

# Annual Report – Baird Funds

December 31, 2019

Baird MidCap Fund  
Baird Small/Mid Cap Growth Fund  
Baird Small/Mid Cap Value Fund  
Baird SmallCap Value Fund  
Chautauqua International Growth Fund  
Chautauqua Global Growth Fund

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Funds' annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Funds or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on the Funds' website ([www.bairdassetmanagement.com/baird-funds/funds-and-performance#Literature](http://www.bairdassetmanagement.com/baird-funds/funds-and-performance#Literature)) and you will be notified by mail each time a report is posted and provided with a website link to access the report.

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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](http://www.bairdfunds.com)

February 28, 2020

Dear Shareholder,

2019 saw strong equity returns despite several prominent worries, including sizable volatility in very late 2018, global economic slowing, geopolitical uncertainty, an inverted yield curve, and trade friction. Nonetheless, equity markets benefited from the Fed's pivot towards lowering interest rates three times beginning in July. Later in the year, the narrative shifted to more stable global growth given significant stimulus implemented world-wide and possible resolution of trade conflicts. Certainly in the second half of 2019, investors appeared less concerned with many of the downside risks. The S&P 500 Index was up nearly 29% from the end of 2018, with a few dips occurring in June, August and again in October. Starting the year at 2.69%, the yield on the 10-year U.S. Treasury steadily declined through early September, bottoming at 1.47%, and then rose to 1.92% at year end.

Amidst this backdrop, the Baird Equity Funds experienced solid risk-adjusted performance in 2019, with four of the six Funds adding value over benchmark returns. Further, and perhaps more importantly, our Equity Funds' long-term track records remain very competitive and our teams and portfolios are well positioned as 2020.

Our commitment to our long-term principles to generate competitive risk-controlled returns over full market cycles; support and strengthen our long-tenured, seasoned investment group and team-based, collaborative culture; deliver outstanding client service; and provide products that are competitively priced, continues to generate strong alignment with the interests of our investors and helped drive assets under management in the Baird Equity Funds to just over \$2.5 billion at year end.

We greatly value the trust you have placed in us and are privileged to provide you with equity investment management services. We can assure you that we never lose sight of the fact that our long-term success rests on the trust you have placed in us to be effective stewards of your assets.

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, 2019 (Unaudited)

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## Portfolio Managers' Commentary

For the year ended December 31, 2019, the Baird MidCap Fund Institutional Class posted a total return of 36.31% as compared to 35.47% for the Russell Midcap® Growth Index, the Fund's benchmark index.

While concerns built mid-year about the sustainability of the long-running economic expansion, particularly as the yield curve inverted, domestic equities responded favorably to the Federal Reserve (the "Fed") lowering rates and optimism on a potential U.S. trade agreement with China. The support from the Fed and other central banks provided the stimulus necessary to lift optimism, leading to signs that the third economic slowdown since the Great Recession would end. The result - record high stock prices as the decade closed.

The Fund's positioning in 2019 rested on an expectation for continued economic growth, but the underlying philosophy of investing in a mix of diversified, high-quality growth businesses served us well during periods of volatility that flared up during the year when the sustainability of the recovery came into question. The Fund produced its highest annual return since 2009 and we were pleased with the outperformance compared to the benchmark, particularly given favorable results in most benchmark sectors.

The Fund's technology holdings played a key role in driving relative outperformance. Notably, several companies in the computer services software industry group, the Fund's largest, delivered strong growth, which translated into favorable price returns in excess of the benchmark. In addition, strong performance from a Fund holding in the computer technology industry provided an offset to strength in benchmark names not owned in the Fund, notably in the semiconductor and related industries.

As a partial counter to strength in the technology sector, the Fund's consumer discretionary holdings trailed benchmark performance. Weakness was limited to a few holdings but was enough to create a net performance drag. While economic concerns negatively impacted the sales growth of an auto parts supplier, two other holdings retreated under expense pressure, categorized as necessary to drive future growth. One holding in the education services industry declined on concern over potential risk to its business model as the next election approaches. Several industries, including both specialty and general retail, home building, and cable television services, performed well as the backdrop for consumer spending remained positive due to continued job and wage growth amid low unemployment.

Returns from the Fund's holdings in the producer durables and materials sectors exceeded benchmark performance. It is worth grouping these two sectors given that characteristics influencing performance were similar. Both sectors performed best in the first quarter as optimism over the Fed's shift toward an easing posture lifted more cyclical business models. As concern grew about the trajectory of U.S. growth mid-year, returns in these sectors moderated as well. Importantly, holdings with exposure to areas exhibiting good spending activity performed well and these included testing and measurement for the 5G network buildout, data and analytics solutions, factory automation, and uniform rental services. In addition, one holding operating in the power transmission equipment industry appreciated meaningfully as it recovered from operating challenges experienced last year.

The financial services sector contributed positively to relative performance. The payments and processing businesses stood out as they collectively delivered some of the strongest price appreciation in the Fund. Also, exposure to a company providing a leading electronic bond trading platform proved beneficial as higher volatility and market share gains led to increased revenue and stock price appreciation. Credit and market-sensitive financials did not keep pace, but the Fund's weight in these areas was relatively limited.

The healthcare sector trailed only technology in its contribution to Fund outperformance. Good stock picking within the healthcare services industry including several companies in the medical and dental instrument segment led to outperformance. Of note, two holdings providing technologies used in the emerging treatment systems for diabetes performed very well.

# Baird MidCap Fund

December 31, 2019 (Unaudited)

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Two sectors, energy and consumer staples, have a single holding owing to their small benchmark weights. We view each position as earning its place due to a favorable fundamental growth story, with the added benefit of providing diversification to the overall portfolio. The net effect of the two was positive for relative Fund performance.

While the Fund's cash position is not used tactically, in such a strong market advance even a modest amount held to accommodate opportunistic additions to or subtractions from individual holdings created a drag on relative performance in 2019.

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.

Charles F. Severson, CFA  
Kenneth M. Hemauer, CFA  
Portfolio Managers

# Baird MidCap Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

A December 31, 2019 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<sup>(1)</sup>

CDW Corp.	2.9%
Dollar General Corp.	2.9%
Fiserv, Inc.	2.8%
Tyler Technologies, Inc.	2.7%
Burlington Stores, Inc.	2.6%
Cable One, Inc.	2.6%
O'Reilly Automotive, Inc.	2.4%
EPAM Systems, Inc.	2.4%
Monolithic Power Systems, Inc.	2.4%
Synopsys, Inc.	2.4%

Net Assets:	\$1,974,162,413
Portfolio Turnover Rate:	43%
Number of Equity Holdings:	59

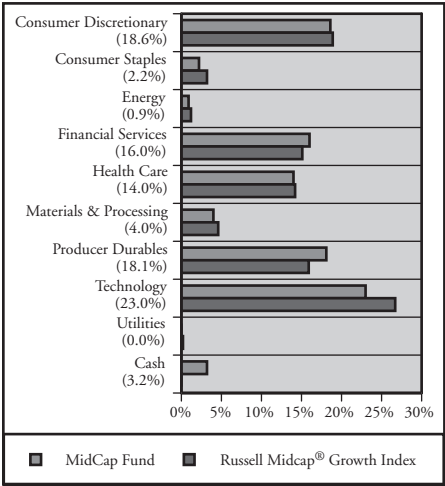
### Annualized Portfolio Expense Ratio<sup>(3)</sup>:

Gross	
Institutional Class:	0.81%
Investor Class:	1.06% <sup>(4)</sup>

### Net

Institutional Class:	0.81%
Investor Class:	1.06% <sup>(4)</sup>

### Equity Sector Analysis<sup>(2)</sup>

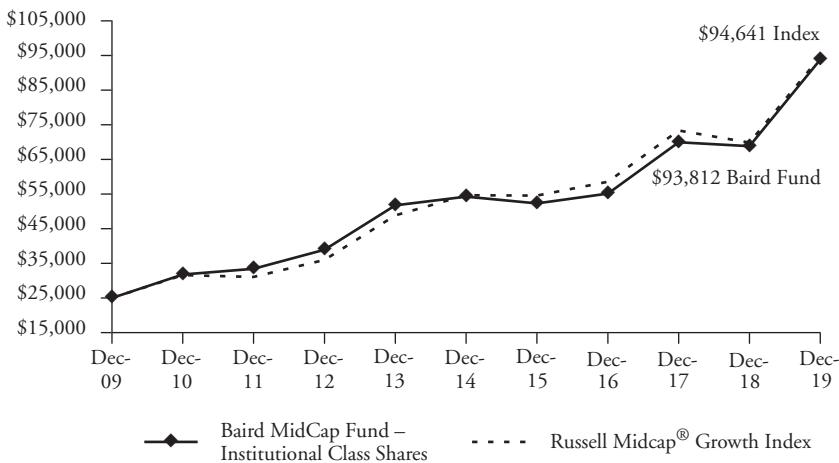


- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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, 2021.
- (4) Includes 0.25% 12b-1 fee.

# Baird MidCap Fund

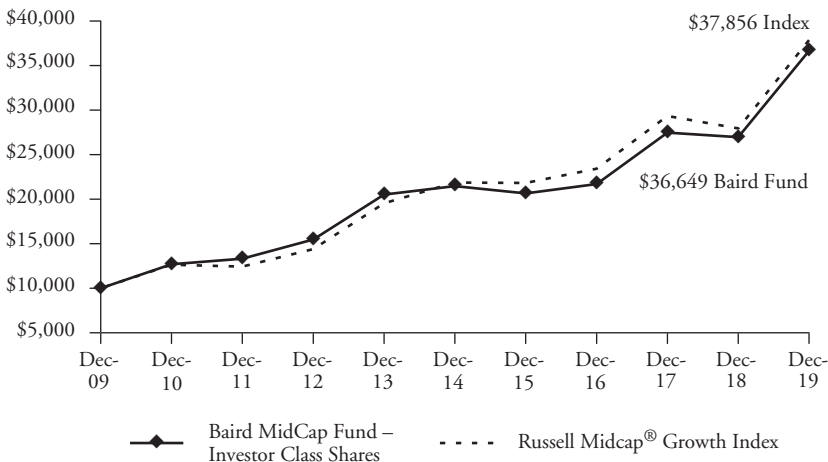
December 31, 2019 (Unaudited)

Institutional Class  
Value of a \$25,000 Investment



Growth of a hypothetical investment of \$25,000 made on 12/31/09, assuming reinvestment of all distributions.

Investor Class  
Value of a \$10,000 Investment



Growth of a hypothetical investment of \$10,000 made on 12/31/09, assuming reinvestment of all distributions.

# Baird MidCap Fund

December 31, 2019 (Unaudited)

## Total Returns

<i>For the Periods Ended December 31, 2019</i>	Average Annual			
	One Year	Five Years	Ten Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	36.31%	11.58%	14.14%	8.21%
Investor Class Shares	35.94%	11.29%	13.87%	7.96%
Russell Midcap <sup>®</sup> Growth Index <sup>(2)</sup>	35.47%	11.60%	14.24%	7.67%

- (1) For the period from December 29, 2000 (inception date) through December 31, 2019.
- (2) The Russell Midcap<sup>®</sup> Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap<sup>®</sup> 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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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](http://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, 2019

## Common Stocks

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Aerospace &amp; Defense</b>			
BWX Technologies, Inc.	446,612	\$ 27,725,673	1.4%
Mercury Systems, Inc. <sup>(1)</sup>	334,139	23,092,346	1.2%
		50,818,019	2.6%
<b>Banks</b>			
East West Bancorp, Inc.	492,603	23,989,766	1.2%
Pinnacle Financial Partners, Inc.	423,100	27,078,400	1.4%
		51,068,166	2.6%
<b>Biotechnology</b>			
Alexion Pharmaceuticals, Inc. <sup>(1)</sup>	182,042	19,687,842	1.0%
<b>Building Products</b>			
AO Smith Corp.	596,208	28,403,349	1.4%
Trex Co, Inc. <sup>(1)</sup>	236,729	21,277,203	1.1%
		49,680,552	2.5%
<b>Capital Markets</b>			
MarketAxess Holdings, Inc.	55,663	21,102,400	1.1%
<b>Commercial Services &amp; Supplies</b>			
Cintas Corporation	171,172	46,058,962	2.3%
<b>Communications Equipment</b>			
Arista Networks, Inc. <sup>(1)</sup>	124,357	25,294,214	1.3%
<b>Containers &amp; Packaging</b>			
AptarGroup, Inc.	171,735	19,856,001	1.0%
<b>Distributors</b>			
Pool Corp.	204,231	43,374,580	2.2%
<b>Diversified Consumer Services</b>			
Grand Canyon Education, Inc. <sup>(1)</sup>	277,994	26,629,045	1.3%
<b>Electrical Equipment</b>			
Rockwell Automation, Inc.	164,334	33,305,572	1.7%
<b>Electronic Equipment, Instruments &amp; Components</b>			
CDW Corp.	406,533	58,069,174	2.9%
Dolby Laboratories, Inc. – Class A	443,216	30,493,261	1.5%
Keysight Technologies, Inc. <sup>(1)</sup>	395,272	40,566,765	2.1%
Littelfuse, Inc.	107,820	20,625,966	1.1%
Trimble Navigation Ltd. <sup>(1)</sup>	521,642	21,747,255	1.1%
		171,502,421	8.7%
<b>Entertainment</b>			
Take-Two Interactive Software, Inc. <sup>(1)</sup>	343,872	42,100,249	2.1%

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

# Baird MidCap Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Food Products</b>			
Lamb Weston Holdings, Inc.	527,270	\$ 45,361,038	2.3%
<b>Health Care Equipment &amp; Supplies</b>			
Align Technology, Inc. <sup>(1)</sup>	152,832	42,646,241	2.2%
Cooper Cos., Inc.	133,849	43,004,345	2.2%
DexCom, Inc. <sup>(1)</sup>	130,390	28,521,509	1.4%
IDEXX Laboratories, Inc. <sup>(1)</sup>	123,955	32,368,369	1.6%
Insulet Corp. <sup>(1)</sup>	195,867	33,532,431	1.7%
		180,072,895	9.1%
<b>Health Care Technology</b>			
Veeva Systems, Inc. <sup>(1)</sup>	179,962	25,313,455	1.3%
<b>Hotels, Restaurants &amp; Leisure</b>			
Vail Resorts, Inc.	99,502	23,863,565	1.2%
<b>Household Durables</b>			
DR Horton, Inc.	444,743	23,460,193	1.2%
<b>Insurance</b>			
Arthur J Gallagher & Co.	380,390	36,224,540	1.8%
<b>Internet &amp; Direct Marketing Retail</b>			
Etsy, Inc. <sup>(1)</sup>	601,274	26,636,438	1.3%
<b>IT Services</b>			
Broadridge Financial Solutions, Inc.	284,509	35,148,242	1.8%
EPAM Systems, Inc. <sup>(1)</sup>	226,916	48,142,499	2.4%
Euronet Worldwide, Inc. <sup>(1)</sup>	295,931	46,626,888	2.4%
Fiserv, Inc. <sup>(1)</sup>	485,764	56,168,891	2.8%
Gartner, Inc. <sup>(1)</sup>	132,642	20,440,132	1.0%
Global Payments, Inc.	243,727	44,494,801	2.3%
		251,021,453	12.7%
<b>Life Sciences Tools &amp; Services</b>			
ICON PLC <sup>(1)(2)</sup>	268,261	46,202,592	2.3%
<b>Machinery</b>			
Gardner Denver Holdings, Inc. <sup>(1)</sup>	673,911	24,719,056	1.2%
Graco, Inc.	628,622	32,688,344	1.7%
IDEX Corp.	217,987	37,493,764	1.9%
Xylem, Inc.	368,246	29,014,102	1.5%
		123,915,266	6.3%
<b>Media</b>			
Cable One, Inc.	34,063	50,701,754	2.6%
<b>Multiline Retail</b>			
Dollar General Corp.	370,496	57,789,966	2.9%

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

# Baird MidCap Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Oil, Gas &amp; Consumable Fuels</b>			
Diamondback Energy, Inc.	207,124	\$ 19,233,535	1.0%
<b>Pharmaceuticals</b>			
Jazz Pharmaceuticals PLC <sup>(1)(2)</sup>	160,704	23,989,893	1.2%
<b>Professional Services</b>			
TransUnion	540,301	46,255,168	2.3%
Verisk Analytics, Inc.	272,523	40,698,585	2.1%
		86,953,753	4.4%
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Microchip Technology, Inc.	391,330	40,980,078	2.1%
Monolithic Power Systems, Inc.	264,077	47,010,987	2.4%
		87,991,065	4.5%
<b>Software</b>			
Alteryx, Inc. <sup>(1)</sup>	197,957	19,809,557	1.0%
RealPage, Inc. <sup>(1)</sup>	544,725	29,278,969	1.5%
Synopsys, Inc. <sup>(1)</sup>	336,311	46,814,491	2.4%
Tyler Technologies, Inc. <sup>(1)</sup>	178,411	53,526,868	2.7%
		149,429,885	7.6%
<b>Specialty Retail</b>			
Burlington Stores, Inc. <sup>(1)</sup>	225,124	51,335,026	2.6%
Five Below, Inc. <sup>(1)</sup>	315,719	40,367,831	2.1%
O'Reilly Automotive, Inc. <sup>(1)</sup>	109,958	48,190,193	2.4%
		139,893,050	7.1%
<b>Trading Companies &amp; Distributors</b>			
Fastenal Co.	671,640	24,817,098	1.3%
Watsco, Inc.	106,741	19,229,391	1.0%
		44,046,489	2.3%
<b>Total Common Stocks</b> <b>(Cost \$1,349,749,735)</b>		2,042,578,848	103.5%

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

# Baird MidCap Fund

Schedule of Investments, December 31, 2019

## Short-Term Investment

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Fund</b>			
First American Government Obligations Fund, Class U, 1.53% <sup>(3)</sup>	68,514,332	\$ 68,514,332	3.4%
<b>Total Short-Term Investment</b> (Cost \$68,514,332)		68,514,332	3.4%
<b>Total Investments</b> (Cost \$1,418,264,067)		2,111,093,180	106.9%
Liabilities in Excess of Other Assets		(136,930,767)	(6.9)%
<b>TOTAL NET ASSETS</b>		\$1,974,162,413	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's 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, 2019

## Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$2,042,578,848	\$ —	\$ —	\$2,042,578,848
<b>Total Equity</b>	<u>2,042,578,848</u>	<u>—</u>	<u>—</u>	<u>2,042,578,848</u>
<b>Short-Term Investment</b>				
Money Market Mutual Fund	68,514,332	—	—	68,514,332
<b>Total Short-Term Investment</b>	<u>68,514,332</u>	<u>—</u>	<u>—</u>	<u>68,514,332</u>
<b>Total Investments*</b>	<u>\$2,111,093,180</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$2,111,093,180</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 into or out of Level 3 during the reporting period, as compared to the security classifications 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 Growth Fund

December 31, 2019 (Unaudited)

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## Portfolio Manager's Commentary

For the year ended December 31, 2019, the Baird Small/Mid Cap Growth Fund Institutional Class posted a total return of 36.98% as compared to a 32.65% return for the Russell 2500® Growth Index, the Fund's benchmark index.

While concerns built mid-year about the sustainability of the long-running economic expansion, particularly as the yield curve inverted, domestic equities responded favorably to the Federal Reserve (the "Fed") lowering rates and optimism on a potential U.S. trade agreement with China. The support from the Fed and other central banks provided the stimulus necessary to lift optimism leading to signs that the third economic slowdown since the Great Recession would end. The result - record high stock prices as the decade closed.

The Fund's positioning in 2019 rested on an expectation for continued economic growth, but the underlying philosophy of investing in a mix of diversified, high-quality growth businesses served us well during periods of volatility that flared up during the year when the sustainability of the recovery came into question. In the Fund's first full calendar year since launching late in 2018, we were pleased that our strategy delivered over 400 basis points of relative outperformance versus our target index.

In general, strong absolute and relative returns were generated in multiple sectors and multiple individual stocks. Every sector of the Fund's holdings outperformed in 2019, except for the two smallest: consumer staples and energy. Those two sectors totaled less than 4% of total weight in the Fund. The Fund's three strongest outperforming sectors were financials, technology, and producer durables. Strong stock performance from several holdings was driven by factors we continue to favor, such as industry leading companies that can continue to compound returns year after year, as well as secular growth stories driving growth unique to their industry. Our strategy does not take big sector bets as we typically stay within 75% to 125% of the sector's weight in our benchmark. We also do not make big bets on individual stocks, as our typical position size is between 1% and 3%.

The Fund's outperformance in the financials sector was due to our preference for companies that use software, data, and technology to provide subscription services. These companies were able to grow much faster than analyst expectations and drove multiple expansion relative to more traditional financial services companies. We have owned these kinds of businesses since the Fund launched, and every holding that outperformed in calendar 2019 was owned since the Fund's inception in October 2018. We do not make big bets on the direction of interest rates and have relatively equal weighted positions in both banks and REITs.

Strong performance from the Fund's technology sector was from both lower growth holdings that continue to compound returns, as well as several high growth software-as-a-service (SAAS) businesses that grow revenues significantly faster than many other companies in other sectors. We chose to take profits on a few holdings in October, but were pleased to see these stocks continue to rally throughout the end of the year. Given the sharp sell-off in the fourth quarter of 2018, many of these stocks rebounded significantly in 2019 as revenue growth exceeded our expectations.

The Fund's producer durables performance was driven by a slight underweight to more economically, cyclical stocks in the benchmark. Although this sector was volatile throughout the year, particularly in the fall when the market shifted to favor lower valuation, we were able to outperform due to continued strong performance from a long time holding, selling a few holdings with exposure to China, as well as adding in new ideas with some exposure to 5G, which should drive increased spending for the next several years.

The healthcare sector in any given calendar year can also be quite volatile, especially the biotech industry, which is rarely a good fit for our preference for profitable companies. The Fund was underweight this sector for the year due to profit taking in a few holdings, as well as selling a few holdings that performed below our expectations. Although we outperformed slightly in the sector for the year, strong early year performance was offset by a weak fourth quarter as several holdings in the benchmark more than doubled in the fourth quarter. Although we maintain some exposure to this industry group, we will rarely keep pace when these stocks rally over a short time period.

# Baird Small/Mid Cap Growth Fund

December 31, 2019 (Unaudited)

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Offsetting our overall strong performance were a few setbacks in individual stocks, including three healthcare holdings, where sales growth was much lower than expected in calendar 2019. Our lack of an energy stock holding was also a slight drag on performance in the fourth quarter. We chose to avoid many stocks with exposure to China in the middle part of the year as the trade war progressed, which hurt performance as several of these stocks rallied in the fourth quarter as the market expected a signed trade deal around year end.

