

The logo for Baird, featuring the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

Annual Report – Baird Funds

December 31, 2017

Baird MidCap Fund

Baird Small/Mid Cap Value Fund

Baird SmallCap Value Fund

Chautauqua International Growth Fund

Chautauqua Global Growth Fund

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

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

Baird Funds
1-866-442-2473
www.bairdfunds.com

March 1, 2018

Dear Shareholder,

2017 was a strong year for the equity markets with full-year stock market gains the strongest since 2013. The consistency of returns was also something to note as the broad equity market, measured by the S&P 500 Index, advanced each month of the year – the first time in history. The Baird Equity Funds kept pace with the rising market with each of our funds outperforming their respective benchmarks for the calendar year while continuing to focus on risk-adjusted returns for our clients over the long-term.

In this current environment, we are optimistic but ever vigilant. There are positive indications with respect to the economy on a number of fronts; however, we also see changes stirring that may increase stock volatility. Each of our independent teams has a time-tested, risk-managed approach that has been honed over decades of managing portfolios in various market environments. We focus on fundamental research that favors quality and seeks to deliver long-term value added returns.

We are mindful that we continue to operate in an elevated risk environment and are committed to judicious management of your assets. We never lose sight of the fact that our success rests on the trust you have placed in us to be effective stewards of your assets and we want to thank you for your continued investment in the Baird Equity Funds.

Sincerely,

A handwritten signature in black ink that reads "Mary Ellen Stanek". The signature is fluid and cursive, with a long, sweeping underline.

Mary Ellen Stanek, CFA
President
Baird Funds

Baird MidCap Fund

December 31, 2017 (Unaudited)

Portfolio Managers' Commentary

For the year ended December 31, 2017, the Baird MidCap Fund Institutional Class posted a total return of 26.88% as compared to a gain of 25.27% for the Russell Midcap® Growth Index, the Fund's benchmark index.

Full-year stock market gains were the strongest since 2013, and the consistency of returns was something to note as the broad equity market, measured by the S&P 500 Index, advanced each month of the year – the first time in history. Steady improvement in global economic growth emerged as a key theme during 2017. This step up in activity provided a boost not only to corporate earnings, but also to valuation levels, supporting higher stock prices. Meaningful legislative change in the form of a tax bill came very late in the year, lifting expectations for corporate earnings growth and economic activity in 2018.

Much like recent years, the Fund's 2017 positioning rested on modest, but consistent growth in the economy and corporate earnings, the likelihood of Federal Reserve tightening and balanced sector weights. We were pleased with the overall performance of the portfolio and most notably the fundamental strength exhibited by many of the businesses.

The consumer discretionary sector played an important role in driving relative performance results all year. Key strength came from holdings touching several industries, including off-price retail, auto-related electronics providers, restaurants, and toys and entertainment. While the backdrop for consumer spending has remained positive due to continued job growth and appreciating asset prices, that has not necessarily translated to across-the-board health in discretionary sector stocks. As a result, the Fund's underweight position in specialty retail proved helpful to performance. Merger activity accrued to the benefit of the Fund with holdings acquired in the auto-related electronics and restaurant industries. We held relative sector exposure fairly constant throughout 2017, which meant selling or trimming several holdings that experienced significant price strengthening.

As a counter to strength in the consumer discretionary sector, the Fund's financial services holdings fell short of benchmark returns and were the largest source of sector underperformance. The Fund's mix of companies in the financial and data systems industry lagged very strong performance in that segment. Of note, a large consumer data breach experienced by one of the Fund's data processing holdings led to a sharp price decline. In addition, bank holdings advanced less than the overall sector as the benefits of short term rate increases by the Federal Reserve were offset by concern over a flattening yield curve during the year. Market exposure within the asset management industry proved helpful in offsetting a portion of the underperformance in the aforementioned industry groups.

The Fund's technology holdings trailed benchmark returns. An underweight portfolio position relative to the combined semiconductor and semi equipment industries proved a fairly large headwind given the strength in those industries. Our stock picking across the software and services industry, which continued to represent the largest component of the Fund's technology holdings, was favorable but not enough to offset the headwind in our underweight in semiconductors.

In the producer durables sector, Fund holdings added modest value, running slightly ahead of corresponding benchmark sector returns. An improving global growth outlook provided a favorable investment backdrop for many industries in this sector. Companies within economically sensitive industries, such as manufacturing, machinery, and transportation, performed well.

Fund holdings in the basic materials sector were a drag on relative performance for the year. A long-term Fund holding delivered weaker fundamentals than we would have expected given the uptick in economic activity. As a result, any absolute price decline created a meaningful headwind in an advancing sector. The Fund carried higher exposure in the basic materials sector at year end compared to the beginning in response to a lift in benchmark weight and new investment opportunities in the diversified chemicals industry.

Baird MidCap Fund

December 31, 2017 (Unaudited)

In healthcare, Fund holdings essentially matched strong corresponding sector benchmark returns, which were second only to technology's lofty advance. Positive first half relative performance on the back of solid fundamentals, exhibited by the Fund's holdings throughout the sector, was neutralized in the second half as several holdings digested large price moves. In addition, competitive concerns impacted a dental distribution business held by the Fund, and hurt the sector's relative performance.

In the consumer staples sector, performance of the Fund's holdings outpaced benchmark sector returns. The combination of reasonably good company performance and the benefit of carrying an underweight position in a sector that lagged the strong overall benchmark return helped. It is not surprising that the overall sector return was more muted than that of the overall benchmark given that consumer staples companies tend to act more defensively and offer more modest revenue growth prospects.

The energy sector contributed favorably to relative returns as the Fund's exposure to a well-positioned oil and gas production company outpaced other companies in the sector. We continue to believe this particular holding is advantaged by a strong geographic position resulting in a favorable cost of oil production. We would not be surprised to see additional weight added in this benchmark sector during the course of 2018, which we would welcome, given the improvement in industry fundamentals.

The long-standing investment process underlying the Fund remains focused on identifying high-quality companies that deliver attractive returns and above average growth relative to peers. Seeking to control risk at the sector and position level is also a priority of our process, with the goal of providing lower volatility of returns for the Fund compared to its benchmark index.

Portfolio Managers:

Charles F. Severson
Kenneth M. Hemaue

Baird MidCap Fund

December 31, 2017 (Unaudited)

Portfolio Characteristics

A December 31, 2017 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell MidCap® Growth Index is shown below.

Top 10 Holdings*

Burlington Stores	3.0%
AO Smith Corp.	2.4%
Broadridge Financial Solutions, Inc.	2.2%
Verisk Analytics, Inc.	2.2%
Broadridge Financial Solutions, Inc.	2.2%
EPAM Systems, Inc.	2.2%
Edwards Lifesciences Corp.	2.1%
J.B. Hunt Transport Services, Inc.	2.1%
LKQ Corp.	2.1%
Pool Corp.	2.1%

Net Assets:	\$1,390,981,793
Portfolio Turnover Rate:	44.5%
Number of Equity Holdings:	57

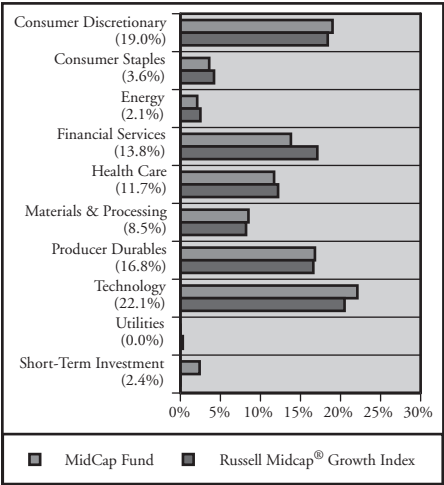
Annualized Portfolio Expense Ratio:***

Gross	
Institutional Class:	0.83%
Investor Class:	1.08%****

Net

Institutional Class:	0.83%
Investor Class:	1.08%****

Equity Sector Analysis**



* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2017.

** Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2017, and may not add up to 100% due to rounding.

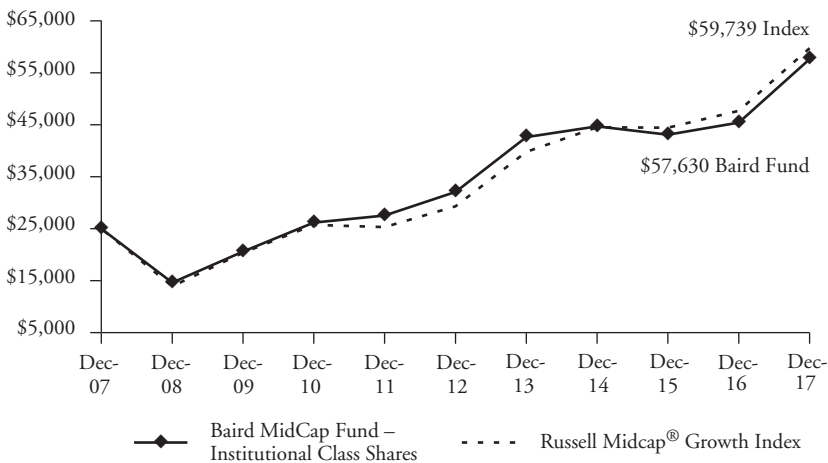
*** Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.85% of average daily net assets for the Institutional Class shares and 1.10% of average daily net assets for the Investor Class shares, at least through April 30, 2019.

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

Baird MidCap Fund

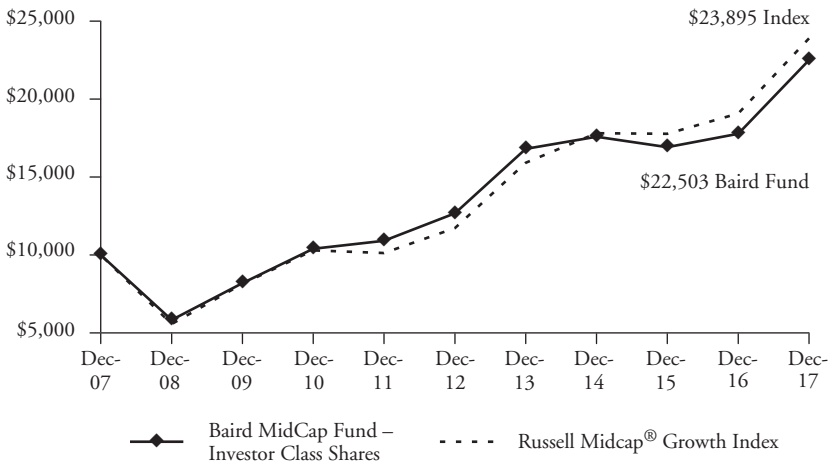
December 31, 2017 (Unaudited)

Institutional Class
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on 12/31/07, assuming reinvestment of all distributions.

Investor Class
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on 12/31/07, assuming reinvestment of all distributions.

Baird MidCap Fund

December 31, 2017 (Unaudited)

Total Returns

<i>For the Periods Ended December 31, 2017</i>	Average Annual			
	One Year	Five Year	Ten Year	Since Inception ⁽¹⁾
Institutional Class Shares	26.88%	12.44%	8.71%	7.35%
Investor Class Shares	26.61%	12.17%	8.45%	7.10%
Russell MidCap® Growth Index ⁽²⁾	25.27%	15.30%	9.10%	6.99%

- (1) For the period from December 29, 2000 (inception date) through December 31, 2017.
- (2) The Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

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

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

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

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

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

Baird MidCap Fund

Schedule of Investments, December 31, 2017

Common Stocks

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
Aerospace & Defense			
Mercury Systems, Inc. ⁽¹⁾	278,051	\$ 14,277,919	1.0%
Banks			
East West Bancorp, Inc.	446,875	27,183,406	1.9%
First Republic Bank	170,243	14,749,854	1.1%
		41,933,260	3.0%
Beverages			
Dr. Pepper Snapple Group, Inc.	287,860	27,939,692	2.0%
Building Products			
AO Smith Corp.	540,853	33,143,472	2.4%
Capital Markets			
Affiliated Managers Group, Inc.	148,413	30,461,768	2.2%
MarketAxess Holdings, Inc.	67,476	13,613,283	1.0%
		44,075,051	3.2%
Chemicals			
Albemarle Corp.	182,438	23,331,996	1.7%
Distributors			
LKQ Corp. ⁽¹⁾	723,554	29,426,941	2.1%
Pool Corp.	224,753	29,139,227	2.1%
		58,566,168	4.2%
Electrical Equipment			
Rockwell Automation, Inc.	67,094	13,173,907	1.0%
Electronic Equipment, Instruments & Components			
CDW Corp.	368,798	25,627,773	1.8%
Trimble Navigation Ltd. ⁽¹⁾	669,832	27,221,973	2.0%
		52,849,746	3.8%
Food & Staples Retailing			
Casey's General Stores, Inc.	196,108	21,952,330	1.6%
Health Care Equipment & Supplies			
The Cooper Cos., Inc.	57,808	12,595,207	0.9%
Edwards Lifesciences Corp. ⁽¹⁾	265,633	29,939,496	2.1%
IDEXX Laboratories, Inc. ⁽¹⁾	77,409	12,105,219	0.9%
		54,639,922	3.9%
Health Care Providers & Services			
Acadia Healthcare Co., Inc. ⁽¹⁾	390,256	12,734,053	0.9%
Henry Schein, Inc. ⁽¹⁾	391,655	27,368,852	2.0%
		40,102,905	2.9%
Health Care Technology			
Veeva Systems, Inc. ⁽¹⁾	297,676	16,455,529	1.2%

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

Baird MidCap Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Hotels, Restaurants & Leisure			
Dominos Pizza, Inc.	103,238	\$ 19,507,852	1.4%
Vail Resorts, Inc.	100,978	21,454,796	1.6%
		40,962,648	3.0%
Internet Software & Services			
GrubHub, Inc. ⁽¹⁾	353,640	25,391,352	1.8%
IT Services			
Alliance Data Systems Corp.	87,665	22,221,324	1.6%
Broadridge Financial Solutions, Inc.	342,595	31,032,255	2.2%
EPAM Systems, Inc. ⁽¹⁾	282,051	30,300,739	2.2%
Euronet Worldwide, Inc. ⁽¹⁾	289,725	24,415,126	1.8%
Fiserv, Inc. ⁽¹⁾	217,604	28,534,412	2.0%
Gartner, Inc. ⁽¹⁾	170,346	20,978,110	1.5%
		157,481,966	11.3%
Life Sciences Tools & Services			
ICON PLC ⁽¹⁾⁽²⁾	227,685	25,534,873	1.9%
Illumina, Inc. ⁽¹⁾	65,174	14,239,867	1.0%
		39,774,740	2.9%
Machinery			
Fortive Corp.	378,356	27,374,057	2.0%
Graco, Inc.	570,336	25,790,594	1.8%
The Middleby Corp. ⁽¹⁾	189,961	25,635,237	1.8%
Oshkosh Truck Corporation	231,332	21,025,765	1.5%
WABCO Holdings, Inc. ⁽¹⁾	190,483	27,334,310	2.0%
		127,159,963	9.1%
Media			
Cable One, Inc.	41,400	29,118,690	2.1%
Multiline Retail			
Burlington Stores, Inc. ⁽¹⁾	339,355	41,750,846	3.0%
Dollar General Corp.	187,236	17,414,820	1.2%
Ollie's Bargain Outlet Holdings, Inc. ⁽¹⁾	439,793	23,418,977	1.7%
		82,584,643	5.9%
Oil, Gas & Consumable Fuels			
Diamondback Energy, Inc. ⁽¹⁾	225,747	28,500,559	2.1%
Pharmaceuticals			
Jazz Pharmaceuticals PLC ⁽¹⁾⁽²⁾	84,016	11,312,754	0.8%
Professional Services			
Verisk Analytics, Inc. ⁽¹⁾	320,263	30,745,248	2.2%
Road & Rail			
J.B. Hunt Transport Services, Inc.	258,402	29,711,062	2.1%

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

Baird MidCap Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Semiconductors & Semiconductor Equipment			
Microchip Technology, Inc.	300,650	\$ 26,421,122	1.9%
Monolithic Power Systems, Inc.	216,012	24,271,108	1.7%
		50,692,230	3.6%
Software			
Blackbaud, Inc.	169,275	15,994,795	1.2%
Red Hat, Inc. ⁽¹⁾	135,745	16,302,974	1.2%
ServiceNow, Inc. ⁽¹⁾	215,642	28,117,560	2.0%
Synopsys, Inc. ⁽¹⁾	285,523	24,337,981	1.7%
Tyler Technologies, Inc. ⁽¹⁾	147,866	26,179,675	1.9%
The Ultimate Software Group, Inc. ⁽¹⁾	132,648	28,947,773	2.1%
		139,880,758	10.1%
Textiles, Apparel & Luxury Goods			
Lululemon Athletica, Inc. ⁽¹⁾	320,740	25,206,957	1.8%
Trading Companies & Distributors			
Beacon Roofing Supply, Inc. ⁽¹⁾	367,570	23,436,263	1.7%
Fastenal Co.	447,027	24,447,907	1.7%
Univar, Inc. ⁽¹⁾	801,585	24,817,071	1.8%
Watsco, Inc.	131,922	22,432,017	1.6%
		95,133,258	6.8%
Total Common Stocks (Cost \$980,294,410)		1,356,098,725	97.5%

Short-Term Investment

Money Market Mutual Fund

Fidelity Institutional Money Market Fund – Government Portfolio, Institutional Class, 1.19% ⁽³⁾	29,790,350	29,790,350	2.1%
Total Short-Term Investment (Cost \$29,790,350)		29,790,350	2.1%

Total Investments

(Cost \$1,010,084,760)		1,385,889,075	99.6%
Other Assets in Excess of Liabilities		5,092,718	0.4%
TOTAL NET ASSETS		\$1,390,981,793	100.0%

Notes to Schedule of Investments

- (1) Non-Income Producing
- (2) Foreign Security
- (3) 7-Day Yield

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

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

Baird MidCap Fund

Schedule of Investments, December 31, 2017

Summary of Fair Value Exposure at December 31, 2017

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

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

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

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

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

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Common Stocks	\$1,356,098,725	\$ —	\$ —	\$1,356,098,725
Total Equity	1,356,098,725	—	—	1,356,098,725
Short-Term Investment				
Money Market Mutual Fund	29,790,350	—	—	29,790,350
Total Short-Term Investment	29,790,350	—	—	29,790,350
Total Investments*	<u>\$1,385,889,075</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,385,889,075</u>

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

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

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

Baird Small/Mid Cap Value Fund

December 31, 2017 (Unaudited)

Portfolio Manager Commentary

Fortunately, defining moments in portfolio management only seem to come around about once every market cycle. They test our grit and conviction in our investment process and philosophy. Just such a trial was presented in 2016 to small- and mid-cap value managers with a high quality bias like ourselves. We watched painstakingly as deep value stocks levitated post the election on pure speculation. We were puzzled as our companies with superior profitability, better growth and lower valuations underperformed. However, the price of discipline is always less than the price of regret. We resisted chasing then-popular trades, such as infrastructure-related and bank stocks that commanded unjustified valuations. We held on to dividend paying stocks on the premise long-term rates would moderate. In short, we stayed disciplined.

