Important Information about Your Mutual Fund Investment

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Member FINRA and SIPC

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Mutual fund investing at Baird

Mutual funds can be an appropriate solution for many investors and part of an effective approach to achieving your financial goals. By pooling assets from multiple investors into one portfolio, mutual funds can provide such benefits as diversification, professional management, low minimum initial investments and liquidity. At Baird, you can choose from a large selection of mutual funds, sponsored by more than 200 fund companies.

Baird maintains a list of mutual fund families referred to as "Key Business Partners." Baird's list of Key Business Partners is currently comprised fund families that Baird has selected using an evaluative process that predominantly emphasizes quantitative factors, including consistency of performance, fund expenses, and product diversity, and to a lesser degree, qualitative factors such as operational capabilities and service.

The current list of fund families that have been identified by Baird as Key Business Partners is as follows: AllianceBernstein, American Funds, BlackRock Funds, Eaton Vance, Franklin Templeton, Goldman Sachs, Hartford, Invesco, John Hancock, J.P. Morgan, Lord Abbett, MFS, Oppenheimer, PIMCO, and Principal. Baird may modify this list at any time.

Please note that Baird generally receives financial support (also known as "revenue sharing") payments from sponsors of fund families on the Baird Key Business Partners List. See "Other compensation we may receive" below.

This document describes various features of open-end mutual fund companies, including the risk, characteristics and expenses and also includes a description of the compensation Baird and its Financial Advisors receive when their clients invest in mutual funds. Also described in this document is the additional financial support Baird receives from the sponsors of certain mutual funds it sells.

Understanding risk and cost

The risks and costs associated with mutual fund investing are two important factors to consider before purchasing a mutual fund.

Like any investment, mutual funds carry some risks which may include market risk, interest rate risk, credit risk, style risk and securities selection risk. The degree of these and other risks will vary depending on the type of mutual fund you choose. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. For more information on certain risks associated with various types of mutual funds, please see "Various Risks Inherent in Different Types of Mutual Funds" below.

All mutual funds have direct costs associated with their sales and operation that will have an impact on your investment returns. These costs may include transaction fees, such as front-end or contingent deferred sales charges (often referred to as "loads"), paid directly by fund investors, and operating expenses, such as management fees, distribution or "12b-1" fees, and other operating costs, paid by the funds (and thus indirectly by fund investors). Sales charges and operating expenses vary among mutual funds, share classes and fund families. It is important for you to speak with a Baird Financial Advisor to determine what funds and share classes are most appropriate for you and the nature of your account.

Before investing in any mutual fund, it is important to read its prospectus, an informational document provided by each mutual fund that contains a wealth of information, including a description of the fund's investment objectives and strategies, risks and costs, which you should understand before investing money. You should also discuss potential risks and costs with a Baird Financial Advisor, who will help you evaluate your investment objectives, time horizon, investing experience and current asset allocation to select the investments that are suitable for your financial needs.

Sales charges and expenses

The sales charge you may pay may differ slightly from the prospectus due to rounding calculations (e.g., actual sales charge rate of 5.75%, may appear as 5.76% due to rounding). Some of the different types of sales charges and operating expenses associated with mutual fund investing are briefly explained below.

Front-end sales charges – A front-end sales charge may be deducted from a mutual fund investment at the time of purchase. This sales charge is calculated as a percentage of the total investment purchase. If $10,000 is invested in a mutual fund that has a 5.75% front-end sales charge, $9,425 will be invested in the fund. The difference between the $10,000 initial investment and the $9,425 that is actually invested is $575, which is the front-end sales charge. Mutual funds with this pricing option are often referred to as Class A shares.

Most of the front-end sales charges deducted from a mutual fund investment are paid as a commission to the broker-dealer responsible for making the sale. That commission is often referred to as a "dealer reallowance."