While the Fund's cash position is not used tactically, in such a strong market advance even a modest amount held to accommodate opportunistic additions to or subtractions from individual holdings created a drag on relative performance in 2019.

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 Manager:

Jonathan L. Good

# Baird Small/Mid Cap Growth Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

A December 31, 2019 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 2500® Growth Index is shown below.

### Top 10 Holdings<sup>(1)</sup>

Pool Corp.	2.9%
EPAM Systems, Inc.	2.8%
Cable One, Inc.	2.8%
IDEX Corp.	2.7%
Cooper Cos., Inc.	2.4%
DexCom, Inc.	2.3%
SiteOne Landscape Supply, Inc.	2.2%
AptarGroup, Inc.	2.2%
Burlington Stores, Inc.	2.2%
Crocs, Inc.	2.1%

Net Assets:	\$18,572,852
Portfolio Turnover Rate:	60%
Number of Equity Holdings:	65

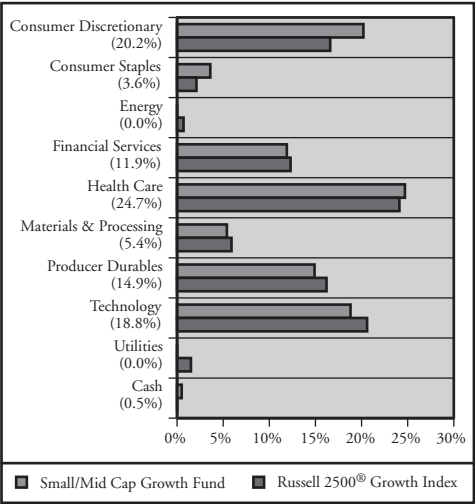
### Annualized Portfolio Expense Ratio<sup>(3)</sup>:

Gross	
Institutional Class:	3.88%
Investor Class:	4.13% <sup>(4)</sup>

### Net

Institutional Class:	0.85%
Investor Class:	1.10% <sup>(4)</sup>

### Equity Sector Analysis<sup>(2)</sup>

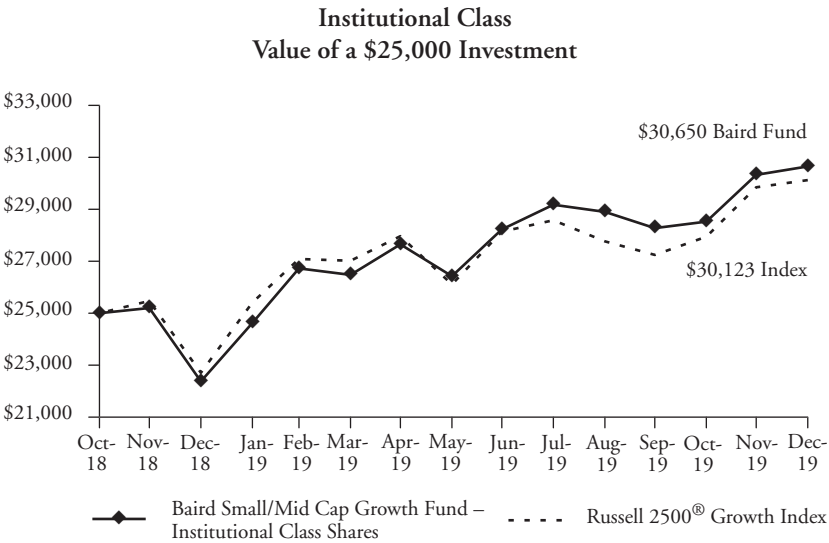


- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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, 2021.
- (4) Includes 0.25% 12b-1 fee.

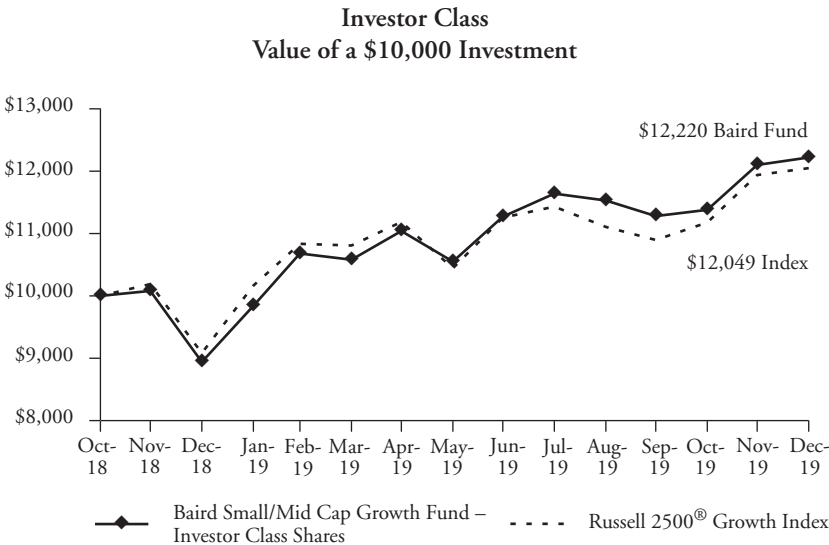


# Baird Small/Mid Cap Growth Fund

December 31, 2019 (Unaudited)



*Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (10/31/18), assuming reinvestment of all distributions.*



*Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (10/31/18), assuming reinvestment of all distributions.*

# Baird Small/Mid Cap Growth Fund

December 31, 2019 (Unaudited)

## Total Returns

	One Year	Average Annual Since Inception <sup>(1)</sup>
<i>For the Periods Ended December 31, 2019</i>		
Institutional Class Shares	36.98%	19.07%
Investor Class Shares	36.69%	18.74%
Russell 2500® Growth Index <sup>(2)</sup>	32.65%	17.32%

- (1) For the period from October 31, 2018 (inception date) through December 31, 2019.
- (2) The Russell 2500® Growth Index measures the performance of the Small-to-Mid Cap Growth segment of the U.S. equity universe. It includes those Russell 2500® 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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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 small- and mid-capitalization companies. Small- and 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](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird Small/Mid Cap Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Aerospace &amp; Defense</b>			
HEICO Corp.	1,236	\$ 141,089	0.7%
Kratos Defense & Security Solutions, Inc. <sup>(1)</sup>	9,260	166,773	0.9%
		307,862	1.6%
<b>Auto Components</b>			
Visteon Corp. <sup>(1)</sup>	1,917	165,993	0.9%
<b>Banks</b>			
Western Alliance Bancorp	4,954	282,378	1.5%
<b>Beverages</b>			
Primo Water Corp. <sup>(1)</sup>	10,780	121,006	0.7%
<b>Biotechnology</b>			
Exact Sciences Corp. <sup>(1)</sup>	1,835	169,701	0.9%
Heron Therapeutics, Inc. <sup>(1)</sup>	8,901	209,173	1.1%
Pfizer, Inc. <sup>(1)</sup>	9,350	102,663	0.6%
		481,537	2.6%
<b>Building Products</b>			
Trex Co, Inc. <sup>(1)</sup>	2,738	246,091	1.3%
<b>Capital Markets</b>			
MarketAxess Holdings, Inc.	762	288,882	1.5%
<b>Commercial Services &amp; Supplies</b>			
IAA, Inc. <sup>(1)</sup>	4,074	191,722	1.0%
Mobile Mini, Inc.	4,735	179,504	1.0%
		371,226	2.0%
<b>Construction &amp; Engineering</b>			
MasTec, Inc. <sup>(1)</sup>	4,972	319,004	1.7%
<b>Containers &amp; Packaging</b>			
AptarGroup, Inc.	3,502	404,901	2.2%
<b>Distributors</b>			
Pool Corp.	2,497	530,313	2.9%
<b>Electronic Equipment, Instruments &amp; Components</b>			
Dolby Laboratories, Inc. – Class A	4,135	284,488	1.5%
Littelfuse, Inc.	1,103	211,004	1.2%
		495,492	2.7%
<b>Equity Real Estate Investment Trusts (REITs)</b>			
National Storage Affiliates Trust	7,959	267,582	1.4%

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

# Baird Small/Mid Cap Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Food Products</b>			
Calavo Growers, Inc.	2,794	\$ 253,108	1.3%
Lamb Weston Holdings, Inc.	2,978	256,197	1.4%
		509,305	2.7%
<b>Health Care Equipment &amp; Supplies</b>			
Cooper Cos., Inc.	1,376	442,095	2.4%
DexCom, Inc. <sup>(1)</sup>	1,965	429,824	2.3%
Insulet Corp. <sup>(1)</sup>	1,890	323,568	1.7%
Integra LifeSciences Holdings Corp. <sup>(1)</sup>	5,830	339,772	1.8%
Novocure Ltd. <sup>(1)(2)</sup>	2,321	195,591	1.1%
OrthoPediatrics Corp. <sup>(1)</sup>	4,683	220,054	1.2%
QUIDEL Corp. <sup>(1)</sup>	2,939	220,513	1.2%
Silk Road Medical, Inc. <sup>(1)</sup>	2,670	107,815	0.6%
Tactile Systems Technology, Inc. <sup>(1)</sup>	4,008	270,580	1.4%
		2,549,812	13.7%
<b>Health Care Providers &amp; Services</b>			
LHC Group, Inc. <sup>(1)</sup>	2,237	308,169	1.7%
<b>Health Care Technology</b>			
Phreesia, Inc. <sup>(1)</sup>	6,921	184,375	1.0%
<b>Hotels, Restaurants &amp; Leisure</b>			
Vail Resorts, Inc.	970	232,635	1.2%
<b>Household Durables</b>			
LGI Homes, Inc. <sup>(1)</sup>	2,041	144,197	0.8%
<b>Insurance</b>			
Kinsale Capital Group, Inc.	3,047	309,758	1.7%
<b>Internet &amp; Direct Marketing Retail</b>			
Etsy, Inc. <sup>(1)</sup>	3,846	170,378	0.9%
<b>IT Services</b>			
Broadridge Financial Solutions, Inc.	1,438	177,651	1.0%
EPAM Systems, Inc. <sup>(1)</sup>	2,482	526,581	2.8%
Euronet Worldwide, Inc. <sup>(1)</sup>	2,118	333,712	1.8%
LiveRamp Holdings, Inc. <sup>(1)</sup>	3,053	146,758	0.8%
WNS Holdings Ltd. – ADR <sup>(1)(2)</sup>	4,989	330,022	1.8%
		1,514,724	8.2%
<b>Life Sciences Tools &amp; Services</b>			
PRA Health Sciences, Inc. <sup>(1)</sup>	3,084	342,787	1.8%

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

# Baird Small/Mid Cap Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Machinery</b>			
Gardner Denver Holdings, Inc. <sup>(1)</sup>	6,356	\$ 233,138	1.3%
IDEX Corp.	2,894	497,768	2.7%
Toro Co.	4,297	342,342	1.8%
		1,073,248	5.8%
<b>Media</b>			
Cable One, Inc.	348	517,988	2.8%
<b>Multiline Retail</b>			
Ollie's Bargain Outlet Holdings, Inc. <sup>(1)</sup>	1,958	127,877	0.7%
<b>Pharmaceuticals</b>			
Catalent, Inc. <sup>(1)</sup>	3,618	203,693	1.1%
Jazz Pharmaceuticals PLC <sup>(1)(2)</sup>	2,133	318,415	1.7%
		522,108	2.8%
<b>Professional Services</b>			
TransUnion	2,760	236,284	1.3%
<b>Road &amp; Rail</b>			
Schneider National, Inc.	9,843	214,774	1.2%
<b>Semiconductors &amp; Semiconductor Equipment</b>			
Monolithic Power Systems, Inc.	1,791	318,834	1.7%
<b>Software</b>			
Alteryx, Inc. <sup>(1)</sup>	1,651	165,216	0.9%
Descartes Systems Group, Inc. <sup>(1)(2)</sup>	5,370	229,406	1.2%
Fair Isaac Corp. <sup>(1)</sup>	592	221,811	1.2%
Proofpoint, Inc. <sup>(1)</sup>	1,894	217,393	1.2%
Q2 Holdings, Inc. <sup>(1)</sup>	3,723	301,861	1.6%
Rapid7, Inc. <sup>(1)</sup>	3,509	196,574	1.0%
RingCentral, Inc. <sup>(1)</sup>	1,949	328,738	1.8%
Tyler Technologies, Inc. <sup>(1)</sup>	1,230	369,025	2.0%
Upland Software, Inc. <sup>(1)</sup>	6,833	244,006	1.3%
		2,274,030	12.2%
<b>Specialty Retail</b>			
Burlington Stores, Inc. <sup>(1)</sup>	1,752	399,508	2.2%
Five Below, Inc. <sup>(1)</sup>	2,337	298,808	1.6%
		698,316	3.8%
<b>Textiles, Apparel &amp; Luxury Goods</b>			
Crocs, Inc. <sup>(1)</sup>	9,492	397,620	2.1%

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

# Baird Small/Mid Cap Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Trading Companies &amp; Distributors</b>			
SiteOne Landscape Supply, Inc. <sup>(1)</sup>	4,499	\$ 407,834	2.2%
Watsco, Inc.	1,739	313,281	1.7%
		<u>721,115</u>	<u>3.9%</u>
<b>Total Common Stocks</b>			
(Cost \$14,829,201)		17,650,601	95.0%
<b>Total Investments</b>			
(Cost \$14,829,201)		17,650,601	95.0%
Other Assets in Excess of Liabilities		<u>922,251</u>	<u>5.0%</u>
<b>TOTAL NET ASSETS</b>		<u>\$18,572,852</u>	<u>100.0%</u>

### Notes to Schedule of Investments

(1) Non-Income Producing.

(2) Foreign Security.

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's 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 Growth Fund

## Schedule of Investments, December 31, 2019

### Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	Level 1	Level 2	Level 3	Total
Equity				
Common Stocks	\$17,650,601	\$ —	\$ —	\$17,650,601
Total Equity	17,650,601	—	—	17,650,601
Total Investments*	\$17,650,601	\$ —	\$ —	\$17,650,601

\* 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 into or out of Level 3 during the reporting period, as compared to the security classifications 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, 2019 (Unaudited)

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## Portfolio Manager's Commentary

Market participants dusted off their party hats early to celebrate the beginning of a new decade. Equity indices posted strong returns for the year, with large company stocks, companies that lose money and low quality businesses leading the charge, particularly in the fourth quarter of 2019. Large purchases of passively-managed ETFs during the fall of 2019 made it tough for active small cap managers to keep up with benchmarks, and the average actively-managed fund in only one of the nine Lipper style boxes (Small Growth) beat its benchmark for the year.

Despite a heroic effort by value stocks in December, growth stocks generally outperformed value stocks again for the third straight year and eight of the past ten. Perhaps 2020 will break the streak as the Russell 2000® Value Index earnings are forecasted in Factset to grow 16.7% versus 11.2% for the Russell 2000® Growth Index. Even better news for value-focused investors is that, although the forward price/earnings ratio for the Russell 2000® Growth Index is 26.7 (the highest since December 2001), that ratio for the Russell 2000® Value Index is comparatively lower at 15.6, a 21% discount to average. In other words, value stocks appear less expensive with better growth prospects.

In addition to the trends above, another significant macro trend negatively influencing returns for the Baird SmallCap Value and Baird Small/Mid Cap Value Funds for the year was the outperformance of low quality businesses. Although this bias was inconsistent throughout the year, the strong outperformance of low quality businesses at year-end overwhelmed countertrends earlier in the year. Given our investment philosophy which favors higher quality (as defined by return on equity, cash flow and earnings persistence), this market prejudice for low quality created a strong headwind. Relative valuations (as measured by price-to-sales and price-to-book) are the most compelling they have been in over 18 years for high quality stocks, which we believe make them ripe for a snapback.

## Portfolio Highlights

For the year ended December 31, 2019, the Baird Small/Mid Cap Value Fund Institutional Class posted a total return of 18.23% as compared to 23.56% return for the Russell 2500® Value Index, the Fund's benchmark.

Significant contributors to the Fund's relative and absolute performance for the year include the following:

- The Fund's Industrials position, while posting positive returns, underperformed the benchmark sector returns. Exposure to international shipping via Atlas Air and the Boeing 737 Max debacle negatively impacted the Fund's positions in Atlas Air and Astronics, respectively.
- The Fund's exposure to the Financial sector, which is the Fund's largest sector exposure, meaningfully outperformed the Financial sector holdings of the benchmark, with a return of 39% versus 25% for the Russell 2500® Value Index. Holdings such as Meta Financial (up 90% for the year), NMI Holdings (up 86% for the year) and Essent Group (up 53% for the year) fueled returns.
- The Fund's long-time holding, Boingo Wireless, suffered a serious decline during the third quarter of the year. The company did lower EBITDA guidance roughly 10% due to the re-amortization over a longer time period of some large contracts that were renewed. However, the stock suffered a disproportionate decline due to stock sales by a very large institutional investor. We continue to have confidence in management and the business, which we believe is well positioned to take advantage of growing data traffic.
- ICU Medical, a position that has been in the Fund since inception, had a disappointing second quarter earnings report. The stock remains a winner since the Fund first purchased the stock despite an 18% decline for the year. We remain optimistic on the business and management's efforts to resolve current issues.
- The Fund's intentional underweight to the Energy sector boosted performance as it was the worst performing sector in the Russell 2500® Value Index, down 11%.
- The Fund's Technology, Real Estate and Utility holdings all contributed positively to the Fund's absolute return for the year posting gains of 38%, 26% and 20% respectively. Standout contributors to positive performance include Leidos Holdings, Cerence, and Algonquin Power.

Michelle Stevens, CFA  
Portfolio Manager



# Baird Small/Mid Cap Value Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

A December 31, 2019 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<sup>(1)</sup>

Leidos Holdings, Inc.	3.9%
Meta Financial Group, Inc.	3.5%
American Financial Group, Inc.	3.2%
Old Republic International Corp.	3.1%
Essent Group Ltd.	3.1%
Lamb Weston Holdings, Inc.	3.0%
Atmos Energy Corp.	3.0%
Blackstone Mortgage Trust, Inc.	3.0%
Southwest Gas Holdings, Inc.	3.0%
National Retail Properties, Inc.	2.9%

Net Assets:	\$24,886,877
Portfolio Turnover Rate:	37%
Number of Equity Holdings:	40

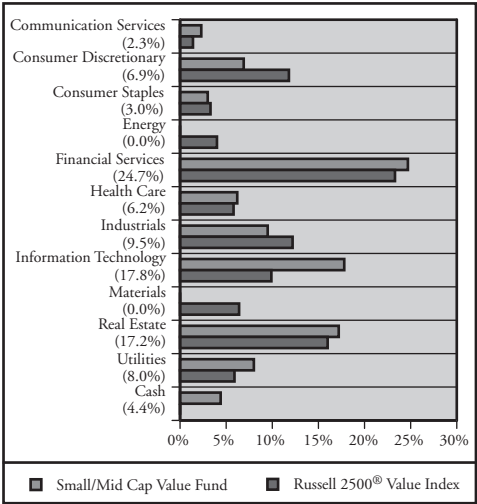
### Annualized Portfolio Expense Ratio<sup>(3)</sup>:

Gross	
Institutional Class:	1.70%
Investor Class:	1.95% <sup>(4)</sup>

### Net

Institutional Class:	0.85%
Investor Class:	1.10% <sup>(4)</sup>

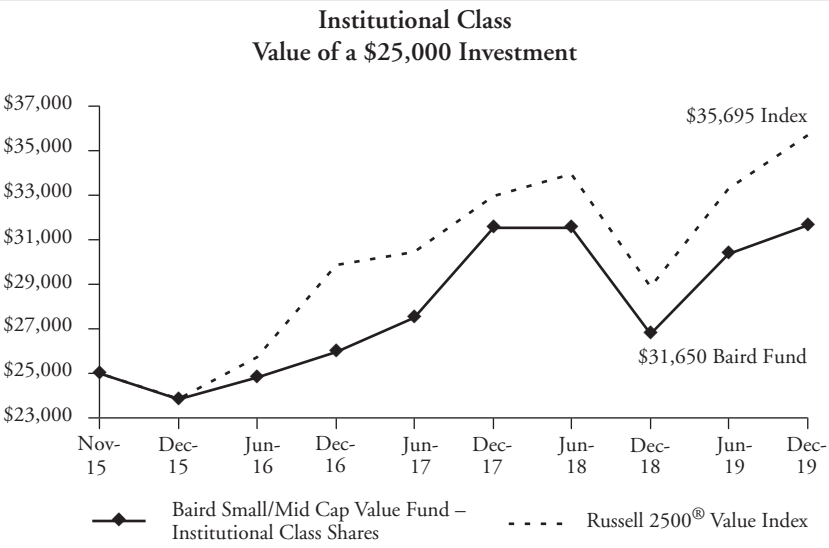
### Equity Sector Analysis<sup>(2)</sup>



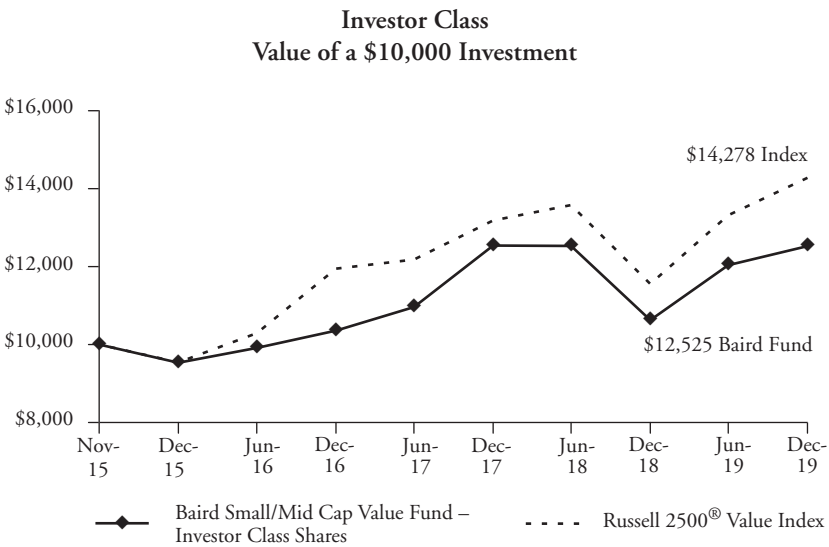
- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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, 2021.
- (4) Includes 0.25% 12b-1 fee.