As predicted, 2016's laggards were 2017's winners and our research efforts were rewarded with strong security performance across most economic sectors. Importantly, most of the Baird Small/Mid Cap Value Fund's return for 2017 came from earnings growth, with less than 5% of the return attributed to price-to-earnings multiple expansion. In a market with lofty current valuations, the Fund continues to trade at a compelling P/E ratio of under 16 times the next 12 months' earnings. In addition, the majority of our domestically-focused holdings pays an average effective tax rate greater than 30% and stands to benefit disproportionately from U.S. tax reform. Finally, we expect M&A activity to accelerate in 2018, also providing support for small- and mid-cap valuations.

What we know from the past is that the outperformance of high quality stocks is typically protracted, unlike the short sprints for deep value and that, over the full market cycle, high quality outperforms low quality. If history repeats itself, this trend should provide a nice tailwind in 2018 to complement the alpha we seek to provide through security selection.

In 2017, the Fund's Institutional Class generated a total return of 21.48% compared to a 10.36% return for the Russell 2500® Value Index, the Fund's benchmark. During a year of great dispersion of returns among economic sectors, allocation played an important role for portfolio managers in 2017. Following is a discussion of key contributors and detractors for the Fund's performance relative to its benchmark.

Key Contributors to Relative Returns:

- The Fund enjoyed very strong security selection, posting positive returns in all economic sectors and outperforming the corresponding benchmark sector return in nine out of ten economic sectors.
- The Fund's security selection was led by ZAGG, Inc. (+160%), Boingo Wireless (+85%), Stamps.com (+64%) and Verisign (+50%). Other notable gainers include aerospace and defense holdings, Orbital ATK and Rockwell Collins, which were bought out during the year.
- The Fund had no holdings in Energy (the worst performing sector in the benchmark (-15%)) for the majority of the year. We purchased Solaris Oilfield Infrastructure in the fourth quarter, which grew by 50% by year-end.

Baird Small/Mid Cap Value Fund

December 31, 2017 (Unaudited)

Key Detractors from Relative Returns:

- The Fund's Consumer Staples holdings underperformed the benchmark due to a decline in the Fund's holdings of Orchids Paper Products Company (-50%). We anticipate the execution issues of bringing their new paper plant up and running are behind the company, allowing for a debt refinancing and earnings rebound in 2018.
- Other notable individual stocks that contributed to the Fund's underperformance include Meta Financial Group (-9%), Hilltop Holdings (-14%) and J2 Global (-6%).

Portfolio Manager:

Michelle Stevens

Baird Small/Mid Cap Value Fund

December 31, 2017 (Unaudited)

Portfolio Characteristics

A December 31, 2017 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 2500® Value Index is shown below.

Top 10 Holdings*

Boingo Wireless, Inc.	4.8%
Meta Financial Group, Inc.	3.8%
ICU Medical, Inc.	3.1%
ZAGG, Inc.	3.0%
American Financial Group, Inc.	2.9%
Stamps.com, Inc.	2.7%
Healthcare Trust of America, Inc.	2.7%
Silicon Motion Technology Corp.	2.7%
Cypress Semiconductor Corp.	2.5%
Quanta Services, Inc.	2.5%

Net Assets:	\$16,945,244
Portfolio Turnover Rate:	60.4%
Number of Equity Holdings:	40

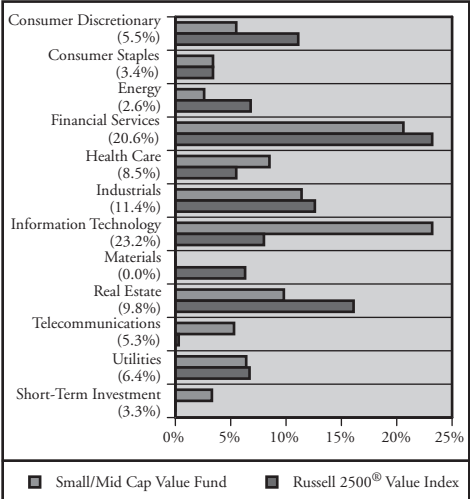
Annualized Portfolio Expense Ratio:***

Gross	
Institutional Class:	2.87%
Investor Class:	3.12%****

Net

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

Equity Sector Analysis**



* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2017.

** Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2017, and may not add up to 100% due to rounding.

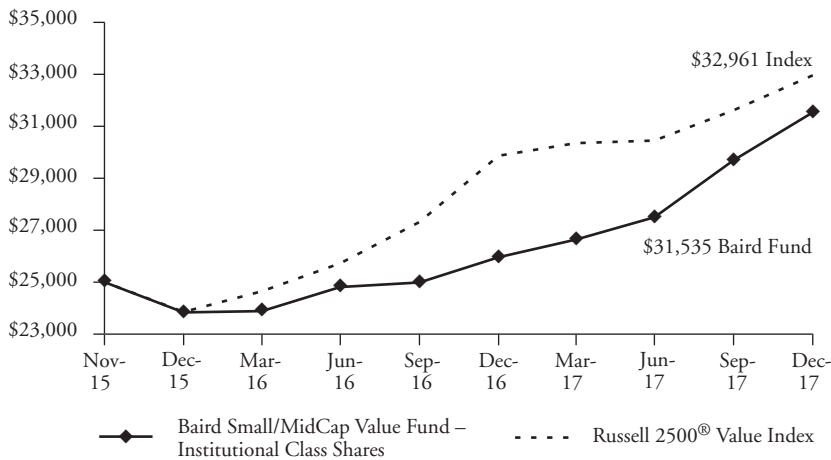
*** Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2019.

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

Baird Small/Mid Cap Value Fund

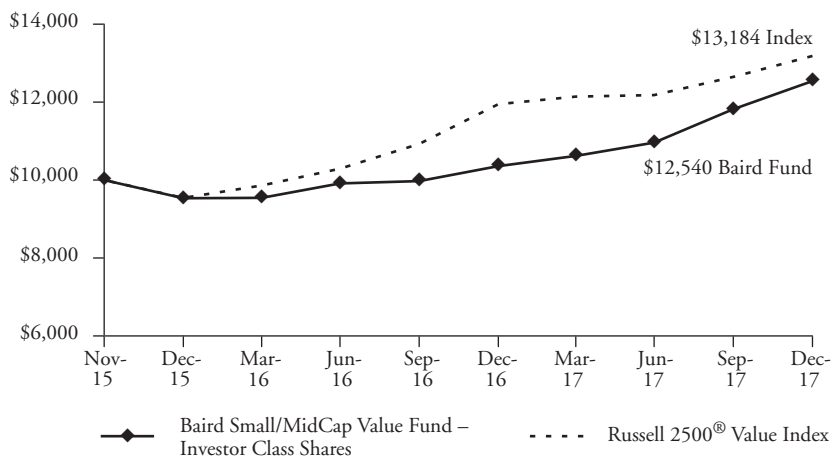
December 31, 2017 (Unaudited)

Institutional Class
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (11/30/15), assuming reinvestment of all distributions.

Investor Class
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (11/30/15), assuming reinvestment of all distributions.

Baird Small/Mid Cap Value Fund

December 31, 2017 (Unaudited)

Total Returns

		Average Annual
		Since Inception ⁽¹⁾
<i>For the Periods Ended December 31, 2017</i>	One Year	
Institutional Class Shares	21.48%	11.78%
Investor Class Shares	21.08%	11.47%
Russell 2500® Value Index ⁽²⁾	10.36%	14.18%

- (1) For the period from November 30, 2015 (inception date) through December 31, 2017.
- (2) The Russell 2500® Value Index measures the performance of the small cap value segment of the U.S. equity universe. It includes those Russell 2500® Index companies with lower price-to-book ratios and lower forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

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

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

The Fund focuses on small to mid cap value style stocks and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. The Fund may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulation.

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

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

Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2017

Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Aerospace & Defense			
Hexcel Corp.	6,134	\$ 379,388	2.2%
Air Freight & Logistics			
Air Transport Services Group, Inc. ⁽¹⁾	16,486	381,486	2.2%
Atlas Air Worldwide Holdings, Inc. ⁽¹⁾	4,665	273,602	1.6%
		655,088	3.8%
Banks			
Hilltop Holdings, Inc.	9,649	244,409	1.4%
Capital Markets			
Diamond Hill Investment Group, Inc.	1,214	250,885	1.5%
Commercial Services & Supplies			
Deluxe Corp.	3,706	284,769	1.7%
Construction & Engineering			
Quanta Services, Inc. ⁽¹⁾	10,671	417,343	2.5%
Distributors			
LKQ Corp. ⁽¹⁾	8,243	335,243	2.0%
Electric Utilities			
Alliant Energy Corp.	6,646	283,186	1.7%
Pinnacle West Capital Corp.	3,898	332,032	2.0%
		615,218	3.7%
Electronic Equipment, Instruments & Components			
Belden, Inc.	4,409	340,243	2.0%
Dolby Laboratories, Inc. – Class A	5,048	312,976	1.9%
		653,219	3.9%
Energy Equipment & Services			
Solaris Oilfield Infrastructure, Inc. ⁽¹⁾	18,403	394,008	2.3%
Equity Real Estate Investment Trusts (REITs)			
Agree Realty Corp.	7,349	378,033	2.2%
CyrusOne, Inc.	5,112	304,317	1.8%
Healthcare Trust of America, Inc.	15,272	458,771	2.7%
Physicians Realty Trust	19,490	350,625	2.1%
		1,491,746	8.8%
Food Products			
Lamb Weston Holdings, Inc.	7,285	411,238	2.4%
Health Care Equipment & Supplies			
ICU Medical, Inc. ⁽¹⁾	2,428	524,448	3.1%

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

Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
Health Care Providers & Services			
DaVita, Inc. ⁽¹⁾	3,259	\$ 235,463	1.4%
Laboratory Corp. of America Holdings ⁽¹⁾	2,237	356,823	2.1%
		592,286	3.5%
Household Durables			
ZAGG, Inc. ⁽¹⁾	27,285	503,408	3.0%
Household Products			
Orchids Paper Products Co.	8,946	114,509	0.7%
Independent Power and Renewable Electricity Producers			
Algonquin Power & Utilities Corp. ⁽²⁾	31,694	353,705	2.1%
Insurance			
American Financial Group, Inc.	4,601	499,393	2.9%
Atlas Financial Holdings, Inc. ⁽¹⁾⁽²⁾	15,975	328,286	1.9%
		827,679	4.8%
Internet Software & Services			
j2 Global, Inc.	4,665	350,015	2.1%
Stamps.com, Inc. ⁽¹⁾	2,492	468,496	2.7%
VeriSign, Inc. ⁽¹⁾	2,684	307,157	1.8%
		1,125,668	6.6%
IT Services			
Leidos Holdings, Inc.	4,793	309,484	1.8%
Mortgage Real Estate Investment Trusts (REITs)			
Blackstone Mortgage Trust, Inc. – Class A	11,374	366,015	2.2%
Pharmaceuticals			
Jazz Pharmaceuticals PLC ⁽¹⁾⁽²⁾	1,278	172,083	1.0%
Semiconductors & Semiconductor Equipment			
Cypress Semiconductor Corp.	27,988	426,537	2.5%
Integrated Device Technology, Inc. ⁽¹⁾	10,160	302,057	1.8%
Silicon Motion Technology Corp. – ADR ⁽²⁾	8,627	456,885	2.7%
Skyworks Solutions, Inc.	2,684	254,846	1.5%
		1,440,325	8.5%
Thriffs & Mortgage Finance			
Bofi Holding, Inc. ⁽¹⁾	13,675	408,883	2.4%
Meta Financial Group, Inc.	6,901	639,378	3.8%
NMI Holdings, Inc. – Class A ⁽¹⁾	23,515	399,755	2.3%
		1,448,016	8.5%

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

Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Wireless Telecommunication Services			
Boingo Wireless, Inc. ⁽¹⁾	35,826	\$ 806,085	4.8%
Total Common Stocks (Cost \$11,606,639)		14,716,265	86.8%

Short-Term Investment

Money Market Fund

Fidelity Institutional Money Market Fund – Government Portfolio, Institutional Class, 1.19% ⁽³⁾	501,257	<u>501,257</u>	<u>3.0%</u>
Total Short-Term Investment (Cost \$501,257)		501,257	3.0%

Total Investments (Cost \$12,107,896)		15,217,522	89.8%
Other Assets in Excess of Liabilities		<u>1,727,722</u>	<u>10.2%</u>
TOTAL NET ASSETS		<u>\$16,945,244</u>	<u>100.0%</u>

Notes to Schedule of Investments

- (1) Non-Income Producing
- (2) Foreign Security
- (3) 7-Day Yield

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

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

Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2017

Summary of Fair Value Exposure at December 31, 2017

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

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

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

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

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

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Common Stocks	\$14,716,265	\$ —	\$ —	\$14,716,265
Total Equity	14,716,265	—	—	14,716,265
Short-Term Investment				
Money Market Mutual Fund	501,257	—	—	501,257
Total Short-Term Investment	501,257	—	—	501,257
Total Investments*	<u>\$15,217,522</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$15,217,522</u>

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

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

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

Baird SmallCap Value Fund

December 31, 2017 (Unaudited)

Portfolio Manager Commentary

Fortunately, defining moments in portfolio management only seem to come around about once every market cycle. They test our grit and conviction in our investment process and philosophy. Just such a trial was presented in 2016 to small cap value managers with a high quality bias like ourselves. We watched painstakingly as deep value stocks levitated post the election on pure speculation. We were puzzled as our companies with superior profitability, better growth and lower valuations underperformed. However, the price of discipline is always less than the price of regret. We resisted chasing then-popular trades, such as infrastructure-related and bank stocks that commanded unjustified valuations. We held on to dividend paying stocks on the premise long-term rates would moderate. In short, we stayed disciplined.

As predicted, 2016's laggards were 2017's winners and our research efforts were rewarded with strong security performance across most economic sectors. Importantly, most of the Baird SmallCap Value Fund's return for 2017 came from earnings growth, with less than 5% of the return attributed to price-to-earnings multiple expansion. In a market with lofty current valuations, the Fund continues to trade at a compelling P/E ratio of under 16 times the next 12 months' earnings. In addition, the majority of our domestically-focused holdings pay an average effective tax rate greater than 30% and stand to benefit disproportionately from U.S. tax reform. Finally, we expect M&A activity to accelerate in 2018, also providing support for small cap valuations.

What we know from the past is that the outperformance of high quality stocks is typically protracted, unlike the short sprints for deep value and that, over the full market cycle, high quality outperforms low quality. If history repeats itself, this trend should provide a nice tailwind in 2018 to complement the alpha we seek to provide through security selection.

In 2017, the Fund's Institutional Class generated a total return of 18.05% compared to a 7.84% return for the Russell 2000® Value Index, the Fund's benchmark. During a year of great dispersion of returns among economic sectors, allocation played an important role for portfolio managers in 2017. Following is a discussion of key contributors and detractors for the Fund's performance relative to its benchmark.

Key Contributors to Relative Returns:

- The Fund enjoyed very strong security selection, posting positive returns in all economic sectors and outperforming the corresponding benchmark sector return in the majority of economic sectors.
- The Fund's security selection was led by ZAGG, Inc. (+160%), Boingo Wireless (+85%), Stamps.com (+64%) and Verisign (+50%). Other notable gainers include Orbital ATK, Lamb Weston, Cypress Semiconductor, and Air Transport Services Group.
- The Fund had no holdings in Energy (the worst performing sector in the benchmark (-15%)) for the majority of the year. We purchased Solaris Oilfield Infrastructure in the fourth quarter, which grew by 50% by year-end.

Baird SmallCap Value Fund

December 31, 2017 (Unaudited)

Key Detractors from Relative Returns:

- The Fund's Consumer Staple holdings underperformed the benchmark due to a decline in the Fund's holdings of Orchids Paper Products Company (-50%). We anticipate the execution issues of bringing their new paper plant up and running are behind the company, allowing for a debt refinancing and earnings rebound in 2018.
- The Fund's holdings in Financials slightly trailed the performance of the corresponding benchmark sector. Bank stocks Meta Financial Group, Hilltop Holdings and Renasant, were responsible for the Fund's relative underperformance.
- Eagle Pharmaceuticals, which declined on a delayed product launch, held back the performance of the Fund's Healthcare-related holdings.

Portfolio Manager:

Michelle Stevens

Baird SmallCap Value Fund

December 31, 2017 (Unaudited)

Portfolio Characteristics

A December 31, 2017 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 2000® Value Index is shown below.

Top 10 Holdings*

Boingo Wireless, Inc.	5.3%
ICU Medical, Inc.	4.3%
Meta Financial Group, Inc.	3.9%
NMI Holdings, Inc.	3.2%
ZAGG, Inc.	3.2%
Algonquin Power & Utilities Corp.	3.1%
Patrick Industries, Inc.	3.0%
Solaris Oilfield Infrastructure, Inc.	2.9%
Stamps.com, Inc.	3.0%
Healthcare Trust of America, Inc.	2.9%

Net Assets:	\$36,217,666
Portfolio Turnover Rate:	29.9%
Number of Equity Holdings:	38

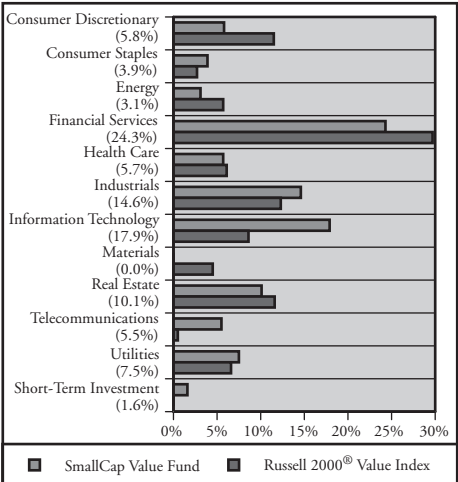
Annualized Portfolio Expense Ratio:***

Gross	
Institutional Class:	1.44%
Investor Class:	1.69%****

Net

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

Equity Sector Analysis**



* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2017.

** Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2017, and may not add up to 100% due to rounding.

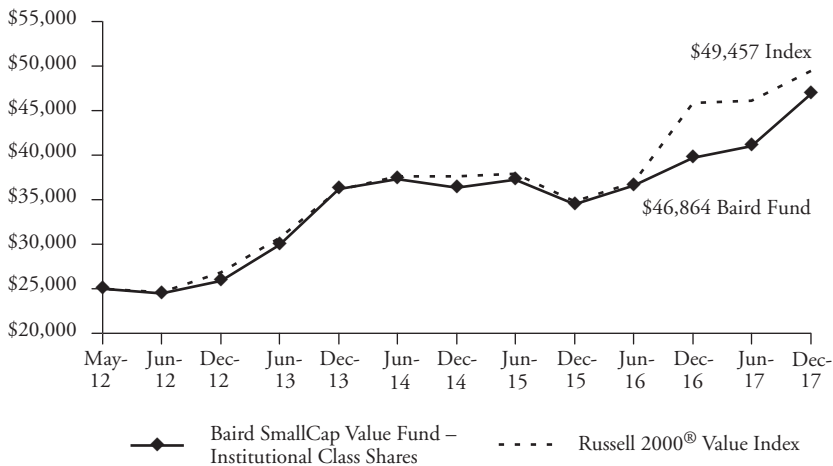
*** Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 1.00% of average daily net assets for the Institutional Class shares and 1.25% of average daily net assets for the Investor Class shares, at least through April 30, 2019.

