MARKET UPDATE
Declining global growth rates, trade disputes, renewed Middle East tension and Federal Reserve policy claimed investors’ attention during the second quarter of 2019. Escalation of tariffs on Chinese goods and the prohibition of purchasing technology from Huawei punished cyclical and particularly semiconductor shares for a significant part of the quarter. However, dovish comments from the Fed and other central banks propped up stocks for a second straight quarter, pushing the U.S. market to record highs.

PORTFOLIO COMMENTARY
Broadly speaking, our portfolios reacted to market conditions as we would have expected – relative strength coinciding with positive earnings releases and periods of heightened anxiety, and modest underperformance during the strong rally late in June. The sum of the quarter’s puts and takes resulted in Baird Mid Cap Growth portfolios outpacing our primary benchmark, the Russell Midcap Growth® Index, gaining roughly 7.1% gross of fees (6.9% net of fees) versus a return of 5.4% for the Index. Returns for our portfolios are also ahead of the benchmark on a year-to-date basis.

Relative performance benefitted from strength in most sectors as healthcare, financials, producer durables, and technology sectors led the way. Consumer discretionary and energy also contributed, with consumer staples the only laggard. A more in depth discussion of sector performance and portfolio changes follows.

The healthcare sector remained a key performance driver, building on the strength of recent quarters. The sector finds itself at an interesting juncture with generally good fundamentals in many of the industry groups pitted against the noise of the budding 2020 presidential campaign. The initial embrace of “Medicare for All” by several leading Democratic candidates created a burst of volatility mid quarter. The diversity of the portfolio’s holdings proved beneficial, including defensive business models such as Cooper Companies and IDEXX Labs, as well as the faster growth companies like Veeva Systems and Insulet, a newer holding. We have worked to identify businesses that can deliver attractive growth and should be less impacted by the political noise. Ultimately good fundamental performance should win, which the aforementioned companies delivered. As for adjustments, we sold long-time holding, Edwards Lifesciences, as its market capitalization grew beyond the upper bound of the benchmark. We trimmed Veeva Systems and added to ABIOMED. The trading activity netted out to a lower sector weight, which we look to increase over the back half of the year.

The benchmark return for the financial services sector was strong and the portfolio’s holding outperformed on the back of the financial data & systems industry group. Euronet, Global Payments, and Broadridge all delivered solid fundamental results and were amply rewarded. Insurance broker, Arthur J. Gallagher, and MarketAxess, a provider of an electronic bond trading platform, rounded out the sector’s key contributors. Market strength still has not translated to better stock performance for credit or market-related industry groups like banks and asset managers – a recurring theme this cycle. In the second quarter, it was yield curve flattening that weighed on the valuation awarded to credit sensitive businesses. We made a few adjustments during the quarter, selling Affiliated Managers Group, as fundamentals have lagged, and we trimmed MarketAxess given its elevated valuation level. We established a new position in TransUnion, a consumer credit-centric information and risk management service provider. The company is well positioned with strong data assets and an efficient analytics platform; organic growth has consistently been above 10% in recent years. Recent sector changes and conviction about the health of TransUnion’s fundamental outlook allowed for a better entry point into a business and industry we have followed for some time.
Outperformance in the consumer discretionary sector was led by Hasbro, which reported good sales growth and indicated that it had lapped many of the Toys ‘R Us headwinds that challenged late 2017 and all of 2018 results. Retail holding, Dollar General also outperformed as it reported strong first quarter comparable store sales growth, and Cable One and Pool Corporation also continued grinding higher following good quarterly earnings results. Sector changes were limited and included the purchase of Grand Canyon Education (GCE), the largest, and only profitable, at-scale online program manager in education services. The company recently transferred all the assets from Grand Canyon University to a nonprofit corporation, leaving GCE an asset-light, high-margin, high-return service business. We expect the company to benefit from increasing online program enrollments, supported by the ever-increasing specialization of jobs in today’s service-oriented economy. We sold the remaining small position in Visteon due to concern that the potential to realize our investment thesis had diminished.