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Back-end sales charges – A back-end sales charge is sometimes referred to as a contingent deferred sales charge (CDSC). This charge, which may decrease over time, is deducted from a mutual fund investment if the fund shares are sold prior to a specified period as stated in the mutual fund prospectus. The back-end sales charge is calculated as a percentage of the total sales proceeds. For example, if an investor sells $10,000 of shares in a fund that he or she has owned for 18 months and that fund has a 5.00% back-end sales charge during the second year, the investor will receive a check for $9,500. The $500 difference between the $10,000 worth of shares sold and the $9,500 check paid to the investor is the back-end sales charge.

Back-end sales charges are most typically associated with Class B and C shares. For Class B shares the level of the applicable back-end sales charge will decline over time until it is eventually eliminated and for Class C shares the CDSC period is shorter and will typically expire all at once versus declining over time. A back-end sales charge may also apply in some special circumstances as outlined in the mutual fund prospectus. Often these circumstances are associated with purchases at net asset value (NAV) or as a penalty imposed on shorter term trading. NAV is the market value of the mutual fund share.

No load funds – Not all mutual funds impose a sales charge. A number of "no load" funds are available.

Baird charges a fee associated with purchasing and exchanging no-load funds in a commission based account (although Baird does not impose a fee to sell a fund, the fund itself may have a redemption fee). The minimum fee charged by Baird may change from time to time without notice to the client and can be found on Baird's website at www.rwbaird.com or by contacting a Baird Financial Advisor. The fee will automatically be charged and will be billed to the client in addition to the amount of the buy being placed.

Mutual fund operating expenses – Operating expenses apply to all mutual funds and commonly include management or advisory fees, distribution fees (also known as 12b-1 fees), shareholder or administrative service fees, and other fees, such as transfer agency, custody, directors, legal and audit fees. These expenses are calculated and included on a daily basis in the fund's net asset value, or "NAV."

Share classes and characteristics

Many mutual funds offer multiple share classes, which have different sales charge and expense characteristics. Class A, B and C shares are the most common share classes available. Regardless of whether an investor's mutual fund shares are Class A, B or C, that investor owns an interest in the same portfolio. Although Class A, B and C shares are the most common references for share classes available, other share classes and nomenclature exist.

Class A shares – Common Characteristics

Front-end sales charge is deducted from the amount invested at time of purchase
Ongoing 12b-1 fees usually about 0.25%
Lower 12b-1 fees and operating expenses than Class B and C shares
Typically do not have a back-end sales charge; however, back-end sales charges may apply in certain circumstances
Breakpoint discounts available on larger purchases (see "Breakpoint Discounts")

Class B shares – Common Characteristics

No front-end sales charge; thus, 100% of purchase amount is invested immediately
Back-end sales charge (CDSC) decreases over time and is eventually eliminated
Higher 12b-1 fees (often 1.00%) and operating expenses than Class A shares for specified period of time
Eventual conversion to Class A shares typically occurs between six and eight years from date of purchase
Usually not appropriate for larger purchase amounts (purchases over $50,000 should be reviewed carefully with a Financial Advisor to determine whether Class A shares may be more appropriate due to sales load breakpoints)

Class C shares – Common Characteristics

Typically there is no front-end sales charge; thus 100% of purchase is invested immediately
Back-end sales charge of 1% typically applies to redemptions made within 12 to 18 months after the shares were purchased
Higher 12b-1 fees (often 1.00%) and operating expenses than Class A shares are typical for duration of investment

Class F shares – Common Characteristics

Offered to clients with fee-based, advisory accounts through an investment adviser (adviser charges a separate fee for managing the account)
No front-end sales charge or back-end sales charge (CDSC)

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May have 12b-1 fees (if so, usually 0.25%) or may have a shareholder or administrative service fee that is paid to the servicing intermediary (such as Baird)
Similar operating expenses to Class A shares, lower than Class B and C shares