# Baird Small/Mid Cap Value Fund

December 31, 2019 (Unaudited)



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



*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, 2019 (Unaudited)

## Total Returns

For the Periods Ended December 31, 2019	One Year	Average Annual	
		Three Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	18.23%	6.83%	5.94%
Investor Class Shares	17.86%	6.54%	5.67%
Russell 2500® Value Index <sup>(2)</sup>	23.56%	6.12%	9.11%

- (1) For the period from November 30, 2015 (inception date) through December 31, 2019.
- (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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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. The Fund invests a substantial portion of its assets in the stocks of small- and mid-capitalization companies. Small- and 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](http://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, 2019

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Aerospace &amp; Defense</b>			
Astronics Corp. <sup>(1)</sup>	12,385	\$ 346,161	1.4%
<b>Air Freight &amp; Logistics</b>			
Air Transport Services Group, Inc. <sup>(1)</sup>	24,022	563,556	2.3%
<b>Building Products</b>			
Patrick Industries, Inc.	9,421	493,943	2.0%
<b>Commercial Services &amp; Supplies</b>			
Deluxe Corp.	10,690	533,645	2.1%
<b>Distributors</b>			
LKQ Corp. <sup>(1)</sup>	16,702	596,261	2.4%
<b>Diversified Consumer Services</b>			
OneSpaWorld Holdings Ltd. <sup>(2)</sup>	40,105	675,369	2.7%
<b>Electrical Equipment</b>			
nVent Electric PLC <sup>(2)</sup>	17,011	435,141	1.7%
<b>Electronic Equipment, Instruments &amp; Components</b>			
Dolby Laboratories, Inc. – Class A	9,279	638,395	2.6%
<b>Equity Real Estate Investment Trusts (REITs)</b>			
Agree Realty Corp.	9,382	658,335	2.7%
CareTrust REIT, Inc.	33,404	689,125	2.8%
CyrusOne, Inc.	10,310	674,583	2.7%
Healthpeak Properties, Inc.	14,537	501,090	2.0%
National Retail Properties, Inc.	13,590	728,696	2.9%
Physicians Realty Trust	26,079	493,936	2.0%
VICI Properties, Inc.	20,723	529,473	2.1%
		4,275,238	17.2%
<b>Food Products</b>			
Lamb Weston Holdings, Inc.	8,789	756,118	3.0%
<b>Gas Utilities</b>			
Atmos Energy Corp.	6,757	755,838	3.0%
Southwest Gas Holdings, Inc.	9,675	735,010	3.0%
		1,490,848	6.0%
<b>Health Care Equipment &amp; Supplies</b>			
ICU Medical, Inc. <sup>(1)</sup>	2,672	499,985	2.0%
<b>Health Care Providers &amp; Services</b>			
DaVita, Inc. <sup>(1)</sup>	7,320	549,219	2.2%
Laboratory Corp. of America Holdings <sup>(1)</sup>	2,887	488,394	2.0%
		1,037,613	4.2%

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

# Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Household Durables</b>			
ZAGG, Inc. <sup>(1)</sup>	54,848	\$ 444,817	1.8%
<b>Insurance</b>			
American Financial Group, Inc.	7,423	813,932	3.2%
Fidelity National Financial, Inc.	10,825	490,914	2.0%
Old Republic International Corp.	34,435	770,311	3.1%
		2,075,157	8.3%
<b>IT Services</b>			
CACI International, Inc. <sup>(1)</sup>	1,638	409,484	1.7%
Leidos Holdings, Inc.	10,001	978,998	3.9%
Perspecta, Inc.	17,930	474,069	1.9%
VeriSign, Inc. <sup>(1)</sup>	1,937	373,221	1.5%
		2,235,772	9.0%
<b>Mortgage Real Estate Investment Trusts (REITs)</b>			
Blackstone Mortgage Trust, Inc.	20,237	753,221	3.0%
<b>Multi-Utilities</b>			
Algonquin Power & Utilities Corp. <sup>(2)</sup>	35,092	496,552	2.0%
<b>Semiconductors &amp; Semiconductor Equipment</b>			
ON Semiconductor Corporation <sup>(1)</sup>	21,016	512,370	2.1%
<b>Software</b>			
Cerence, Inc. <sup>(1)</sup>	15,266	345,470	1.4%
j2 Global, Inc.	7,526	705,261	2.8%
		1,050,731	4.2%
<b>Thrifts &amp; Mortgage Finance</b>			
Axos Financial, Inc. <sup>(1)</sup>	22,063	668,068	2.7%
Essent Group Ltd. <sup>(2)</sup>	14,657	762,016	3.1%
Merchants Bancorp	25,215	496,988	2.0%
Meta Financial Group, Inc.	24,125	880,803	3.5%
NMI Holdings, Inc. <sup>(1)</sup>	15,075	500,189	2.0%
		3,308,064	13.3%
<b>Wireless Telecommunication Services</b>			
Boingo Wireless, Inc. <sup>(1)</sup>	51,240	561,078	2.3%
<b>Total Common Stocks</b> <b>(Cost \$20,146,716)</b>		23,780,035	95.6%

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

# Baird Small/Mid Cap Value Fund

Schedule of Investments, December 31, 2019

## Short-Term Investment

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Fund</b>			
First American Government Obligations Fund, Class U, 1.53% <sup>(3)</sup>	1,059,928	\$ 1,059,928	4.2%
<b>Total Short-Term Investment</b> (Cost \$1,059,928)		1,059,928	4.2%
<b>Total Investments</b> (Cost \$21,206,644)		24,839,963	99.8%
Other Assets in Excess of Liabilities		46,914	0.2%
<b>TOTAL NET ASSETS</b>		\$24,886,877	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's 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, 2019

### Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	Level 1	Level 2	Level 3	Total
<b>Equity</b>				
Common Stocks	\$23,780,035	\$ —	\$ —	\$23,780,035
<b>Total Equity</b>	23,780,035	—	—	23,780,035
<b>Short-Term Investment</b>				
Money Market Mutual Fund	1,059,928	—	—	1,059,928
<b>Total Short-Term Investment</b>	1,059,928	—	—	1,059,928
<b>Total Investments*</b>	\$24,839,963	\$ —	\$ —	\$24,839,963

\* 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 into or out of Level 3 during the reporting period, as compared to the security classifications 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, 2019 (Unaudited)

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## Portfolio Manager's Commentary

Market participants dusted off their party hats early to celebrate the beginning of a new decade. Equity indices posted strong returns for the year, with large company stocks, companies that lose money and low quality businesses leading the charge, particularly in the fourth quarter of 2019. Large purchases of passively-managed ETFs during the fall of 2019 made it tough for active small cap managers to keep up with benchmarks, and the average actively-managed fund in only one of the nine Lipper style boxes (Small Growth) beat its benchmark for the year.

Despite a heroic effort by value stocks in December, growth stocks generally outperformed value stocks again for the third straight year and eight of the past ten. Perhaps 2020 will break the streak as the Russell 2000® Value Index earnings are forecasted in Factset to grow 16.7% versus 11.2% for the Russell 2000® Growth Index. Even better news for value-focused investors is that, although the forward price/earnings ratio for the Russell 2000® Growth Index is 26.7 (the highest since December 2001), that ratio for the Russell 2000® Value Index is comparatively lower at 15.6, a 21% discount to average. In other words, value stocks appear less expensive with better growth prospects.

In addition to the trends above, another significant macro trend negatively influencing returns for the Baird SmallCap Value and Baird Small/Mid Cap Value Funds for the year was the outperformance of low quality businesses. Although this bias was inconsistent throughout the year, the strong outperformance of low quality businesses at year-end overwhelmed countertrends earlier in the year. Given our investment philosophy which favors higher quality (as defined by return on equity, cash flow and earnings persistence), this market prejudice for low quality created a strong headwind. Relative valuations (as measured by price-to-sales and price-to-book) are the most compelling they have been in over 18 years for high quality stocks, which we believe make them ripe for a snapback.

## Portfolio Highlights

For the year ended December 31, 2019, the Baird SmallCap Value Fund Institutional Class posted a total return of 18.40% as compared to 22.39% return for the Russell 2000® Value Index, the Fund's benchmark.

Significant contributors to the Fund's relative and absolute performance for the year include the following:

- The Fund's Industrials position, while posting positive returns, underperformed the benchmark sector returns. Exposure to international shipping via Atlas Air and the Boeing 737 Max debacle negatively impacted the Fund's positions in Atlas Air and Astronics, respectively.
- The Fund's intentional underweight to the Energy sector boosted performance as it was the worst performing sector in the Russell 2000® Value Index, down 14%. The Energy positions held by the Fund for a portion of the year further added to performance, including Select Energy (up 73% for the year) and Solaris Oilfield Infrastructure (up 19% for the year).
- The Fund's long-time holding, Boingo Wireless, suffered a serious decline during the third quarter of the year. The company did lower EBITDA guidance roughly 10% due to the re-amortization over a longer time period of some large contracts that were renewed. However, the stock suffered a disproportionate decline due to stock sales by a very large institutional investor. We continue to have confidence in management and the business, which we believe is well positioned to take advantage of growing data traffic.
- The Fund's exposure to the Financial sector, which is the Fund's largest sector exposure, meaningfully outperformed the Financial sector holdings of the benchmark, with a return of 43% versus 23% for the Russell 2000® Value Index. Holdings such as Meta Financial (up 90% for the year), NMI Holdings (up 86% for the year) and Essent Group (up 53% for the year) fueled the Fund's returns.
- ICU Medical, a position that has been in the Fund since inception, had a disappointing second quarter earnings report. The stock remains a winner since the Fund first purchased the stock despite an 18% decline for the year. We remain optimistic on the business and management's actions to resolve current issues.



# Baird SmallCap Value Fund

December 31, 2019 (Unaudited)

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- The Fund's Technology, Real Estate and Utility holdings all contributed positively to the Fund's absolute return for the year, posting gains of 44%, 27% and 29% respectively. Standout contributors to positive performance include Cypress Semiconductor, CACI International, and Algonquin Power.

Guide points seem to signal that we are in the late innings of this economic cycle, which we believe calls for more defensive posturing. As such, we have raised the Fund's exposure to Real Estate Investment Trusts, Utilities, and companies with exceptionally stable cash flows. To fund new purchases, we trimmed holdings in some stocks where our investment thesis had played out and rewarded us with higher stock prices, primarily in the Industrial and Information Technology sectors.

Michelle Stevens, CFA  
Portfolio Manager

# Baird SmallCap Value Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

A December 31, 2019 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<sup>(1)</sup>

Meta Financial Group, Inc.	4.3%
j2 Global, Inc.	4.2%
NMI Holdings, Inc.	3.9%
CACI International, Inc.	3.7%
Agree Realty Corp.	3.6%
Southwest Gas Holdings, Inc.	3.6%
Atlantica Yield PLC	3.6%
Blackstone Mortgage Trust, Inc.	3.5%
ICU Medical, Inc.	3.4%
Axos Financial, Inc.	3.3%

Net Assets:	\$33,833,864
Portfolio Turnover Rate:	55%
Number of Equity Holdings:	35

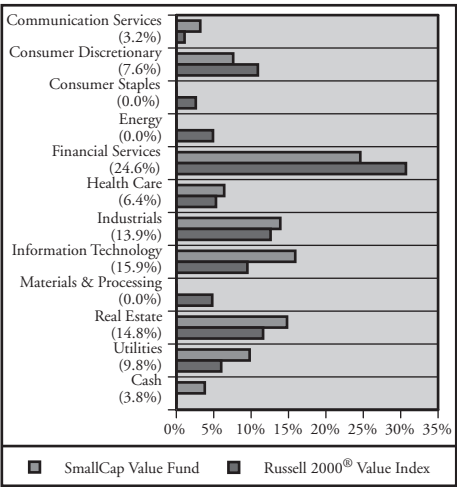
### Annualized Portfolio Expense Ratio<sup>(3)</sup>:

Gross	
Institutional Class:	1.38%
Investor Class:	1.63% <sup>(4)</sup>

### Net

Institutional Class:	0.95%
Investor Class:	1.20% <sup>(4)</sup>

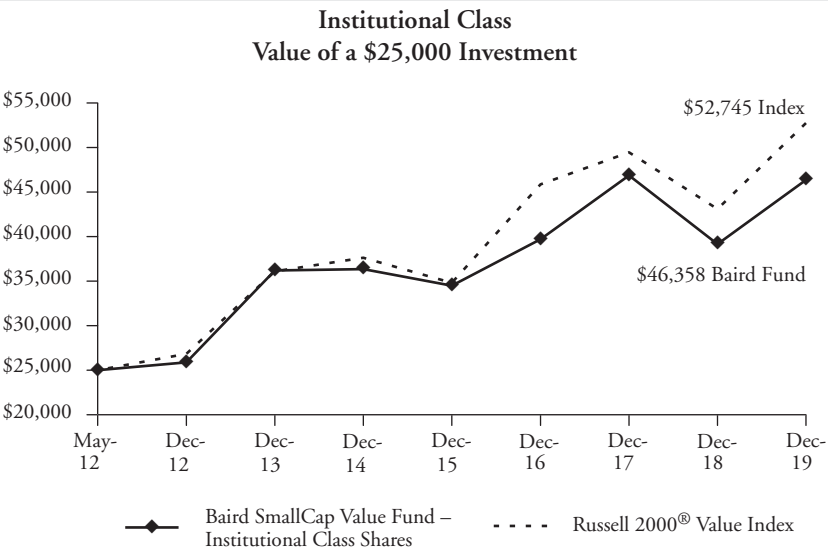
### Equity Sector Analysis<sup>(2)</sup>



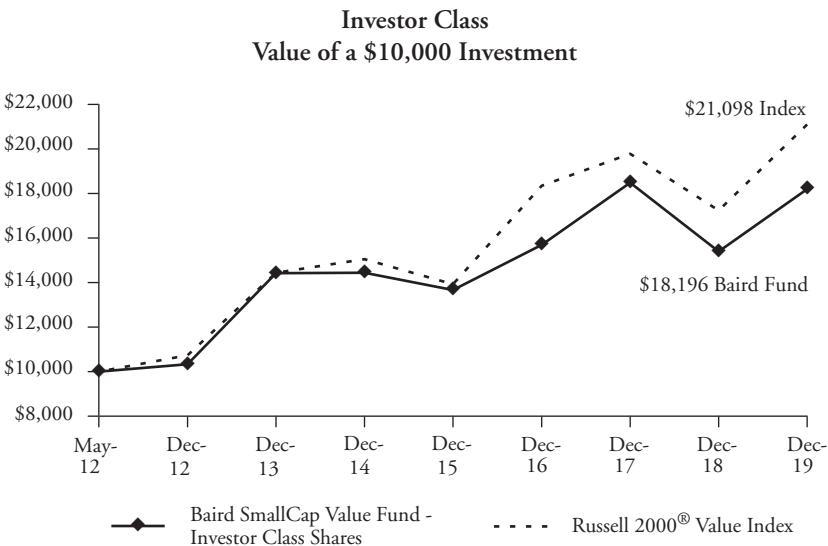
- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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, 2021.
- (4) Includes 0.25% 12b-1 fee.

# Baird SmallCap Value Fund

December 31, 2019 (Unaudited)



*Growth of a hypothetical investment of \$25,000 made on the Fund's inception date (05/01/12), assuming reinvestment of all distributions.*



*Growth of a hypothetical investment of \$10,000 made on the Fund's inception date (05/01/12), assuming reinvestment of all distributions.*

# Baird SmallCap Value Fund

December 31, 2019 (Unaudited)

## Total Returns

<i>For the Periods Ended December 31, 2019</i>	Average Annual			
	One Year	Three Years	Five Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	18.40%	5.30%	4.99%	8.38%
Investor Class Shares	18.19%	5.06%	4.73%	8.12%
Russell 2000® Value Index <sup>(2)</sup>	22.39%	4.77%	6.99%	10.22%

(1) For the period from May 1, 2012 (inception date) through December 31, 2019.

(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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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. The Fund invests a substantial portion of its assets in the stocks of small-capitalization companies. Small-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](http://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, 2019

## Common Stocks

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Aerospace &amp; Defense</b>			
Astronics Corp. <sup>(1)</sup>	20,665	\$ 577,587	1.7%
<b>Air Freight &amp; Logistics</b>			
Air Transport Services Group, Inc. <sup>(1)</sup>	41,877	982,434	2.9%
<b>Banks</b>			
Preferred Bank	16,289	978,806	2.9%
<b>Biotechnology</b>			
Eagle Pharmaceuticals, Inc. <sup>(1)</sup>	10,693	642,435	1.9%
<b>Building Products</b>			
Patrick Industries, Inc.	14,797	775,807	2.3%
<b>Commercial Services &amp; Supplies</b>			
Deluxe Corp.	14,996	748,600	2.2%
<b>Construction &amp; Engineering</b>			
Construction Partners, Inc. <sup>(1)</sup>	45,437	766,522	2.3%
<b>Diversified Consumer Services</b>			
OneSpaWorld Holdings Ltd. <sup>(2)</sup>	66,791	1,124,760	3.3%
<b>Electrical Equipment</b>			
nVent Electric PLC <sup>(2)</sup>	34,341	878,443	2.6%
<b>Electronic Equipment, Instruments &amp; Components</b>			
Dolby Laboratories, Inc. – Class A	10,300	708,640	2.1%
<b>Equity Real Estate Investment Trusts (REITs)</b>			
Agree Realty Corp.	17,471	1,225,940	3.6%
CareTrust REIT, Inc.	47,553	981,018	2.9%
CyrusOne, Inc.	14,609	955,867	2.9%
Essential Properties Realty Trust, Inc.	30,315	752,115	2.2%
Physicians Realty Trust	58,686	1,111,513	3.3%
		5,026,453	14.9%
<b>Gas Utilities</b>			
Southwest Gas Holdings, Inc.	16,111	1,223,953	3.6%
<b>Health Care Equipment &amp; Supplies</b>			
Hill-Rom Holdings, Inc.	3,452	391,906	1.1%
ICU Medical, Inc. <sup>(1)</sup>	6,112	1,143,677	3.4%
		1,535,583	4.5%
<b>Hotels, Restaurants &amp; Leisure</b>			
Churchill Downs, Inc.	4,350	596,820	1.8%
<b>Household Durables</b>			
ZAGG, Inc. <sup>(1)</sup>	104,014	843,554	2.5%

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

# Baird SmallCap Value Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<i>Shares</i>	<i>Value</i>	<i>% of Net Assets</i>
<b>Independent Power and Renewable Electricity Producers</b>			
Atlantica Yield PLC <sup>(2)</sup>	46,246	\$ 1,220,432	3.6%
<b>Insurance</b>			
First American Financial Corp.	8,237	480,382	1.4%
<b>IT Services</b>			
CACI International, Inc. <sup>(1)</sup>	5,019	1,254,700	3.7%
Perspecta, Inc.	35,718	944,384	2.8%
		2,199,084	6.5%
<b>Mortgage Real Estate Investment Trusts (REITs)</b>			
Blackstone Mortgage Trust, Inc.	31,740	1,181,363	3.5%
<b>Multi-Utilities</b>			
Algonquin Power & Utilities Corp. <sup>(2)</sup>	61,166	865,499	2.6%
<b>Software</b>			
Cerence, Inc. <sup>(1)</sup>	25,872	585,483	1.7%
j2 Global, Inc.	15,115	1,416,427	4.2%
		2,001,910	5.9%
<b>Technology Hardware, Storage &amp; Peripherals</b>			
Immersion Corp. <sup>(1)</sup>	63,964	475,252	1.4%
<b>Thrifts &amp; Mortgage Finance</b>			
Axos Financial, Inc. <sup>(1)</sup>	37,146	1,124,781	3.3%
Essent Group Ltd. <sup>(2)</sup>	20,032	1,041,464	3.1%
Merchants Bancorp	38,712	763,013	2.2%
Meta Financial Group, Inc.	39,573	1,444,810	4.3%
NMI Holdings, Inc. <sup>(1)</sup>	39,842	1,321,958	3.9%
		5,696,026	16.8%
<b>Wireless Telecommunication Services</b>			
Boingo Wireless, Inc. <sup>(1)</sup>	98,547	1,079,090	3.2%
<b>Total Common Stocks</b> <b>(Cost \$26,058,333)</b>		32,609,435	96.4%

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

# Baird SmallCap Value Fund

Schedule of Investments, December 31, 2019

## Short-Term Investment

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Money Market Mutual Fund</b>			
First American Government Obligations Fund, Class U, 1.53% <sup>(3)</sup>	1,252,111	\$ 1,252,111	3.7%
<b>Total Short-Term Investment</b> (Cost \$1,252,111)		1,252,111	3.7%
<b>Total Investments</b> (Cost \$27,310,444)		33,861,546	100.1%
Liabilities in Excess of Other Assets		(27,682)	(0.1)%
<b>TOTAL NET ASSETS</b>		<b>\$33,833,864</b>	<b>100.0%</b>

### 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's 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, 2019

## Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$32,609,435	\$ —	\$ —	\$32,609,435
<b>Total Equity</b>	32,609,435	—	—	32,609,435
<b>Short-Term Investment</b>				
Money Market Mutual Fund	1,252,111	—	—	1,252,111
<b>Total Short-Term Investment</b>	1,252,111	—	—	1,252,111
<b>Total Investments*</b>	<u>\$33,861,546</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$33,861,546</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 into or out of Level 3 during the reporting period, as compared to the security classifications 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, 2019 (Unaudited)

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## Portfolio Manager's Commentary

### Review

For 2019, the Chautauqua International Growth Fund appreciated and outperformed its benchmark, the MSCI ACWI ex USA Index (ND). In some ways, 2019 stood in stark contrast to 2018 and in many other ways, things remain the same. Equity markets rose universally around the world by country, investment style and economic sector. The appreciation was not driven by accelerating growth in profits, but ever higher valuations investors were willing to pay for profits. This valuation multiple expansion has everything to do with continued and expanded monetary stimulus. Inflation remained at very low levels, so most central bankers have used this opportunity to continue and, in some cases, increase their bond purchases. Moreover, some central banks, notably the United States (U.S.) Federal Reserve (the Fed), pivoted back to rate cuts even though the U.S. economy was not in recession.

At the end of 2019, the global expansion was more than 10 years old. This is extraordinarily long. Gone is the inventory rebuild and pent up demand following the great financial recession of 2008 and 2009. What has fueled this growth is the increased government spending and resulting indebtedness and artificially low interest rates. 2019 was a year of increased geopolitical uncertainty. The Trump administration's trade wars with allies and adversaries alike have weighed on business planning and overall economic growth. Despite this, we believe U.S. consumers remain optimistic. There is a clear demarcation between sentiment by producers and consumers. Global growth may continue with further growth in consumption or with increased fiscal stimulus, but we believe it is easier to imagine the possibility of more negative surprises than positive.

Except for one notable exception, increased support for a Boris Johnson-led Conservative government in the United Kingdom (UK), it was a rough year for most world leaders as many were seen to be losing their grip on power. It was a challenging year for leaders in Austria, Canada, Germany, Israel, Italy, South Africa and Spain, where each has had to build coalitions among unusual partners to retain power. Protests raged in Chile, Ecuador, France, Hong Kong and Venezuela. Leaders in Algeria, Bolivia, Iraq and Sudan quit under protest. In the U.S., the House of Representatives has impeached the president. Widespread turmoil is not compatible with long-term planning. Climate change and extreme weather have rocketed to the top of "concerns" lists, as evidence mounts that the problems are serious and imminent.