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

Baird SmallCap Value Fund

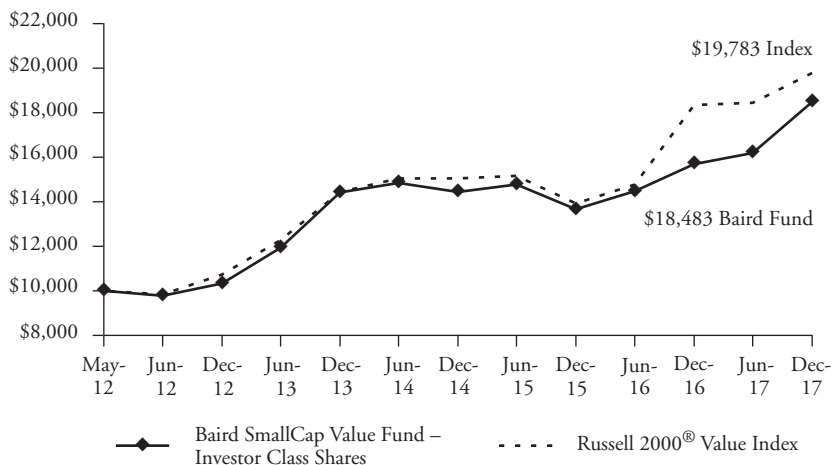
December 31, 2017 (Unaudited)

Institutional Class
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (5/1/12), assuming reinvestment of all distributions.

Investor Class
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (5/1/12), assuming reinvestment of all distributions.

Baird SmallCap Value Fund

December 31, 2017 (Unaudited)

Total Returns

<i>For the Periods Ended December 31, 2017</i>	One Year	Average Annual	
		Five Year	Since Inception ⁽¹⁾
Institutional Class Shares	18.05%	12.61%	11.72%
Investor Class Shares	17.78%	12.34%	11.44%
Russell 2000® Value Index ⁽²⁾	7.84%	13.01%	12.78%

- (1) For the period from May 1, 2012 (inception date) through December 31, 2017.
- (2) The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

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

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

The Fund focuses on small cap value style stocks and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. The Fund may invest up to 15% of its total assets in U.S. dollar denominated foreign securities and ADRs. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulation.

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

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

Baird SmallCap Value Fund

Schedule of Investments, December 31, 2017

Common Stocks

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
Aerospace & Defense			
Hexcel Corp.	12,422	\$ 768,301	2.1%
Air Freight & Logistics			
Air Transport Services Group, Inc. ⁽¹⁾	37,420	865,899	2.4%
Atlas Air Worldwide Holdings, Inc. ⁽¹⁾	10,582	620,634	1.7%
		1,486,533	4.1%
Auto Components			
LCI Industries	6,594	857,220	2.4%
Banks			
Hilltop Holdings, Inc.	22,084	559,388	1.5%
Biotechnology			
Eagle Pharmaceuticals, Inc. ⁽¹⁾	7,686	410,586	1.1%
Building Products			
Patrick Industries, Inc. ⁽¹⁾	15,413	1,070,398	3.0%
Capital Markets			
Diamond Hill Investment Group, Inc.	3,944	815,067	2.2%
Commercial Services & Supplies			
Deluxe Corp.	9,815	754,185	2.1%
Construction & Engineering			
Quanta Services, Inc. ⁽¹⁾	24,998	977,672	2.7%
Electric Utilities			
Alliant Energy Corp.	19,307	822,671	2.3%
Electronic Equipment, Instruments & Components			
Belden, Inc.	9,983	770,388	2.1%
Knowles Corp. ⁽¹⁾	47,196	691,893	1.9%
		1,462,281	4.0%
Energy Equipment & Services			
Solaris Oilfield Infrastructure, Inc. ⁽¹⁾	49,842	1,067,117	2.9%
Equity Real Estate Investment Trusts (REITs)			
Agree Realty Corp.	19,170	986,105	2.7%
CyrusOne, Inc.	11,809	702,990	2.0%
Healthcare Trust of America, Inc.	35,119	1,054,975	2.9%
Physicians Realty Trust	42,941	772,508	2.1%
		3,516,578	9.7%
Food Products			
Lamb Weston Holdings, Inc.	17,023	960,948	2.7%
Health Care Equipment & Supplies			
ICU Medical, Inc. ⁽¹⁾	7,208	1,556,928	4.3%

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

Baird SmallCap Value Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
Household Durables			
ZAGG, Inc. ⁽¹⁾	62,110	\$ 1,145,929	3.2%
Household Products			
Orchids Paper Products Co.	29,292	374,938	1.0%
Independent Power and Renewable Electricity Producers			
Algonquin Power & Utilities Corp. ⁽²⁾	99,530	1,110,755	3.1%
Insurance			
Atlas Financial Holdings, Inc. ⁽¹⁾⁽²⁾	49,842	1,024,253	2.8%
Internet Software & Services			
j2 Global, Inc.	13,079	981,317	2.7%
Stamps.com, Inc. ⁽¹⁾	5,674	1,066,712	3.0%
		2,048,029	5.7%
Mortgage Real Estate Investment Trusts (REITs)			
Blackstone Mortgage Trust, Inc. – Class A	26,684	858,691	2.4%
Capstead Mortgage Corp.	80,643	697,562	1.9%
		1,556,253	4.3%
Semiconductors & Semiconductor Equipment			
Cypress Semiconductor Corp.	64,718	986,303	2.7%
Integrated Device Technology, Inc. ⁽¹⁾	23,137	687,863	1.9%
Silicon Motion Technology Corp. ADR ⁽²⁾	19,170	1,015,243	2.8%
		2,689,409	7.4%
Thriffs & Mortgage Finance			
Bofi Holding, Inc. ⁽¹⁾	30,672	917,093	2.5%
Capitol Federal Financial, Inc.	20,886	280,081	0.8%
Merchants Bancorp	35,868	705,882	2.0%
Meta Financial Group, Inc.	15,336	1,420,881	3.9%
NMI Holdings, Inc. ⁽¹⁾	68,091	1,157,547	3.2%
		4,481,484	12.4%
Water Utilities			
Connecticut Water Service, Inc.	11,502	660,330	1.8%
Wireless Telecommunication Services			
Boingo Wireless, Inc. ⁽¹⁾	85,574	1,925,415	5.3%
Total Common Stocks (Cost \$24,541,937)		34,102,668	94.1%

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

Baird SmallCap Value Fund

Schedule of Investments, December 31, 2017

Short-Term Investment

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Money Market Mutual Fund			
Fidelity Institutional Money Market Fund – Government Portfolio, Institutional Class, 1.19% ⁽³⁾	568,650	\$ 568,650	1.6%
Total Short-Term Investment (Cost \$568,650)		568,650	1.6%
Total Investments (Cost \$25,110,587)		34,671,318	95.7%
Other Assets in Excess of Liabilities		1,546,348	4.3%
TOTAL NET ASSETS		\$36,217,666	100.0%

Notes to Schedule of Investments

- (1) Non-Income Producing
- (2) Foreign Security
- (3) 7-Day Yield

ADR – American Depository Receipt

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

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

Baird SmallCap Value Fund

Schedule of Investments, December 31, 2017

Summary of Fair Value Exposure at December 31, 2017

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

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

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

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

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

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Common Stocks	\$34,102,668	\$ —	\$ —	\$34,102,668
Total Equity	34,102,668	—	—	34,102,668
Short-Term Investment				
Money Market Mutual Fund	568,650	—	—	568,650
Total Short-Term Investment	568,650	—	—	568,650
Total Investments*	<u>\$34,671,318</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$34,671,318</u>

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

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

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

Chautauqua International Growth Fund

December 31, 2017 (Unaudited)

Portfolio Manager's Commentary

For 2017, the Chautauqua International Growth Fund achieved superior returns relative to its benchmark index, the MSCI ACWI ex USA Index (ND).

Chautauqua Capital Management's approach is to identify trends and companies that, as a result of their business model advantage, we believe will benefit disproportionately from these trends. In some periods, the trends evolve more slowly than we had anticipated or the company's ability to translate better business conditions into more rapid profit growth is delayed as they re-invest in their business model advantage to maximize its potential. In some cases, the fundamentals unfold beautifully but the markets do not seem to care. For much of 2017, several trends accelerated faster, the companies we invested in realized their expected potential and the markets recognized the enhanced underlying value. We caution that the Fund's investment returns experienced in 2017 will not always be possible. We do believe that our approach is the very best way to achieve capital appreciation but optimally, in order to capture the benefit of our skill and approach, investments should be made for a multi-year period.

In this environment, the Fund's Institutional Class returned 36.11%, outperforming the MSCI ACWI ex USA Index (ND), which advanced 27.19%.

Review

Growth style investing generally outperformed value style investing in both emerging and developed markets in 2017. Small capitalization stocks generally underperformed large capitalization stocks in the U.S. and MSCI ACWI markets. However, small capitalization stocks outperformed larger capitalization stocks, on average, in developed markets as characterized by the MSCI EAFE Index.

The Fund's aggregate investments in each country in which the Fund invested, taken as a whole, were positive for the year, with the best performance being achieved in emerging market countries. Emerging market countries in Asia had some of the best performers (investments in China appreciated 54.33% and investments in South Korea appreciated 47.80% in U.S. dollar terms). Some of the lower performers were Canada (16.90%) and the United Kingdom (22.38%).

The Fund's sector performance was also positive for the year. The best performers were information technology (up 42.27%) and materials (up 30.19%). Some of the lesser performers were energy (up 7.64%) and telecommunications services (up 8.61%).

Portfolio Highlights

2017 was a year of portfolio rebalancing. Market valuations, stock and bond alike worldwide, are high relative to their own history. That said, some asset classes are less extended than others. The increased involvement of value agnostic investors using such things as algorithmic trading strategies, index funds, and exchange traded funds (ETFs) may make the markets more fragile in the face of an unforeseen negative surprise. Conditions for the financial markets may be getting to the point where they are "as good as it gets". Meanwhile, investor and business sentiment are very positive and we believe that we are on the threshold of massive technological disruption. So, the current environment may mean "the best is yet to come".

In this current environment, we are optimistic but ever vigilant. We anticipate that the markets could get choppy in 2018. Therefore, we have increased our cash allocation to take advantage of market volatility and provide a measure of protection in a tumultuous market.

After eight years of aggressive monetary accommodation throughout most of the world, central bankers are in various stages of reversing course. This monetary accommodation, though necessary in the early stages of recovery from the great financial recession, became a habit that was hard to break. The result has been low inflation everywhere except in asset prices. In response to this change in monetary policy, we have shifted our holdings in financials towards companies that will benefit from higher interest rates (e.g., CI Financial, DBS Group Holdings Ltd. and Toronto Dominion Bank).

We have taken advantage of high market valuations and eliminated and reduced exposure to stocks we view as having elevated valuations. For example, BB Seguridade was sold from the portfolio at the beginning of the fourth quarter. The company benefitted from a rally in the Brazilian stock market despite experiencing a deceleration in sales growth in their core business.

Chautauqua International Growth Fund

December 31, 2017 (Unaudited)

We also took advantage of pricing volatility to initiate new positions during the year. TAL Education, a leading education and technology enterprise in China, is a good example of a company that has been on our watch list given their consistent top line growth and strong returns on invested capital. Pricing volatility in the fourth quarter provided a valuation opportunity for us to initiate a position in TAL.

During the year, our holdings in Wirecard, Keyence and HDFC Bank contributed significantly to the Fund's outperformance.

The Fund's overweight to health care, relative to the benchmark, detracted from returns for the year. Investments in Allergan and Genmab were disappointing as both companies experienced a slowdown in sales growth in the third quarter. Long-term, we are enthusiastic about both companies' prospects. Both companies are developing novel therapies in human health.

The Fund's overweight to the information technology sector was the strongest contributor to performance during the year. Not only was it the best performing sector for the year, within the MSCI index, but our stock selection in that sector (Wirecard, Alibaba, ASML and Keyence) further augmented the Fund's performance.

As is often the case, and as evidence of the effectiveness of our conviction weighting skill, the top five weighted holdings had a much larger positive contribution to performance than the smallest five weighted holdings (in the Fund, the top five holdings averaged a 77.76% return for the year).

Outlook

In reconciling "as good as it gets" with "the best is yet to come", we are struck by how extraordinary this moment in the financial markets really is. The Congressional Budget Office has declared that the output gap for the U.S. economy has closed. Likewise, the World Bank has declared that the global output gap has also closed. This means that the world economy is running at full capacity. Further monetary or fiscal stimulus will be inflationary. As an indicator of economic health, the Purchasing Managers' Index (PMI) has been rising among commodity-importing and exporting countries. This is unusual and generally not sustainable. Conditions for business may be getting to the point where they are "as good as it gets".

Nevertheless, with improved confidence and positive investor sentiment, the markets may remain ebullient. Meanwhile, the confluence of massive mineable data, combined with inexpensive computing power and data storage due to cloud computing, breakthroughs in machine learning, exponentially faster data transmission speeds and the internet of things, may lead to momentous gains in productivity and significant opportunities for new entrants who disrupt legacy business models. For a trend-based, best-in-breed growth investor such as Chautauqua Capital, this is very promising and may mean that "the best is yet to come".

Owing to our concentrated portfolios and long holding period, we have fewer holdings per person to analyze than most of our competitors. This enables us to know our holdings better and operate with a six person portfolio management team. As a result, we are very nimble. Our performance record has been good but we believe if the market volatility returns to historic levels, the "best may be yet to come" for us as investors.

Stock prices are primarily the product of a company's earnings and the multiple of those earnings investors are willing to pay. Over the past several years the multiple has expanded. Should the multiples contract, all things being equal, stock prices will contract. If, however, the earnings are growing faster than the market average, the price contraction can be offset. As growth investors, we do pay modest premium multiples for the shares of the great wealth generating businesses we invest in; yet we are value conscious and take a comprehensive view of each holding including future growth, profitability and valuation. The combination of insisting upon superior growth while being careful about valuation should help us perform in 2018.

We have the right investment team as we try to reconcile this "best is yet to come" with "as good as it gets" environment. Indeed this is a very interesting moment in time to be investing.

Portfolio Manager:

Brian Beitner

Chautauqua International Growth Fund

December 31, 2017 (Unaudited)

Portfolio Characteristics

A December 31, 2017 summary of the Fund's top 10 holdings and equity sector analysis compared to the MSCI ACWI ex USA Index is shown below.

Top 10 Holdings*

HDFC Bank Ltd.	5.1%
Novo Nordisk A/S	5.1%
ASML Holding NV	4.9%
Toronto-Dominion Bank	4.8%
DBS Group Holdings Ltd.	4.7%
Keyence Corp.	4.6%
Reckitt Benckiser Group PLC	4.5%
Temenos Group AG	4.1%
LINE Corp.	4.0%
Core Laboratories NV	3.9%

Net Assets: \$75,804,329

Portfolio Turnover Rate: 71.0%

Number of Equity Holdings: 29

Annualized Portfolio Expense Ratio:***

Gross

Institutional Class: 2.33%

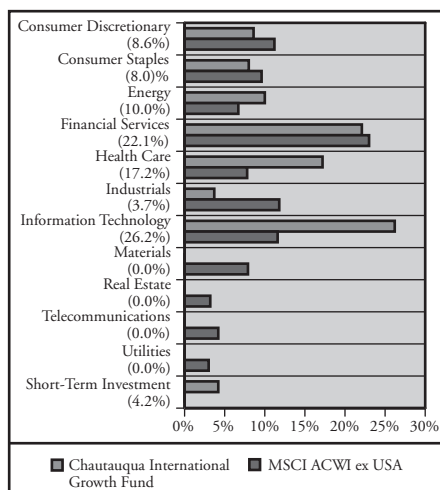
Investor Class: 2.58%****

Net

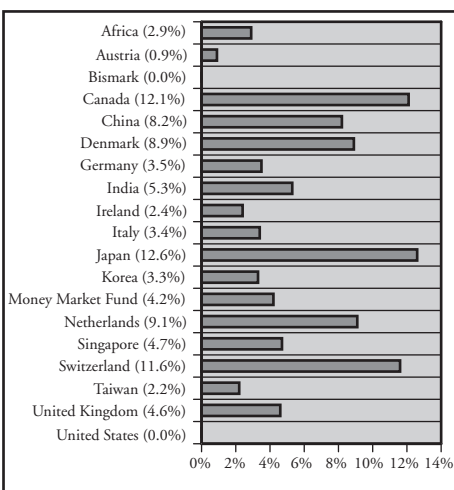
Institutional Class: 0.95%

Investor Class: 1.20%****

Equity Sector Analysis**



Country Allocation**



* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2017.

** Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2017, and may not add up to 100% due to rounding.

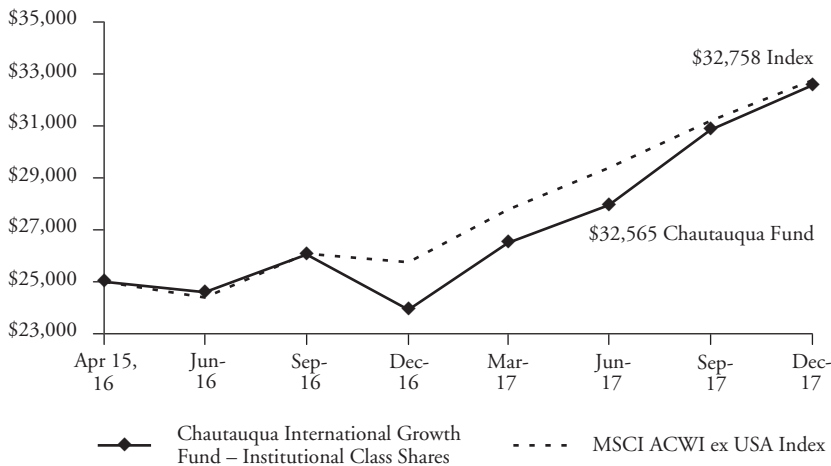
*** Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2019.

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

Chautauqua International Growth Fund

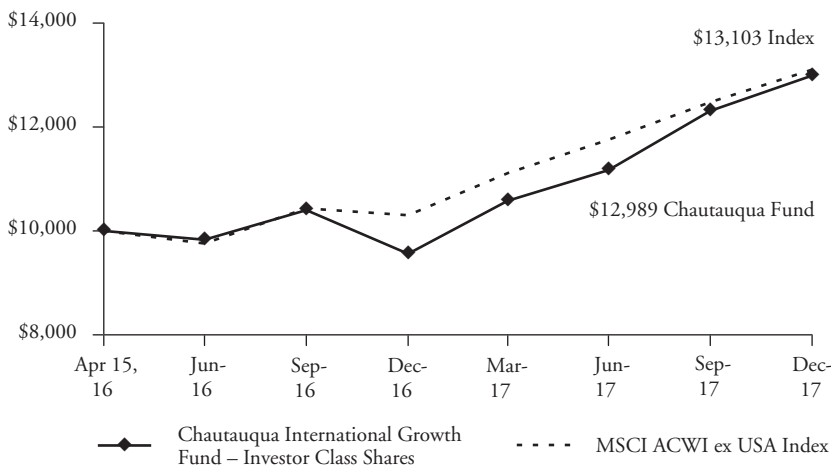
December 31, 2017 (Unaudited)

Institutional Class
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (04/15/16), assuming reinvestment of all distributions.