Class I shares – Common Characteristics

Higher initial investment minimums
Often available to clients with fee-based advisory accounts through an investment advisor
No front-end sales charge or CDSC
No 12b-1 fees
May or may not pay a shareholder or administrative service fee that is paid to the servicing intermediary (such as Baird)
Class R shares – Common Characteristics

Offered only through 401(k) and other retirement or deferred compensation plans
No front-end sales charge or CDSC
Higher 12b-1 fees than Class A and F shares but lower than Class B and C shares
May have additional fees to compensate service provider for plan administration
Baird does not offer Class R shares for purchase when shares are to be custodied by Baird

Clean shares – Common Characteristics

Offered by some funds but not most
Broker-dealers and other intermediaries may charge commissions on clients' purchase of clean shares
No front-end sales charge or CDSC
Clean shares are generally not available at Baird unless no other share class option is available for a fund

Choosing a share class

There are multiple share classes available, each offering distinct advantages and disadvantages. A Financial Advisor can help determine the most suitable share class by evaluating the investor's investment time horizon and the amount purchased. Baird strongly recommends evaluating the appropriate share class for purchases over $50,000 made in a single transaction or in a series of transactions. For fee-based advisory accounts, Baird generally limits the available share classes to those that do not involve any sales charges or 12b-1 fees. When a share class purchased for a fee-based account has a 12b-1 fee, Baird's practice is to rebate any 12b-1 fees it receives on mutual fund positions in fee-based advisory accounts by crediting your account with that amount. See "Fee-based advisory accounts" below. If you are in a particular share class that you believe may not be appropriate, please contact your Financial Advisor. A conversion to another share class may be possible if your investment in the new share class meets eligibility requirements.

Breakpoint discounts

Class A shares of mutual funds give qualifying investors the right to receive a front-end sales charge discount. The discount is offered when "breakpoints" are reached. A sample breakpoint schedule, similar to what is detailed in certain fund prospectuses, is illustrated in the following table:

Aggregate Investment	Front-end sales charge
Less than $25,000	5.75%
$25,000 to $49,999	5.00%
$50,000 to $99,999	4.50%
$100,000 to $249,999	3.50%
$250,000 to $499,999	2.50%
$500,000 to $749,999	2.00%
$750,000 to $999,999	1.50%

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$1,000,000 or greater	None

Breakpoint discounts are available on initial and subsequent purchases. Also, discounts on purchases may be obtained based on current holdings in the same fund family (see “Rights of Accumulation”) or a commitment of future purchases (see “Letter of Intent”).

For purchases that exceed $1,000,000, although no sales charges apply, the fund company may provide compensation to the Financial Advisor. This compensation may be retained from proceeds by the fund family if the shares are liquidated within a certain time period detailed in the prospectus (typically 12 months).

Initial purchases

When making an initial purchase of Class A shares in a particular mutual fund family, the front-end sales charge and minimum purchase requirement to obtain a discount can be determined by referring to the sales charge schedule in the fund’s prospectus. An initial $10,000 purchase, using the sample breakpoint schedule previously shown, would incur a front-end sales charge of 5.75%. An initial investment of $125,000 would qualify for a breakpoint discount, thereby incurring a lower front-end sales charge of 3.50%. Initial mutual fund purchases in several funds within the same fund family can be combined to determine the appropriate discount. For example, based on the previous sample breakpoint schedule, if an investor was to simultaneously purchase $10,000 of five different mutual funds offered by a single fund family—for a total value of $50,000—that investor would qualify for a breakpoint discount and pay a front-end load of 4.50%. Keep in mind that breakpoint schedules may vary between different mutual funds in the same fund family.

Rights of Accumulation

Breakpoint discounts may also apply to purchases based on an investor’s existing holdings within a fund family. These discount entitlements are referred to as Rights of Accumulation (ROA). For example, if an investor owned mutual funds within the same fund family valued at $255,000, then invested an additional $1,000 in the same fund family, that investor would be eligible for a discount on the additional $1,000 investment based on his or her total holdings in that fund family. Therefore, based on the above sample breakpoint schedule, a 2.50% front-end sales charge would apply to the investor’s $1,000 purchase.