### Portfolio Highlights

As a component of the MSCI ACWI ex USA Index, growth style holdings dramatically outperformed value style holdings in 2019. The very best returns were achieved in economically sensitive sectors such as information technology, consumer discretionary and industrials. The lowest return sector (still up 14% in the MSCI All Country World Index) was energy. In terms of markets by country, it is hard to discern a single trend from 2019. Among the best performers, some were "risk-on" countries, such as Greece and Russia. Some were safer places, such as Canada, Denmark, Netherlands and Switzerland. Some were small, such as Ireland and Taiwan, and at the other end of the continuum, large, such as the U.S. The poorest performers were two very large and relatively fast-growing emerging market countries, namely India and Indonesia. Hong Kong, under persistent protest, was also an underperforming market. What can one make of this? The explanation has more to do with relative performance in the prior period. Generally, markets that had substantial declines in 2018 rallied back, and those that rallied experienced profit taking.

Volatility was generally subdued in 2019. This created a bit of a challenge for the portfolio managers of Chautauqua Capital Management, a division of Robert W. Baird & Co. Incorporated (Chautauqua Capital). We tend to do better when we can exploit price anomalies when volatility presents a gap between the current price and the intrinsic value we calculate for an operating business. Nevertheless, we were able to take advantage of oversold opportunities that occurred through the fourth quarter of 2018. Our portfolio adjustments made during what appeared to be an irrational response to the Fed's move to a neutral position late in 2018 served us well in 2019. For example, through the first four months of 2019, the Fund's Institutional Class Shares appreciated nearly 20%, while the benchmark was up under 13%. We subsequently made adjustments to protect

# Chautauqua International Growth Fund

December 31, 2019 (Unaudited)

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those gains in the face of economic data that suggested broad economic weakness. As we closed out 2019, we adjusted the Fund to emphasize investments that we believed would be better positioned to deliver superior returns in a more challenging economic environment. Specifically, we continue to emphasize the securities of companies that are mission critical to their customers. This ranges from companies that produce unique life saving or life extending drugs to technology companies that enable their customers to save money. The advantaged companies we invest in typically are industry leaders who possess strong brands and have pricing power. We also invest with companies that have amassed process advantages that enable them to offer their products more cheaply while generating strong growth and a high level of profitability.

The Fund typically holds a limited number of companies (25 to 35) invested primarily in equity securities of non-U.S. companies with medium to large market capitalizations. Detailed attribution for 2019 showed that the Fund benefited greatly from an overweight exposure to information technology. This sector is often rich with investment opportunities into companies that are high value added and have the potential to grow total addressable markets by offering new products, processes and simply by improving the way things are done. In the aftermath of the 2018 sell-off, several of our favorite positions were selling at compelling prices. Accordingly, we made additions to Alibaba, Genmab, Keyence, Bank Rakyat and Naspers. Overall, our security selection effect was positive, but currencies were a drag on performance as the U.S. dollar, due to our higher yields on government debt, rallied versus most foreign currencies. Although the Fund benefited from a low exposure to the energy sector, the Fund's holdings in energy service companies, Core Labs and Schlumberger, underperformed the benchmark return for the sector. By region, our allocation and selection effects were positive except for companies that are headquartered in Canada. The Fund's overall return was comparable to the Canadian market return but our selections there were inferior. The biggest contributing holdings were Tal Education, ASML, AMS, Alibaba and Temenos. The Fund's biggest detracting holdings were Wirecard, Core Labs, Sinopharm, Pirelli and BYD. During the year, we initiated positions in the stock of some defensive but steadily growing businesses. These were Constellation Software, Tata Consultancy and Waste Connections. We retained a position in Prosus, which was spun out from an investment in Naspers. We also eliminated investments in Amore Pacific, CI Financial, Schlumberger and Toronto Dominion Bank.

As of year-end, the Fund displayed the typical characteristics of high growth and profitability while carrying less debt. As one would expect, the Fund traded at a premium valuation; however, when adjusted for growth via a PEG ratio (price to earnings ratio/earnings growth rate), the Fund traded at a steep discount to the broad market as of December 31, 2019.

## Outlook

What can we expect in 2020? It may be another year of stark contrast while much remains the same. On the economic side, continued reliance on monetary stimulation has been building excesses that could prove harmful in the future. Early in the expansion, cheap loans were vital to businesses and consumers that needed to restructure their balance sheets. Lately, this cheap debt has fueled share buy-backs and takeovers that are not necessarily contributory to economic health. Are stocks a good value here? Stocks may be fairly valued based on the risk-free rate that is close to zero, and in some countries, interest rates are nominally negative. But if interest rates were trading in a normal relationship to inflation, all financial assets would be historically expensive. Can we expect central bankers to keep interest rates low? It seems so. There's little rationale for the recession-fighting level of interest rates and bond-buying activities, but if central bankers were to take the life support away, financial markets would likely convulse. This is especially true given the amount of government debt that has been issued. Governments in the industrialized world and China are facing demographic futures that point to an ever greater need to fund earned benefit programs for an ever-aging population. Abandoned aggressive monetary accommodation and the cost of servicing existing debt would crowd out these economies' ability to fund support for the aged. So, our guess is that secular stagnation continues as the new normal. Many serious geopolitical uncertainties remain and undoubtedly, new ones will arise. How they fester or get resolved will likely deliver volatility to the financial markets. As a result, for the world equity markets, 2020 may be a year of stark contrasts versus the returns achieved in 2019 while economic policies remain the same.

# Chautauqua International Growth Fund

December 31, 2019 (Unaudited)

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In addition, unpredictable factors like the outbreak and spread of the Coronavirus may roil markets. The uncertainty around how and when this is contained will likely shake investor confidence. Rather than try to predict an outcome as a small and effective investment team we will address information and market opportunities as they unfold.

At Chautauqua Capital we will continue to do what we do best. That is, to construct and manage a concentrated and conviction-weighted set of investments in advantaged companies that trade at attractive valuations and benefit from long-term secular trends. In 2020, we will need to be ever vigilant to ensure that we maintain an understanding advantage to properly execute trades as opportunities present themselves.

During the year, Dan Boston left Chautauqua Capital as his family needed to relocate far from our Boulder, Colorado office. Shortly thereafter, Nate Velarde joined our team. Nate initially began his investment career at TCW where he worked with Brian Beitner and Haicheng Li. Upon leaving TCW, Nate worked at divisions of Nuveen in California and for PIMCO in London. In addition to his 18 years of experience, he holds an MBA from the University of Chicago and recently received a master's degree in Data Science from the University of California, Berkeley. We are delighted that he agreed to move his family to Colorado and join us.

Respectfully Submitted,

Brian Beitner, CFA  
Portfolio Manager

# Chautauqua International Growth Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

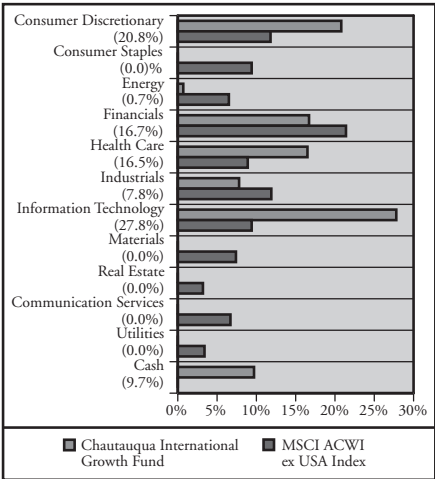
A December 31, 2019 summary of the Fund's top 10 holdings and equity sector analysis compared to the MSCI ACWI ex USA Index is shown below.

### Top 10 Holdings<sup>(1)</sup>

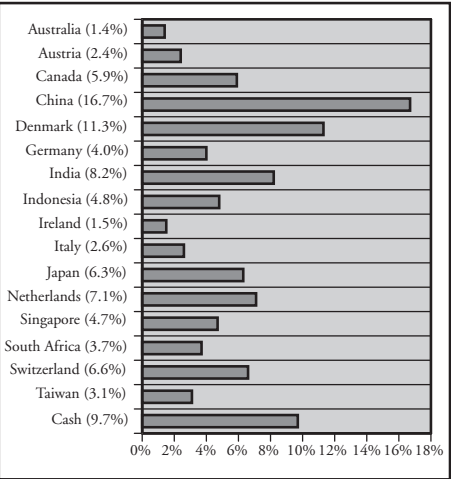
TAL Education Group	6.1%
Novo Nordisk A/S	5.9%
Genmab A/S	5.5%
Alibaba Group Holding Ltd.	5.1%
HDFC Bank Ltd.	4.9%
ASML Holding NV	4.9%
Bank Rakyat Indonesia Persero Tbk PT	4.8%
DBS Group Holdings Ltd.	4.8%
Temenos Group AG	4.2%
Wirecard AG	4.1%

<b>Net Assets:</b>	\$174,169,166
<b>Portfolio Turnover Rate:</b>	31%
<b>Number of Equity Holdings:</b>	28
<b>Annualized Portfolio Expense Ratio<sup>(3)</sup>:</b>	
Gross	
Institutional Class:	1.02%
Investor Class:	1.27% <sup>(4)</sup>
<b>Net</b>	
Institutional Class:	0.80%
Investor Class:	1.05% <sup>(4)</sup>

### Equity Sector Analysis<sup>(2)</sup>



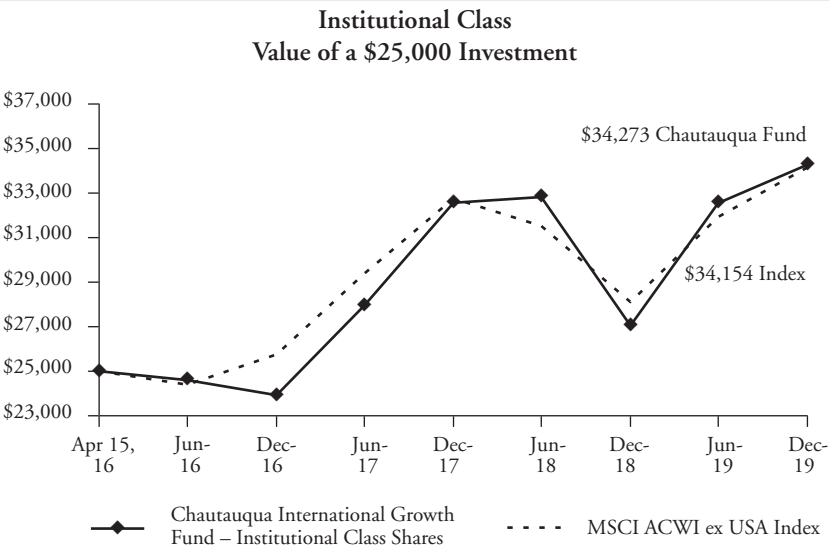
### Country Allocation<sup>(2)</sup>



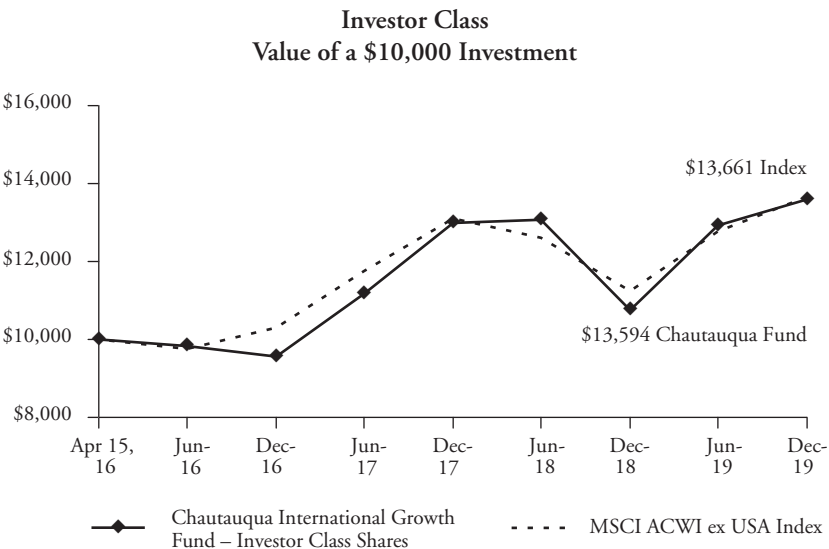
- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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 0.80% of average daily net assets for the Institutional Class shares and 1.05% of average daily net assets for the Investor Class shares, at least through April 30, 2021.
- (4) Includes 0.25% 12b-1 fee.

# Chautauqua International Growth Fund

December 31, 2019 (Unaudited)



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



*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, 2019 (Unaudited)

## Total Returns

<i>For the Periods Ended December 31, 2019</i>	Average Annual		
	One Year	Three Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	26.72%	12.73%	8.87%
Investor Class Shares	26.42%	12.45%	8.62%
MSCI ACWI ex USA Index <sup>(2)</sup>	21.51%	9.87%	8.77%

(1) For the period from April 15, 2016 (inception date) through December 31, 2019.

(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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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 January 2020, the United Kingdom (UK) left the European Union (EU) in response to the 2016 Brexit referendum. 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](http://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, 2019

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Application Software</b>			
Atlassian Corp. PLC (Australia) <sup>(1)</sup>	19,787	\$ 2,381,168	1.4%
Temenos Group AG (Switzerland) <sup>(2)</sup>	46,148	7,300,122	4.2%
		9,681,290	5.6%
<b>Asset Management &amp; Custody Banks</b>			
Julius Baer Group Ltd. (Switzerland) <sup>(2)</sup>	82,019	4,228,319	2.4%
<b>Automobile Manufacturers</b>			
BYD Co. Ltd. (China) <sup>(2)</sup>	301,109	1,501,726	0.9%
<b>Biotechnology</b>			
Genmab A/S (Denmark) <sup>(1)(2)</sup>	42,758	9,509,532	5.5%
<b>Data Processing &amp; Outsourced Services</b>			
Wirecard AG (Germany) <sup>(2)</sup>	59,287	7,100,812	4.1%
<b>Diversified Banks</b>			
Bank Rakyat Indonesia Persero Tbk PT (Indonesia) <sup>(2)</sup>	26,415,655	8,361,240	4.8%
DBS Group Holdings Ltd. (Singapore) <sup>(2)</sup>	428,327	8,258,676	4.8%
		16,619,916	9.6%
<b>Diversified Support Services</b>			
Recruit Holdings Co. Ltd. (Japan) <sup>(2)</sup>	117,903	4,416,098	2.5%
<b>Education Services</b>			
TAL Education Group – ADR (China) <sup>(1)</sup>	220,376	10,622,123	6.1%
<b>Electronic Equipment &amp; Instruments</b>			
Keyence Corp. (Japan) <sup>(2)</sup>	10,232	3,592,850	2.1%
<b>Environmental &amp; Facilities Services</b>			
Waste Connections, Inc. (Canada)	67,360	6,115,614	3.5%
<b>Healthcare Distributors</b>			
Sinopharm Group Co. Ltd. (China) <sup>(2)</sup>	1,782,692	6,504,846	3.7%
<b>Industrial Machinery</b>			
FANUC Corp. (Japan) <sup>(2)</sup>	16,806	3,103,479	1.8%
<b>Information Technology</b>			
Constellation Software, Inc. (Canada)	4,408	4,281,078	2.5%
<b>Internet &amp; Direct Marketing Retail</b>			
Naspers Ltd. (South Africa) <sup>(2)</sup>	39,395	6,446,874	3.7%
Prosus NV (Netherlands) <sup>(1)(2)</sup>	35,204	2,634,735	1.5%
		9,081,609	5.2%
<b>Internet Retail</b>			
Alibaba Group Holding Ltd. – ADR (China) <sup>(1)</sup>	41,934	8,894,201	5.1%
Trip.com Group Ltd. – (China) <sup>(1)</sup>	51,027	1,711,446	1.0%
		10,605,647	6.1%
<b>IT Services</b>			
Tata Consultancy Services Ltd. (India)	191,915	5,812,180	3.3%

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

# Chautauqua International Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Oil &amp; Gas Equipment &amp; Services</b>			
Core Laboratories NV (Netherlands)	33,603	\$ 1,265,825	0.7%
<b>Pharmaceuticals</b>			
Allergan PLC (Ireland)	13,783	2,634,896	1.5%
Novo Nordisk A/S – ADR (Denmark)	178,313	10,320,756	5.9%
		12,955,652	7.4%
<b>Regional Banks</b>			
HDFC Bank Ltd. – ADR (India)	135,710	8,599,943	4.9%
<b>Semiconductor Equipment</b>			
ASML Holding NV (Netherlands)	29,055	8,598,537	4.9%
<b>Semiconductors</b>			
AMS AG (Austria) <sup>(1)(2)</sup>	102,465	4,159,872	2.4%
Taiwan Semiconductor Manufacturing Co. Ltd. – ADR (Taiwan)	92,849	5,394,527	3.1%
		9,554,399	5.5%
<b>Tires &amp; Rubber</b>			
Pirelli & C SpA (Italy) <sup>(2)</sup>	792,372	4,573,334	2.6%
<b>Total Common Stocks</b> (Cost \$133,245,458)		158,324,809	90.9%

## Short-Term Investment

### Money Market Mutual Fund

First American Government Obligations Fund, Class U, 1.53% <sup>(3)</sup>	17,040,919	17,040,919	9.8%
<b>Total Short-Term Investment</b> (Cost \$17,040,919)		17,040,919	9.8%

### Total Investments

(Cost \$150,286,377)	175,365,728	100.7%
Liabilities in Excess of Other Assets	(1,196,562)	(0.7)%
<b>TOTAL NET ASSETS</b>	\$174,169,166	100.0%

### Notes to Schedule of Investments

- (1) Non-Income Producing.  
 (2) Level 2 security – See Note 2a to the financial statements.  
 (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's 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, 2019

## Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$76,632,294	\$81,692,515	\$ —	\$158,324,809
<b>Total Equity</b>	76,632,294	81,692,515	—	158,324,809
<b>Short-Term Investment</b>				
Money Market Mutual Fund	17,040,919	—	—	17,040,919
<b>Total Short-Term Investment</b>	17,040,919	—	—	17,040,919
<b>Total Investments*</b>	<u>\$93,673,213</u>	<u>\$81,692,515</u>	<u>\$ —</u>	<u>\$175,365,728</u>

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

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# Chautauqua Global Growth Fund

December 31, 2019 (Unaudited)

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## Portfolio Manager's Commentary

### Review

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At the end of 2019, the global expansion was more than 10 years old. This is extraordinarily long. Gone is the inventory rebuild and pent up demand following the great financial recession of 2008 and 2009. What has fueled this growth is the increased government spending and resulting indebtedness and artificially low interest rates. 2019 was a year of increased geopolitical uncertainty. The Trump administration's trade wars with allies and adversaries alike have weighed on business planning and overall economic growth. Despite this, we believe U.S. consumers remain optimistic. There is a clear demarcation between sentiment by producers and consumers. Global growth may continue with further growth in consumption or with increased fiscal stimulus, but we believe it is easier to imagine the possibility of more negative surprises than positive.

Except for one notable exception, increased support for a Boris Johnson-led Conservative government in the United Kingdom (UK), it was a rough year for most world leaders as many were seen to be losing their grip on power. It was a challenging year for leaders in Austria, Canada, Germany, Israel, Italy, South Africa and Spain, where each has had to build coalitions among unusual partners to retain power. Protests raged in Chile, Ecuador, France, Hong Kong and Venezuela. Leaders in Algeria, Bolivia, Iraq and Sudan quit under protest. In the U.S., the House of Representatives has impeached the president. Widespread turmoil is not compatible with long-term planning. Climate change and extreme weather have rocketed to the top of "concerns" lists, as evidence mounts that the problems are serious and imminent.

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Volatility was generally subdued in 2019. This created a bit of a challenge for the portfolio managers of Chautauqua Capital Management, a division of Robert W. Baird & Co. Incorporated (Chautauqua Capital). We tend to do better when we can exploit price anomalies when volatility presents a gap between the current price and the intrinsic value we calculate for an operating business. Nevertheless, we were able to take advantage of oversold opportunities that occurred through the fourth quarter of 2018. Our portfolio adjustments made during what appeared to be an irrational response to the Fed's move to a neutral position late in 2018 served us well in 2019. For example, through the first four months of 2019, the Fund's Institutional Class Shares appreciated nearly 20%, while the benchmark was up under 13%. We subsequently made adjustments to

# Chautauqua Global Growth Fund

December 31, 2019 (Unaudited)

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protect those gains in the face of economic data that suggested broad economic weakness. As we closed out 2019, we adjusted the Fund to emphasize investments that we believed would be better positioned to deliver superior returns in a more challenging economic environment. Specifically, we continue to emphasize the securities of companies that are mission critical to their customers. This ranges from companies that produce unique life saving or life extending drugs to technology companies that enable their customers to save money. The advantaged companies we invest in typically are industry leaders who possess strong brands and have pricing power. We also invest with companies that have amassed process advantages that enable them to offer their products more cheaply while generating strong growth and a high level of profitability.

The Fund typically holds a limited number of companies (35 to 45) invested primarily in equity securities of both U.S. and non-U.S. companies with medium to large market capitalizations. Detailed attribution for 2019 showed that the Fund benefited greatly from an overweight exposure to information technology. This sector is often rich with investment opportunities into companies that are high value added and have the potential to grow total addressable markets by offering new products, processes and simply by improving the way things are done. In the aftermath of the 2018 sell-off, several of our favorite positions were selling at compelling prices. Accordingly, we made additions to Atlassian, DBS Group, Nvidia and Naspers. Overall, our security selection effect was positive, but currencies were a drag on performance as the U.S. dollar, due to our higher yields on government debt, rallied versus most foreign currencies. Although the Fund benefited from a low exposure to the energy sector, the Fund's holdings in energy service companies, Core Labs and Schlumberger, underperformed the benchmark return for the sector. By region, our allocation and selection effects were positive except for companies that are headquartered in Canada. The Fund's overall return was comparable to the Canadian market return but our selections there were inferior. However, our holdings in the U.S. offset our Canadian positions for an overall positive contribution from the North American region. The biggest contributing holdings were Universal Display, Tal Education, Master Card, Nvidia and AMS. The Fund's biggest detracting holdings were Wirecard, Core Labs, Sinopharm, Pirelli and BYD. During the year, we initiated positions in the stock of some defensive but steadily growing businesses. These were Constellation Software, Tata Consultancy and Waste Connections. We retained a position in Prosus, which was spun out from an investment in Naspers. And we elected to retain the investment in Bristol Myers that was obtained from their acquisition of Celgene. We also eliminated investments in Amore Pacific, CI Financial, Schlumberger and Toronto Dominion Bank.