Investor Class
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (04/15/16), assuming reinvestment of all distributions.

Chautauqua International Growth Fund

December 31, 2017 (Unaudited)

Total Returns

		Average Annual
		Since Inception ⁽¹⁾
<i>For the Periods Ended December 31, 2017</i>		
	One Year	
Institutional Class Shares	36.11%	16.69%
Investor Class Shares	35.86%	16.50%
MSCI ACWI ex USA	27.19%	17.10%

(1) For the period from April 15, 2016 (inception date) through December 31, 2017.

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

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

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

The Fund focuses on both U.S. and non-U.S. stocks with medium to large market capitalizations and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. Under normal market conditions, the Fund will invest at least 65% of its total assets in non-U.S. companies. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulation. In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) following a referendum referred to as "Brexit." The exact timeframe for the UK's exit is unknown. There is significant market uncertainty regarding Brexit's ramifications, and the range of possible political, regulatory, economic, and market outcomes are difficult to predict. The negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Other geopolitical events may also cause market disruptions. The portfolio manager for the Fund has over 30 years of experience investing in the global markets and will attempt to minimize the negative impact of these events. However, it is possible that geopolitical events could have an adverse effect on the value of the Fund's investments.

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

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

Chautauqua International Growth Fund

Schedule of Investments, December 31, 2017

Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Apparel, Accessories & Luxury Goods			
Lululemon Athletica, Inc. (Canada) ⁽¹⁾	13,882	\$ 1,090,986	1.4%
Application Software			
Temenos Group AG (Switzerland) ⁽²⁾	24,194	3,096,125	4.1%
Asset Management & Custody Banks			
CI Financial Corp. (Canada) ⁽¹⁾	100,058	2,369,711	3.1%
Julius Baer Group Ltd. (Switzerland) ⁽²⁾	48,121	2,942,699	3.9%
		5,312,410	7.0%
Automobile Manufacturers			
BYD Co. Ltd. (China) ⁽²⁾	166,607	1,447,399	1.9%
Biotechnology			
Genmab A/S (Denmark) ⁽¹⁾	16,313	2,705,381	3.6%
Cable & Satellite			
Naspers Ltd. (South Africa) ⁽²⁾	7,669	2,124,722	2.8%
Data Processing & Outsourced Services			
Wirecard AG (Germany) ⁽²⁾	23,486	2,610,284	3.4%
Diversified Banks			
DBS Group Holdings Ltd. (Singapore) ⁽²⁾	189,738	3,509,448	4.7%
Toronto-Dominion Bank (Canada) ⁽¹⁾	62,140	3,640,900	4.8%
		7,150,348	9.5%
Education Services			
TAL Education Group (China)	24,446	726,291	1.0%
Electronic Equipment & Instruments			
Keyence Corp. (Japan) ⁽²⁾	6,273	3,504,294	4.6%
Health Care Distributors			
Sinopharm Group Co. Ltd. (China) ⁽²⁾	425,875	1,834,581	2.4%
Household Products			
Reckitt Benckiser Group PLC (United Kingdom) ⁽²⁾	36,690	3,422,930	4.5%
Internet Retail			
Alibaba Group Holding Ltd. – ADR (China) ⁽¹⁾	6,502	1,121,139	1.5%
Ctrip.com International Ltd. – ADR (China) ⁽¹⁾	21,523	949,164	1.3%
		2,070,303	2.8%
Internet Software & Services			
LINE Corp. (Japan) ⁽²⁾	74,286	3,033,706	4.0%
Oil & Gas Equipment & Services			
Core Laboratories NV (Netherlands)	27,292	2,989,839	3.9%
Oil & Gas Exploration & Production			
Encana Corp. (United States)	140,737	1,877,613	2.5%
Eni SpA (Italy) ⁽²⁾	153,666	2,542,849	3.3%
		4,420,462	5.8%

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

Chautauqua International Growth Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Personal Products			
Amorepacific Corp. (Republic of Korea)	8,687	\$ 2,470,872	3.3%
Pharmaceuticals			
Allergan PLC (Ireland)	10,984	1,796,763	2.4%
Novo Nordisk A/S – ADR (Denmark)	72,265	3,878,462	5.1%
Roche Holding AG (Switzerland) ⁽²⁾	9,984	2,524,508	3.3%
		8,199,733	10.8%
Professional Services			
Recruit Holdings Co. Ltd. (Japan) ⁽²⁾	111,440	2,767,051	3.7%
Regional Banks			
HDFC Bank Ltd. – ADR (India)	38,276	3,891,521	5.1%
Semiconductor Equipment			
ASML Holding NV (Netherlands)	21,349	3,710,883	4.9%
Semiconductors			
AMS AG (Austria) ⁽²⁾	7,648	692,847	0.9%
Taiwan Semiconductor Manufacturing Co. Ltd. – ADR (Taiwan)	40,926	1,622,716	2.1%
		2,315,563	3.0%
Total Common Stocks (Cost \$59,821,914)		70,895,684	93.5%

Short-Term Investment

Money Market Fund

Fidelity Institutional Money Market Fund – Government Portfolio, Institutional Class, 1.19% ⁽³⁾	3,093,074	3,093,074	4.1%
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Total Short-Term Investment

(Cost \$3,093,074)		3,093,074	4.1%
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Total Investments

(Cost \$62,914,988)		73,988,758	97.6%
Other Assets in Excess of Liabilities		1,815,571	2.4%
TOTAL NET ASSETS		\$75,804,329	100.0%

Notes to Schedule of Investments

- (1) Non-Income Producing
 - (2) Fair Valued Security – See Note 2a to Financial Statements
 - (3) 7-Day Yield
- ADR – American Depositary Receipt

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

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

Chautauqua International Growth Fund

Schedule of Investments, December 31, 2017

Summary of Fair Value Exposure at December 31, 2017

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

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

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

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

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

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Common Stocks	\$34,842,241	\$36,053,443	\$ —	\$70,895,684
Total Equity	<u>34,842,241</u>	<u>36,053,443</u>	<u>—</u>	<u>70,895,684</u>
Short-Term Investment				
Money Market Mutual Fund	3,093,074	—	—	3,093,074
Total Short-Term Investment	<u>3,093,074</u>	<u>—</u>	<u>—</u>	<u>3,093,074</u>
Total Investments*	<u>\$37,935,315</u>	<u>\$36,053,443</u>	<u>\$ —</u>	<u>\$73,988,758</u>

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

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. Transfers between levels are recognized at the end of the reporting period. The table below represents the transfers between Level 1 and Level 2 at December 31, 2017 due to fair valuation of certain foreign markets pursuant to an independent fair value pricing model. The Fund did not hold any Level 3 securities as of December 31, 2017. See the Fund's valuation policy in Note 2a to the financial statements.

Transfers into Level 1	\$ 5,176,253
Transfers out of Level 2	(5,176,253)
Net transfers	<u>\$ —</u>

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

Chautauqua Global Growth Fund

December 31, 2017 (Unaudited)

Portfolio Manager's Commentary

For 2017, the Chautauqua Global Growth Fund achieved superior returns relative to its benchmark index, the MSCI ACWI Index (ND).

Chautauqua Capital Management's approach is to identify trends and companies that, as a result of their business model advantage, we believe will benefit disproportionately from these trends. In some periods, the trends evolve more slowly than we had anticipated or the company's ability to translate better business conditions into more rapid profit growth is delayed as they re-invest in their business model advantage to maximize its potential. In some cases, the fundamentals unfold beautifully but the markets do not seem to care. For much of 2017, several trends accelerated faster, the companies we invested in realized their expected potential and the markets recognized the enhanced underlying value. We caution that the Fund's investment returns experienced in 2017 will not always be possible. We do believe that our approach is the very best way to achieve capital appreciation but optimally, in order to capture the benefit of our skill and approach, investments should be made for a multi-year period.

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The Fund's sector performance was also positive for the year. The best performers were information technology (up 42.27%) and materials (up 30.19%). Some of the lesser performers were energy (up 7.64%) and telecommunications services (up 8.61%).

Portfolio Highlights

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In this current environment, we are optimistic but ever vigilant. We anticipate that the markets could get choppy in 2018. Therefore, we have increased our cash allocation to take advantage of market volatility and provide a measure of protection in a tumultuous market.

After eight years of aggressive monetary accommodation throughout most of the world, central bankers are in various stages of reversing course. This monetary accommodation, though necessary in the early stages of recovery from the great financial recession, became a habit that was hard to break. The result has been low inflation everywhere except in asset prices. In response to this change in monetary policy, we have shifted our holdings in financials towards companies that will benefit from higher interest rates (e.g., CI Financial, DBS Group Holdings Ltd. and Toronto Dominion Bank).

We have taken advantage of high market valuations and eliminated and reduced exposure to stocks we view as having elevated valuations. For example, BB Seguridade was sold from the portfolio at the beginning of the fourth quarter. The company benefitted from a rally in the Brazilian stock market despite experiencing a deceleration in sales growth in their core business.

Chautauqua Global Growth Fund

December 31, 2017 (Unaudited)

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During the year, our holdings in Wirecard, Illumina and NVIDIA contributed significantly to the Fund's outperformance.

The Fund's overweight to health care, relative to the benchmark, detracted from returns for the year. Investments in Allergan and Genmab were disappointing as both companies experienced a slowdown in sales growth in the third quarter. Long-term, we are enthusiastic about both companies' prospects. Both companies are developing novel therapies in human health.

The Fund's overweight to the information technology sector was the strongest contributor to performance during the year. Not only was it the best performing sector for the year, within the MSCI index, but our stock selection in that sector (Wirecard, NVIDIA, Adobe, Temenos and Alibaba) further augmented the Fund's performance.

As is often the case, and as evidence of the effectiveness of our conviction weighting skill, the top five weighted holdings had a much larger positive contribution to performance than the smallest five weighted holdings (in the Fund, the top five holdings averaged a 55.12% return for the year).

Outlook

In reconciling "as good as it gets" with "the best is yet to come", we are struck by how extraordinary this moment in the financial markets really is. The Congressional Budget Office has declared that the output gap for the U.S. economy has closed. Likewise, the World Bank has declared that the global output gap has also closed. This means that the world economy is running at full capacity. Further monetary or fiscal stimulus will be inflationary. As an indicator of economic health, the Purchasing Managers' Index (PMI) has been rising among commodity-importing and exporting countries. This is unusual and generally not sustainable. Conditions for business may be getting to the point where they are "as good as it gets".

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Portfolio Manager:

Brian Beitner

Chautauqua Global Growth Fund

December 31, 2017 (Unaudited)

Portfolio Characteristics

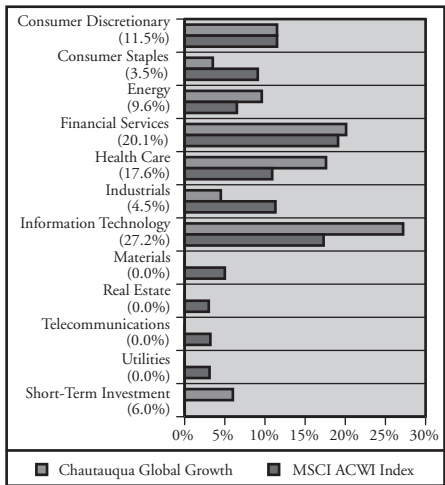
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Top 10 Holdings*

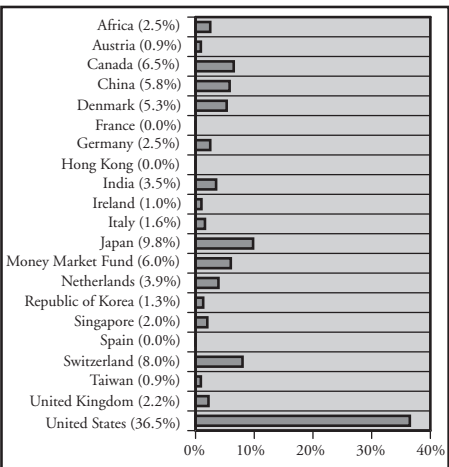
Recruit Holdings Co. Ltd.	3.8%
Temenos Group AG	3.4%
Pioneer Natural Resources Co.	3.2%
HDFC Bank Ltd.	3.0%
Keyence Corp.	3.0%
TJX Cos, Inc.	3.0%
Charles Schwab Corp.	3.0%
Toronto-Dominion Bank	2.8%
Novo Nordisk A/S	2.6%
NVIDIA Corp.	3.1%

Net Assets:	\$23,906,782
Portfolio Turnover Rate:	61.0%
Number of Equity Holdings:	44
Annualized Portfolio Expense Ratio:***	
Gross	
Institutional Class:	3.66%
Investor Class:	3.91%****
Net	
Institutional Class:	0.95%
Investor Class:	1.20%****

Equity Sector Analysis**



Country Allocation**



* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2017.

** Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2017, and may not add up to 100% due to rounding.

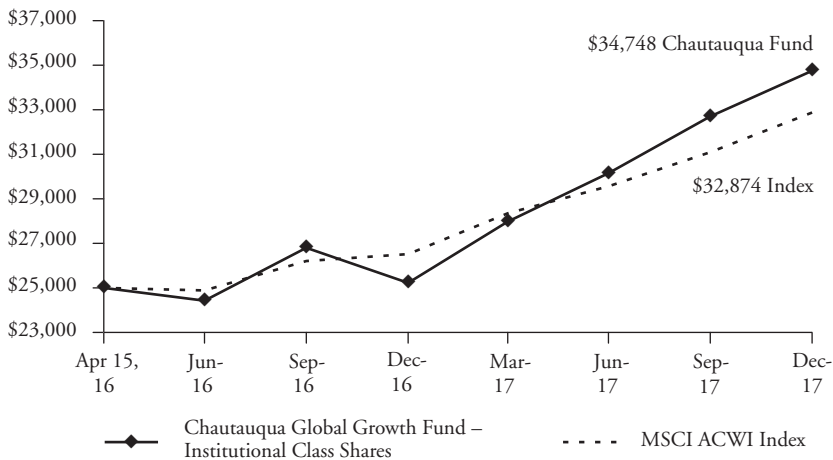
*** Reflects expense ratios as stated in the Fund's current prospectus. The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.95% of average daily net assets for the Institutional Class shares and 1.20% of average daily net assets for the Investor Class shares, at least through April 30, 2019.

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

Chautauqua Global Growth Fund

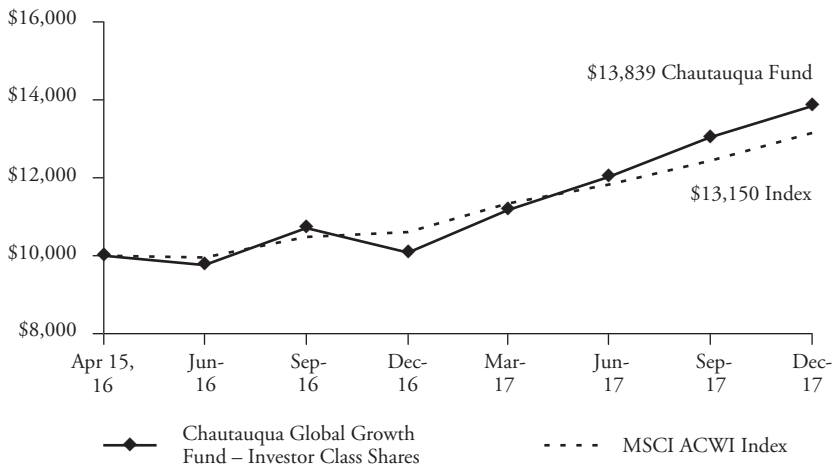
December 31, 2017 (Unaudited)

Institutional Class
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (04/15/16), assuming reinvestment of all distributions.

Investor Class
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (04/15/16), assuming reinvestment of all distributions.

Chautauqua Global Growth Fund

December 31, 2017 (Unaudited)

Total Returns

		Average Annual
		Since Inception ⁽¹⁾
<i>For the Periods Ended December 31, 2017</i>	One Year	
Institutional Class Shares	37.75%	21.20%
Investor Class Shares	37.29%	20.89%
MSCI ACWI Index	23.97%	17.34%

- (1) For the period from April 15, 2016 (inception date) through December 31, 2017.
- (2) The MSCI ACWI Index is a market-capitalization-weighted index maintained by MSCI, Inc. and designed to provide a broad measure of stock performance throughout the world. The MSCI ACWI Index includes both developed and emerging markets. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

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

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

The Fund focuses on both U.S. and non-U.S. stocks with medium to large market capitalizations and therefore the performance of the Fund may be more volatile than the performance of funds that focus on types of stocks that have a broader investment style. Under normal market conditions, the Fund will invest at least 40% of its total assets in non-U.S. companies. Foreign investments involve additional risks such as currency rate fluctuations and the potential for political and economic instability, and different and sometimes less strict financial reporting standards and regulation. In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) following a referendum referred to as “Brexit.” The exact timeframe for the UK’s exit is unknown. There is significant market uncertainty regarding Brexit’s ramifications, and the range of possible political, regulatory, economic, and market outcomes are difficult to predict. The negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Other geopolitical events may also cause market disruptions. The portfolio manager for the Fund has over 30 years of experience investing in the global markets and will attempt to minimize the negative impact of these events. However, it is possible that geopolitical events could have an adverse effect on the value of the Fund’s investments.

