.54% for the third quarter and 15.25% for the year-to-date. In Q3 we saw growth continue to outperform value to such degree that by the end of the quarter, growth had trounced value by 10.84% YTD creating a significant headwind for the Fund due to its significant value tilt.¹ Information Technology, Energy and Telecom led the index higher in the quarter, rising in excess of 8%, 6% and 6% respectively, while Consumer Staples, Consumer Discretionary and REITS were the market's worst performers falling 1%, rising 1% and rising 1% respectively. In the market's three best performing sectors, the Fund's contribution to its total return summed to roughly 200bps while in the market's three weakest sectors the Fund's contribution to returns was positive 50bps.

GENERAL COMMENTS ON L2'S TENURE-TO-DATE:

L2 would like to thank our shareholders in the Fund and the Board of Directors for their faith in our investment process over the years. As we approach the end of our fourth year managing the Fund we thought it made sense to update the review we provided in our Q2 commentary on our Inception-to-Date and Year-to-Date performance:

Inception-To-Date Summary:

As can be seen in Fig. 1 below, over L2's 3.5+ years of stewardship the Baird LargeCap Fund has placed in the top 30% of the nearly 1,250 funds it competes with while putting up top quintile (20%) or better metrics in monthly win rates (batting average), risk adjusted returns and upside capture rates. We admit the fund has struggled in down month capture rates relative to competitors but believe it is for two primary reasons:

- The stratospheric valuations ascribed to "story stocks" which, unlike historical precedent, showed uncommon resilience in down months (particularly in 2015) in a manner only seen in the lead up to the peak of the internet bubble
- The peer group's increasing tendency to hug the benchmark which mutes both upside and downside capture rates

Fig. 1: Baird LargeCap Fund Performance – Since Manager Inception

	Since Manager Inception (01/01/2014 - 9/30/2017)										
	Average Annual Return	Peer group percentile	Batting Average	Peer group percentile	Information Ratio	Peer group percentile	Up Capture Ratio	Peer group percentile	Down Capture Ratio	Peer group percentile	
Baird Large Cap Fund	10.2%	28	48.9%	17	-0.21	14	105.31	6	119.54	18	
US Fund Large Blend	8.5%	69	20.0%	91	-2.62	90	91.94	66	108.38	37	
S&P500 Total Return	10.9%						100.00		100.00		

Source: Morningstar Direct; Data from 1/1/2014-9/30/2017. Prior to 12/23/2013 the fund was managed in accordance with a different investment strategy with Robert W. Baird & Co. Incorporated as the investment advisor. In the chart above, the Baird LargeCap Institutional Fund was ranked against 1257 other funds in the Morningstar Large Blend Category.

2017 First-Half Summary:

So far this year performance has been positive vs. the benchmark despite the cohort of overpriced low-quality growth firms regaining some ground after their poor relative returns in the back half of 2016. Considering the Fund's value tilt that has persisted throughout 2017, **we are actually pleased to be outperforming both our peers and the S&P 500 benchmark considering value stocks have underperformed growth stocks by nearly 1,100bps YTD – an astonishing spread for just six months.**

¹ S&P 500 Growth – S&P 500 Value = 10.84%

We have omitted any synopsis of Q1 commentary due to its recent publication. **With that said, we are cautiously optimistic that growing anxiety in the socio-economic sphere combined with excessive global leverage may increase equity risk premiums which we believe would further benefit results in the years ahead.**

As always, we would like to thank the shareholders in the Fund for their faith and belief in our process. We continue to believe that risk and pricing in the US Large Cap space leave some of the most compelling spreads available to patient investors with a long-term horizon.

Sincerely,
L2 Asset Management

BAIRD LARGE CAP FUND PERFORMANCE

	Total Returns (%)		Average Annual Total Returns (%)					
	Q3 '17	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception (9/29/00)
Baird LargeCap Fund Institutional Class	5.54	15.25	23.09	9.84	13.46	13.32	7.36	4.07
Baird LargeCap Fund Investor Class	5.35	14.93	22.71	9.52	13.19	13.04	7.10	3.81
S&P 500 [®]	4.48	14.24	18.61	10.81	14.22	14.38	7.44	5.42

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. Performance figures assume reinvestment of all dividends and capital gains. For performance current to the most recent month-end, please visit bairdfunds.com.

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information can be found in the prospectus or summary prospectus. A prospectus or summary prospectus may be obtained by visiting bairdfunds.com or calling 800-442-2473. Please read the prospectus or summary prospectus carefully before you invest or send money.

Prior to 12/23/2013 the fund was managed in accordance with a different investment strategy. Effective April 30, 2016, L2 Asset Management, LLC ("L2") became the Fund's subadvisor. L2 replaced Baird Kailash Group, LLC, which was the Fund's subadvisor from December 23, 2013 until April 30, 2016. The Fund was managed by the Fund's Advisor from the Fund's inception date until December 23, 2013.

The Institutional Class of the Baird Large Cap Fund ranked in the 5th percentile in Average Annual Return, 4th percentile in Batting Average, 5th percentile in Information ratio, 5th percentile in Up Capture Ratio and 88th percentile in Down Capture Ratio out of 1342 funds over the past year, 30th percentile in Batting Average, 30th percentile in Batting Average, 12th percentile in Up Capture Ratio, and 11th percentile in Down Capture Ratio out of 1208 funds over the past five years, 46th percentile in Average Annual Return, 21st percentile in Average Annual Return, 15th percentile in Batting Average, 19th percentile Information Ratio, 20th percentile Up Capture Ratio, and 35th percentile Down Capture Ratio out of 1059 funds over the past 10 years in the Morningstar Large Blend category.

The Net Expense Ratio is the Gross Expense Ratio minus any reimbursement from the advisor. The advisor has contractually agreed to waive its fees and/or reimburse expenses at least through April 30, 2018, to the extent necessary to ensure that the total operating expenses do not exceed 0.75% of the Institutional Class's average daily net assets. The minimum investment in the fund is \$25,000.

Batting Average: A statistical measure used to measure an investment manager's ability to meet or beat an index. Batting average is calculated by dividing the number of days (or months, quarters, etc.) in which the manager beats or matches the index by the total number of days (or months, quarters, etc.) in the period of question and multiplying that factor by 100. **Information Ratio** is a measure of portfolio management's performance against risk and return relative to a benchmark or alternative measure. The **Upside Capture Ratio** is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. The **Downside Capture Ratio** is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped.

The S&P 500 index is an unmanaged, market capitalization weighted index of 500 common stocks widely regarded to be representative of the US market in general. The fund invests primarily in equity securities of large-capitalization companies. At times, large-cap stocks may underperform as compared to small- or mid-cap stocks, and vice versa. The fund may also invest in ETFs which are subject to the same risks as their underlying securities, trade on an exchange throughout the day and redemptions may be limited.