As of year-end, the Fund displayed the typical characteristics of high growth and profitability while carrying less debt. As one would expect, the Fund traded at a premium valuation; however, when adjusted for growth via a PEG ratio (price to earnings ratio/earnings growth rate), the Fund traded at a steep discount to the broad market as of December 31, 2019.

## Outlook

What can we expect in 2020? It may be another year of stark contrast while much remains the same. On the economic side, continued reliance on monetary stimulation has been building excesses that could prove harmful in the future. Early in the expansion, cheap loans were vital to businesses and consumers that needed to restructure their balance sheets. Lately, this cheap debt has fueled share buy-backs and takeovers that are not necessarily contributory to economic health. Are stocks a good value here? Stocks may be fairly valued based on the risk-free rate that is close to zero, and in some countries, interest rates are nominally negative. But if interest rates were trading in a normal relationship to inflation, all financial assets would be historically expensive. Can we expect central bankers to keep interest rates low? It seems so. There's little rationale for the recession-fighting level of interest rates and bond-buying activities, but if central bankers were to take the life support away, financial markets would likely convulse. This is especially true given the amount of government debt that has been issued. Governments in the industrialized world and China are facing demographic futures that point to an ever greater need to fund earned benefit programs for an ever-aging population. Abandoned aggressive monetary accommodation and the cost of servicing existing debt would crowd out these economies' ability to fund support for the aged. So, our guess is that secular stagnation continues as the new normal.

# Chautauqua Global Growth Fund

December 31, 2019 (Unaudited)

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Many serious geopolitical uncertainties remain and undoubtedly, new ones will arise. How they fester or get resolved will likely deliver volatility to the financial markets. As a result, for the world equity markets, 2020 may be a year of stark contrasts versus the returns achieved in 2019 while economic policies remain the same.

In addition, unpredictable factors like the outbreak and spread of the Coronavirus may roil markets. The uncertainty around how and when this is contained will likely shake investor confidence. Rather than try to predict an outcome as a small and effective investment team we will address information and market opportunities as they unfold.

At Chautauqua Capital we will continue to do what we do best. That is, to construct and manage a concentrated and conviction-weighted set of investments in advantaged companies that trade at attractive valuations and benefit from long-term secular trends. In 2020, we will need to be ever vigilant to ensure that we maintain an understanding advantage to properly execute trades as opportunities present themselves.

During the year, Dan Boston left Chautauqua Capital as his family needed to relocate far from our Boulder, Colorado office. Shortly thereafter, Nate Velarde joined our team. Nate initially began his investment career at TCW where he worked with Brian Beitner and Haicheng Li. Upon leaving TCW, Nate worked at divisions of Nuveen in California and for PIMCO in London. In addition to his 18 years of experience, he holds an MBA from the University of Chicago and recently received a master's degree in Data Science from the University of California, Berkeley. We are delighted that he agreed to move his family to Colorado and join us.

Respectfully Submitted,

Brian Beitner, CFA  
Portfolio Manager

# Chautauqua Global Growth Fund

December 31, 2019 (Unaudited)

## Portfolio Characteristics

A December 31, 2019 summary of the Fund's top 10 holdings and equity sector analysis compared to the MSCI ACWI Index is shown below.

### Top 10 Holdings<sup>(1)</sup>

TAL Education Group	5.9%
Genmab A/S	5.1%
Novo Nordisk A/S	4.8%
HDFC Bank Ltd.	4.1%
Wirecard AG	3.6%
DBS Group Holdings Ltd.	3.5%
Incyte Corp.	3.4%
Temenos Group AG	3.4%
Regeneron Pharmaceuticals, Inc.	3.3%
TJX Cos, Inc.	3.2%

Net Assets:	\$57,438,201
Portfolio Turnover Rate:	26%
Number of Equity Holdings:	42

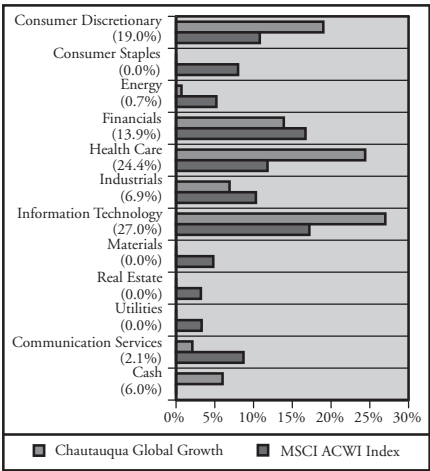
### Annualized Portfolio Expense Ratio<sup>(3)</sup>:

Gross	
Institutional Class:	1.29%
Investor Class:	1.54% <sup>(4)</sup>

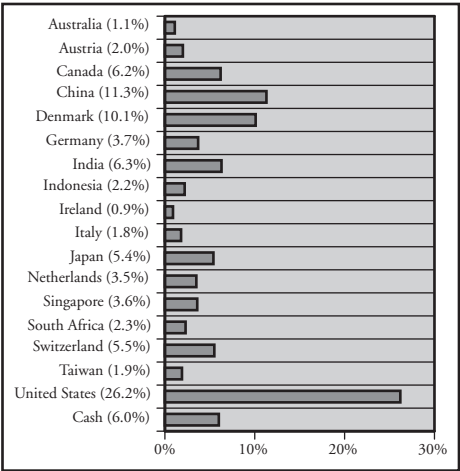
### Net

Institutional Class:	0.80%
Investor Class:	1.05% <sup>(4)</sup>

### Equity Sector Analysis<sup>(2)</sup>



### Country Allocation<sup>(2)</sup>

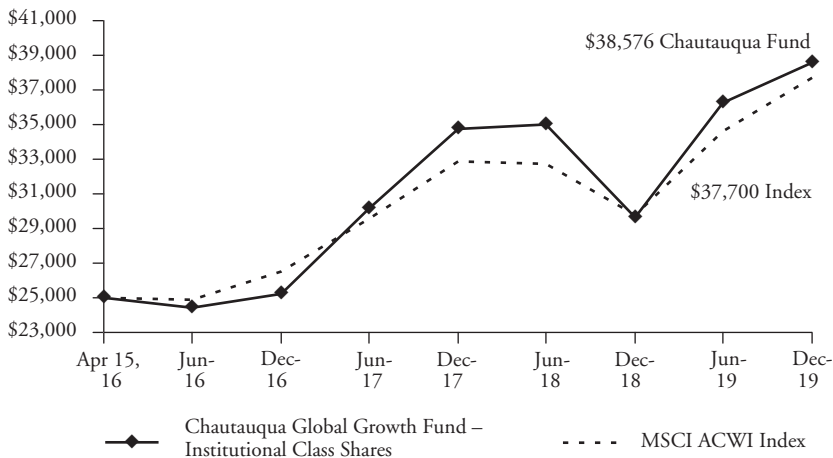


- (1) The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of December 31, 2019.
- (2) Percentages shown in parentheses relate to the Fund's total value of investments as of December 31, 2019, and may not add up to 100% due to rounding.
- (3) 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 0.80% of average daily net assets for the Institutional Class shares and 1.05% of average daily net assets for the Investor Class shares, at least through April 30, 2021.
- (4) Includes 0.25% 12b-1 fee.

# Chautauqua Global Growth Fund

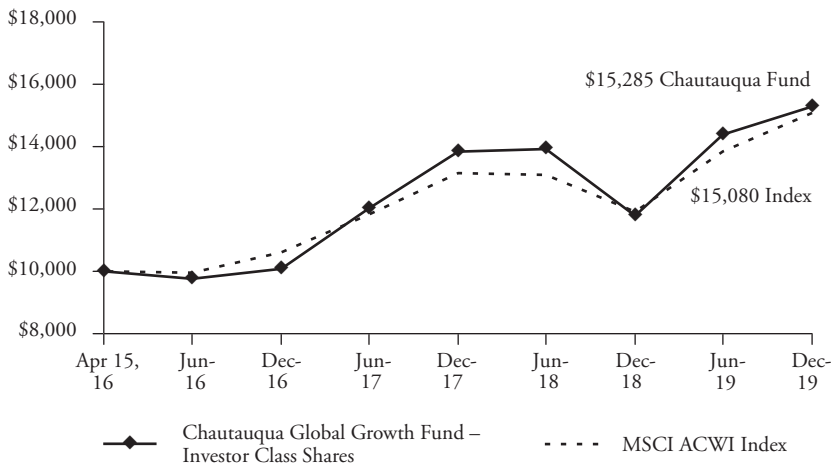
December 31, 2019 (Unaudited)

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, 2019 (Unaudited)

## Total Returns

<i>For the Periods Ended December 31, 2019</i>	Average Annual		
	One Year	Three Years	Since Inception <sup>(1)</sup>
Institutional Class Shares	30.14%	15.21%	12.39%
Investor Class Shares	29.73%	14.89%	12.11%
MSCI ACWI Index	26.60%	12.44%	11.70%

(1) For the period from April 15, 2016 (inception date) through December 31, 2019.

(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 line graphs on the previous page and the returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns in the graphs and table 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 January 2020, the United Kingdom (UK) left the European Union (EU) in response to the 2016 Brexit referendum. 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](http://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, 2019

## Common Stocks

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Apparel Retail</b>			
TJX Cos, Inc. (United States)	29,700	\$ 1,813,482	3.2%
<b>Application Software</b>			
Atlassian Corp. PLC (Australia) <sup>(1)</sup>	5,404	650,317	1.1%
Temenos Group AG (Switzerland) <sup>(2)</sup>	12,249	1,937,662	3.4%
		2,587,979	4.5%
<b>Asset Management &amp; Custody Banks</b>			
Julius Baer Group Ltd. (Switzerland) <sup>(2)</sup>	23,438	1,208,297	2.1%
<b>Automobile Manufacturers</b>			
BYD Co. Ltd. (China) <sup>(2)</sup>	96,633	481,939	0.8%
<b>Biotechnology</b>			
Genmab A/S (Denmark) <sup>(1)(2)</sup>	13,247	2,946,180	5.1%
Incyte Corp. (United States) <sup>(1)</sup>	22,572	1,970,987	3.4%
Regeneron Pharmaceuticals, Inc. (United States) <sup>(1)</sup>	4,946	1,857,124	3.3%
		6,774,291	11.8%
<b>Data Processing &amp; Outsourced Services</b>			
MasterCard, Inc. – Class A (United States)	5,960	1,779,596	3.1%
Wirecard AG (Germany) <sup>(2)</sup>	17,380	2,081,606	3.6%
		3,861,202	6.7%
<b>Diversified Banks</b>			
Bank Rakyat Indonesia Persero Tbk PT (Indonesia) <sup>(2)</sup>	3,966,105	1,255,375	2.2%
DBS Group Holdings Ltd. (Singapore) <sup>(2)</sup>	104,710	2,018,939	3.5%
		3,274,314	5.7%
<b>Diversified Support Services</b>			
Recruit Holdings Co. Ltd. (Japan) <sup>(2)</sup>	37,007	1,386,110	2.4%
<b>Education Services</b>			
TAL Education Group – ADR (China) <sup>(1)</sup>	70,149	3,381,182	5.9%
<b>Electronic Equipment &amp; Instruments</b>			
Coherent, Inc. (United States) <sup>(1)</sup>	3,126	520,010	0.9%
Keyence Corp. (Japan) <sup>(2)</sup>	2,774	974,058	1.7%
Universal Display Corp. (United States)	2,409	496,423	0.9%
		1,990,491	3.5%
<b>Environmental &amp; Facilities Services</b>			
Waste Connections, Inc. (Canada)	19,327	1,754,698	3.1%
<b>Healthcare Distributors</b>			
Sinopharm Group Co. Ltd. (China) <sup>(2)</sup>	407,543	1,487,079	2.6%
<b>Industrial Machinery</b>			
FANUC Corp. (Japan) <sup>(2)</sup>	3,958	730,904	1.3%

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



# Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Information Technology</b>			
Constellation Software, Inc. (Canada)	1,837	\$ 1,784,106	3.1%
<b>Interactive Media &amp; Services</b>			
Alphabet, Inc. – Class A (United States) <sup>(1)</sup>	859	1,150,536	2.0%
<b>Internet &amp; Direct Marketing Retail</b>			
Naspers Ltd. (South Africa) <sup>(2)</sup>	7,972	1,304,593	2.3%
Prosus NV (Netherlands) <sup>(1)(2)</sup>	7,466	558,770	1.0%
Trip.com Group Ltd. – ADR (China) <sup>(1)</sup>	11,966	401,340	0.7%
		2,264,703	4.0%
<b>Internet Retail</b>			
Alibaba Group Holding Ltd. – ADR (China) <sup>(1)</sup>	3,124	662,600	1.2%
Amazon.com, Inc. (United States) <sup>(1)</sup>	628	1,160,444	2.0%
		1,823,044	3.2%
<b>IT Services</b>			
Tata Consultancy Services Ltd. (India)	40,492	1,226,307	2.1%
<b>Life Sciences Tools &amp; Services</b>			
Illumina, Inc. (United States) <sup>(1)</sup>	3,732	1,238,054	2.2%
<b>Oil &amp; Gas Equipment &amp; Services</b>			
Core Laboratories NV (Netherlands)	11,043	415,990	0.7%
<b>Other Diversified Financial Services</b>			
Charles Schwab Corp. (United States)	11,682	555,596	1.0%
<b>Pharmaceuticals</b>			
Allergan PLC (Ireland)	2,548	487,101	0.8%
Bristol-Myers Squibb Company (United States)	17,416	1,117,933	1.9%
Novo Nordisk A/S – ADR (Denmark)	47,870	2,770,716	4.8%
		4,375,750	7.5%
<b>Regional Banks</b>			
HDFC Bank Ltd. – ADR (India)	37,384	2,369,024	4.1%
SVB Financial Group (United States) <sup>(1)</sup>	2,120	532,205	0.9%
		2,901,229	5.0%
<b>Semiconductor Equipment</b>			
ASML Holding NV (Netherlands)	3,361	994,654	1.7%
<b>Semiconductors</b>			
AMS AG (Austria) <sup>(1)(2)</sup>	28,061	1,139,220	2.0%
Nvidia Corp. (United States)	2,815	662,370	1.2%
Taiwan Semiconductor Manufacturing Co. Ltd. – ADR (Taiwan)	18,188	1,056,723	1.8%
		2,858,313	5.0%

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

# Chautauqua Global Growth Fund

Schedule of Investments, December 31, 2019

## Common Stocks (cont.)

	<u>Shares</u>	<u>Value</u>	<u>% of Net Assets</u>
<b>Tires &amp; Rubber</b>			
Pirelli & C SpA (Italy) <sup>(2)</sup>	177,507	\$ 1,024,517	1.8%
<b>Total Common Stocks</b> (Cost \$46,022,870)		53,344,767	92.9%

## Rights

<b>Pharmaceuticals</b>			
Bristol-Myers Squibb Company (United States) <sup>(1)</sup>	6,411	19,297	0.0%
<b>Total Rights</b> (Cost \$13,655)		19,297	0.0%

## Short-Term Investment

<b>Money Market Mutual Fund</b>			
First American Government Obligations Fund, Class U, 1.53% <sup>(3)</sup>	3,390,427	3,390,427	5.9%
<b>Total Short-Term Investment</b> (Cost \$3,390,427)		3,390,427	5.9%
<b>Total Investments</b> (Cost \$49,426,952)		56,754,491	98.8%
Other Assets in Excess of Liabilities		683,710	1.2%
<b>TOTAL NET ASSETS</b>		\$57,438,201	100.0%

## Notes to Schedule of Investments

- (1) Non-Income Producing.  
(2) Level 2 security – See Note 2a to the financial statements.  
(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's 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, 2019

## Summary of Fair Value Exposure at December 31, 2019

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.

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, 2019:

	Level 1	Level 2	Level 3	Total
<b>Equity</b>				
Common Stocks	\$32,809,518	\$20,535,249	\$ —	\$53,344,767
<b>Total Equity</b>	32,809,518	20,535,249	—	53,344,767
<b>Rights</b>				
Rights	19,297	—	—	19,297
<b>Total Rights</b>	19,297	—	—	19,297
<b>Short-Term Investment</b>				
Money Market Mutual Fund	3,390,427	—	—	3,390,427
<b>Total Short-Term Investment</b>	3,390,427	—	—	3,390,427
<b>Total Investments*</b>	<u>\$36,219,242</u>	<u>\$20,535,249</u>	<u>\$ —</u>	<u>\$56,754,491</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 into or out of Level 3 during the reporting period, as compared to the security classifications 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.*

# Additional Information on Fund Expenses

December 31, 2019 (Unaudited)

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## 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. 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; however, 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, doing business as U.S. Bank Global Fund Services, 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 (7/1/19 – 12/31/19).

## 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, 2019 (Unaudited)

## Actual vs. Hypothetical Returns

For the Six Months Ended December 31, 2019

	Fund's Annualized Expense Ratio <sup>(1)</sup>	Beginning Account Value 7/1/19	Actual		Hypothetical (5% return before expenses)	
			Ending Account Value 12/31/19	Expenses Paid During Period <sup>(1)</sup>	Ending Account Value 12/31/19	Expenses Paid During Period <sup>(1)</sup>
<b>Baird MidCap Fund</b>						
Institutional Class	0.82%	\$1,000.00	\$1,076.80	\$4.29	\$1,021.07	\$4.18
Investor Class	1.07%	\$1,000.00	\$1,075.70	\$5.60	\$1,019.81	\$5.45
<b>Baird Small/Mid Cap Growth Fund</b>						
Institutional Class	0.85%	\$1,000.00	\$1,085.90	\$4.47	\$1,020.92	\$4.33
Investor Class	1.10%	\$1,000.00	\$1,084.30	\$5.78	\$1,019.66	\$5.60
<b>Baird Small/Mid Cap Value Fund</b>						
Institutional Class	0.85%	\$1,000.00	\$1,042.50	\$4.38	\$1,020.92	\$4.33
Investor Class	1.10%	\$1,000.00	\$1,040.60	\$5.66	\$1,019.66	\$5.60
<b>Baird SmallCap Value Fund</b>						
Institutional Class	0.95%	\$1,000.00	\$1,047.50	\$4.90	\$1,020.42	\$4.84
Investor Class	1.20%	\$1,000.00	\$1,046.30	\$6.19	\$1,019.16	\$6.11
<b>Chautauqua International Growth Fund</b>						
Institutional Class	0.80%	\$1,000.00	\$1,052.90	\$4.14	\$1,021.17	\$4.08
Investor Class	1.05%	\$1,000.00	\$1,051.80	\$5.43	\$1,019.91	\$5.35
<b>Chautauqua Global Growth Fund</b>						
Institutional Class	0.80%	\$1,000.00	\$1,064.00	\$4.16	\$1,021.17	\$4.08
Investor Class	1.05%	\$1,000.00	\$1,062.50	\$5.46	\$1,019.91	\$5.35

(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, 2019

	Baird MidCap Fund	Baird Small/Mid Cap Growth Fund
<b>ASSETS:</b>		
Investments, at value (cost \$1,418,264,067 and \$14,829,201, respectively)	\$2,111,093,180	\$17,650,601
Dividends receivable	467,358	4,815
Interest receivable	61,635	729
Receivable for investments sold	120,724,897	418,341
Receivable for Fund shares sold	15,424,489	827,333
Receivable from Advisor, net (Note 5)	—	17,944
Prepaid expenses and other assets	43,165	37,156
Total assets	<u>2,247,814,724</u>	<u>18,956,919</u>
<b>LIABILITIES:</b>		
Payable for securities purchased	—	311,797
Payable for Fund shares redeemed	271,943,467	—
Payable to Advisor, net (Note 5)	1,413,757	—
Payable to Directors	14,648	14,648
Accrued Rule 12b-1 fees (Note 7)	51,074	160
Accrued fund accounting and administration fees	40,536	13,937
Accrued shareholder servicing fees	95,556	1,458
Accrued professional fees	17,903	15,583
Accrued custody fees	4,314	1,511
Line of credit payable (Note 6)	—	23,000
Accrued expenses and other liabilities	71,056	1,973
Total liabilities	<u>273,652,311</u>	<u>384,067</u>
<b>NET ASSETS</b>	<u>\$1,974,162,413</u>	<u>\$18,572,852</u>
<b>NET ASSETS CONSIST OF:</b>		
Paid-in capital	\$1,282,514,364	\$15,814,915
Total distributable earnings	<u>691,648,049</u>	<u>2,757,937</u>
<b>NET ASSETS</b>	<u>\$1,974,162,413</u>	<u>\$18,572,852</u>
<b>INSTITUTIONAL CLASS SHARES</b>		
Net Assets	\$1,825,839,552	\$18,285,546
Shares outstanding (\$0.01 par value, unlimited shares authorized)	79,737,647	1,491,956
Net asset value, offering and redemption price per share	<u>\$ 22.90</u>	<u>\$ 12.26</u>
<b>INVESTOR CLASS SHARES</b>		
Net Assets	\$ 148,322,861	\$ 287,306
Shares outstanding (\$0.01 par value, unlimited shares authorized)	6,889,569	23,521
Net asset value, offering and redemption price per share	<u>\$ 21.53</u>	<u>\$ 12.21</u>

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

# Statements of Assets and Liabilities

December 31, 2019

	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
<b>ASSETS:</b>		
Investments, at value (cost \$21,206,644 and \$27,310,444, respectively)	\$24,839,963	\$33,861,546
Dividends receivable	44,831	67,100
Interest receivable	1,551	2,048
Receivable for investments sold	—	2,431,745
Receivable for Fund shares sold	7,757	—
Receivable from Advisor, net (Note 5)	12,627	5,732
Prepaid expenses and other assets	33,349	12,787
Total assets	<u>24,940,078</u>	<u>36,380,958</u>
<b>LIABILITIES:</b>		
Payable for securities purchased	—	2,442,038
Payable for Fund shares redeemed	—	51,103
Payable to Directors	14,648	14,648
Accrued Rule 12b-1 fees (Note 7)	309	800
Accrued fund accounting and administration fees	15,222	15,324
Accrued shareholder servicing fees	2,531	2,806
Accrued professional fees	17,886	17,730
Accrued custody fees	415	169
Accrued expenses and other liabilities	2,190	2,476
Total liabilities	<u>53,201</u>	<u>2,547,094</u>
<b>NET ASSETS</b>	<u><u>\$24,886,877</u></u>	<u><u>\$33,833,864</u></u>
<b>NET ASSETS CONSIST OF:</b>		
Paid-in capital	\$21,691,264	\$25,699,724
Total distributable earnings	<u>3,195,613</u>	<u>8,134,140</u>
<b>NET ASSETS</b>	<u><u>\$24,886,877</u></u>	<u><u>\$33,833,864</u></u>
<b>INSTITUTIONAL CLASS SHARES</b>		
Net Assets	\$24,326,525	\$32,950,043
Shares outstanding (\$0.01 par value, unlimited shares authorized)	1,974,781	2,064,404
Net asset value, offering and redemption price per share	<u>\$ 12.32</u>	<u>\$ 15.96</u>
<b>INVESTOR CLASS SHARES</b>		
Net Assets	\$ 560,352	\$ 883,821
Shares outstanding (\$0.01 par value, unlimited shares authorized)	45,657	55,355
Net asset value, offering and redemption price per share	<u>\$ 12.27</u>	<u>\$ 15.97</u>