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

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

Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2017

Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Apparel Retail			
TJX Cos, Inc. (United States)	9,287	\$ 710,083	3.0%
Apparel, Accessories & Luxury Goods			
Lululemon Athletica, Inc. (Canada) ⁽¹⁾	3,496	274,751	1.1%
Application Software			
Temenos Group AG (Switzerland) ⁽²⁾	6,376	815,942	3.4%
Asset Management & Custody Banks			
CI Financial Corp. (Canada) ⁽¹⁾	15,739	372,753	1.6%
Julius Baer Group Ltd. (Switzerland) ⁽²⁾	9,931	607,301	2.5%
		980,054	4.1%
Automobile Manufacturers			
BYD Co Ltd. (China) ⁽²⁾	19,467	169,120	0.7%
Biotechnology			
Celgene Corp. (United States) ⁽¹⁾	5,790	604,243	2.5%
Genmab A/S (Denmark) ⁽¹⁾	2,666	442,135	1.8%
Incyte Corp. (United States) ⁽¹⁾	4,614	436,992	1.8%
Regeneron Pharmaceuticals, Inc. (United States) ⁽¹⁾	1,253	471,078	2.0%
		1,954,448	8.1%
Cable & Satellite			
Naspers Ltd. (South Africa) ⁽²⁾	1,808	500,912	2.1%
Data Processing & Outsourced Services			
Wirecard AG (Germany) ⁽²⁾	4,599	511,143	2.1%
Diversified Banks			
Toronto-Dominion Bank (Canada) ⁽¹⁾	11,377	666,600	2.8%
Education Services			
TAL Education Group (China)	6,593	195,878	0.8%
Electronic Equipment & Instruments			
Coherent, Inc. (United States) ⁽¹⁾	621	175,259	0.7%
Keyence Corp. (Japan) ⁽²⁾	1,273	711,137	3.0%
Universal Display Corp. (United States)	1,797	310,252	1.3%
		1,196,648	5.0%
Health Care Distributors			
Sinopharm Group Co. Ltd. (China) ⁽²⁾	54,019	232,703	1.0%
Household Products			
Reckitt Benckiser Group PLC (United Kingdom) ⁽²⁾	4,790	446,875	1.9%

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

Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
Internet Retail			
Alibaba Group Holding Ltd. – ADR (China) ⁽¹⁾	2,023	\$ 348,826	1.4%
Amazon.com, Inc. (United States) ⁽¹⁾	244	285,351	1.2%
Ctrip.com International Ltd. – ADR (China) ⁽¹⁾	4,390	193,599	0.8%
		827,776	3.4%
Internet Software & Services			
Alphabet, Inc. – Class A (United States) ⁽¹⁾	256	269,670	1.1%
LINE Corp. (Japan) ⁽²⁾	9,081	370,852	1.6%
		640,522	2.7%
Investment Banking & Brokerage			
DBS Group Holdings Ltd. (Singapore) ⁽²⁾	21,502	397,707	1.7%
IT Consulting & Other Services			
MasterCard, Inc. – Class A (United States)	2,632	398,380	1.7%
Life Sciences Tools & Services			
Illumina, Inc. (United States) ⁽¹⁾	1,673	365,534	1.5%
Oil & Gas Equipment & Services			
Core Laboratories NV (Netherlands)	5,225	572,399	2.4%
Oil & Gas Exploration & Production			
Antero Resources Corp. (United States) ⁽¹⁾	13,675	259,825	1.1%
Eni SpA (Italy) ⁽²⁾	20,125	333,026	1.4%
Pioneer Natural Resources Co. (United States)	4,470	772,640	3.2%
		1,365,491	5.7%
Other Diversified Financial Services			
Charles Schwab Corp. (United States)	13,817	709,779	3.0%
Personal Products			
Amorepacific Corp. (Republic of Korea)	949	269,927	1.1%
Pharmaceuticals			
Allergan PLC (Ireland)	1,213	198,423	0.9%
Novo Nordisk A/S – ADR (Denmark)	11,704	628,153	2.6%
Roche Holding AG (Switzerland) ⁽²⁾	776	196,216	0.8%
		1,022,792	4.3%
Professional Services			
Recruit Holdings Co. Ltd. (Japan) ⁽²⁾	36,307	901,501	3.8%
Regional Banks			
HDFC Bank Ltd. – ADR (India)	7,001	711,791	3.0%
SVB Financial Group (United States) ⁽¹⁾	2,606	609,205	2.5%
		1,320,996	5.5%

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

Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2017

Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
Semiconductor Equipment			
ASML Holding NV (Netherlands)	1,310	\$ 227,704	1.0%
Semiconductors			
NVIDIA Corp. (United States)	3,179	615,137	2.6%
Taiwan Semiconductor Manufacturing Co. Ltd. – ADR (Taiwan)	4,402	174,539	0.7%
		789,676	3.3%
Semiconductors & Semiconductor Equipment			
AMS AG (Austria) ⁽²⁾	2,031	183,992	0.8%
Systems Software			
Red Hat, Inc. (United States) ⁽¹⁾	3,416	410,262	1.7%
Total Common Stocks (Cost \$16,175,467)		19,059,595	79.7%

Short-Term Investment

Money Market Fund

Fidelity Institutional Money Market Fund –

Government Portfolio, Institutional Class, 1.19%⁽³⁾

1,221,518 1,221,518 5.1%

Total Short-Term Investment

(Cost \$1,221,518) 1,221,518 5.1%

Total Investments

(Cost \$17,396,985) 20,281,113 84.8%

Other Assets in Excess of Liabilities 3,625,669 15.2%

TOTAL NET ASSETS \$23,906,782 100.0%

Notes to Schedule of Investments

(1) Non-Income Producing

(2) Fair Valued Security – See Note 2a to Financial Statements

(3) 7-Day Yield

ADR – American Depositary Receipt

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

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

Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2017

Summary of Fair Value Exposure at December 31, 2017

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

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

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

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

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

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Common Stocks	\$12,681,168	\$6,378,427	\$ —	\$19,059,595
Total Equity	12,681,168	6,378,427	—	19,059,595
Short-Term Investment				
Money Market Mutual Fund	1,221,518	—	—	1,221,518
Total Short-Term Investment	1,221,518	—	—	1,221,518
Total Investments*	<u>\$13,902,686</u>	<u>\$6,378,427</u>	<u>\$ —</u>	<u>\$20,281,113</u>

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

Changes in valuation techniques may result in transfers into or out of assigned levels within the fair value hierarchy. Transfers between levels are recognized at the end of the reporting period. The table below represents the transfers between Level 1 and Level 2 at December 31, 2017 due to fair valuation of certain foreign markets pursuant to an independent fair value pricing model. The Fund did not hold any Level 3 securities as of December 31, 2017. See the Fund's valuation policy in Note 2a to the financial statements.

Transfers into Level 1	\$ 712,062
Transfers out of Level 2	(712,062)
Net transfers	<u>\$ —</u>

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

Additional Information on Fund Expenses

December 31, 2017 (Unaudited)

Example

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

This Example is intended to help you understand your ongoing costs (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (7/1/17 – 12/31/17).

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

Additional Information on Fund Expenses

December 31, 2017 (Unaudited)

Actual vs. Hypothetical Returns

For the Six Months Ended December 31, 2017

			Actual		Hypothetical (5% return before expenses)	
	Fund's Annualized Expense Ratio ⁽¹⁾	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period ⁽¹⁾	Ending Account Value 12/31/17	Expenses Paid During Period ⁽¹⁾
Baird MidCap Fund						
Institutional Class	0.83%	\$1,000.00	\$1,093.10	\$4.38	\$1,021.02	\$4.23
Investor Class	1.08%	\$1,000.00	\$1,091.80	\$5.69	\$1,019.76	\$5.50
Baird Small/Mid Cap Value Fund						
Institutional Class	0.95%	\$1,000.00	\$1,146.80	\$5.14	\$1,020.42	\$4.84
Investor Class	1.20%	\$1,000.00	\$1,144.00	\$6.48	\$1,019.16	\$6.11
Baird SmallCap Value Fund						
Institutional Class	1.00%	\$1,000.00	\$1,142.70	\$5.40	\$1,020.16	\$5.09
Investor Class	1.25%	\$1,000.00	\$1,141.60	\$6.75	\$1,018.90	\$6.36
Chautauqua International Growth Fund						
Institutional Class	0.95%	\$1,000.00	\$1,165.10	\$5.18	\$1,020.42	\$4.84
Investor Class	1.20%	\$1,000.00	\$1,162.80	\$6.54	\$1,019.16	\$6.11
Chautauqua Global Growth Fund						
Institutional Class	0.95%	\$1,000.00	\$1,152.50	\$5.15	\$1,020.42	\$4.84
Investor Class	1.20%	\$1,000.00	\$1,151.30	\$6.51	\$1,019.16	\$6.11

(1) Expenses are equal to the Fund's annualized net expense ratio multiplied by the average account value over the period, multiplied by 184 days and divided by 365 to reflect the one-half year period.

Statements of Assets and Liabilities

December 31, 2017

	Baird MidCap Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
ASSETS:			
Investments, at value (cost \$1,010,084,760, \$12,107,896 and \$25,110,587, respectively)	\$1,385,889,075	\$15,217,522	\$34,671,318
Dividends receivable	502,918	25,330	79,052
Interest receivable	32,297	487	1,159
Receivable for investments sold	3,452,795	—	—
Receivable for Fund shares sold	4,512,452	1,700,000	1,500,000
Receivable from Advisor, net (Note 5)	—	3,507	—
Prepaid expenses and other assets	14,808	21,675	6,995
Total assets	<u>1,394,404,345</u>	<u>16,968,521</u>	<u>36,258,524</u>
LIABILITIES:			
Payable for Fund shares redeemed	2,295,415	231	4,024
Payable to Advisor, net (Note 5)	885,885	—	11,297
Payable to Directors	325	18	50
Accrued Rule 12b-1 fees (Note 8)	59,172	43	1,724
Accrued expenses and other liabilities	181,755	22,985	23,763
Total liabilities	<u>3,422,552</u>	<u>23,277</u>	<u>40,858</u>
NET ASSETS	<u>\$1,390,981,793</u>	<u>\$16,945,244</u>	<u>\$36,217,666</u>
NET ASSETS CONSIST OF:			
Capital stock	\$1,003,620,073	\$13,863,397	\$25,899,658
Accumulated undistributed net investment income (loss)	—	—	—
Accumulated undistributed net realized gain (loss) on investments sold	11,557,405	(27,779)	757,277
Net unrealized appreciation on: Investments	<u>375,804,315</u>	<u>3,109,626</u>	<u>9,560,731</u>
NET ASSETS	<u>\$1,390,981,793</u>	<u>\$16,945,244</u>	<u>\$36,217,666</u>
INSTITUTIONAL CLASS SHARES			
Net Assets	\$1,279,571,370	\$16,859,137	\$33,631,352
Shares outstanding (\$0.01 par value, unlimited shares authorized)	66,770,418	1,356,764	1,979,581
Net asset value, offering and redemption price per share	<u>\$ 19.16</u>	<u>\$ 12.43</u>	<u>\$ 16.99</u>
INVESTOR CLASS SHARES			
Net Assets	\$ 111,410,423	\$ 86,107	\$ 2,586,314
Shares outstanding (\$0.01 par value, unlimited shares authorized)	6,111,425	6,942	152,427
Net asset value, offering and redemption price per share	<u>\$ 18.23</u>	<u>\$ 12.40</u>	<u>\$ 16.97</u>

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

Statements of Assets and Liabilities

December 31, 2017

	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
ASSETS:		
Investments, at value (cost \$62,914,988 and \$17,396,985, respectively)	\$73,988,758	\$20,281,113
Foreign currency, at value (cost \$37,291 and \$2,669, respectively)	36,383	3,741
Dividends receivable	42,132	4,225
Interest receivable	3,775	1,187
Receivable for Fund shares sold	1,783,428	4,074,982
Receivable from Advisor, net (Note 5)	—	2,162
Prepaid expenses and other assets	15,392	13,151
Total assets	<u>75,869,868</u>	<u>24,380,561</u>
LIABILITIES:		
Payable for securities purchased	—	445,259
Payable to Advisor, net (Note 5)	29,368	—
Payable to Directors	319	144
Accrued Rule 12b-1 fees (Note 8)	804	282
Accrued expenses and other liabilities	35,048	28,094
Total liabilities	<u>65,539</u>	<u>473,779</u>
NET ASSETS	<u>\$75,804,329</u>	<u>\$23,906,782</u>
NET ASSETS CONSIST OF:		
Capital stock	\$63,545,638	\$20,610,311
Accumulated undistributed net investment income (loss)	9,553	(228)
Accumulated undistributed net realized gain on investments sold and foreign currency translation	1,175,630	412,811
Net unrealized appreciation (depreciation) on:		
Investments	11,073,770	2,884,128
Foreign currency and other assets denominated in foreign currency	(262)	(240)
NET ASSETS	<u>\$75,804,329</u>	<u>\$23,906,782</u>
INSTITUTIONAL CLASS SHARES		
Net Assets	\$74,185,845	\$23,238,544
Shares outstanding (\$0.01 par value, unlimited shares authorized)	5,891,470	1,730,666
Net asset value, offering and redemption price per share	<u>\$ 12.59</u>	<u>\$ 13.43</u>
INVESTOR CLASS SHARES		
Net Assets	\$ 1,618,484	\$ 668,238
Shares outstanding (\$0.01 par value, unlimited shares authorized)	128,754	49,977
Net asset value, offering and redemption price per share	<u>\$ 12.57</u>	<u>\$ 13.37</u>

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

Statements of Operations

Year Ended December 31, 2017

	Baird MidCap Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
INVESTMENT INCOME:			
Dividends (net of issuance fees and/or foreign taxes withheld of \$0, \$1,342 and \$4,550, respectively)	\$ 8,694,745	\$ 207,318	\$ 500,139
Interest	412,064	3,055	7,312
Other income	—	354	1,769
Total investment income	9,106,809	210,727	509,220
EXPENSES:			
Investment advisory fees (Note 5)	10,281,309	107,311	269,666
Administration fees	92,479	3,254	4,648
Shareholder servicing fees	708,022	12,147	16,013
Fund accounting fees	60,912	14,540	15,412
Professional fees	31,397	32,377	31,609
Federal and state registration	61,632	42,303	43,784
Directors fees	41,711	38,315	41,461
Custody fees	22,019	5,101	4,096
Reports to shareholders	75,711	1,094	1,055
Miscellaneous expenses	2,477	241	182
Rule 12b-1 fees – Investor Class Shares (Note 8)	298,392	161	6,426
Total expenses	11,676,061	256,844	434,352
Fee waiver by Advisor (Note 5)	—	(129,251)	(110,672)
Net expenses	11,676,061	127,593	323,680
NET INVESTMENT INCOME (LOSS)	(2,569,252)	83,134	185,540
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:			
Net realized gain on investments	143,972,259	412,449	1,935,024
Change in unrealized appreciation on investments	183,589,368	2,099,758	3,236,935
Net realized and unrealized gain on investments	327,561,627	2,512,207	5,171,959
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$324,992,375	\$2,595,341	\$5,357,499

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

Statements of Operations

Year Ended December 31, 2017

	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
INVESTMENT INCOME:		
Dividends (net of issuance fees and/or foreign taxes withheld of \$79,254 and \$7,665, respectively)	\$ 659,871	\$ 77,947
Interest	25,078	6,711
Other income	319	146
Total investment income	685,268	84,804
EXPENSES:		
Investment advisory fees (Note 5)	437,621	104,654
Administration fees	6,787	4,163
Shareholder servicing fees	19,692	12,343
Fund accounting fees	16,848	15,584
Professional fees	44,293	44,391
Federal and state registration	58,181	51,785
Directors fees	41,916	41,701
Custody fees	27,899	18,525
Reports to shareholders	3,550	1,886
Miscellaneous expenses	292	202
Interest Expense (Note 7)	22	—
Rule 12b-1 fees – Investor Class Shares (Note 8)	2,186	796
Total expenses	659,287	296,030
Fee waiver by Advisor (Note 5)	(137,404)	(170,958)
Net expenses	521,883	125,072
NET INVESTMENT INCOME (LOSS)	163,385	(40,268)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSLATION:		
Net realized gain on investments	3,704,189	1,243,472
Net realized loss on foreign currency translation	(27,470)	(3,729)
Change in unrealized appreciation on investments	11,425,214	2,700,390
Change in unrealized depreciation on foreign currency translation	(147)	(351)
Net realized and unrealized gain on investments and foreign currency translation	15,101,786	3,939,782
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$15,265,171</u>	<u>\$3,899,514</u>

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

Statements of Changes in Net Assets

Baird MidCap Fund

	Year Ended December 31, 2017	Year Ended December 31, 2016
OPERATIONS:		
Net investment loss	\$ (2,569,252)	\$ (2,146,689)
Net realized gain (loss) on investments	143,972,259	(20,374,537)
Change in unrealized appreciation on investments	183,589,368	85,885,944
Net increase in net assets resulting from operations	<u>324,992,375</u>	<u>63,364,718</u>
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	349,351,022	439,643,509
Shares issued to holders in reinvestment of distributions	47,937,259	—
Cost of shares redeemed	<u>(511,066,587)</u>	<u>(479,905,649)</u>
Net decrease in net assets resulting from capital share transactions	<u>(113,778,306)</u>	<u>(40,262,140)</u>
DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:		
From net realized gains	<u>(57,234,919)</u>	<u>—</u>
Total Distributions	<u>(57,234,919)</u>	<u>—</u>
DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:		
From net realized gains	<u>(5,225,266)</u>	<u>—</u>
Total Distributions	<u>(5,225,266)</u>	<u>—</u>
TOTAL INCREASE IN NET ASSETS	148,753,884	23,102,578
NET ASSETS:		
Beginning of year	<u>1,242,227,909</u>	<u>1,219,125,331</u>
End of year	<u>\$1,390,981,793</u>	<u>\$1,242,227,909</u>

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

Statements of Changes in Net Assets

Baird Small/Mid Cap Value Fund

	Year Ended December 31, 2017	Year Ended December 31, 2016
OPERATIONS:		
Net investment income	\$ 83,134	\$ 95,621
Net realized gain (loss) on investments	412,449	(404,287)
Change in unrealized appreciation on investments	2,099,758	1,204,570
Net increase in net assets resulting from operations	2,595,341	895,904
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	6,798,695	6,833,697
Shares issued to holders in reinvestment of distributions	75,423	79,329
Cost of shares redeemed	(4,405,931)	(485,000)
Net increase in net assets resulting from capital share transactions	2,468,187	6,428,026
DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:		
From net investment income	(81,188)	(90,044)
From net realized gains	(3,750)	—
Total Distributions	(84,938)	(90,044)
DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:		
From net investment income	(310)	(325)
From net realized gains	(14)	—
Total Distributions	(324)	(325)
TOTAL INCREASE IN NET ASSETS	4,978,266	7,233,561
NET ASSETS:		
Beginning of year	11,966,978	4,733,417
End of year (including accumulated undistributed net investment income of \$0 and \$2,542, respectively)	\$16,945,244	\$11,966,978

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

Statements of Changes in Net Assets

Baird SmallCap Value Fund

	Year Ended December 31, 2017	Year Ended December 31, 2016
OPERATIONS:		
Net investment income	\$ 185,540	\$ 345,791
Net realized gain on investments	1,935,024	406,537
Change in unrealized appreciation on investments	<u>3,236,935</u>	<u>3,244,223</u>
Net increase in net assets resulting from operations	<u>5,357,499</u>	<u>3,996,551</u>
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	4,358,641	5,035,886
Shares issued to holders in reinvestment of distributions	879,036	287,392
Cost of shares redeemed	<u>(4,203,475)</u>	<u>(3,257,446)</u>
Net increase in net assets resulting from capital share transactions	<u>1,034,202</u>	<u>2,065,832</u>
DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:		
From net investment income	(173,048)	(321,015)
From net realized gains	<u>(778,275)</u>	<u>—</u>
Total Distributions	<u>(951,323)</u>	<u>(321,015)</u>
DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:		
From net investment income	(8,072)	(19,041)
From net realized gains	<u>(63,535)</u>	<u>—</u>
Total Distributions	<u>(71,607)</u>	<u>(19,041)</u>
TOTAL INCREASE IN NET ASSETS	5,368,771	5,722,327
NET ASSETS:		
Beginning of year	<u>30,848,895</u>	<u>25,126,568</u>
End of year (including accumulated undistributed net investment income of \$0 and \$4,079, respectively)	<u><u>\$36,217,666</u></u>	<u><u>\$30,848,895</u></u>

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

Statements of Changes in Net Assets

Chautauqua International Growth Fund

	Year Ended December 31, 2017	April 15, 2016 [^] through December 31, 2016
OPERATIONS:		
Net investment income	\$ 163,385	\$ 3,896
Net realized gain (loss) on investments and foreign currency translation	3,676,719	(206,475)
Change in unrealized appreciation (depreciation) on investments and foreign currency translation	11,425,067	(351,559)
Net increase (decrease) in net assets resulting from operations	15,265,171	(554,138)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	54,726,978	16,146,048
Shares issued to holders in reinvestment of distributions	2,307,063	—
Cost of shares redeemed	(9,195,880)	(436,323)
Redemption fees (Note 9)	11,284	1,715
Net increase in net assets resulting from capital share transactions	47,849,445	15,711,440
DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:		
From net investment income	(121,984)	—
From net realized gains	(2,293,649)	—
Total Distributions	(2,415,633)	—
DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:		
From net investment income	(555)	—
From net realized gains	(51,401)	—
Total Distributions	(51,956)	—
TOTAL INCREASE IN NET ASSETS	60,647,027	15,157,302
NET ASSETS:		
Beginning of period	15,157,302	—
End of period (including accumulated undistributed net investment income (loss) of \$9,553 and \$(3,823), respectively)	\$75,804,329	\$15,157,302

[^] Inception was the close of business on April 15, 2016.