When calculating the value of an investor’s current mutual fund family holdings for ROA purposes, the value of shares owned, combined with the value of shares owned in certain family member and related accounts, may count toward a breakpoint discount. For example, many mutual fund families allow investors to add together the value of shares owned by the investor, the investor’s spouse and their minor children when determining the breakpoint discount.

Finally, the value of mutual fund shares held at different investment firms or purchased directly with the fund should be considered when determining the value of an investor’s current holdings for ROA purposes as some fund families allow the aggregation of holdings at other investment firms when determining breakpoint opportunities. For example, if an investor holds shares at several different investment firms and also owns shares that are held in certain types of retirement accounts, that investor may be able to combine the value of the shares from the same fund family when determining the breakpoint discount received. Please note that it is the investor’s responsibility to inform his or her Financial Advisor of all holdings in order to ensure that they are properly aggregated for ROA purposes. Additionally, the investor may be asked to provide proof of this ownership.

In summary, the calculation of the appropriate ROA breakpoint discount can be complicated. Furthermore, ROA rules vary from one mutual fund family to another. Therefore, it is important to ask a Financial Advisor about mutual fund breakpoint discount opportunities. Be certain to review the breakpoint information in the prospectus of the mutual fund being purchased.

Letter of Intent

Discounts on purchases of Class A mutual fund shares may also be obtained based on the investor’s promise of future, additional fund purchases. Signing a Letter of Intent (LOI) with a mutual fund company commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. This commitment is made in exchange for the right to immediately receive a breakpoint discount. For example, it would be appropriate for an investor to sign an LOI if he or she planned to invest $50,000 in Class A mutual funds in the same fund family in the next 13 months, but only planned on making an immediate purchase of $10,000. In this scenario, signing an LOI would allow the investor to receive a breakpoint discount on the initial $10,000 purchase in addition to subsequent purchases within the 13-month period. As indicated in the previous sample breakpoint schedule, the investor could expect to pay a 5.75% front-end sales charge when making a $10,000 fund purchase. However, signing an LOI and committing to purchasing an additional $40,000 of Class A shares, would incur a front-end load of 4.50% on that initial $10,000 purchase. If the investor subsequently failed to invest the amount of his or her LOI commitment, the fund would retroactively deduct the correct sales charges based on the amount that was actually invested. If an investor intends to make multiple purchases within a 13-month period, he or she should consult a Financial Advisor and review the mutual fund prospectus to determine if signing an LOI would be beneficial.

Exchange and reinstatement privileges

Most mutual fund companies allow investors to move their investment from one fund to another within the same fund family at no additional cost as long as that investment is in the same class of shares.

Many mutual fund companies also extend to shareholders who have sold their mutual fund shares a one-time right to repurchase shares of the same fund family at NAV if the repurchase is completed within a specified period of time, usually less than 90 days. Specific details regarding exchanges and reinstatements can be found in each mutual fund prospectus.

To learn more

To learn more about mutual fund share classes or mutual fund breakpoints, please review the valuable information on the Financial Industry Regulatory Authority ("FINRA") Web site at www.finra.org and the SEC Investor Bulletin "Mutual Fund Fees and Expenses."

Investors are encouraged to utilize the mutual fund expense analyzer available on the FINRA website as well.

Fee-based advisory accounts

Many mutual funds may also be available through a fee-based advisory account, which charges a periodic fee based on a percentage of the account's value rather than a commission per transaction. In this case, front-end sales charges will not typically apply. Baird offers a variety of fee-based accounts. Careful consideration should be given to the fees charged and services provided versus alternative sales charges. Consult a Financial Advisor for information on these programs.