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

# Statements of Assets and Liabilities

December 31, 2019

	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
<b>ASSETS:</b>		
Investments, at value (cost \$150,286,377 and \$49,426,952, respectively)	\$175,365,728	\$56,754,491
Foreign currency, at value (cost \$445,755 and \$170,546, respectively)	444,811	176,311
Dividends receivable	164,087	30,489
Interest receivable	18,943	4,623
Receivable for Fund shares sold	1,295,161	530,708
Receivable from Advisor, net (Note 5)	—	10,242
Prepaid expenses and other assets	15,342	13,878
Total assets	<u>177,304,072</u>	<u>57,520,742</u>
<b>LIABILITIES:</b>		
Payable for Fund shares redeemed	3,004,271	21,487
Payable to Advisor, net (Note 5)	49,866	—
Payable to Directors	14,648	14,648
Accrued Rule 12b-1 fees (Note 7)	816	812
Accrued fund accounting and administration fees	18,051	16,720
Accrued shareholder servicing fees	6,379	2,955
Accrued professional fees	19,755	19,876
Accrued custody fees	6,508	2,811
Accrued expenses and other liabilities	14,612	3,232
Total liabilities	<u>3,134,906</u>	<u>82,541</u>
<b>NET ASSETS</b>	<u>\$174,169,166</u>	<u>\$57,438,201</u>
<b>NET ASSETS CONSIST OF:</b>		
Paid-in capital	\$156,422,328	\$50,264,293
Total distributable earnings	<u>17,746,838</u>	<u>7,173,908</u>
<b>NET ASSETS</b>	<u>\$174,169,166</u>	<u>\$57,438,201</u>
<b>INSTITUTIONAL CLASS SHARES</b>		
Net Assets	\$172,674,407	\$55,831,321
Shares outstanding (\$0.01 par value, unlimited shares authorized)	13,684,014	3,858,531
Net asset value, offering and redemption price per share	<u>\$ 12.62</u>	<u>\$ 14.47</u>
<b>INVESTOR CLASS SHARES</b>		
Net Assets	\$ 1,494,759	\$ 1,606,880
Shares outstanding (\$0.01 par value, unlimited shares authorized)	118,654	111,878
Net asset value, offering and redemption price per share	<u>\$ 12.60</u>	<u>\$ 14.36</u>

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



# Statements of Operations

Year Ended December 31, 2019

	Baird MidCap Fund	Baird Small/Mid Cap Growth Fund
<b>INVESTMENT INCOME:</b>		
Dividends	\$ 13,240,103	\$ 64,670
Interest	1,300,962	11,894
Total investment income	<u>14,541,065</u>	<u>76,564</u>
<b>EXPENSES:</b>		
Investment advisory fees (Note 5)	14,689,912	96,378
Shareholder servicing fees	767,355	8,036
Fund accounting and administration fees	178,878	22,222
Federal and state registration	120,743	34,584
Directors fees	70,234	66,089
Reports to shareholders	101,366	2,238
Professional fees	31,929	27,154
Custody fees	26,947	12,800
Interest expense (Note 6)	—	2
Miscellaneous expenses	2,861	369
Rule 12b-1 fees - Investor Class Shares (Note 7)	309,280	308
Total expenses	16,299,505	270,180
Fee waiver by Advisor (Note 5)	—	(160,643)
Net expenses	<u>16,299,505</u>	<u>109,537</u>
<b>NET INVESTMENT LOSS</b>	<u>(1,758,440)</u>	<u>(32,973)</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>		
Net realized gain (loss) on investments	113,591,259	(32,734)
Net change in unrealized appreciation on investments	445,197,148	3,511,422
Net realized and unrealized gain on investments	<u>558,788,407</u>	<u>3,478,688</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$557,029,967</u>	<u>\$3,445,715</u>

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

# Statements of Operations

Year Ended December 31, 2019

	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund
<b>INVESTMENT INCOME:</b>		
Dividends (net of issuance fees and/or foreign taxes withheld of \$3,757 and \$6,933, respectively)	\$ 387,478	\$ 548,856
Interest	30,555	51,802
Total investment income	418,033	600,658
<b>EXPENSES:</b>		
Investment advisory fees (Note 5)	165,957	281,376
Directors fees	70,234	70,250
Fund accounting and administration fees	32,867	33,720
Federal and state registration	31,229	34,354
Professional fees	31,946	33,178
Shareholder servicing fees	15,310	17,267
Reports to shareholders	1,940	2,733
Custody fees	1,551	1,191
Miscellaneous expenses	1,149	1,373
Rule 12b-1 fees – Investor Class Shares (Note 7)	1,121	2,102
Total expenses	353,304	477,544
Fee waiver by Advisor (Note 5)	(164,099)	(160,963)
Net expenses	189,205	316,581
<b>NET INVESTMENT INCOME</b>	<b>228,828</b>	<b>284,077</b>
<b>REALIZED AND UNREALIZED GAIN ON INVESTMENTS:</b>		
Net realized gain on investments	346,989	2,315,161
Net change in unrealized appreciation on investments	2,878,359	2,792,139
Net realized and unrealized gain on investments	3,225,348	5,107,300
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$3,454,176</b>	<b>\$5,391,377</b>

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

# Statements of Operations

Year Ended December 31, 2019

	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
<b>INVESTMENT INCOME:</b>		
Dividends (net of issuance fees and/or foreign taxes withheld of \$203,325 and \$46,872, respectively)	\$ 2,098,378	\$ 516,045
Non-cash dividends <sup>(1)</sup>	2,510,601	609,843
Interest	194,608	57,875
Total investment income	<u>4,803,587</u>	<u>1,183,763</u>
<b>EXPENSES:</b>		
Investment advisory fees (Note 5)	1,073,512	363,761
Directors fees	70,257	70,248
Federal and state registration	56,341	45,642
Fund accounting and administration fees	51,341	43,225
Professional fees	34,127	33,890
Shareholder servicing fees	40,389	19,081
Custody fees	37,028	13,782
Reports to shareholders	8,017	3,896
Miscellaneous expenses	4,663	1,265
Rule 12b-1 fees – Investor Class Shares (Note 7)	3,988	2,993
Total expenses	1,379,663	597,783
Fee waiver by Advisor (Note 5)	(230,596)	(206,779)
Net expenses	<u>1,149,067</u>	<u>391,004</u>
<b>NET INVESTMENT INCOME</b>	<u>3,654,520</u>	<u>792,759</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSLATION:</b>		
Net realized loss on:		
Investments	(6,686,742)	(150,109)
Foreign currency translation	(54,570)	(7,475)
Net change in unrealized appreciation on:		
Investments	32,738,656	11,317,321
Foreign currency translation	<u>4,879</u>	<u>5,441</u>
Net realized and unrealized gain on investments and foreign currency translation	<u>26,002,223</u>	<u>11,165,178</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$29,656,743</u>	<u>\$11,957,937</u>

(1) Non-cash dividends are recorded at the fair value of the securities received.

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

# Statements of Changes in Net Assets

Baird MidCap Fund

	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>OPERATIONS:</b>		
Net investment loss	\$ (1,758,440)	\$ (2,559,945)
Net realized gain on investments	113,591,259	100,449,663
Net change in unrealized appreciation (depreciation) on investments	445,197,148	(128,172,350)
Net increase (decrease) in net assets resulting from operations	557,029,967	(30,282,632)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	658,933,497	392,164,539
Shares issued to holders in reinvestment of distributions	92,604,419	66,692,305
Cost of shares redeemed	(650,544,300)	(301,065,629)
Net increase in net assets resulting from capital share transactions	100,993,616	157,791,215
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net distributions to shareholders:		
Institutional Class	(109,134,740)	(79,739,254)
Investor Class	(7,559,012)	(5,918,540)
Total net distributions to shareholders	(116,693,752)	(85,657,794)
<b>TOTAL INCREASE IN NET ASSETS</b>	541,329,831	41,850,789
<b>NET ASSETS:</b>		
Beginning of year	1,432,832,582	1,390,981,793
End of year	<u>\$1,974,162,413</u>	<u>\$1,432,832,582</u>

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

# Statements of Changes in Net Assets

## Baird Small/Mid Cap Growth Fund

	Year Ended December 31, 2019	October 31, 2018 <sup>^</sup> through December 31, 2018
<b>OPERATIONS:</b>		
Net investment loss	\$ (32,973)	\$ (352)
Net realized loss on investments	(32,734)	(30,729)
Net change in unrealized appreciation (depreciation) on investments	<u>3,511,422</u>	<u>(690,022)</u>
Net increase (decrease) in net assets resulting from operations	<u>3,445,715</u>	<u>(721,103)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	9,941,887	8,011,208
Cost of shares redeemed	<u>(2,104,855)</u>	<u>—</u>
Net increase in net assets resulting from capital share transactions	<u>7,837,032</u>	<u>8,011,208</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>11,282,747</b>	<b>7,290,105</b>
<b>NET ASSETS:</b>		
Beginning of period	<u>7,290,105</u>	<u>—</u>
End of period	<u>\$18,572,852</u>	<u>\$7,290,105</u>

<sup>^</sup> Inception was the close of business on October 31, 2018.

*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, 2019	Year Ended December 31, 2018
<b>OPERATIONS:</b>		
Net investment income	\$ 228,828	\$ 62,968
Net realized gain (loss) on investments	346,989	(769,328)
Net change in unrealized appreciation (depreciation) on investments	<u>2,878,359</u>	<u>(2,354,666)</u>
Net increase (decrease) in net assets resulting from operations	<u>3,454,176</u>	<u>(3,061,026)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	6,171,911	4,915,798
Shares issued to holders in reinvestment of distributions	167,707	57,485
Cost of shares redeemed	<u>(2,097,080)</u>	<u>(1,387,954)</u>
Net increase in net assets resulting from capital share transactions	<u>4,242,538</u>	<u>3,585,329</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net distributions to shareholders:		
Institutional Class	(208,297)	(66,490)
Investor Class	<u>(3,681)</u>	<u>(916)</u>
Total net distributions to shareholders	<u>(211,978)</u>	<u>(67,406)</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>7,484,736</b>	<b>456,897</b>
<b>NET ASSETS:</b>		
Beginning of year	<u>17,402,141</u>	<u>16,945,244</u>
End of year	<u><u>\$24,886,877</u></u>	<u><u>\$17,402,141</u></u>

*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, 2019	Year Ended December 31, 2018
<b>OPERATIONS:</b>		
Net investment income	\$ 284,077	\$ 100,083
Net realized gain (loss) on investments	2,315,161	(267,801)
Net change in unrealized appreciation (depreciation) on investments	<u>2,792,139</u>	<u>(5,801,768)</u>
Net increase (decrease) in net assets resulting from operations	<u>5,391,377</u>	<u>(5,969,486)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	4,097,702	5,898,926
Shares issued to holders in reinvestment of distributions	184,267	1,080,830
Cost of shares redeemed	<u>(5,124,745)</u>	<u>(6,447,965)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(842,776)</u>	<u>531,791</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net distributions to shareholders:		
Institutional Class	(223,517)	(1,237,636)
Investor Class	<u>(3,885)</u>	<u>(29,670)</u>
Total net distributions to shareholders	<u>(227,402)</u>	<u>(1,267,306)</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>4,321,199</b>	<b>(6,705,001)</b>
<b>NET ASSETS:</b>		
Beginning of year	<u>29,512,665</u>	<u>36,217,666</u>
End of year	<u><u>\$33,833,864</u></u>	<u><u>\$29,512,665</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, 2019	Year Ended December 31, 2018
<b>OPERATIONS:</b>		
Net investment income	\$ 3,654,520	\$ 450,552
Net realized gain (loss) on investments and foreign currency translation	(6,741,312)	264,702
Net change in unrealized appreciation (depreciation) on investments and foreign currency translation	<u>32,743,535</u>	<u>(18,738,448)</u>
Net increase (decrease) in net assets resulting from operations	<u>29,656,743</u>	<u>(18,023,194)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	77,073,338	48,697,664
Shares issued to holders in reinvestment of distributions	2,901,751	2,166,040
Cost of shares redeemed	(19,364,200)	(18,778,472)
Redemption fees	<u>32,973</u>	<u>20,170</u>
Net increase in net assets resulting from capital share transactions	<u>60,643,862</u>	<u>32,105,402</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net distributions to shareholders:		
Institutional Class	(3,632,612)	(2,302,815)
Investor Class	<u>(26,317)</u>	<u>(56,232)</u>
Total net distributions to shareholders	<u>(3,658,929)</u>	<u>(2,359,047)</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>86,641,676</b>	<b>11,723,161</b>
<b>NET ASSETS:</b>		
Beginning of year	<u>87,527,490</u>	<u>75,804,329</u>
End of year	<u>\$174,169,166</u>	<u>\$ 87,527,490</u>

*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, 2019	Year Ended December 31, 2018
<b>OPERATIONS:</b>		
Net investment income	\$ 792,759	\$ 3,536
Net realized gain (loss) on investments and foreign currency translation	(157,584)	186,416
Net change in unrealized appreciation (depreciation) on investments and foreign currency translation	<u>11,322,762</u>	<u>(6,873,327)</u>
Net increase (decrease) in net assets resulting from operations	<u>11,957,937</u>	<u>(6,683,375)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	15,333,359	26,064,150
Shares issued to holders in reinvestment of distributions	688,936	479,031
Cost of shares redeemed	(7,222,512)	(5,699,015)
Redemption fees	<u>3,722</u>	<u>6,311</u>
Net increase in net assets resulting from capital share transactions	<u>8,803,505</u>	<u>20,850,477</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net distributions to shareholders:		
Institutional Class	(847,342)	(518,434)
Investor Class	<u>(21,289)</u>	<u>(10,060)</u>
Total net distributions to shareholders	<u>(868,631)</u>	<u>(528,494)</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>19,892,811</b>	<b>13,638,608</b>
<b>NET ASSETS:</b>		
Beginning of year	<u>37,545,390</u>	<u>23,906,782</u>
End of year	<u>\$57,438,201</u>	<u>\$37,545,390</u>

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

# Financial Highlights

## Baird MidCap Fund – Institutional Class

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per Share Data:</b>					
Net asset value, beginning of year	\$17.72	\$19.16	\$15.80	\$14.99	\$15.57
<b>Income from investment operations:</b>					
Net investment loss <sup>(1)</sup>	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)
Net realized and unrealized gains (losses) on investments	6.44	(0.30)	4.28	0.83	(0.53)
Total from investment operations	6.42	(0.33)	4.25	0.81	(0.56)
<b>Less distributions:</b>					
Distributions from net realized gains	(1.24)	(1.11)	(0.89)	—	(0.02)
Total distributions	(1.24)	(1.11)	(0.89)	—	(0.02)
<b>Net asset value, end of year</b>	<u>\$22.90</u>	<u>\$17.72</u>	<u>\$19.16</u>	<u>\$15.80</u>	<u>\$14.99</u>
<b>Total return</b>	36.31%	(1.61)%	26.88%	5.40%	(3.59)%
<b>Supplemental data and ratios:</b>					
Net assets, end of year (millions)	\$1,825.8	\$1,337.4	\$1,279.6	\$1,105.1	\$1,035.0
Ratio of expenses to average net assets	0.82%	0.81%	0.83%	0.82%	0.80%
Ratio of expenses to average net assets (before waivers)	0.82%	0.81%	0.83%	0.82%	0.80%
Ratio of net investment loss to average net assets	(0.07)%	(0.15)%	(0.17)%	(0.14)%	(0.18)%
Ratio of net investment loss to average net assets (before waivers)	(0.07)%	(0.15)%	(0.17)%	(0.14)%	(0.18)%
Portfolio turnover rate <sup>(2)</sup>	43%	38%	45%	57%	53%

(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 and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Baird MidCap Fund – Investor Class

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per Share Data:</b>					
Net asset value, beginning of year	\$16.76	\$18.23	\$15.10	\$14.36	\$14.96
<b>Income from investment operations:</b>					
Net investment loss <sup>(1)</sup>	(0.07)	(0.08)	(0.07)	(0.06)	(0.06)
Net realized and unrealized gains (losses) on investments	6.08	(0.28)	4.09	0.80	(0.52)
Total from investment operations	6.01	(0.36)	4.02	0.74	(0.58)
<b>Less distributions:</b>					
Distributions from net realized gains	(1.24)	(1.11)	(0.89)	—	(0.02)
Total distributions	(1.24)	(1.11)	(0.89)	—	(0.02)
<b>Net asset value, end of year</b>	<u>\$21.53</u>	<u>\$16.76</u>	<u>\$18.23</u>	<u>\$15.10</u>	<u>\$14.36</u>
<b>Total return</b>	35.94%	(1.86)%	26.61%	5.08%	(3.80)%
<b>Supplemental data and ratios:</b>					
Net assets, end of year (millions)	\$148.3	\$95.5	\$111.4	\$137.2	\$184.1
Ratio of expenses to average net assets	1.07%	1.06%	1.08%	1.07%	1.05%
Ratio of expenses to average net assets (before waivers)	1.07%	1.06%	1.08%	1.07%	1.05%
Ratio of net investment loss to average net assets	(0.32)%	(0.40)%	(0.42)%	(0.39)%	(0.43)%
Ratio of net investment loss to average net assets (before waivers)	(0.32)%	(0.40)%	(0.42)%	(0.39)%	(0.43)%
Portfolio turnover rate <sup>(2)</sup>	43%	38%	45%	57%	53%

(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 and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Baird Small/Mid Cap Growth Fund – Institutional Class

	Year Ended December 31, 2019	Period Ended December 31, 2018 <sup>(1)</sup>
<b>Per Share Data:</b>		
Net asset value, beginning of period	\$ 8.95	\$10.00
<b>Income from investment operations:</b>		
Net investment loss <sup>(2)</sup>	(0.03)	(0.00) <sup>(3)</sup>
Net realized and unrealized gains (losses) on investments	3.34	(1.05)
Total from investment operations	3.31	(1.05)
<b>Net asset value, end of period</b>	<u>\$12.26</u>	<u>\$ 8.95</u>
<b>Total return</b>	36.98%	(10.50)% <sup>(4)</sup>
<b>Supplemental data and ratios:</b>		
Net assets, end of period (millions)	\$18.3	\$7.3
Ratio of expenses to average net assets	0.85%	0.85% <sup>(5)</sup>
Ratio of expenses to average net assets (before waivers)	2.10%	3.88% <sup>(5)</sup>
Ratio of net investment loss to average net assets	(0.25)%	(0.03)% <sup>(5)</sup>
Ratio of net investment loss to average net assets (before waivers)	(1.50)%	(3.06)% <sup>(5)</sup>
Portfolio turnover rate <sup>(6)</sup>	60%	9% <sup>(4)</sup>

(1) Inception was close of business on October 31, 2018.

(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 and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Baird Small/Mid Cap Growth Fund – Investor Class

	Year Ended December 31, 2019	Period Ended December 31, 2018 <sup>(1)</sup>
<b>Per Share Data:</b>		
Net asset value, beginning of period	\$ 8.94	\$10.00
<b>Income from investment operations:</b>		
Net investment loss <sup>(2)</sup>	(0.06)	(0.00) <sup>(3)</sup>
Net realized and unrealized gains (losses) on investments	3.33	(1.06)
Total from investment operations	3.27	(1.06)
<b>Net asset value, end of period</b>	<u>\$12.21</u>	<u>\$ 8.94</u>
<b>Total return</b>	36.69%	(10.60)% <sup>(4)</sup>
<b>Supplemental data and ratios:</b>		
Net assets, end of period (thousands)	\$287.3	\$8.9
Ratio of expenses to average net assets	1.10%	1.10% <sup>(5)</sup>
Ratio of expenses to average net assets (before waivers)	2.35%	4.13% <sup>(5)</sup>
Ratio of net investment loss to average net assets	(0.50)%	(0.28)% <sup>(5)</sup>
Ratio of net investment loss to average net assets (before waivers)	(1.75)%	(3.31)% <sup>(5)</sup>
Portfolio turnover rate <sup>(6)</sup>	60%	9% <sup>(4)</sup>

(1) Inception was close of business on October 31, 2018.

(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 and excludes in-kind transactions, where applicable.