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

Statements of Changes in Net Assets

Chautauqua Global Growth Fund

	Year Ended December 31, 2017	April 15, 2016 [^] through December 31, 2016
OPERATIONS:		
Net investment loss	\$ (40,268)	\$ (6,417)
Net realized gain (loss) on investments and foreign currency translation	1,239,743	(126,526)
Change in unrealized appreciation on investments and foreign currency translation	2,700,039	183,849
Net increase in net assets resulting from operations	<u>3,899,514</u>	<u>50,906</u>
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	13,308,152	8,917,355
Shares issued to holders in reinvestment of distributions	582,584	—
Cost of shares redeemed	(1,065,485)	(1,119,965)
Redemption fees (Note 9)	<u>965</u>	<u>515</u>
Net increase in net assets resulting from capital share transactions	<u>12,826,216</u>	<u>7,797,905</u>
DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:		
From net realized gains	<u>(645,449)</u>	<u>—</u>
Total Distributions	<u>(645,449)</u>	<u>—</u>
DISTRIBUTIONS TO INVESTOR CLASS SHAREHOLDERS:		
From net realized gains	<u>(22,310)</u>	<u>—</u>
Total Distributions	<u>(22,310)</u>	<u>—</u>
TOTAL INCREASE IN NET ASSETS	16,057,971	7,848,811
NET ASSETS:		
Beginning of period	<u>7,848,811</u>	<u>—</u>
End of period (including accumulated undistributed net investment income (loss) of \$(228) and \$(1,827), respectively)	<u>\$23,906,782</u>	<u>\$7,848,811</u>

[^] Inception was the close of business on April 15, 2016.

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

Financial Highlights

Baird MidCap Fund – Institutional Class

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Per Share Data:					
Net asset value, beginning of year	\$15.80	\$14.99	\$15.57	\$15.00	\$11.52
Income from investment operations:					
Net investment loss	(0.03) ⁽¹⁾	(0.02) ⁽¹⁾	(0.03) ⁽¹⁾	(0.03) ⁽¹⁾	(0.01)
Net realized and unrealized gains (losses) on investments	4.28	0.83	(0.53)	0.76	3.80
Total from investment operations	4.25	0.81	(0.56)	0.73	3.79
Less distributions:					
Distributions from net realized gains	(0.89)	—	(0.02)	(0.16)	(0.31)
Total distributions	(0.89)	—	(0.02)	(0.16)	(0.31)
Net asset value, end of year	<u>\$19.16</u>	<u>\$15.80</u>	<u>\$14.99</u>	<u>\$15.57</u>	<u>\$15.00</u>
Total return	26.88%	5.40%	(3.59)%	4.85%	32.90%
Supplemental data and ratios:					
Net assets, end of year (millions)	\$1,279.6	\$1,105.1	\$1,035.0	\$910.9	\$286.1
Ratio of expenses to average net assets	0.83%	0.82%	0.80%	0.85%	0.85%
Ratio of expenses to average net assets (before waivers)	0.83%	0.82%	0.80%	0.87%	0.87%
Ratio of net investment loss to average net assets	(0.17)%	(0.14)%	(0.18)%	(0.17)%	(0.04)%
Ratio of net investment loss to average net assets (before waivers)	(0.17)%	(0.14)%	(0.18)%	(0.19)%	(0.06)%
Portfolio turnover rate ⁽²⁾	44.5%	57.2%	52.8%	37.3%	36.3%

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

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

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

Financial Highlights

Baird MidCap Fund – Investor Class

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Per Share Data:					
Net asset value, beginning of year	\$15.10	\$14.36	\$14.96	\$14.45	\$11.13
Income from investment operations:					
Net investment loss	(0.07) ⁽¹⁾	(0.06) ⁽¹⁾	(0.06) ⁽¹⁾	(0.06) ⁽¹⁾	(0.03)
Net realized and unrealized gains (losses) on investments	4.09	0.80	(0.52)	0.73	3.66
Total from investment operations	4.02	0.74	(0.58)	0.67	3.63
Less distributions:					
Distributions from net realized gains	(0.89)	—	(0.02)	(0.16)	(0.31)
Total distributions	(0.89)	—	(0.02)	(0.16)	(0.31)
Net asset value, end of year	<u>\$18.23</u>	<u>\$15.10</u>	<u>\$14.36</u>	<u>\$14.96</u>	<u>\$14.45</u>
Total return	26.61%	5.08%	(3.80)%	4.62%	32.62%
Supplemental data and ratios:					
Net assets, end of year (millions)	\$111.4	\$137.2	\$184.1	\$205.4	\$143.1
Ratio of expenses to average net assets	1.08%	1.07%	1.05%	1.10%	1.10%
Ratio of expenses to average net assets (before waivers)	1.08%	1.07%	1.05%	1.12%	1.12%
Ratio of net investment loss to average net assets	(0.42)%	(0.39)%	(0.43)%	(0.42)%	(0.29)%
Ratio of net investment loss to average net assets (before waivers)	(0.42)%	(0.39)%	(0.43)%	(0.44)%	(0.31)%
Portfolio turnover rate ⁽²⁾	44.5%	57.2%	52.8%	37.3%	36.3%

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

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

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

Financial Highlights

Baird Small/Mid Cap Value Fund – Institutional Class

	Year Ended December 31,		Period Ended
	2017	2016	December 31, 2015 ⁽¹⁾
Per Share Data:			
Net asset value, beginning of period	\$10.29	\$ 9.52	\$10.00
Income from investment operations:			
Net investment income ⁽²⁾	0.07	0.13	0.02
Net realized and unrealized gains (losses) on investments	2.14	0.72	(0.49)
Total from investment operations	2.21	0.85	(0.47)
Less distributions:			
Distributions from net investment income	(0.07)	(0.08)	(0.01)
Distributions from net realized gains	0.00 ⁽³⁾	—	—
Total distributions	(0.07)	(0.08)	(0.01)
Net asset value, end of period	\$12.43	\$10.29	\$ 9.52
Total return	21.48%	8.91%	(4.66)%⁽⁴⁾
Supplemental data and ratios:			
Net assets, end of period (millions)	\$16.9	\$11.9	\$4.7
Ratio of expenses to average net assets	0.95%	0.95%	0.95% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	1.91%	2.86%	6.88% ⁽⁵⁾
Ratio of net investment income to average net assets	0.62%	1.35%	1.96% ⁽⁵⁾
Ratio of net investment loss to average net assets (before waivers)	(0.34)%	(0.56)%	(3.97)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	60.4%	38.3%	14.7% ⁽⁴⁾

(1) Inception was close of business on November 30, 2015.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Financial Highlights

Baird Small/Mid Cap Value Fund – Investor Class

	Year Ended December 31,		Period Ended
	2017	2016	December 31, 2015 ⁽¹⁾
Per Share Data:			
Net asset value, beginning of period	\$10.28	\$ 9.52	\$10.00
Income from investment operations:			
Net investment income ⁽²⁾	0.04	0.11	0.01
Net realized and unrealized gains (losses) on investments	2.13	0.71	(0.48)
Total from investment operations	2.17	0.82	(0.47)
Less distributions:			
Distributions from net investment income	(0.05)	(0.06)	(0.01)
Distributions from net realized gains	0.00 ⁽³⁾	—	—
Total distributions	(0.05)	(0.06)	(0.01)
Net asset value, end of period	\$12.40	\$10.28	\$ 9.52
Total return	21.08%	8.64%	(4.67)%⁽⁴⁾
Supplemental data and ratios:			
Net assets, end of period (thousands)	\$86.1	\$53.2	\$19.0
Ratio of expenses to average net assets	1.20%	1.20%	1.20% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	2.16%	3.11%	7.13% ⁽⁵⁾
Ratio of net investment income to average net assets	0.37%	1.10%	1.71% ⁽⁵⁾
Ratio of net investment loss to average net assets (before waivers)	(0.59)%	(0.81)%	(4.22)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	60.4%	38.3%	14.7% ⁽⁴⁾

(1) Inception was close of business on November 30, 2015.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Financial Highlights

Baird SmallCap Value Fund – Institutional Class

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Per Share Data:					
Net asset value, beginning of year	\$14.83	\$13.03	\$13.82	\$14.01	\$10.20
Income from investment operations:					
Net investment income ⁽¹⁾	0.09	0.21	0.11	0.05	0.07
Net realized and unrealized gains (losses) on investments	2.59	1.76	(0.82)	0.01	3.99
Total from investment operations	2.68	1.97	(0.71)	0.06	4.06
Less distributions:					
Distributions from					
net investment income	(0.09)	(0.17)	(0.08)	(0.05)	(0.05)
Distributions from net realized gains	(0.43)	—	—	(0.20)	(0.20)
Total distributions	(0.52)	(0.17)	(0.08)	(0.25)	(0.25)
Net asset value, end of year	<u>\$16.99</u>	<u>\$14.83</u>	<u>\$13.03</u>	<u>\$13.82</u>	<u>\$14.01</u>
Total return	18.05%	15.11%	(5.11)%	0.42%	39.85%
Supplemental data and ratios:					
Net assets, end of year (millions)	\$33.6	\$28.2	\$23.1	\$23.5	\$19.0
Ratio of expenses to average net assets	1.00%	1.00%	1.00%	1.00%	1.00%
Ratio of expenses to average net assets (before waivers)	1.35%	1.43%	1.51%	1.55%	2.02%
Ratio of net investment income to average net assets	0.61%	1.58%	0.79%	0.36%	0.71%
Ratio of net investment income (loss) to average net assets (before waivers)	0.26%	1.15%	0.28%	(0.19)%	(0.31)%
Portfolio turnover rate ⁽²⁾	29.9%	48.9%	42.1%	41.9%	36.9%

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

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

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

Financial Highlights

Baird SmallCap Value Fund – Investor Class

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Per Share Data:					
Net asset value, beginning of year	\$14.81	\$12.99	\$13.78	\$13.98	\$10.19
Income from investment operations:					
Net investment income ⁽¹⁾	0.06	0.18	0.07	0.02	0.04
Net realized and unrealized gains (losses) on investments	2.58	1.75	(0.81)	0.00 ⁽²⁾	3.99
Total from investment operations	2.64	1.93	(0.74)	0.02	4.03
Less distributions:					
Distributions from					
net investment income	(0.05)	(0.11)	(0.05)	(0.02)	(0.04)
Distributions from net realized gains	(0.43)	—	—	(0.20)	(0.20)
Total distributions	(0.48)	(0.11)	(0.05)	(0.22)	(0.24)
Net asset value, end of year	<u>\$16.97</u>	<u>\$14.81</u>	<u>\$12.99</u>	<u>\$13.78</u>	<u>\$13.98</u>
Total return	17.78%	14.84%	(5.37)%	0.13%	39.58%
Supplemental data and ratios:					
Net assets, end of year (millions)	\$2.6	\$2.6	\$2.0	\$2.1	\$1.1
Ratio of expenses to average net assets	1.25%	1.25%	1.25%	1.25%	1.25%
Ratio of expenses to average net assets (before waivers)	1.60%	1.68%	1.76%	1.80%	2.27%
Ratio of net investment income to average net assets	0.36%	1.33%	0.54%	0.11%	0.46%
Ratio of net investment income (loss) to average net assets (before waivers)	0.01%	0.90%	0.03%	(0.44)%	(0.56)%
Portfolio turnover rate ⁽³⁾	29.9%	48.9%	42.1%	41.9%	36.9%

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

(2) Amount is less than \$0.005.

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

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

Financial Highlights

Chautauqua International Growth Fund – Institutional Class

	Year Ended December 31, 2017	Period Ended December 31, 2016 ⁽¹⁾
Per Share Data:		
Net asset value, beginning of period	\$ 9.57	\$10.00
Income from investment operations:		
Net investment income ⁽²⁾	0.04	0.00 ⁽³⁾
Net realized and unrealized gains (losses) on investments	3.41	(0.43)
Total from investment operations	3.45	(0.43)
Less distributions:		
Distributions from net investment income	(0.02)	—
Distributions from net realized gains	(0.41)	—
Total distributions	(0.43)	—
Paid in capital from redemption fees	0.00 ⁽³⁾	—
Net asset value, end of period	\$12.59	\$ 9.57
Total return	36.11%	(4.30)%⁽⁴⁾
Supplemental data and ratios:		
Net assets, end of period (millions)	\$74.2	\$14.8
Ratio of expenses to average net assets	0.95%	0.95% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	1.20%	2.32% ⁽⁵⁾
Ratio of net investment income to average net assets	0.30%	0.06% ⁽⁵⁾
Ratio of net investment income (loss) to average net assets (before waivers)	0.05%	(1.31)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	71.0%	72.6% ⁽⁴⁾

(1) Inception was close of business on April 15, 2016.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Financial Highlights

Chautauqua International Growth Fund – Investor Class

	Year Ended December 31, 2017	Period Ended December 31, 2016 ⁽¹⁾
Per Share Data:		
Net asset value, beginning of period	\$ 9.56	\$10.00
Income from investment operations:		
Net investment income (loss) ⁽²⁾	0.01	(0.01)
Net realized and unrealized gains (losses) on investments and foreign currency translations	3.41	(0.44)
Total from investment operations	3.42	(0.45)
Less distributions:		
Distributions from net investment income	(0.00) ⁽³⁾	—
Distributions from net realized gains	(0.41)	—
Total distributions	(0.41)	0.01
Paid in capital from redemption fees	0.00 ⁽³⁾	0.01
Net asset value, end of period	\$12.57	\$ 9.56
Total return	35.86%	(4.40)%⁽⁴⁾
Supplemental data and ratios:		
Net assets, end of period (millions)	\$1.6	\$0.3
Ratio of expenses to average net assets	1.20%	1.20% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	1.45%	2.58% ⁽⁵⁾
Ratio of net investment loss to average net assets	0.05%	(0.19)% ⁽⁵⁾
Ratio of net investment loss to average net assets (before waivers)	(0.20)%	(1.57)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	71.0%	72.6% ⁽⁴⁾

(1) Inception was close of business on April 15, 2016.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Financial Highlights

Chautauqua Global Growth Fund – Institutional Class

	Year Ended December 31, 2017	Period Ended December 31, 2016 ⁽¹⁾
Per Share Data:		
Net asset value, beginning of period	\$10.09	\$10.00
Income from investment operations:		
Net investment loss ⁽²⁾	(0.04)	(0.01)
Net realized and unrealized gain on investments	3.85	0.10
Total from investment operations	3.81	0.09
Less distributions:		
Distributions from net realized gains	(0.47)	—
Total distributions	(0.47)	—
Paid in capital from redemption fees	0.00 ⁽³⁾	—
Net asset value, end of period	\$13.43	\$10.09
Total return	37.75%	0.90%⁽⁴⁾
Supplemental data and ratios:		
Net assets, end of period (millions)	\$23.2	\$7.6
Ratio of expenses to average net assets	0.95%	0.95% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	2.26%	3.65% ⁽⁵⁾
Ratio of net investment loss to average net assets	(0.30)%	(0.16)% ⁽⁵⁾
Ratio of net investment loss to average net assets (before waivers)	(1.61)%	(2.86)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	61.0%	69.4% ⁽⁴⁾

(1) Inception was close of business on April 15, 2016.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Financial Highlights

Chautauqua Global Growth Fund – Investor Class

	Year Ended December 31, 2017	Period Ended December 31, 2016 ⁽¹⁾
Per Share Data:		
Net asset value, beginning of period	\$10.08	\$10.00
Income from investment operations:		
Net investment loss ⁽²⁾	(0.07)	(0.03)
Net realized and unrealized gain on investments	3.83	0.11
Total from investment operations	3.76	0.08
Less distributions:		
Distributions from net realized gains	(0.47)	—
Total distributions	(0.47)	—
Paid in capital from redemption fees	(0.00) ⁽³⁾	(0.00) ⁽³⁾
Net asset value, end of period	\$13.37	\$10.08
Total return	37.29%	0.80%⁽⁴⁾
Supplemental data and ratios:		
Net assets, end of period (millions)	\$0.7	\$0.2
Ratio of expenses to average net assets	1.20%	1.20% ⁽⁵⁾
Ratio of expenses to average net assets (before waivers)	2.51%	3.90% ⁽⁵⁾
Ratio of net investment loss to average net assets	(0.55)%	(0.41)% ⁽⁵⁾
Ratio of net investment loss to average net assets (before waivers)	(1.86)%	(3.11)% ⁽⁵⁾
Portfolio turnover rate ⁽⁶⁾	61.0%	69.4% ⁽⁴⁾

(1) Inception was close of business on April 15, 2016.

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

(3) Amount is less than \$0.005.

(4) Not annualized.

(5) Annualized.

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

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

Notes to the Financial Statements

December 31, 2017

1. Organization

Baird Funds, Inc. (the “Corporation”) was incorporated on June 9, 2000, as a Wisconsin corporation and is registered as an open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The accompanying financial statements include the Baird MidCap Fund, the Baird Small/Mid Cap Value Fund, the Baird SmallCap Value Fund, the Chautauqua International Growth Fund and the Chautauqua Global Growth Fund (each a “Fund” and collectively the “Funds”), five of the fourteen series comprising the Corporation. Pursuant to the 1940 Act, the Funds are “diversified” series of the Corporation. The investment advisor to the Funds is Robert W. Baird & Co. Incorporated (“Baird” or the “Advisor”). The Funds are investment companies and therefore follow the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

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

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

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

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

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

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

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9) of the 1940 Act. On December 31, 2017, shareholders affiliated with the Advisor held 4% of the Institutional Class shares of the Baird MidCap Fund, 62% of the Institutional Class shares of the Baird Small/Mid Cap Value Fund, 55% of the Institutional Class shares of the Baird SmallCap Value Fund, 17% of the Institutional Class shares of the Chautauqua International Growth Fund, and 52% of the Institutional Class shares of the Chautauqua Global Growth Fund. These shareholders included the Advisor’s participant-directed retirement and deferred compensation plans and the Baird Foundation.