Baird limits the mutual fund share classes that may be purchased in a fee-based advisory account so that share classes are purchased and held that are appropriate for clients with advisory accounts. These limits are designed to enable clients with fee-based advisory accounts to avoid having to pay a sales charge on their purchases of mutual fund shares and an ongoing distribution (or 12b-1) fee on their mutual fund holdings. The goal of these limits is to ensure that clients with fee-based advisory accounts have access to low cost share classes in furtherance of Baird's fiduciary duty to those clients. However, it is important for clients to understand that the share classes Baird makes available for purchase in fee-based advisory accounts are not the lowest cost share classes offered by many fund families. A number of the share classes selected by Baird may have a shareholder service or administrative service fee that is paid out of fund assets to Baird, and Baird retains that fee. However, if a fund pays a 12b-1 fee to Baird, Baird will rebate or credit that fee to the client's account. The fact that some mutual fund share classes offered to clients with fee-based accounts pay a shareholder service or administrative service fee presents a conflict of interest to Baird in that Baird may have an incentive to offer to such clients more of these share classes that pay Baird a shareholder service or administrative service fee or to recommend funds with these share classes in order to increase Baird's revenues. Baird Financial Advisors, however, do not share in any shareholder service or administrative service fees paid to Baird, in terms of their compensation. A less expensive share class for a particular fund may be available and appropriate, although they are not offered to fee-based advisory accounts through Baird. A list of the mutual fund families, along with the share classes that are available to clients in fee-based advisory accounts is set forth in a document entitled "Share Classes Available to Baird Fee-Based Advisory Accounts," which can be downloaded at www.rwbaird.com/disclosures. That document also shows other share classes offered by the fund families that may be less expensive, as well as the range of differences in the expense ratios between the share classes selected by Baird and the lower cost share classes offered by the fund families.

Compensation for mutual fund sales

In addition to understanding the sales charges and fund operating expenses for different share classes and breakpoint discounts, it also is important to be aware of how Baird and its Financial Advisors are compensated when their clients invest in mutual funds. This compensation varies depending on the type of fund (e.g., equity vs. fixed income), the amount invested and the share class purchased (e.g., A, B or C).

Mutual fund companies compensate Baird and its Financial Advisors based on the applicable front-end or back-end sales charges detailed in the mutual fund prospectus. Many mutual fund companies also make ongoing payments to Baird, referred to as distribution (or 12b-1) fees or shareholder or administrative service fees, as described in the prospectus. Baird, in turn, pays a portion of these fees to the Financial Advisor Some mutual funds may impose higher front-end sales charges and 12b-1 fees than other funds, which in turn may result in Baird and its Financial Advisors receiving greater compensation from those funds. Accordingly, the receipt of this compensation fees provides Baird and its Financial Advisors an incentive to recommend mutual funds that pay greater compensation.

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Other compensation we may receive

A client that invests in mutual funds should note that those types of funds have their own fees and expenses that are borne either directly or indirectly by their shareholders or unit holders, including the client. These fees and expenses may include investment management fees, distribution (12b-1) fees, transfer agency fees, networking fees, accounting fees, marketing support payments, administration fees, custody fees, shareholder servicing fees, expense reimbursements, and expenses associated with executing securities transactions for the fund's portfolio ("ongoing fund expenses"). Certain of these ongoing fund expenses may be paid to Baird or its affiliates. Baird or its affiliates retains such payment to the extent allowed by applicable law and regulation. For mutual fund purchases and positions in fee-based advisory accounts, Baird limits the available share classes to those that do not have a sales charge or distribution (12b-1) fee. For share classes that have distribution (12b-1) fees that are paid to Baird in respect of mutual fund holdings in fee-based accounts, Baird rebates or credits those fees to the clients' accounts. Some mutual fund share classes available for purchase in fee-based accounts may pay a shareholder or administrative service fee to Baird. Baird retains that fee. The fact that some mutual fund share classes offered to clients with fee-based accounts pay a shareholder service or administrative service fee presents a conflict of interest to Baird in that Baird may have an incentive to offer to such clients more of these share classes that pay Baird a shareholder service or administrative service fee or to recommend funds with these share classes in order to increase Baird's revenues. Baird Financial Advisors, however, do not share in any shareholder service or administrative service fees paid to Baird, in terms of their compensation. A less expensive share class for a particular fund may be available and appropriate, although they are not offered to fee-based advisory accounts through Baird. For information about the mutual fund share classes that Baird offers to clients in fee-based advisory accounts, please see "Mutual Fund Share Classes Available to Baird Fee-Based Advisory Accounts" at www.rwbiard.com/disclosures. That document also shows other share classes offered by the fund families that may be less expensive, as well as the range of differences in the expense ratios between the share classes selected by Baird and the lower cost share classes offered by the fund families.