*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 December 31,
	2019	2018	2017	2016	2015 <sup>(1)</sup>
<b>Per Share Data:</b>					
Net asset value, beginning of period	\$10.51	\$12.43	\$10.29	\$ 9.52	\$10.00
<b>Income from investment operations:</b>					
Net investment income <sup>(2)</sup>	0.12	0.04	0.07	0.13	0.02
Net realized and unrealized gains (losses) on investments	1.80	(1.92)	2.14	0.72	(0.49)
Total from investment operations	1.92	(1.88)	2.21	0.85	(0.47)
<b>Less distributions:</b>					
Distributions from net investment income	(0.11)	(0.04)	(0.07)	(0.08)	(0.01)
Distributions from net realized gains	—	(0.00) <sup>(3)</sup>	(0.00) <sup>(3)</sup>	—	—
Total distributions	(0.11)	(0.04)	(0.07)	(0.08)	(0.01)
<b>Net asset value, end of period</b>	<b>\$12.32</b>	<b>\$10.51</b>	<b>\$12.43</b>	<b>\$10.29</b>	<b>\$ 9.52</b>
<b>Total return</b>	<b>18.23%</b>	<b>(15.11)%</b>	<b>21.48%</b>	<b>8.91%</b>	<b>(4.66)%<sup>(4)</sup></b>
<b>Supplemental data and ratios:</b>					
Net assets, end of period (millions)	\$24.3	\$17.1	\$16.9	\$11.9	\$4.7
Ratio of expenses to average net assets	0.85%	0.94% <sup>(5)</sup>	0.95%	0.95%	0.95% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	1.59%	1.75%	1.91%	2.86%	6.88% <sup>(6)</sup>
Ratio of net investment income to average net assets	1.04%	0.34%	0.62%	1.35%	1.96% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	0.30%	(0.47)%	(0.34)%	(0.56)%	(3.97)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	37%	34%	60%	38%	15% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 0.85%. Prior to December 1, 2018, the expense cap was 0.95%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

*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 December 31,
	2019	2018	2017	2016	2015 <sup>(1)</sup>
<b>Per Share Data:</b>					
Net asset value, beginning of period	\$10.48	\$12.40	\$10.28	\$ 9.52	\$10.00
<b>Income from investment operations:</b>					
Net investment income <sup>(2)</sup>	0.09	0.01	0.04	0.11	0.01
Net realized and unrealized gains (losses) on investments	1.78	(1.90)	2.13	0.71	(0.48)
Total from investment operations	1.87	(1.89)	2.17	0.82	(0.47)
<b>Less distributions:</b>					
Distributions from net investment income	(0.08)	(0.03)	(0.05)	(0.06)	(0.01)
Distributions from net realized gains	—	(0.00) <sup>(3)</sup>	(0.00) <sup>(3)</sup>	—	—
Total distributions	(0.08)	(0.03)	(0.05)	(0.06)	(0.01)
Net asset value, end of period	\$12.27	\$10.48	\$12.40	\$10.28	\$ 9.52
Total return	17.86%	(15.25)%	21.08%	8.64%	(4.67)% <sup>(4)</sup>
<b>Supplemental data and ratios:</b>					
Net assets, end of period (thousands)	\$560.4	\$341.5	\$86.1	\$53.2	\$19.0
Ratio of expenses to average net assets	1.10%	1.19% <sup>(5)</sup>	1.20%	1.20%	1.20% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	1.84%	2.00%	2.16%	3.11%	7.13% <sup>(6)</sup>
Ratio of net investment income to average net assets	0.79%	0.09%	0.37%	1.10%	1.71% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	0.05%	(0.72)%	(0.59)%	(0.81)%	(4.22)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	37%	34%	60%	38%	15% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 1.10%. Prior to December 1, 2018, the expense cap was 1.20%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Baird SmallCap Value Fund – Institutional Class

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per Share Data:</b>					
Net asset value, beginning of year	\$13.58	\$16.99	\$14.83	\$13.03	\$13.82
<b>Income from investment operations:</b>					
Net investment income <sup>(1)</sup>	0.13	0.05	0.09	0.21	0.11
Net realized and unrealized gains (losses) on investments	2.36	(2.85)	2.59	1.76	(0.82)
Total from investment operations	2.49	(2.80)	2.68	1.97	(0.71)
<b>Less distributions:</b>					
Distributions from net investment income	(0.11)	(0.06)	(0.09)	(0.17)	(0.08)
Distributions from net realized gains	—	(0.55)	(0.43)	—	—
Total distributions	(0.11)	(0.61)	(0.52)	(0.17)	(0.08)
<b>Net asset value, end of year</b>	<u>\$15.96</u>	<u>\$13.58</u>	<u>\$16.99</u>	<u>\$14.83</u>	<u>\$13.03</u>
<b>Total return</b>	18.40%	(16.45)%	18.05%	15.11%	(5.11)%
<b>Supplemental data and ratios:</b>					
Net assets, end of year (millions)	\$33.0	\$28.8	\$33.6	\$28.2	\$23.1
Ratio of expenses to average net assets	0.95%	1.00% <sup>(2)</sup>	1.00%	1.00%	1.00%
Ratio of expenses to average net assets (before waivers)	1.44%	1.38%	1.35%	1.43%	1.51%
Ratio of net investment income to average net assets	0.87%	0.29%	0.61%	1.58%	0.79%
Ratio of net investment income (loss) to average net assets (before waivers)	0.38%	(0.09)%	0.26%	1.15%	0.28%
Portfolio turnover rate <sup>(3)</sup>	55%	36%	30%	49%	42%

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

(2) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 0.95%. Prior to December 1, 2018, the expense cap was 1.00%.

(3) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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



# Financial Highlights

## Baird SmallCap Value Fund – Investor Class

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per Share Data:</b>					
Net asset value, beginning of year	\$13.58	\$16.97	\$14.81	\$12.99	\$13.78
<b>Income from investment operations:</b>					
Net investment income <sup>(1)</sup>	0.09	0.01	0.06	0.18	0.07
Net realized and unrealized gains (losses) on investments	2.37	(2.85)	2.58	1.75	(0.81)
Total from investment operations	2.46	(2.84)	2.64	1.93	(0.74)
<b>Less distributions:</b>					
Distributions from net investment income	(0.07)	—	(0.05)	(0.11)	(0.05)
Distributions from net realized gains	—	(0.55)	(0.43)	—	—
Total distributions	(0.07)	(0.55)	(0.48)	(0.11)	(0.05)
<b>Net asset value, end of year</b>	<u>\$15.97</u>	<u>\$13.58</u>	<u>\$16.97</u>	<u>\$14.81</u>	<u>\$12.99</u>
<b>Total return</b>	18.19%	(16.71)%	17.78%	14.84%	(5.37)%
<b>Supplemental data and ratios:</b>					
Net assets, end of year (millions)	\$0.9	\$0.8	\$2.6	\$2.6	\$2.0
Ratio of expenses to average net assets	1.20%	1.25% <sup>(2)</sup>	1.25%	1.25%	1.25%
Ratio of expenses to average net assets (before waivers)	1.69%	1.63%	1.60%	1.68%	1.76%
Ratio of net investment income to average net assets	0.62%	0.04%	0.36%	1.33%	0.54%
Ratio of net investment income (loss) to average net assets (before waivers)	0.13%	(0.34)%	0.01%	0.90%	0.03%
Portfolio turnover rate <sup>(3)</sup>	55%	36%	30%	49%	42%

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

(2) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 1.20%. Prior to December 1, 2018, the expense cap was 1.25%.

(3) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Chautauqua International Growth Fund – Institutional Class

	Year Ended December 31,			Period Ended
	2019	2018	2017	December 31, 2016 <sup>(1)</sup>
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$10.17	\$12.59	\$ 9.57	\$10.00
<b>Income from investment operations:</b>				
Net investment income <sup>(2)</sup>	0.30	0.06	0.04	0.00 <sup>(3)</sup>
Net realized and unrealized gains (losses) on investments and foreign currency translation	2.42	(2.19)	3.41	(0.43)
Total from investment operations	2.72	(2.13)	3.45	(0.43)
<b>Less distributions:</b>				
Distributions from net investment income	(0.27)	(0.06)	(0.02)	—
Distributions from net realized gains	—	(0.23)	(0.41)	—
Total distributions	(0.27)	(0.29)	(0.43)	—
<b>Paid in capital from redemption fees</b>	<u>0.00<sup>(3)</sup></u>	<u>0.00<sup>(3)</sup></u>	<u>0.00<sup>(3)</sup></u>	<u>—</u>
<b>Net asset value, end of period</b>	<u>\$12.62</u>	<u>\$10.17</u>	<u>\$12.59</u>	<u>\$ 9.57</u>
<b>Total return</b>	26.72%	(16.94)%	36.11%	(4.30)% <sup>(4)</sup>
<b>Supplemental data and ratios:</b>				
Net assets, end of period (millions)	\$172.7	\$85.4	\$74.2	\$14.8
Ratio of expenses to average net assets	0.80%	0.94% <sup>(5)</sup>	0.95%	0.95% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	0.96%	1.07%	1.20%	2.32% <sup>(6)</sup>
Ratio of net investment income to average net assets	2.56%	0.51%	0.30%	0.06% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	2.40%	0.38%	0.05%	(1.31)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	31%	42%	71%	73% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 0.80%. Prior to December 1, 2018, the expense cap was 0.95%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Chautauqua International Growth Fund – Investor Class

	Year Ended December 31,			Period Ended December 31,
	2019	2018	2017	2016 <sup>(1)</sup>
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$10.15	\$12.57	\$ 9.56	\$10.00
<b>Income from investment operations:</b>				
Net investment income (loss) <sup>(2)</sup>	0.27	0.03	0.01	(0.01)
Net realized and unrealized gains (losses) on investments and foreign currency translation	2.41	(2.19)	3.41	(0.44)
Total from investment operations	2.68	(2.16)	3.42	(0.45)
<b>Less distributions:</b>				
Distributions from net investment income	(0.23)	(0.03)	(0.00) <sup>(3)</sup>	—
Distributions from net realized gains	—	(0.23)	(0.41)	—
Total distributions	(0.23)	(0.26)	(0.41)	—
<b>Paid in capital from redemption fees</b>	<u>0.00<sup>(3)</sup></u>	<u>0.00<sup>(3)</sup></u>	<u>0.00<sup>(3)</sup></u>	<u>0.01</u>
<b>Net asset value, end of period</b>	<u>\$12.60</u>	<u>\$10.15</u>	<u>\$12.57</u>	<u>\$ 9.56</u>
<b>Total return</b>	26.42%	(17.21)%	35.86%	(4.40)% <sup>(4)</sup>
<b>Supplemental data and ratios:</b>				
Net assets, end of period (millions)	\$1.5	\$2.1	\$1.6	\$0.3
Ratio of expenses to average net assets	1.05%	1.19% <sup>(5)</sup>	1.20%	1.20% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	1.21%	1.32%	1.45%	2.58% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets	2.31%	0.26%	0.05%	(0.19)% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	2.15%	0.13%	(0.20)%	(1.57)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	31%	42%	71%	73% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 1.05%. Prior to December 1, 2018, the expense cap was 1.20%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Chautauqua Global Growth Fund – Institutional Class

	Year Ended December 31,			Period Ended December 31,
	2019	2018	2017	2016 <sup>(1)</sup>
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$11.29	\$13.43	\$10.09	\$10.00
<b>Income from investment operations:</b>				
Net investment income (loss) <sup>(2)</sup>	0.22	0.00 <sup>(3)</sup>	(0.04)	(0.01)
Net realized and unrealized gains (losses) on investments and foreign currency translation	3.18	(1.98)	3.85	0.10
Total from investment operations	3.40	(1.98)	3.81	0.09
<b>Less distributions:</b>				
Distributions from net investment income	(0.16)	(0.00) <sup>(3)</sup>	—	—
Distributions from net realized gains	(0.06)	(0.16)	(0.47)	—
Total distributions	(0.22)	(0.16)	(0.47)	—
<b>Paid in capital from redemption fees</b>	<b>0.00<sup>(3)</sup></b>	<b>0.00<sup>(3)</sup></b>	<b>0.00<sup>(3)</sup></b>	<b>—</b>
<b>Net asset value, end of period</b>	<b>\$14.47</b>	<b>\$11.29</b>	<b>\$13.43</b>	<b>\$10.09</b>
<b>Total return</b>	<b>30.14%</b>	<b>(14.70)%</b>	<b>37.75%</b>	<b>0.90%<sup>(4)</sup></b>
<b>Supplemental data and ratios:</b>				
Net assets, end of period (millions)	\$55.8	\$36.8	\$23.2	\$7.6
Ratio of expenses to average net assets	0.80%	0.94% <sup>(5)</sup>	0.95%	0.95% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	1.23%	1.34%	2.26%	3.65% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets	1.64%	0.01%	(0.30)%	(0.16)% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	1.21%	(0.39)%	(1.61)%	(2.86)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	26%	38%	61%	69% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 0.80%. Prior to December 1, 2018, the expense cap was 0.95%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Financial Highlights

## Chautauqua Global Growth Fund – Investor Class

	Year Ended December 31,			Period Ended December 31,
	2019	2018	2017	2016 <sup>(1)</sup>
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$11.22	\$13.37	\$10.08	\$10.00
<b>Income from investment operations:</b>				
Net investment income (loss) <sup>(2)</sup>	0.19	(0.03)	(0.07)	(0.03)
Net realized and unrealized gains (losses) on investments and foreign currency translation	3.15	(1.96)	3.83	0.11
Total from investment operations	3.34	(1.99)	3.76	0.08
<b>Less distributions:</b>				
Distributions from net investment income	(0.14)	—	—	—
Distributions from net realized gains	(0.06)	(0.16)	(0.47)	—
Total distributions	(0.20)	(0.16)	(0.47)	—
<b>Paid in capital from redemption fees<sup>(3)</sup></b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net asset value, end of period</b>	<b>\$14.36</b>	<b>\$11.22</b>	<b>\$13.37</b>	<b>\$10.08</b>
<b>Total return</b>	<b>29.73%</b>	<b>(14.86)%</b>	<b>37.29%</b>	<b>0.80%<sup>(4)</sup></b>
<b>Supplemental data and ratios:</b>				
Net assets, end of period (millions)	\$1.6	\$0.7	\$0.7	\$0.2
Ratio of expenses to average net assets	1.05%	1.19% <sup>(5)</sup>	1.20%	1.20% <sup>(6)</sup>
Ratio of expenses to average net assets (before waivers)	1.48%	1.59%	2.51%	3.90% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets	1.39%	(0.24)%	(0.55)%	(0.41)% <sup>(6)</sup>
Ratio of net investment income (loss) to average net assets (before waivers)	0.96%	(0.64)%	(1.86)%	(3.11)% <sup>(6)</sup>
Portfolio turnover rate <sup>(7)</sup>	26%	38%	61%	69% <sup>(4)</sup>

(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) Blended rate. Pursuant to the Expense Cap/Reimbursement Agreement effective December 1, 2018, the expense cap decreased to 1.05%. Prior to December 1, 2018, the expense cap was 1.20%.

(6) Annualized.

(7) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued and excludes in-kind transactions, where applicable.

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

# Notes to the Financial Statements

December 31, 2019

## 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 Growth 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”), six of the sixteen active funds in the 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 following table presents the class-specific inception dates for each of the Funds:

Fund	Inception Date	
	Institutional Class	Investor Class
Baird MidCap Fund	December 29, 2000	December 29, 2000
Baird Small/Mid Cap Growth Fund	October 31, 2018	October 31, 2018
Baird Small/Mid Cap Value Fund	November 30, 2015	November 30, 2015
Baird SmallCap Value Fund	May 1, 2012	May 1, 2012
Chautauqua International Growth Fund	April 15, 2016	April 15, 2016
Chautauqua Global Growth Fund	April 15, 2016	April 15, 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 7.

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

The Baird Small/Mid Cap Growth Fund seeks long-term growth of capital through investments in equity securities of small- and mid-capitalization companies.

The Baird Small/Mid Cap Value Fund seeks long-term capital appreciation through investments in a diversified portfolio of common stocks of companies with small-to-medium market capitalization.

The Baird SmallCap Value Fund seeks long-term capital appreciation through investments in common stocks in a diversified portfolio 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 capitalizations.

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 capitalizations.

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, 2019, entities affiliated with the Advisor held 59% of the Baird Small/Mid Cap Growth Fund, 54% of the Baird Small/Mid Cap Value Fund, 52% of the Baird SmallCap Value Fund, and 48% of the Chautauqua Global Growth Fund. These shareholders included 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”).

# Notes to the Financial Statements

December 31, 2019

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## 2. Significant Accounting Policies (cont.)

- a) **Investment Valuation** – Section 2(a)(41) of the 1940 Act, together with the rules and interpretations of the U.S. Securities and 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”) 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. 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 factors deemed relevant by the valuation committee 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. 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.

# Notes to the Financial Statements

December 31, 2019

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## 2. Significant Accounting Policies (cont.)

- 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 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 nor currency gains or losses realized between the trade and settlement dates on securities transactions. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Net realized gain (loss) on 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 foreign currency 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 investments 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, 2019, or for any other tax years which are open for exam. As of December 31, 2019, open tax years include the tax years ended December 31, 2016 through 2019. 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 period, 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 respective assets or are divided equally amongst the Funds.



# Notes to the Financial Statements

December 31, 2019

## 2. Significant Accounting Policies (cont.)

- 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.
- h) **Securities Transactions and Investment Income** – Investment transactions are recorded on trade date. The Funds determine the gain or loss realized from investment transactions 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. Distributions received from underlying investments in real estate investment trusts ("REITs") may be classified as dividends, capital gains or return of capital.
- 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.
- j) **New Accounting Pronouncements** – In August 2018, FASB issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management has evaluated ASU 2018-13 and has early adopted the relevant provisions of the disclosure framework.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08"). The amendments in ASU 2017-08 shorten the amortization period for certain callable debt securities, held at a premium, to be amortized to the earliest call date. ASU 2017-08 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Effective January 1, 2019, the Funds adopted ASU 2017-08 and the adoption did not have a material impact on the financial statements.

## 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, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	28,582,666	\$ 617,683,654	18,178,809	\$ 370,633,367
Shares issued to shareholders in reinvestment of distributions	3,751,830	85,204,069	3,505,031	60,882,398
Shares redeemed	(28,056,428)	(626,508,980)	(12,994,679)	(263,687,717)
Net increase	4,278,068	\$ 76,378,743	8,689,161	\$ 167,828,048
Shares Outstanding:				
Beginning of year	75,459,579		66,770,418	
End of year	79,737,647		75,459,579	

# Notes to the Financial Statements

December 31, 2019

## 3. Capital Share Transactions (cont.)

### Baird MidCap Fund (cont.)

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	2,001,794	\$ 41,249,843	1,107,823	\$ 21,531,172
Shares issued to shareholders in reinvestment of distributions	346,621	7,400,350	353,616	5,809,907
Shares redeemed	(1,156,037)	(24,035,320)	(1,875,673)	(37,377,912)
Net increase (decrease)	1,192,378	\$ 24,614,873	(414,234)	\$ (10,036,833)
Shares Outstanding:				
Beginning of year	5,697,191		6,111,425	
End of year	6,889,569		5,697,191	
Total net increase		\$ 100,993,616		\$ 157,791,215

### Baird Small/Mid Cap Growth Fund

	Year Ended December 31, 2019		Period Ended December 31, 2018 <sup>^</sup>	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	857,808	\$ 9,686,310	813,957	\$8,001,208
Shares redeemed	(179,809)	(2,102,209)	—	—
Net increase	677,999	\$ 7,584,101	813,957	\$8,001,208
Shares Outstanding:				
Beginning of period	813,957		—	
End of period	1,491,956		813,957	

	Year Ended December 31, 2019		Period Ended December 31, 2018 <sup>^</sup>	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	22,746	\$ 255,577	1,000	\$ 10,000
Shares redeemed	(225)	(2,646)	—	—
Net increase	22,521	\$ 252,931	1,000	\$ 10,000
Shares Outstanding:				
Beginning of period	1,000		—	
End of period	23,521		1,000	
Total net increase		\$7,837,032		\$8,011,208

<sup>^</sup> Inception was the close of business on October 31, 2018.

### Baird Small/Mid Cap Value Fund

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	513,710	\$ 6,004,940	370,436	\$ 4,588,085
Shares issued to shareholders in reinvestment of distributions	13,395	164,491	5,478	56,691
Shares redeemed	(175,075)	(2,077,538)	(109,927)	(1,359,260)
Net increase	352,030	\$ 4,091,893	265,987	\$ 3,285,516
Shares Outstanding:				
Beginning of year	1,622,751		1,356,764	
End of year	1,974,781		1,622,751	

# Notes to the Financial Statements

December 31, 2019

## 3. Capital Share Transactions (cont.)

### Baird Small/Mid Cap Value Fund (cont.)

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	14,425	\$ 166,971	27,878	\$ 327,713
Shares issued to shareholders in reinvestment of distributions	263	3,216	77	794
Shares redeemed	(1,618)	(19,542)	(2,310)	(28,694)
Net increase	13,070	\$ 150,645	25,645	\$ 299,813
Shares Outstanding:				
Beginning of year	32,587		6,942	
End of year	45,657		32,587	
Total net increase		\$4,242,538		\$3,585,329

### Baird SmallCap Value Fund

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	265,753	\$ 4,013,663	326,678	\$ 5,628,102
Shares issued to shareholders in reinvestment of distributions	11,374	181,421	79,232	1,059,328
Shares redeemed	(330,733)	(5,030,908)	(267,481)	(4,447,469)
Net increase (decrease)	(53,606)	\$ (835,824)	138,429	\$ 2,239,961
Shares Outstanding:				
Beginning of year	2,118,010		1,979,581	
End of year	2,064,404		2,118,010	

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	5,551	\$ 84,039	15,815	\$ 270,824
Shares issued to shareholders in reinvestment of distributions	178	2,846	1,607	21,502
Shares redeemed	(6,225)	(93,837)	(113,998)	(2,000,496)
Net decrease	(496)	\$ (6,952)	(96,576)	\$(1,708,170)
Shares Outstanding:				
Beginning of year	55,851		152,427	
End of year	55,355		55,851	
Total net increase (decrease)		\$(842,776)		\$ 531,791

# Notes to the Financial Statements

December 31, 2019

## 3. Capital Share Transactions (cont.)

### Chautauqua International Growth Fund

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	6,564,998 <sup>(1)</sup>	\$ 76,704,816 <sup>(1)</sup>	3,757,570	\$ 46,499,046
Shares issued to shareholders in reinvestment of distributions	227,632	2,881,816	209,939	2,118,285
Shares redeemed	(1,503,822)	(17,898,951)	(1,463,773)	(17,658,561)
Redemption fees	—	32,968	—	20,078
Net increase	5,288,808	<u>\$ 61,720,649</u>	2,503,736	<u>\$ 30,978,848</u>
Shares Outstanding:				
Beginning of year	8,395,206		5,891,470	
End of year	<u>13,684,014</u>		<u>8,395,206</u>	

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	30,595	\$ 368,522	177,197	\$ 2,198,618
Shares issued to shareholders in reinvestment of distributions	1,577	19,935	4,738	47,755
Shares redeemed	(124,988)	(1,465,249)	(99,219)	(1,119,911)
Redemption fees	—	5	—	92
Net increase (decrease)	(92,816)	<u>\$ (1,076,787)</u>	82,716	<u>\$ 1,126,554</u>
Shares Outstanding:				
Beginning of year	211,470		128,754	
End of year	<u>118,654</u>		<u>211,470</u>	
Total net increase		<u>\$60,643,862</u>		<u>\$32,105,402</u>

<sup>(1)</sup> Includes purchase in-kind transactions. See additional information contained in this Note.