The information technology sector also outperformed. The portfolio’s large mix of software businesses generally kept pace. Outperformance was driven by CDW Corp., a long-time holding and provider of IT solutions. We believe the company has developed an excellent sales and service organization and its partnership approach delivers value to a large customer base. Key changes to the sector included a new position in Take-Two Interactive Software, a leading publisher of top ranking video games and franchises. The broader industry benefits from the secular tailwind of increasing wallet-share towards video games as a form of entertainment. The company’s portfolio of existing and new games should drive meaningful revenue and earnings growth, and we see room for margin expansion behind the positive mix shift to digital games. We believe near-term market concerns over competitor Fortnite’s success provided us with a good entry point into the stock that has traded close to its historical trough valuation. We sold long-time holding ServiceNow due to its large market capitalization that pushed the company out of our benchmark. We used sale proceeds to add to several sector holdings.

Within consumer staples, our single holding, Lamb Weston, experienced additional selling pressure and pulled the sector contribution down, which we believe is due in large part to management’s communication that it anticipates some incremental industry supply capacity hitting the market. We acknowledge that this negative sentiment around industry supply may persist for the next few quarters.

The more challenging global economic growth backdrop and trade worries made navigating the producer durables sector a challenge; however, portfolio holdings outperformed. Several businesses fared well, including Verisk, Cintas, IDEX Corp. and Trimble, which offset challenges elsewhere. The strongest performance came from new holding Gardner Denver, a global manufacturer of compressors, specialty pumps and industrial blowers targeting the energy and industrial end markets. Since coming public nearly two years ago, Gardner Denver deleveraged its balance sheet and improved its free cash flow generation. We believe the company is still early in its campaign to become a premier industrial business and recent news of its plan to combine with Ingersoll Rand’s industrial segment was well received. Despite the outsized stock move in a short period of time, we still expect to capture earnings growth and further valuation re-rating.

Two other cyclical sectors, materials and energy, combined to outperform nicely. In energy, we think Diamondback is operating well and the company was rewarded with a positive stock return when the overall sector return was negative. In materials, good performance from AptarGroup and Watsco pushed the sector ahead for the quarter. AptarGroup, a new purchase but a prior holding, designs and manufactures unique packaging and dispensing solutions for fragrance/cosmetics, pharmaceutical, industrial and food products. The company has a long history of outgrowing and out-profiting peers. We believe Aptar provides the portfolio an additional business with compounding growth characteristics not often found in the sector.

OUTLOOK

The significant rally in stocks during the first six months of the year can largely be explained by the rather severe drop in global interest rates and the expectation that the Federal Reserve and other central banks will make every effort to support economic growth. However, measures of activity, notably manufacturing, have softened, typically a precursor of slowing earnings growth.
While it might be easy to attribute the recent slowdown in economic growth to the noise around trade, it appears to us that the seeds of this slowdown were sown with the rate tightening in 2017. Historically, it takes roughly 18 months for the impact to be felt and this episode seems to fit that scenario. Recent data shows 19 countries have PMI readings below 50, indicating a contraction in economic activity. This period represents the third global moderation in the decade-long expansion. The Federal Reserve now appears likely to lower rates in the coming months, which may spur activity and stave off weaker GDP readings in the U.S. Our suspicion is that earnings growth will be harder to come by over the balance of the year. In that scenario there will likely be bouts of volatility and we will look to take advantage of opportunities to invest in businesses that possess the ability to grow throughout an economic cycle and deliver consistent and attractive returns.