Please review the prospectus and statement of information for a particular fund for more information.

In addition to sales loads and 12b-1 fees, Baird generally receives additional financial support from the sponsors of mutual funds included on Baird's Key Business Partners List. Baird also receives financial support from Dreyfus, the sponsor of certain money market mutual funds that Baird makes available to its clients for cash management, check writing, credit/debit card, temporary defensive and other purposes.

This support, which varies from fund company to fund company and is commonly referred to as "revenue sharing," is typically allocated toward the costs of training and education for Financial Advisors, due diligence on the funds and marketing support. In exchange for such financial support, fund companies and their sponsors may receive certain benefits from Baird, including access to Baird Financial Advisors or Baird associates for educational, networking, marketing and other promotional opportunities, including:

- Participating in meetings and conference calls with Baird Financial Advisors and home office personnel
- Speaking and networking opportunities at Baird regional and national forums
- Conducting marketing campaigns tailored to the needs of Baird Financial Advisors
- Participation by Baird Financial Advisors and home office personnel in fund company due diligence meetings
- Posting of marketing materials on internal websites accessed by Baird Financial Advisors
- Information regarding Baird Financial Advisors
- Information on fund company market share within Baird

The amount of financial support that Baird receives from fund companies varies and is based on the value of Baird client assets invested in certain mutual funds, a fixed dollar amount or some other method determined by the mutual fund company. In 2016 and 2017, Baird received revenue sharing payments from the sponsors of the following mutual fund families in the approximate amounts shown below:

	2016	2017
American Funds	$360,000	$390,000
Lord Abbett Funds	$190,636	$165,288
Principal Funds	$134,467	$83,955
Franklin Templeton	$109,447	$77,297
Hartford Funds	$108,397	$67,638

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JPMorgan Funds	$99,822	$72,586
PIMCO Funds	$76,728	$52,113
Oppenheimer Funds	$59,743	$57,262
MFS Funds	$55,700	$34,743
Invesco Funds	$51,833	$26,652
Goldman Sachs Funds	$39,784	$8,857
AllianceBernstein Funds	$24,006	$17,625

During those years, the amount of financial support Baird received from those mutual fund companies on an annual basis ranged from 0.01% to 0.09% of the value of Baird client assets invested in those funds (excluding assets in Baird's ALIGN Strategic Portfolios).

The financial support Baird receives from the sponsor of money market mutual funds in Baird's Cash Sweep Program is typically based on the value of Baird client assets in those funds and has generally ranged from 0.10% to 0.99%, depending on the type of fund.

The financial support we receive related to mutual funds and money market funds is paid by the advisers, distributors or other service providers or sponsors of such funds and not out of fund assets. However, the revenues and profits of the advisers, distributors or other service providers or sponsors making the support payments may in part be derived from fees paid by such funds for services provided by the advisers, distributors or other service providers or sponsors.

In addition to financial support payments described above, Baird may be reimbursed by mutual fund companies or their service providers for expenses incurred by Baird for various sales meetings, seminars, and conferences held in the normal course of business. Any such reimbursement is at the entire discretion of a particular mutual fund company.

Receipt of financial support payments and expense reimbursements may provide Baird an incentive to favor mutual funds and their sponsors that make greater payments. However, Baird does not consider the receipt of these payments in compiling its Key Business Partners List, or in constructing portfolios of mutual funds offered in its ALIGN Programs.