### Chautauqua Global Growth Fund

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Institutional Class Shares</b>				
Shares sold	1,067,813	\$14,402,805	1,906,230	\$25,534,158
Shares issued to shareholders in reinvestment of distributions	45,894	667,696	41,947	468,971
Shares redeemed	(516,819)	(6,920,288)	(417,200)	(5,362,851)
Redemption fees	—	3,644	—	6,272
Net increase	596,888	<u>\$ 8,153,857</u>	1,530,977	<u>\$20,646,550</u>
Shares Outstanding:				
Beginning of year	3,261,643		1,730,666	
End of year	<u>3,858,531</u>		<u>3,261,643</u>	

# Notes to the Financial Statements

December 31, 2019

## 3. Capital Share Transactions (cont.)

Chautauqua Global Growth Fund (cont.)	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
<b>Investor Class Shares</b>				
Shares sold	68,911	\$ 930,554	38,349	\$ 529,992
Shares issued to shareholders in reinvestment of distributions	1,472	21,240	905	10,060
Shares redeemed	(22,141)	(302,224)	(25,595)	(336,164)
Redemption fees	—	78	—	39
Net increase	48,242	\$ 649,648	13,659	\$ 203,927
Shares Outstanding:				
Beginning of year	63,636		49,977	
End of year	111,878		63,636	
Total net increase		\$8,803,505		\$20,850,477

During the year ended December 31, 2019, Chautauqua International Growth Fund satisfied a purchase in-kind request made by a large institutional shareholder by transferring cash and securities into the Fund. The transfer was effected in accordance with policies and procedures approved by the Board. Consideration received and shares sold were as follows:

Year Ended December 31, 2019			
Fund	Effective Date	Value of Cash and Securities Received	Shares Sold
Chautauqua International Growth Fund – Institutional Class	February 28, 2019	\$26,869,633	2,367,369
Total		\$26,869,633	

## 4. Investment Transactions and Income Tax Information

During the year ended December 31, 2019, purchases and sales of investment securities (excluding short-term investments) were as follows:

	Baird MidCap Fund	Baird Small/Mid Cap Growth Fund	Baird Small/Mid Cap Value Fund	Baird SmallCap Value Fund	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
Purchases:	\$885,657,258	\$14,463,624	\$12,657,141	\$18,730,859	\$64,797,121	\$19,240,506
Sales:	\$804,161,321	\$ 7,430,588	\$ 7,730,184	\$16,850,236	\$41,453,211	\$12,012,507

The Funds did not purchase or sell U.S. Government securities during the year ended December 31, 2019.

As of December 31, 2019, the components of accumulated earnings (losses) for income tax purposes were as follows:

	Baird Mid Cap Fund	Baird Small/Mid Cap Growth Fund	Baird Small/Mid Cap Value Fund
<b>Cost of investments</b>	\$1,422,125,460	\$14,916,375	\$21,247,853
Gross unrealized appreciation	716,351,818	3,057,523	4,247,424
Gross unrealized depreciation	(27,384,098)	(323,297)	(655,314)
<b>Net unrealized appreciation</b>	688,967,720	2,734,226	3,592,110
Undistributed ordinary income	—	—	14,339
Undistributed long-term capital gains	5,554,268	23,711	—
<b>Distributable earning</b>	5,554,268	23,711	14,339
<b>Other accumulated losses</b>	(2,873,939)	—	(410,836)
<b>Total distributable earnings</b>	\$ 691,648,049	\$ 2,757,937	\$ 3,195,613

# Notes to the Financial Statements

December 31, 2019

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

	Baird Small Cap Value Fund	Chautauqua International Growth Fund	Chautauqua Global Growth Fund
<b>Cost of investments</b>	<u>\$27,324,147</u>	<u>\$151,026,844</u>	<u>\$49,495,266</u>
Gross unrealized appreciation	7,270,234	31,394,411	10,528,062
Gross unrealized depreciation	(732,835)	(7,055,527)	(3,268,837)
<b>Net unrealized appreciation</b>	<u>6,537,399</u>	<u>24,338,884</u>	<u>7,259,225</u>
Undistributed ordinary income	49,379	49,848	179,837
Undistributed long-term capital gains	1,547,362	—	—
<b>Distributable earnings</b>	<u>1,596,741</u>	<u>49,848</u>	<u>179,837</u>
<b>Other accumulated losses</b>	<u>—</u>	<u>(6,641,894)</u>	<u>(265,154)</u>
<b>Total distributable earnings</b>	<u>\$ 8,134,140</u>	<u>\$ 17,746,838</u>	<u>\$ 7,173,908</u>

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, the disallowance of a net operating loss, redesignation of dividends, capital gain distributions received from underlying REIT securities, and the reclassification of foreign currency gains and losses. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2019, the following table shows the reclassifications were made:

	Total Distributable Earnings	Paid-In Capital
Baird MidCap Fund	\$(11,640,177)	\$11,640,177
Baird Small/Mid Cap Growth Fund	32,973	(32,973)
Baird SmallCap Value Fund	(9,637)	9,637

### Distributions to Shareholders

Each Fund generally pays dividends from net investment income and distributes net realized capital gains, if any, at least annually. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Certain Funds also utilize earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction.

The tax components of distributions paid during the periods shown below are as follows:

	Year Ended December 31, 2019		
Fund	Ordinary Income	Long-Term Capital Gains	Total
Baird MidCap Fund	\$4,716,248	\$111,977,504	\$116,693,752
Baird Small/Mid Cap Value Fund	211,978	—	211,978
Baird SmallCap Value Fund	227,402	—	227,402
Chautauqua International Growth Fund	3,658,929	—	3,658,929
Chautauqua Global Growth Fund	843,708	24,923	868,631

# Notes to the Financial Statements

December 31, 2019

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

<u>Fund</u>	<u>Year Ended December 31, 2018</u>		
	<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>	<u>Total</u>
Baird MidCap Fund	\$1,973,593	\$83,684,201	\$85,657,794
Baird Small/Mid Cap Value Fund	60,428	6,978	67,406
Baird SmallCap Value Fund	99,147	1,168,159	1,267,306
Chautauqua International Growth Fund	2,231,961	127,086	2,359,047
Chautauqua Global Growth Fund	279,792	248,702	528,494

The Funds in the table above designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended December 31, 2019.

At December 31, 2019, the following Fund deferred, on a tax basis, post-October capital losses:

<u>Fund</u>	<u>Loss Deferral</u>
Baird MidCap Fund	\$2,873,939

At December 31, 2019, accumulated net realized capital loss carryovers without expiration were:

<u>Fund</u>	<u>Capital Loss Carryover</u>		<u>Year of Expiration</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Baird Small/Mid Cap Value Fund	\$410,836	\$ —	Indefinite	N/A
Chautauqua International Growth Fund	—	6,641,138	N/A	Indefinite
Chautauqua Global Growth Fund	—	270,938	N/A	Indefinite

## 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 rates as follows:

<u>Fund</u>	<u>Investment Advisory Fees</u>
Baird MidCap Fund	0.75%
Baird Small/Mid Cap Growth Fund	0.75%
Baird Small/Mid Cap Value Fund	0.75%
Baird SmallCap Value Fund	0.85%
Chautauqua International Growth Fund	0.75%
Chautauqua Global Growth Fund	0.75%

The Advisor has contractually agreed to waive its investment advisory fee and/or reimburse the Funds' operating expenses, including interest expense and the fees and expenses incurred by the Funds in connection with the Funds' investments in other investment companies (to the extent, in the aggregate, such fees and expenses on an annual basis exceed 0.0049% of the Fund's average daily net assets), but excluding taxes, brokerage commissions and extraordinary expenses, do not exceed the following annual percentages of the average daily net assets attributable to the Funds' Institutional Class and Investor Class shares:

# Notes to the Financial Statements

December 31, 2019

## 5. Investment Advisory and Other Agreements (cont.)

<b>Fund</b>	<b>Institutional Class</b>	<b>Investor Class</b>
Baird MidCap Fund	0.85%	1.10%
Baird Small/Mid Cap Growth Fund	0.85%	1.10%
Baird Small/Mid Cap Value Fund	0.85%	1.10%
Baird SmallCap Value Fund	0.95%	1.20%
Chautauqua International Growth Fund	0.80%	1.05%
Chautauqua Global Growth Fund	0.80%	1.05%

The Expense Cap/Reimbursement Agreement is in effect through at least April 30, 2021.

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.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Subject to Recovery on or before Fiscal Year Ending December 31,	2022	2021	2020
<b>Fund</b>			
Baird Small/Mid Cap Growth Fund	\$160,643	\$ 32,277 <sup>(a)</sup>	\$ —
Baird Small/Mid Cap Value Fund	\$164,099	\$151,826	\$129,251
Baird SmallCap Value Fund	\$160,963	\$135,562	\$110,672
Chautauqua International Growth Fund	\$230,596	\$116,439	\$137,404
Chautauqua Global Growth Fund	\$206,779	\$155,834	\$170,958

<sup>(a)</sup> For the period from close of business on October 31, 2018 (inception date) through December 31, 2018.

U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services, 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, 2019 for the Funds.

Certain officers and employees of the Advisor are also officers of the Funds.

## 6. Line of Credit

The Corporation maintains an uncommitted line of credit ("LOC") with U.S. Bank to provide the sixteen Funds comprising the Corporation a temporary liquidity source to meet unanticipated redemptions. The LOC is unsecured at all times, and is subject to certain restrictions and covenants. Under the terms of the LOC, borrowings for each Fund are limited to one-third of the total eligible net assets (including the amount borrowed) of the respective Fund, or \$600,000,000 of total borrowings for the Funds comprising the Corporation, whichever is less. U.S. Bank charges interest at the U.S. Bank's Prime Rate less 2%, but in no event less than a net rate of 1% per annum. As of December 31, 2019, the Prime Rate was 4.75%. The LOC matures on May 25, 2020, unless renewed. The Corporation has authorized U.S. Bank to charge any of the accounts of the borrowing Fund subject to the agreement for any missed payments.



# Notes to the Financial Statements

December 31, 2019

## 6. Line of Credit (cont.)

During the year, the Baird Small/Mid Cap Growth Fund borrowed from the LOC once in the amount of \$23,000, incurring interest charges of \$2 for the year ended December 31, 2019 based on the borrowing rate at the time of 2.75%. The \$23,000 remained outstanding as of December 31, 2019. No other borrowings occurred during the year ended December 31, 2019 nor were any other borrowings outstanding under the LOC as of December 31, 2019.

## 7. 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.

For the year ended December 31, 2019, the Funds incurred fees pursuant to the Plan as follows:

Baird MidCap Fund	\$309,280
Baird Small/Mid Cap Growth Fund	308
Baird Small/Mid Cap Value Fund	1,121
Baird SmallCap Value Fund	2,102
Chautauqua International Growth Fund	3,988
Chautauqua Global Growth Fund	2,993

## 8. 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, 2019, the Funds charged redemption fees as follows:

Chautauqua International Growth Fund	\$32,973
Chautauqua Global Growth Fund	\$ 3,722

The Baird MidCap Fund, Baird Small/Mid Cap Growth Fund, Baird Small/Mid Cap Value Fund and Baird SmallCap Value Fund do not charge redemption fees.

## 9. Subsequent Events

In preparing these financial statements, management has evaluated events after December 31, 2019. There were no subsequent events since December 31, 2019, through the date the financial statements were issued that would warrant adjustment to or additional disclosure in these financial statements.

# Report of Independent Registered Public Accounting Firm

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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 Growth Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund, and Chautauqua Global Growth Fund (the “Funds”) as of December 31, 2019, the related statement of operations for the year then ended, the statements of changes in net assets, including the related notes, and the financial highlights for each of the two periods in the period then ended for Baird Small/Mid Cap Growth Fund, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, including the related notes, and the financial highlights for each of the three years in the period then ended for the remainder of the Funds (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, 2019, the results of their operations, the changes in their net assets, and the financial highlights for each of the periods indicated above, in conformity with accounting principles generally accepted in the United States of America.

The Funds’ 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 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 audits. 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 audits 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 audits included 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 included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019, by correspondence with the custodian and brokers. Our audits 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 audits provide a reasonable basis for our opinion.

We have served as the Funds’ auditor since 2017.

/s/COHEN & COMPANY, LTD.

Milwaukee, Wisconsin

February 28, 2020

# Directors & Officers

As of December 31, 2019 (Unaudited)

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## Independent Directors

### John W. Feldt

Independent Director  
Term of Office: Indefinite  
Length of Time Served: Since September 2000  
Age: 77  
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 Active Portfolios in Complex Overseen  
by Director: 16

Other Directorships Held by Director: Director of  
Thompson IM Funds, Inc., a mutual fund complex  
(3 portfolios) (1987-2018).

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### Darren R. Jackson

Independent Director  
Term of Office: Indefinite  
Length of Time Served: Since November 2018  
Age: 55  
c/o Robert W. Baird & Co. Incorporated  
777 East Wisconsin Avenue  
Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years:  
Retired; President, CEO and Director, Advance  
Auto Parts, Inc. (2008-2016).

Number of Active Portfolios in Complex Overseen  
by Director: 16

Other Directorships Held by Director: Director  
of Fastenal Company, a tool and supply  
distributor, since 2012; Director of Cree, Inc., a  
lighting manufacturer, since 2016.

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### Frederick P. Stratton, Jr.

Independent Director  
Term of Office: Indefinite  
Length of Time Served: Since May 2004  
Age: 80  
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 Active Portfolios in Complex Overseen  
by Director: 16

Other Directorships Held by Director: Director of  
Weyco Group, Inc., a men's footwear distributor,  
since 1976.

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### Marlyn J. Spear, CFA

Independent Director  
Term of Office: Indefinite  
Length of Time Served: Since January 2008  
Age: 66  
c/o Robert W. Baird & Co. Incorporated  
777 East Wisconsin Avenue  
Milwaukee, WI 53202

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

Number of Active Portfolios in Complex Overseen  
by Director: 16

Other Directorships Held by Director: Management  
Trustee of AFL-CIO Housing Investment Trust, a  
mutual fund complex (1 portfolio) (1995-2018).

# Directors & Officers

As of December 31, 2019 (Unaudited) (Continued)

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## Independent Director

### Cory L. Nettles

Independent Director

Term of Office: Indefinite

Length of Time Served: Since January 2008

Age: 49

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 Active Portfolios in Complex Overseen by Director: 16

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

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## Officers

### Mary Ellen Stanek

President

Term of Office: Re-elected by Board annually

Length of Time Served: Since September 2000

Age: 63

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.

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### Charles B. Groeschell

Vice President

Term of Office: Re-elected by Board annually

Length of Time Served: Since January 2010

Age: 66

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: 47

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.

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### Heidi L. Schneider

Treasurer

Term of Office: Re-elected by Board annually

Length of Time Served: Since August 2017

Age: 48

777 East Wisconsin Avenue

Milwaukee, WI 53202

Principal Occupation(s) During the Past 5 Years: Managing Director, the Advisor, since December 2013.

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### Charles M. Weber

Secretary

Term of Office: Re-elected by Board annually

Length of Time Served: Since September 2005

Age: 56

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.

# Directors & Officers

As of December 31, 2019 (Unaudited) (Continued)

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**Officers (Continued)**

**Peter J. Hammond**

Vice President  
Term of Office: Re-elected by Board annually  
Length of Time Served: Since August 2012  
Age: 56  
777 East Wisconsin Avenue  
Milwaukee, WI 53202  
Principal Occupation(s) During the Past 5 Years:  
Managing Director, the Advisor, since January 2016; Senior Vice President, the Advisor (March 2012-December 2015).

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**Dustin J. Hutter**

Assistant Treasurer  
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:  
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).

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**Andrew D. Ketter**

Assistant Secretary  
Term of Office: Re-elected by Board annually  
Length of Time Served: Since February 2011  
Age: 45  
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.

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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](http://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" or the "Directors") of Baird Funds, Inc. (the "Corporation"), comprised of 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 12 and August 21, 2019 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 Fund, Baird Small/Mid Cap Value Fund, Baird SmallCap Value Fund, Chautauqua International Growth Fund, and Chautauqua Global Growth Fund (the "Funds"). The Board approved the continuation of the investment advisory agreement for the Funds through a process that concluded at the August 21, 2019 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 approval of the investment advisory agreement, a memorandum and other information provided in response to a request from the Board from the Advisor (including the Advisor's Form ADV Part 1A, brochures and brochure supplements and annual report and audited financial statements for the Advisor's parent company), a profitability analysis, comparative information about the Funds' performance for periods ended June 30, 2019, management fees and expense ratios, composite performance of similar accounts managed by the Advisor, trading and commission information and other pertinent information.

The Board considered the Advisor's 15(c) response and discussed various questions and information with representatives of the Advisor at the August 12, 2019 special meeting. At the August 21 meeting, the Board met in executive session with the Funds' legal counsel to consider the investment advisory agreement. 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, which is comprised solely of Independent Directors, approved the continuation of the investment advisory agreement for the Funds 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.

### Approval of Investment Advisory Agreement

#### Nature, Extent and Quality of Services Provided to the Funds

The Board considered 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 of the portfolio management teams employed to manage the Funds' investments. The Board considered the credentials and continuity of the portfolio management teams for the Funds and noted that the Advisor continues to add resources in support of the Funds, including investments in personnel, technology, research, trading, risk controls and systems.

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, proxy voting, compliance, risk management services, administering the Funds' liquidity risk management program, valuation support, providing support services to the Board and the committees of the Board and overseeing the Funds' other service providers. The Board noted that the Funds had experienced net inflows on a year-over-year basis. The Board also considered the strength of the Advisor's compliance department, including the credentials of the Funds' chief compliance officer, as well as the Advisor's risk management system. The Board concluded that the nature, extent and quality of the services provided by the

# Baird Funds, Inc.

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

Advisor to the Funds were appropriate and that each Fund was likely to continue to benefit from services provided under the 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, 2019 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 group 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 index and Lipper peer group average for most time periods. The Board considered the performance of the SmallCap Value Fund and Small/Mid Cap Value Fund noting that the Funds have trailed the benchmark index and peer group average for applicable time periods. The Board considered the reasons for each Fund's underperformance during such periods as discussed by the Advisor and the Advisor's strategy to improve the Value Funds' performance.

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

The Board also considered the Advisor's quarterly portfolio commentaries and reviews explaining the Funds' performance and the consistent investment strategies the Advisor 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 is equal to the Morningstar category average; the advisory fee for the Small/Mid Cap Value Fund and the Chautauqua International Growth Fund is below the Morningstar category average; and the advisory fee for the Small/Cap Value Fund and the Chautauqua Global Growth Fund is above the category average.

The Board considered that the Advisor had reduced its advisory fee for the Small/Mid Cap Value Fund, the Chautauqua International Growth Fund and the Chautauqua Global Growth Fund effective December 1, 2018.

The Board also considered 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 net expense ratios for each class of the Funds, after waivers, are below the Morningstar average except with respect to the SmallCap Value Fund, which is slightly above the peer group average. The Board noted that the Advisor had lowered the expense ratios for the SmallCap Value Fund, the Small/Mid Cap Value Fund, the Chautauqua Global Growth Fund and the Chautauqua International Growth Fund effective December 1, 2018.

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 less than what the Advisor charges on the first \$10 million of a separately managed account. The advisory fee paid by the Small/Mid Cap Value Fund was equal to what the Advisor charges to a separately managed account and the advisory fee paid by the SmallCap Value Fund was 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, each Fund's advisory fee was less than what the Advisor charges on the first \$100 million of a separately managed account.

# Baird Funds, Inc.

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

The Board noted that the Advisor maintains 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 comparative fees to be a material factor given the difference in services provided by the Advisor.

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 below the expense cap).

The Board noted 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, administration of the Funds' liquidity risk management program, 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. In addition, 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 noted that the Advisor's profitability information does not reflect certain internal resources provided by the Advisor to the Funds, such as IT, compliance, risk management, legal and finance support.

The Board reviewed and considered the general financial condition of the Advisor and its parent company 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 each Fund pursuant to the fee waiver/expense reimbursement agreement, which limits Fund expenses at prescribed levels. 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, Fund shareholders have benefited from the Fund's expense ratio, which has gone down with the growth in assets. 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 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). Those benefits include Rule 12b-1 fees received by the Distributor and its representatives. 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. The Board noted that the Advisor's asset management and other businesses 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 their evaluation of the above factors, as well as other factors relevant to their consideration of the investment advisory agreement, the Directors concluded that the continuation of the investment advisory agreement was in the best interests of each Fund and its shareholders.



# Additional Information

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## 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, by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com) or by accessing the SEC's website at [www.sec.gov](http://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, by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com) or by accessing the SEC's website at [www.sec.gov](http://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 Part F of Form N-PORT. The Funds' filings on Part F of Form N-PORT are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Funds' Form N-PORT reports may also be obtained by calling toll-free 1-866-44BAIRD.

## Qualified Dividend Income/Dividends Received Deduction

For the fiscal year ended December 31, 2019, 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 MidCap Fund	100.00%
Baird Small/Mid Cap Value Fund	100.00%
Baird SmallCap Value Fund	100.00%
Chautauqua International Growth Fund	100.00%
Chautauqua Global Growth Fund	100.00%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended December 31, 2019 was as follows:

Baird MidCap Fund	100.00%
Baird Small/Mid Cap Value Fund	91.99%
Baird SmallCap Value Fund	96.44%
Chautauqua Global Growth Fund	6.34%

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:

Baird MidCap Fund	100.00%
Chautauqua Global Growth Fund	24.08%

# Baird Funds, Inc. Privacy Policy

FACTS		WHAT DOES BAIRD FUNDS DO WITH YOUR PERSONAL INFORMATION?	
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.		
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"><li>• Social Security number</li><li>• Account balances, transaction history and assets</li><li>• Checking account information and wire transfer instructions</li></ul>		
How?	All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Baird Funds, Inc. chooses to share; and whether you can limit this sharing.		
Reasons we can share your personal information		Does Baird Funds, Inc. share?	Can you limit this sharing?
For our everyday business purposes—such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus		Yes	No
For our marketing purposes—to offer our products and services to you		Yes	No
For joint marketing with other financial companies		No	We do not share
For our affiliates’ everyday business purposes—information about your transactions and experiences		Yes	No
For our affiliates’ everyday business purposes—information about your creditworthiness		No	We do not share
For our affiliates to market to you		No	We do not share
For nonaffiliates to market to you		No	We do not share
Questions?	Call (toll free) 1-866-442-2473, Email <a href="mailto:prospectus@bairdfunds.com">prospectus@bairdfunds.com</a> or go to <a href="http://www.bairdfunds.com">www.bairdfunds.com</a>		

# Baird Funds, Inc. Privacy Policy

Who we are	
Who is providing this notice?	Baird Funds, Inc.
What we do	
How does Baird Funds, Inc. protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Baird Funds, Inc. collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"><li>• open an account or give us your contact information</li><li>• make a wire transfer or provide account information</li><li>• make deposits or withdrawals from your account</li></ul> We also collect your personal information from other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes—information about your creditworthiness</li><li>• affiliates from using your information to market to you</li><li>• sharing for nonaffiliates to market to you</li></ul> State laws and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Robert W. Baird &amp; Co Incorporated (the investment adviser and distributor to the Baird Funds) and its affiliates may share information among each other.</i></li></ul>
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Baird Funds, Inc. does not share with nonaffiliates so they can market to you.</i></li></ul>
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. We do not have any joint marketing partners. <ul style="list-style-type: none"><li>• <i>Baird Funds, Inc. does not have any joint marketing partners.</i></li></ul>

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

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Darren R. Jackson  
Cory L. Nettles  
Marlyn J. Spear (Chair)  
Frederick P. Stratton, Jr.

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