On behalf of the entire team at Baird Equity Asset Management, thank you for your support of the Baird Mid Cap Growth Strategy.
Mid Cap Growth Investment Team

<table>
<thead>
<tr>
<th>Investment Professional</th>
<th>Years of Experience</th>
<th>Years with Baird</th>
<th>Coverage Responsibility</th>
<th>Educational Background</th>
</tr>
</thead>
</table>
| Chuck Severson, CFA     | 32                  | 32               | Generalist              | MS – Finance - The Applied Security Analysis Program  
  BBA – Accounting and Finance (UW–Madison) |
  BBA – Finance (UW–Madison) |
| Doug Guffy              | 35                  | 15               | Energy, Industrials & Materials | MBA – Finance (Ball State University)  
  BA – Economics & Government (Anderson University) |
| Jonathan Good           | 19                  | 13               | Healthcare              | MBA – (Northwestern University – Kellogg)  
  BS – Applied and Biomedical Sciences (Pennsylvania) |
| Corbin Weyer, CFA, CPA  | 9                   | 9                | Consumer Discretionary & Staples | BSBA – Finance & Accounting (Marquette University) |
| Karan Saberwal          | 3                   | <1               | Information Technology  | MBA (Northwestern University – Kellogg)  
  BE – Bachelor of Engineering (Army Institute of Technology, University of Pune) |

Mid Cap Growth Top & Bottom Contributors

<table>
<thead>
<tr>
<th>Security</th>
<th>Avg. Weight</th>
<th>Contribution</th>
<th>Security</th>
<th>Avg. Weight</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veeva Systems (VEEV)</td>
<td>2.22</td>
<td>0.57</td>
<td>Affiliated Managers Group (AMG)</td>
<td>0.62</td>
<td>-0.13</td>
</tr>
<tr>
<td>Euronet Worldwide (EEFT)</td>
<td>2.99</td>
<td>0.51</td>
<td>Etsy (ETSY)</td>
<td>1.76</td>
<td>-0.16</td>
</tr>
<tr>
<td>Broadridge Financial Solutions (BR)</td>
<td>2.10</td>
<td>0.45</td>
<td>A. O. Smith Corporation (AOS)</td>
<td>1.56</td>
<td>-0.20</td>
</tr>
<tr>
<td>Hasbro (HAS)</td>
<td>1.76</td>
<td>0.40</td>
<td>Arista Networks (ANET)</td>
<td>1.20</td>
<td>-0.22</td>
</tr>
<tr>
<td>Global Payments (GPN)</td>
<td>2.37</td>
<td>0.40</td>
<td>Lamb Weston Holdings (LW)</td>
<td>1.86</td>
<td>-0.34</td>
</tr>
</tbody>
</table>

Mid Cap Growth Average Annual Returns (%)

<table>
<thead>
<tr>
<th></th>
<th>QTD¹</th>
<th>YTD¹</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>Since Inception (06/30/93)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite - Gross</td>
<td>7.09</td>
<td>27.12</td>
<td>17.45</td>
<td>18.55</td>
<td>11.32</td>
<td>16.75</td>
<td>12.36</td>
</tr>
<tr>
<td>Russell MidCap Growth Index</td>
<td>5.40</td>
<td>26.08</td>
<td>13.94</td>
<td>16.49</td>
<td>11.10</td>
<td>16.02</td>
<td>10.17</td>
</tr>
</tbody>
</table>

¹ Returns for periods of less than one year are not annualized.

Positions identified above do not represent all the securities held, purchased or sold during this time period. The contribution to return of these securities is calculated by multiplying the weight of the security at the beginning of the time period by the security return and represents a model portfolio. To obtain a complete list of positions and contributions for the period, please contact Baird Equity Asset Management at 800-792-4011. Past performance does not guarantee future results.

The Baird Equity Asset Management Mid Cap Growth Equity commentary is incomplete if not accompanied with the most recent performance report. Performance for the Mid Cap Growth Strategy can be found on our website BairdEquityAssetManagement.com, or by clicking on the following link: Mid Cap Growth Strategy.

Returns are presented gross and net of management fees and include the reinvestment of all income. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains.

The Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Indices are a trademark of the Frank Russell Company. Indices are unmanaged and direct investment is not possible. Past performance is no guarantee of future results.

This commentary represents portfolio management views and portfolio holdings as of 6/30/19. Those views and portfolio holdings are subject to change without notice. The specific securities identified do not represent all the securities purchased, sold or held for accounts and you should not assume these securities were or will be profitable.

©2019 Robert W. Baird & Co. Incorporated. Member SIPC.
Robert W. Baird & Co. 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202
First Use: 7/2019