2. Significant Accounting Policies

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

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

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (cont.)

of the Corporation must value the securities at “fair value determined in good faith.” The Board has delegated such responsibility to the Advisor pursuant to pricing policies and procedures that the Board has adopted and regularly reviews. In general, the “fair value” of a security means the price that would be received to sell a security in an orderly transaction between market participants at the measurement date.

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

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

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

- b) **Foreign Securities** – For purposes of these financial statements, foreign securities are defined as securities issued by companies that are organized outside the United States. Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include foreign currency fluctuations and adverse political and economic developments. Moreover, securities of many foreign

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (cont.)

companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government. Occasionally, events that affect these values and exchange rates may occur after the close of the exchange on which such securities are traded. If such events materially affect the value of a Fund's securities, these securities may be valued at their fair value pursuant to procedures adopted by the Board.

- c) **Foreign Currency Translation** – Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. When a Fund purchases or sells a foreign security, it will customarily enter into a foreign exchange contract to minimize foreign exchange risk from the trade date to the settlement date of such transaction. The Funds do not isolate the portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Net realized gain (loss) on investments and foreign currency translations include those gains and losses arising from the sale of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the differences between the amounts of dividends, and foreign withholding taxes recorded on a Fund's books, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized appreciation (depreciation) on investments includes changes in the value of assets and liabilities resulting from exchange rates.

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

There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2017, or for any other tax years which are open for exam. As of December 31, 2017, open tax years include the tax years ended December 31, 2014 through 2017. The Funds are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as interest expense and other expense, respectively, in the Statement of Operations. During the year, the Funds did not incur any interest or penalties.

- e) **Shareholder Transactions and Distributions** – Shareholder transactions are recorded on trade date. Dividends from net investment income, if any, are declared and paid annually. Distributions of net realized capital gains, if any, are declared and paid at least annually. All distributions to shareholders are recorded on the ex-dividend date. The book basis character of distributions may differ from their ultimate characterization for Federal income tax purposes. GAAP requires that permanent financial reporting and tax differences be reclassified in the capital accounts.
- f) **Allocation of Income and Expenses** – Each Fund is charged for those expenses directly attributable to it. Expenses directly attributable to a class of shares, such as Rule 12b-1 distribution fees, are charged to that class of shares. Income, expenses and realized and unrealized gains and losses are allocated to the classes based on their respective net assets. Expenses that are not directly attributable to a Fund are allocated among the Funds in the series in proportion to their assets or are divided equally amongst the Funds.
- g) **Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (cont.)

- h) **Securities Transactions and Investment Income** – Net realized gains and losses on sales of securities are computed using the identified cost basis. For financial reporting purposes, investment transactions are recorded on the trade date. Dividend income is recognized on the ex-dividend date net of withholding taxes, if any, and interest income is recognized on an accrual basis. Withholding taxes on foreign dividends have been accounted for in accordance with the Funds' interpretation of applicable tax laws of the countries in which they invest.
- i) **Guarantees and Indemnifications** – In the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds' maximum exposure under these arrangements is unknown and would involve future claims against the Funds that have not yet occurred. Based on experience, the Funds would expect the risk of loss to be remote.

3. Capital Share Transactions

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

Baird MidCap Fund

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Class Shares				
Shares sold	18,813,638	\$ 334,054,013	26,778,042	\$ 402,275,627
Shares issued to shareholder in reinvestment of distributions	2,234,984	42,822,289	—	—
Shares redeemed	(24,239,199)	(440,804,306)	(25,858,100)	(391,750,978)
Net increase/decrease	(3,190,577)	\$ (63,928,004)	919,942	\$ 10,524,649
Shares Outstanding:				
Beginning of year	69,960,995		69,041,053	
End of year	66,770,418		69,960,995	

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Investor Class Shares				
Shares sold	894,614	\$ 15,297,009	2,530,062	\$ 37,367,882
Shares issued to shareholder in reinvestment of distributions	280,580	5,114,970	—	—
Shares redeemed	(4,149,619)	(70,262,281)	(6,261,572)	(88,154,671)
Net decrease	(2,974,425)	\$(49,850,302)	(3,731,510)	\$(50,786,789)
Shares Outstanding:				
Beginning of year	9,085,850		12,817,360	
End of year	6,111,425		9,085,850	

Notes to the Financial Statements

December 31, 2017

3. Capital Share Transactions (cont.)

Baird Small/Mid Cap Value Fund

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Class Shares				
Shares sold	603,626	\$ 6,750,704	703,038	\$6,800,150
Shares issued to shareholder in reinvestment of distributions	6,045	75,148	7,655	79,070
Shares redeemed	(410,676)	(4,379,094)	(48,230)	(481,696)
Net increase	198,995	<u>\$ 2,446,758</u>	662,463	<u>\$6,397,524</u>
Shares Outstanding:				
Beginning of year	1,157,769		495,306	
End of year	<u>1,356,764</u>		<u>1,157,769</u>	

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Investor Class Shares				
Shares sold	4,201	\$ 47,991	3,475	\$33,547
Shares issued to shareholder in reinvestment of distributions	22	275	25	259
Shares redeemed	(2,457)	(26,837)	(327)	(3,304)
Net increase	1,766	<u>\$ 21,429</u>	3,173	<u>\$30,502</u>
Shares Outstanding:				
Beginning of year	<u>5,176</u>		<u>2,003</u>	
End of year	<u>6,942</u>		<u>5,176</u>	

Baird SmallCap Value Fund

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Class Shares				
Shares sold	264,962	\$ 4,207,425	343,811	\$ 4,541,684
Shares issued to shareholder in reinvestment of distributions	49,706	844,993	18,682	278,550
Shares redeemed	(238,354)	(3,638,071)	(234,905)	(3,089,099)
Net increase	76,314	<u>\$ 1,414,347</u>	127,588	<u>\$ 1,731,135</u>
Shares Outstanding:				
Beginning of year	<u>1,903,267</u>		<u>1,775,679</u>	
End of year	<u>1,979,581</u>		<u>1,903,267</u>	

Notes to the Financial Statements

December 31, 2017

3. Capital Share Transactions (cont.)

Baird SmallCap Value Fund (cont.)

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Investor Class Shares				
Shares sold	9,963	\$ 151,216	35,989	\$ 494,202
Shares issued to shareholder in reinvestment of distributions	2,005	34,043	594	8,842
Shares redeemed	(36,704)	(565,404)	(12,322)	(168,347)
Net increase/decrease	(24,736)	<u>\$(380,145)</u>	24,261	<u>\$ 334,697</u>
Shares Outstanding:				
Beginning of year	177,163		152,902	
End of year	<u>152,427</u>		<u>177,163</u>	

Chautauqua International Growth Fund

	Year Ended December 31, 2017		Period Ended December 31, 2016 [^]	
	Shares	Amount	Shares	Amount
Institutional Class Shares				
Shares sold ⁽¹⁾	4,943,182	\$53,609,498	1,592,858	\$15,788,874
Shares issued to shareholder in reinvestment of distributions	180,405	2,258,668	—	—
Shares redeemed	(783,790)	(9,147,273)	(41,185)	(410,212)
Redemption fees	—	10,830	—	1,548
Net increase	4,339,797	<u>\$46,731,723</u>	1,551,673	<u>\$15,380,210</u>
Shares Outstanding:				
Beginning of period	1,551,673		—	
End of period	<u>5,891,470</u>		<u>1,551,673</u>	

⁽¹⁾ In the first quarter of 2017, the Chautauqua International Growth Fund satisfied a purchase in kind request made by a large shareholder by transferring cash and securities into the Fund in the amount of \$23,394,877 in exchange for 2,269,144 shares of the Fund. The transfer was effected in accordance with policies and procedures approved by the Board.

	Year Ended December 31, 2017		Period Ended December 31, 2016 [^]	
	Shares	Amount	Shares	Amount
Investor Class Shares				
Shares sold	96,790	\$1,117,480	35,224	\$357,174
Shares issued to shareholder in reinvestment of distributions	3,874	48,395	—	—
Shares redeemed	(4,458)	(48,607)	(2,676)	(26,111)
Redemption fees	—	454	—	167
Net increase	96,206	<u>\$1,117,722</u>	32,548	<u>\$331,230</u>
Shares Outstanding:				
Beginning of period	32,548		—	
End of period	<u>128,754</u>		<u>32,548</u>	

[^] Inception was the close of business on April 15, 2016.

Notes to the Financial Statements

December 31, 2017

3. Capital Share Transactions (cont.)

Chautauqua Global Growth Fund

	Year Ended December 31, 2017		Period Ended December 31, 2016 [^]	
	Shares	Amount	Shares	Amount
Institutional Class Shares				
Shares sold	1,014,140	\$12,886,555	867,491	\$ 8,702,754
Shares issued to shareholder in reinvestment of distributions	41,625	560,274	—	—
Shares redeemed	(82,794)	(1,020,496)	(109,796)	(1,104,703)
Redemption fees	—	965	—	515
Net increase	972,971	<u>\$12,427,298</u>	757,695	<u>\$ 7,598,566</u>
Shares Outstanding:				
Beginning of period	757,695		—	
End of period	<u>1,730,666</u>		<u>757,695</u>	

	Year Ended December 31, 2017		Period Ended December 31, 2016 [^]	
	Shares	Amount	Shares	Amount
Investor Class Shares				
Shares sold	32,048	\$421,597	21,505	\$214,601
Shares issued to shareholder in reinvestment of distributions	1,663	22,310	—	—
Shares redeemed	(3,723)	(44,989)	(1,516)	(15,262)
Redemption fees	—	—	—	—
Net increase	29,988	<u>\$398,918</u>	19,989	<u>\$199,339</u>
Shares Outstanding:				
Beginning of period	19,989		—	
End of period	<u>49,977</u>		<u>19,989</u>	

[^] Inception was the close of business on April 15, 2016.

4. Investment Transactions and Income Tax Information

During the year ended December 31, 2017, purchases and sales of investment securities (excluding short-term investments) were as follows:

	Baird MidCap Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
Purchases:	\$586,374,384	\$8,263,174	\$9,191,162	\$54,227,156	\$15,090,404
Sales:	\$766,367,178	\$7,883,920	\$9,922,116	\$36,460,744	\$ 7,639,505

The Funds did not purchase or sell U.S. Government Securities during the year ended December 31, 2017.

Notes to the Financial Statements

December 31, 2017

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

At December 31, 2017, accumulated earnings/losses on a tax basis were as follows:

	Baird MidCap Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
Cost of Investments	\$1,012,274,915	\$12,142,653	\$25,131,162
Gross unrealized appreciation	388,650,149	3,332,895	10,190,654
Gross unrealized depreciation	(15,035,989)	(258,026)	(650,498)
Net unrealized appreciation	\$ 373,614,160	\$ 3,074,869	\$9,540,156
Undistributed ordinary income	—	—	—
Undistributed long-term capital gain	13,747,560	6,978	777,852
Total distributable earnings	\$ 13,747,560	\$ 6,978	\$ 777,852
Other accumulated gains (losses)	—	—	—
Total accumulated earnings	\$ 387,361,720	\$ 3,081,847	\$10,318,008

	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
Cost of Investments	\$ 63,188,605	\$17,490,144
Gross unrealized appreciation	12,442,708	3,255,314
Gross unrealized depreciation	(1,606,172)	(460,604)
Net unrealized appreciation	\$10,836,536	\$2,794,710
Undistributed ordinary income	1,294,423	254,613
Undistributed long-term capital gain	127,086	248,688
Total distributable earnings	\$ 1,421,509	\$ 503,301
Other accumulated gains (losses)	646	(1,540)
Total accumulated earnings	\$12,258,691	\$3,296,471

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

Additionally, U.S. generally accepted accounting principles require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications are primarily due to differing treatments for equalization accounting for tax purposes and non-deductible expenses. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2017, the following table shows the reclassifications made:

Notes to the Financial Statements

December 31, 2017

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

	Undistributed Net	Accumulated Undistributed Net	
	Investment Income (Loss)	Realized Gain (Loss)	Paid In Capital
Baird MidCap Fund	\$2,569,252	\$(6,095,028)	\$ 3,525,776
Baird Small/ Mid Cap Value Fund	(414)	414	—
Baird SmallCap Value Fund	1,116	(1,116)	—
Chautauqua International Growth Fund	(27,470)	27,470	—
Chautauqua Global Growth Fund	41,867	(41,867)	—

Under the current tax law, capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the year ended December 31, 2017, the Chautauqua Global Growth Fund elected to defer capital losses occurring between November 1, 2017 and December 31, 2017 in the amount of \$228. For the year ended December 31, 2017, the Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund and Chautauqua Global Growth Fund used short-term capital loss carryovers in the amount of \$61,629,145, \$439,022, \$305,728, \$111,476 and \$15,500, respectively.

During the year ended December 31, 2017, the Funds paid the following distributions:

	Ordinary Income Dividends	Long Term Capital Gains
Baird MidCap Fund	\$ —	\$62,460,185
Baird Small/Mid Cap Value Fund	81,498	3,764
Baird SmallCap Value Fund	181,120	841,810
Chautauqua International Growth Fund	2,196,544	271,045
Chautauqua Global Growth Fund	483,916	183,843

During the year ended December 31, 2016, the Funds paid the following distributions:

	Ordinary Income Dividends
Baird Mid Cap Value Fund	\$ —
Baird Small/Mid Cap Value Fund	90,369
Baird SmallCap Value Fund	340,056
Chautauqua International Growth Fund	—
Chautauqua Global Growth Fund	—

5. Investment Advisory and Other Agreements

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

For the year ended December 31, 2017, and through April 30, 2019, for the Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund and Chautauqua Global Growth Fund, the Advisor has contractually agreed to waive its investment advisory fee and/or reimburse the Funds' operating expenses (exclusive of brokerage, taxes, and extraordinary expenses) to the extent necessary to ensure that each Fund's annual operating expenses do not exceed the following percentages of average daily net assets:

Notes to the Financial Statements

December 31, 2017

5. Investment Advisory and Other Agreements (cont.)

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

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

	<u>Fiscal Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reimbursed/Absorbed Expenses Subject to be Recovered by Advisor Until:	2020	2019	2018
Baird Small/MidCap Value Fund	\$129,251	\$156,332	\$ 23,659*
Baird SmallCap Value Fund	\$110,672	\$116,311	\$131,370
Chautauqua International Growth Fund	\$137,404	\$ 95,476	N/A
Chautauqua Global Growth Fund	\$170,958	\$102,142	N/A

* Period from close of business on November 30, 2015 (inception date) through December 31, 2015.

U.S. Bancorp Fund Services, LLC ("USBFS") serves as transfer agent, administrator, and accounting services agent for the Funds. U.S. Bank, N.A. ("U.S. Bank") serves as custodian for the Funds.

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

No commissions were earned by the Distributor for services rendered as a registered broker-dealer in securities transactions for the year ended December 31, 2017 for the Funds.

6. Securities Lending

During the year ended December 31, 2017, each Fund was permitted to lend up to one-third of its total assets (including such loans) to borrowers under terms of a securities lending program administered by the Funds' custodian and an affiliate of USBFS, the Funds' transfer agent and administrator. A securities lending agreement requires that loans be collateralized at all times in an amount equal to at least 102% of the market value of any loaned securities (105% for foreign securities) at the time of the loan, plus accrued interest.

Participating Funds receive compensation in the form of fees and earned interest on the cash collateral. The amount of fees depends on a number of factors including the type of security and length of the loan. Participating Funds receive cash as collateral in return for securities lent as part of the securities lending program. The collateral gets invested in a securities lending trust. Interest income earned by participating Funds on investments of cash collateral received from borrowers for the securities loaned to them ("securities lending income") would be reflected in the participating Funds' statements of operations.

As of and for the year ended December 31, 2017, the Funds did not participate in securities lending activities, although they may do so again in the future.

Notes to the Financial Statements

December 31, 2017

7. Line of Credit

The Corporation maintains an uncommitted line of credit ("LOC") with U.S. Bank to provide the Funds a temporary liquidity source to meet unanticipated redemptions. The LOC is unsecured for any period during which U.S. Bank is an affiliate of the Funds. At all other times, the LOC is secured by the assets of the Funds. Under the terms of the LOC, borrowings for each Fund are limited to one-third of the total assets (including the amount borrowed) of the respective Fund, or \$500,000,000 of total borrowings for all Funds, whichever is less. U.S. Bank charges interest at U.S. Bank's Prime Rate less 2%. The LOC matures on May 27, 2018, unless renewed. The Funds have authorized U.S. Bank to charge any of the accounts of the borrowing Fund subject to the agreement for any missed payments. For the year ended December 31, 2017, the Chautauqua International Growth Fund incurred \$22 in interest charges, on the average daily loan balance and weighted average borrowing rate of \$3,997 and 2.13%, respectively. The largest borrowing by the Fund for the year occurred on August 11, 2017 in the amount of \$535,000. As of December 31, 2017, the Prime Rate was 4.50%. The Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund and Chautauqua Global Growth Fund did not borrow from the LOC during the year.

8. Distribution and Shareholder Service Plan

The Funds have adopted a distribution and shareholder service plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act. The Plan allows the Funds to compensate the Distributor for the costs incurred in distributing the Funds' Investor Class Shares, including amounts paid to brokers or dealers, at an annual rate of 0.25% of the average daily net assets of the Funds' Investor Class Shares. The Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund and Chautauqua Global Growth Fund incurred \$298,392, \$161, \$6,426, \$2,186 and \$796, respectively, in fees pursuant to the Plan during the year ended December 31, 2017.

9. Redemption Fees

A redemption fee of 2.00% will be assessed on Institutional and Investor Class shares of the Chautauqua International Growth Fund and Chautauqua Global Growth Fund if redeemed (including in connection with an exchange) 90 days or less from their date of purchase, determined on a first-in, first-out ("FIFO") basis. The redemption fee is paid directly to the Funds and is designed to offset brokerage commissions, market impact and other costs associated with fluctuations in Fund asset levels and cash flow caused by short-term shareholder trading. For the year ended December 31, 2017, the Chautauqua International Growth Fund and Chautauqua Global Growth Fund charged redemption fees of \$11,284 and \$965, respectively. The Baird MidCap Fund, Baird Small/Mid Cap Value Fund and Baird SmallCap Value Fund do not charge redemption fees.

10. Subsequent Event

Following G. Frederick Kasten, Jr.'s retirement from the Board on December 31, 2017, David J. Lubar was appointed as a member of the Board effective January 1, 2018 to fill the vacancy. Additionally, the Board appointed Marlyn J. Spear and Frederick P. Stratton, Jr., both Independent Directors, as Chair of the Board and Chair of the Nominating Committee, respectively, effective January 1, 2018. The Board also appointed John W. Feldt, an Independent Director, to serve as Chair of the Audit Committee in place of Ms. Spear following completion of the 2017 audit, effective February 28, 2018.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Baird Funds, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Baird MidCap Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund, and Chautauqua Global Growth Fund (the “Funds”), each a series of Baird Funds, Inc., as of December 31, 2017, and the related statements of operations and changes in net assets, including the related notes, and the financial highlights for the year then ended (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of December 31, 2017, the results of their operations, the changes in their net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Funds’ financial statements and financial highlights for the periods ended December 31, 2016 and prior, were audited by other auditors whose report dated February 27, 2017, expressed an unqualified opinion on those financial statements and financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Funds’ management. Our responsibility is to express an opinion on the Funds’ financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and confirmation of securities owned as of December 31, 2017, by correspondence with the custodian and brokers. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Funds’ auditor since 2017.