The financial support and other payments that Baird receives from mutual funds are not paid to Financial Advisors, and Financial Advisors' compensation is not tied to such payments. Baird Financial Advisors and Baird associates may, however, receive non-cash compensation and other benefits from Baird and mutual fund companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment. Receipt of these benefits presents a conflict of interest in that the benefits provide Baird Financial Advisors an incentive to favor mutual funds and their sponsors that provide greater benefits.

More detailed information about the financial support that Baird receives from the mutual fund families on its Key Business Partners List is available in the mutual fund companies' mutual fund prospectus or statement of additional information. Please contact your Baird Financial Advisor for more specific information about the amount of financial support Baird may receive from any of these mutual fund companies.

If you would prefer investing in a mutual fund with respect to which Baird does not receive financial support or other payments, please consult your Financial Advisor who can suggest other available mutual funds in which you may invest.

Baird has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for Baird on behalf of Baird clients. Under the clearing arrangement, Schwab provides clearing and recordkeeping services for most funds offered by Baird and nearly all "no load" funds held by Baird clients. Baird pays Schwab a per position fee for certain fund positions maintained by Schwab in which Schwab does not receive compensation from the funds. However, for the vast majority of fund positions maintained by Schwab for Baird and its clients, Schwab passes through to Baird and its Financial Advisors a portion of the compensation that Schwab receives from those funds (including 12b-1 and shareholder service fees, revenue sharing payments and sub-transfer agency and networking reimbursement charges). These payments are in exchange for recordkeeping, shareholder communication and other administrative services that Baird and its Financial Advisors provide to clients who invest in those funds. Baird generally receives higher compensation from Schwab with respect to mutual funds from which Schwab receives asset-based fees for the services Schwab provides to the funds. Accordingly, the receipt of these fees presents a conflict of interest in that the fees provide Baird and Baird Financial Advisors an incentive to favor funds in respect of which higher compensation is paid by Schwab. If you would prefer investing in a mutual fund with respect to which Baird does not receive payments from Schwab or receives lower levels of compensation from Schwab, please contact your Baird Financial Advisor.

Baird also receives compensation from certain mutual funds that are not included in Baird's clearing agreement with Schwab in consideration for recordkeeping, sub-transfer agency and related services that Baird provides to those funds. Baird processes client transactions in mutual fund shares held at Baird on a networked basis, which means that Baird executes a trade for each

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client with the mutual fund company on an individual client basis and that Baird must maintain certain records. These fees generally are paid from investor assets in the mutual funds, and are a fixed dollar amount based on the number of positions or accounts in that fund family held at Baird, although some of these fees may be made by the adviser to those funds. The annual amount of the networking fees for Level 3 accounts (where the mutual fund shares are held by Baird in the clients' names) may be up to $12 per position. Annual networking fees for Level 4 accounts (where the mutual fund shares are held by the fund in the clients' names) may be up to $9 per position. The range of fees paid to Baird varies based upon the particular fund, the level of client assets invested, and the level of service provided.

Baird may also charge a transaction fee of up to $100 on no-load mutual fund purchases, exchanges and redemptions made in a commission-based account.

Trading relationships with Baird

Mutual fund companies may select Baird, in its capacity as a broker-dealer, to execute portfolio trades. Baird receives compensation for those execution services. This may create an incentive for Baird to recommend or sell to clients such mutual funds.

To learn more about how a mutual fund company selects brokerage firms for trade execution, please consult the statement of additional information, available from each fund.