COHEN & COMPANY, LTD.

Milwaukee, Wisconsin

March 1, 2018

Directors & Officers

As of January 1, 2018 (Unaudited)

Independent Directors

John W. Feldt

Independent Director

Term of Office: Indefinite

Length of Time Served: Since September 2000

Age: 75

c/o Robert W. Baird & Co. Incorporated

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Retired.

Number of Portfolios in Complex Overseen by
Director: 14

Other Directorships Held by Director: Director of
Thompson Plumb Funds, Inc., a mutual fund
complex (3 portfolios)

David J. Lubar

Independent Director

Term of Office: Indefinite

Length of Time Served: Since January 2018

Age: 63

c/o Lubar & Co.

833 E. Michigan Street,

Suite 1500

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
President and CEO, Lubar & Co., a private
investment firm.

Number of Portfolios in Complex Overseen by
Director: 14

Other Directorships Held by Director: None.

Frederick P. Stratton, Jr.

Independent Director

Term of Office: Indefinite

Length of Time Served: Since May 2004

Age: 78

c/o Robert W. Baird & Co. Incorporated

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Retired; Chairman Emeritus, Briggs & Stratton
Corporation, a manufacturing company, since 2003.

Number of Portfolios in Complex Overseen by
Director: 14

Other Directorships Held by Director: Director of
Weyco Group, Inc., a men's footwear distributor;
Director of Wisconsin Energy Corporation and its
subsidiaries, Wisconsin Electric Power Company and
Wisconsin Gas LLC (1987-2012).

Marlyn J. Spear, CFA

Independent Director

Term of Office: Indefinite

Length of Time Served: Since January 2008

Age: 64

c/o Robert W. Baird & Co. Incorporated

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Chief Investment Officer, Building Trades United
Pension Trust Fund, (July 1989-February 2017)

Number of Portfolios in Complex Overseen by
Director: 14

Other Directorships Held by Director: Management
Trustee of AFL-CIO Housing Investment Trust, a
mutual fund complex (1 portfolio), since 1995.

Directors & Officers

As of January 1, 2018 (Unaudited) (Continued)

Interested Directors and Officers

Cory L. Nettles*

Interested Director

Term of Office: Indefinite

Length of Time Served: Since January 2008

Age: 47

c/o Generation Growth Capital, Inc.
411 East Wisconsin Avenue, Suite 1710
Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Managing Director, Generation Growth Capital, Inc., a private equity fund, since March 2007; Of Counsel, Quarles & Brady LLP, a law firm (January 2005-December 2016)

Number of Portfolios in Complex Overseen by Director: 14

Other Directorships Held by Director: Director of Weyco Group, Inc., a men's footwear distributor, since 2007; Director of Associated Banc-Corp, since 2013

Mary Ellen Stanek

President

Term of Office: Re-elected by Board annually

Length of Time Served: Since September 2000

Age: 61

777 East Wisconsin Avenue
Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Managing Director, the Advisor, and Chief Investment Officer, Baird Advisors, a department of the Advisor, since March 2000

Charles B. Groeschell

Vice President

Term of Office: Re-elected by Board annually

Length of Time Served: Since January 2010

Age: 64

777 East Wisconsin Avenue
Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Managing Director, the Advisor, and Senior Portfolio Manager, Baird Advisors, a department of the Advisor, since February 2000

Angela M. Palmer

Chief Compliance Officer and
AML Compliance Officer

Term of Office: Re-elected by Board annually

Length of Time Served: Since March 2014

Age: 45

777 East Wisconsin Ave
Milwaukee, WI 53202

Chief Compliance Officer, the Advisor, since March 2014; Anti-Money Laundering Compliance Officer since May 2015; Director, the Advisor, since July 2014; Senior Vice President, the Advisor (March 2014-June 2014); Chief Compliance Officer, RIAs US, BMO Financial Group (January 2013-March 2014); Chief Compliance Officer, Institutional RIAs, BMO Financial Group (March 2012-January 2013); Vice President, BMO Harris Bank, N.A. (July 2011-March 2014); Chief Compliance Officer, Taplin, Canida & Habacht, LLC (December 2008-March 2014); Chief Compliance Officer and Vice President, M&I Investment Management Corp. (June 2006-May 2012); Assistant Secretary, M&I Investment Management Corp. (April 2010-May 2012); Vice President, Marshall & Ilsley Trust Company N.A. (June 2006-August 2012).

Heidi L. Schneider

Treasurer

Term of Office: Re-elected by Board annually

Length of Time Served: Since August 2017

Age: 46

777 East Wisconsin Avenue
Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:
Managing Director, the Advisor since December 2013; Senior Business Analyst, Stein's Garden & Home, a family-owned garden center and home goods retailer (July 2012-December 2013); Senior Vice President, the Advisor (September 2007-June 2012); Controller, the Advisor (April 1997-September 2007).

Directors & Officers

As of January 1, 2018 (Unaudited) (Continued)

Interested Directors and Officers

Charles M. Weber

Secretary

Term of Office: Re-elected by Board annually

Length of Time Served: Since September 2005

Age: 54

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:

Senior Associate General Counsel, the Advisor, since January 2013; Managing Director, the Advisor since January 2009; Associate General Counsel, the Advisor (July 2005-December 2012)

Peter J. Hammond

Vice President

Term of Office: Re-elected by Board annually

Length of Time Served: Since August 2012

Age: 54

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:

Senior Vice President, the Advisor, since March 2012; Executive VP and Chief Administrative Officer, UMB Fund Services (September 1996-March 2012)

Dustin J. Hutter

Assistant Treasurer

Term of Office: Re-elected by Board annually

Length of Time Served: Since February 2011

Age: 41

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:

Senior Business Analyst, the Advisor, since September 2017; Director of Finance Services, the Advisor (August 2015-August 2017); Director of Reporting and Analysis, Capital Markets Finance, the Advisor (February 2013-August 2015); Senior Vice President, the Advisor (January 2011-January 2013); Assistant Controller, the Advisor (January 2006-January 2013)

Andrew D. Ketter

Assistant Secretary

Term of Office: Re-elected by Board annually

Length of Time Served: Since February 2011

Age: 43

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:

Associate General Counsel, the Advisor, since September 2010; Director, the Advisor, since July 2014; Senior Vice President, the Advisor (January 2014-June 2014); First Vice President, the Advisor (September 2010 to December 2013)

* Mr. Nettles is considered an "interested person" of the Corporation (as defined in the 1940 Act) because of his previous association with the law firm, Quarles & Brady LLP, which provides legal services to the Advisor. The legal services that Quarles & Brady LLP has provided to the Advisor include litigation, real estate, trademark and miscellaneous securities related matters that did not relate to the Corporation or the Funds.

Additional information about the Funds' Directors is available in the Statement of Additional Information which may be obtained without charge, upon request, by calling 1-866-44BAIRD, or at www.bairdfunds.com.

Baird Funds, Inc.

Disclosure Regarding the Board of Directors' Approval of the Investment Advisory Agreement for Baird Equity Funds (Unaudited)

The Board of Directors (the "Board") of Baird Funds, Inc. (the "Corporation"), including the directors who are not "interested persons" of the Corporation within the meaning of the Investment Company Act of 1940 (the "Independent Directors"), met on August 17 and August 24, 2017 to consider the annual renewal of the investment advisory agreement between Robert W. Baird & Co. Incorporated ("Baird" or the "Advisor") and the Corporation on behalf of the Baird MidCap, Baird Small/Mid Cap Value, Baird SmallCap Value, Chautauqua International Growth and Chautauqua Global Growth Funds (the "Funds"). The Board, including the Independent Directors, approved the investment advisory agreement through a process that concluded at the August 24, 2017 meeting. In connection with its consideration of the investment advisory agreement, the Board reviewed and discussed various information that had been provided prior to the meeting, including the investment advisory agreement, a memorandum provided by legal counsel summarizing the guidelines relevant to the Board's consideration of the renewal of the investment advisory agreement, a memorandum and other information provided in response to a request from the Board, including the Independent Directors, from the Advisor (including the Advisor's Form ADV Part 1, brochures and brochure supplements, annual report and financial information), a profitability analysis, comparative information about the Funds' performance for periods ended June 30, 2017, management fees and expense ratios, composite performance of similar accounts managed by the Advisor, trading and commission information and other pertinent information. The Advisor had also provided Morningstar data comparing certain Funds' fees and expenses to peer funds identified by the Advisor.

The Board met in executive session with the Funds' legal counsel to consider the investment advisory agreement. The Board discussed the Advisor's 15(c) response at the August 17, 2017 special meeting and discussed various questions and information with the President of the Funds at the August 17, 2017 meeting and during executive session earlier in the meeting. The Board also took into account information reviewed periodically throughout the year that was relevant to its consideration of the investment advisory agreement, including performance, management fee and other expense information and discussions with the Funds' portfolio managers. Based on its evaluation of this information, the Board, including a majority of the Independent Directors, approved the continuation of the investment advisory agreement for an additional one-year period.

In considering the investment advisory agreement and reaching its conclusions, the Board reviewed and analyzed various factors that it determined were relevant, including the factors below. In deciding to approve the investment advisory agreement for each Fund, the Board did not identify any single factor as determinative but considered all factors together.

Nature, Extent and Quality of Services Provided to the Funds

The Board analyzed the nature, extent and quality of the services provided by the Advisor to the Funds. The Board noted the Advisor's overall reputation and depth of the Advisor's personnel, resources and commitment to the Funds and the experience and credentials of the portfolio management teams employed to manage the Funds' investments. The Board considered the consistency and continuity of the portfolio management teams for the Funds and noted that the Advisor has added resources in support of the Funds, including investments in personnel, technology, research and trading. The Board noted that the Funds provide an opportunity for smaller institutional and retail accounts to receive the same professional advice from the Advisor that it offers to its larger institutional clients. However, the Board noted that the provision of investment advisory services to the Funds requires more effort than it does for separately managed accounts due to daily sales and redemption activity and additional regulatory and compliance requirements.

The Board considered the Advisor's disciplined investment decision making process used for the Funds. The Board also considered other services that the Advisor provides the Funds in its capacity as their investment advisor, such as making some of its key personnel available to serve as officers of the Funds, selecting broker dealers for execution of portfolio transactions, ensuring adherence to the Funds' investment policies and restrictions, compliance, risk management services, valuation, providing support services to the Board and the committees of the Board and overseeing the Funds' other service providers. The Board also considered the

Baird Funds, Inc.

Disclosure Regarding the Board of Directors' Approval of the Investment Advisory Agreement for Baird Equity Funds (Unaudited) (Continued)

strength of the Advisor's compliance department, including the Funds' chief compliance officer, as well as the Advisor's risk management tools and process. The Board concluded that the nature, extent and quality of the services provided by the Advisor to the Funds were appropriate and that each Fund was likely to continue to benefit from services provided under the respective investment advisory agreement.

Investment Performance of the Advisor and the Funds

In considering the investment performance of each of the Funds, the Board reviewed information as of June 30, 2017 regarding the performance of each class of the Fund for applicable one-year, three-year, five-year, ten-year and since-inception periods in comparison to its benchmark index and its peer groups as determined by Lipper. The Board also considered composite investment performance of Baird Equity Asset Management with respect to accounts managed by the Advisor that are comparable to the Funds.

The Board noted that the performance of the Institutional Class of the MidCap Fund exceeded the benchmark and Lipper peer group average for the one-year, ten-year and since-inception periods but trailed the benchmark index and peer group average for the three-year and five-year periods. The Board noted that the performance of the Institutional Class of the SmallCap Value Fund and Small/Mid Cap Value Fund trailed the Lipper peer group average and benchmark index for all applicable periods. The Board considered the reasons for the Funds' underperformance as discussed by the Advisor.

The Board considered the available performance of the Chautauqua Funds since they were launched in 2016, noting that the Institutional Class of the International Growth Fund trailed the benchmark and Lipper peer group average for the one-year and since-inception periods and the Institutional Class of the Global Growth Fund exceeded the benchmark index and Lipper peer group average for the one-year and since-inception periods.

The Board also considered the Advisor's quarterly portfolio commentaries and reviews explaining the Funds' performance, the Advisor's consistent and disciplined investment decision process and the investment strategies it employs for the Funds. After considering all of the information, the Board concluded that, although past performance is not a guarantee of future results, each Fund and its shareholders were likely to benefit from the continued management by the Advisor.

Fee Information, Costs of Services Provided and Profits Realized by the Advisor

The Board examined the fee and expense information for each of the Funds, including a comparison of such information to other similarly situated mutual funds as determined by Morningstar. The Board noted that the advisory fee for the MidCap Fund was slightly above the Morningstar average, the advisory fee for the Small/Mid Cap Value Fund was in line with the Morningstar average, the advisory fee for the SmallCap Value Fund was slightly above the Morningstar average, the advisory fee for the International Growth Fund was in line with the Morningstar average and the advisory fee for the Global Growth Fund was above the Morningstar average. The Board also reviewed and considered management fees charged by the Advisor to other investment advisory clients and noted that the advisory fee paid by the MidCap Fund was 10 basis points (or 0.10%) less than what the Advisor charges on the first \$10 million of a separately managed account. With respect to the Small/Mid Cap Value and SmallCap Value Funds, the Fund's advisory fee was 15 basis points (or 0.15%) less than what the Advisor charges on the first \$20 million of a separately managed account. With respect to the International Growth and Global Growth Funds, the Fund's advisory fee was 10 basis points (or 0.10%) less than what the Advisor charges on the first \$50 million of a separately managed account.

The Board considered the extent of the significant additional services provided to the Funds that the Advisor did not provide in the other advisory relationships. Those services included operational support, valuation services, oversight of the Funds' other service providers, director support, preparation of regulatory filings, implementation of the Funds' compliance program, including employment of the Funds' Chief Compliance Officer and other compliance staff, and various other services. The Board noted that the Advisor maintains

Baird Funds, Inc.

Disclosure Regarding the Board of Directors' Approval of the Investment Advisory Agreement for Baird Equity Funds (Unaudited) (Continued)

subadvisory arrangements with other unaffiliated equity mutual funds as well as two private limited partnerships managed in strategies similar to the International Growth Fund and the Global Growth Fund, but did not consider the subadvisory fee to be a material factor given the difference in services provided by the Advisor.

The Board also examined the total expense ratio of each Fund, after fee waivers and expense reimbursements by the Advisor, relative to all other mutual funds in its Morningstar category. The Board noted that the total expense ratio for each Fund was in line with the Morningstar category average. With respect to the MidCap Fund, the total expense ratio has gone down due to the growth in Fund assets.

The Board considered the fees realized, and the costs incurred, by the Advisor in providing investment management services to the Funds and the profitability to the Advisor of having a relationship with the Funds. The Board noted that the Advisor has waived fees for each of the Funds under the expense cap agreement, other than the MidCap Fund (due to its expense ratio being reduced below the expense cap).

The Board noted that the Advisor's profitability information does not reflect certain internal resources provided by the Advisor to the Funds, such as legal, finance and compliance support. The Board reviewed and considered the general financial condition of the Advisor and determined it to be sound. The Board also noted that all marketing and distribution fees other than the Rule 12b-1 fee payable by the Investor Class shares of the Funds were paid by the Advisor from its reasonable profits. In light of all of the information that it received and considered, the Board concluded that the management fee and total expense ratio of each Fund were reasonable and the profits realized by the Advisor from its relationship with the Funds were reasonable.

Economies of Scale and Fee Levels Reflecting Those Economies

The Board reviewed the extent to which economies of scale may be realized as the Funds increase in size. The Board recognized that the Advisor has committed to waive fees and/or reimburse expenses for the Funds pursuant to the expense cap agreement. Other than the MidCap Fund, the Board did not consider economies of scale to be a material factor due to the current asset size of each Fund. With respect to the MidCap Fund, the Fund has shared economies of scale with shareholders by virtue of the reduced expense ratio. In addition, the Board noted that the Fund compares favorably with other funds in its Morningstar category in terms of expenses. The Directors concluded that the absence of breakpoints in the management fee for the MidCap Fund is reasonable at this time.

The Board recognized that the advisory fee rates paid by the Funds were designed to be lower than the fees otherwise charged by the Advisor to its separately managed account clients. The Directors considered the Advisor's commitment to continue to evaluate breakpoints with respect to the MidCap Fund. The Directors concluded that the current fee structure of each Fund was reasonable.

Benefits Derived from the Relationship with the Funds

The Board considered other benefits to the Advisor from serving as advisor to the Funds (in addition to the advisory fee). The Board noted that the Advisor derives ancillary benefits from its association with the Funds in the form of research products and services received from unaffiliated broker dealers who execute portfolio trades for the Funds. However, the Board determined such products and services have been used for legitimate purposes relating to the Funds by providing assistance in the investment decision making process. The Board also noted that the Distributor and its financial advisors receive 12b-1 payments for selling Investor Class shares of the Funds. The Board noted that the Advisor's asset management business may experience indirect benefits from the Advisor's association with the Funds. The Board concluded that the other benefits realized by the Advisor from its relationship with the Funds were appropriate.

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

Additional Information (Unaudited)

Proxy Voting

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

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

Portfolio Holdings Disclosure

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

Qualified Dividend Income/Dividends Received Deduction

For the fiscal year ended December 31, 2017, certain dividends paid by the Funds may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated as qualified dividend income was as follows:

Baird Small/Mid Cap Value Fund	100%
Baird SmallCap Value Fund	100%
Chautauqua International Growth Fund	29.38%
Chautauqua Global Growth Fund	16.53%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended December 31, 2017 was as follows:

Baird Small/Mid Cap Value Fund	100%
Baird SmallCap Value Fund	100%
Chautauqua International Growth Fund	1.11%
Chautauqua Global Growth Fund	1.94%

Other Tax Information

For the fiscal year ended December 31, 2017, the percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C) for each Fund were as follows:

Chautauqua International Growth Fund	94.42%
Chautauqua Global Growth Fund	100.00%

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 Funds 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.

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701
1-866-44BAIRD

Board of Directors

John W. Feldt
David J. Lubar
Cory L. Nettles
Marlyn J. Spear (Chair)
Frederick P. Stratton, Jr.

Investment Advisor and Distributor

Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, WI 53202

Administrator and Transfer Agent

U.S. Bancorp Fund Services, LLC
P.O. Box 701
615 East Michigan Street
Milwaukee, WI 53202

Custodian

U.S. Bank, N.A.
1555 N. RiverCenter Drive, Suite 302
Milwaukee, WI 53212

Legal Counsel

Godfrey & Kahn, S.C.
833 East Michigan Street, Suite 1800
Milwaukee, WI 53202

Independent Registered Public Accounting Firm

Cohen & Company, Ltd.
342 North Water Street, Suite 830
Milwaukee, WI 53202