Performance Information

Baird clients may be provided information about mutual funds that is supplied by Morningstar®. Although Baird believes this information to be reliable, Baird cannot guarantee its accuracy. Performance figures for periods longer for one year are expressed as average annualized returns and assume reinvestment of all dividends and capital gains. For periods of up to one year, figures are expressed as the total return for that period. For funds with sales charges or loads the performance data reflects maximum charges. Any transaction fees charged by Baird on mutual fund purchases or redemptions are not reflected in the performance data. If these fees were factored into the performance calculation, the fund's results would be lower. For some funds, the manager may have waived all or a portion of the fees during a given period, which would have the effect of increasing the fund's reported annual return. The fee waiver should be considered in evaluating the fund's performance. You can find out if a manager has waived any fees or intends to continue waiving fees by reading the prospectus.

Affiliation with Baird Funds and Other Mutual Funds

Baird is the investment adviser and principal underwriter for the Baird Funds, Inc. ("Baird Funds"), a registered open-ended management investment company. Baird Funds include a number of fixed income mutual funds, equity mutual funds and two international equity mutual funds branded under the "Chautauqua" name. As compensation for those services, Baird receives a fee from each Baird Fund, which is disclosed in each Fund's prospectus. Baird also provides certain administrative services to certain Baird Funds investing primarily in fixed income securities ("Baird Bond Funds"). As compensation for those services, Baird receives a fee that is paid monthly at an annual rate of 0.05% of each of the Baird Bond Fund's average daily net assets. Baird Financial Advisors who refer clients to the Baird Funds are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird. Baird Financial Advisors may have an incentive to recommend investments in the Baird Funds over investments in other mutual funds. More information about the Baird Funds is available upon request by calling 1-866-44BAIRD (1-866-442-2473) or on the Baird Funds' website www.bairdfunds.com.

Currently, Baird serves as investment sub-adviser to the Principal MidCap Growth Fund III, a mutual fund series of Principal Funds, Inc., and the Bridge Builder Bond Fund, a mutual fund series of Bridge Builder Trust. Additional information about those mutual funds, including information relating to the compensation paid to Baird by those funds for investment management services, is available in each fund's prospectus and statement of additional information.

Baird is affiliated, and may be deemed to be under common control, with RiverFront Investment Group, LLC ("RiverFront") by virtue of their common indirect ownership. RiverFront is an investment adviser based in Richmond, Virginia. RiverFront acts as investment sub-adviser for certain mutual fund series of the Financial Investors Trust and certain ETFs that are part of First Trust or the ALPS ETF Trust. Due to its affiliation with RiverFront, Baird has a financial incentive to favor Riverfront mutual funds and ETFs.

Various Risks Inherent in Different Types of Mutual Funds

Each mutual fund has its own investment objective and principal strategies. Many different types of mutual funds are available, spanning the entire asset category spectrum. That spectrum includes without limitation, the following types of mutual funds

- Stock Funds – Stock mutual funds include funds that invest in companies located in the U.S., foreign developed countries and emerging growth markets; funds that focus on companies of various market capitalizations (micro-cap,

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small-cap, mid-cap, large-cap); funds that invest in growth, value or core stocks; funds that are concentrated in certain industries or economic sectors; and non-diversified funds.

- Bond Funds – Bond mutual funds include funds that invest in short-term, intermediate-term and long-term fixed income securities; funds that invest in bonds issued by domestic entities/governments or foreign bonds; funds that focus on corporate bonds, U.S. Treasury and other government securities, agency securities, mortgage-backed securities and other particular fixed income classes; funds that invest in bonds that are rated investment grade; funds that invest in bonds rated below investment grade or high-yield securities or distressed debt; funds that invest in municipal and other tax-exempt bonds.
- Alternative Investment/Strategy Funds – Alternative investment funds may include funds that invest in commodities, futures, real estate, MLPs and other oil, gas and energy businesses, and foreign currencies. Some funds pursue alternative strategies similar to those employed by hedge funds, such as long/short strategies, convertible and event-driven strategies, absolute return strategies, global macro strategies, interest rate, futures and currency strategies, and a combination thereof. These funds often use derivatives, such as short sales, options, futures, swaps and synthetic positions.

Mutual funds are subject to various risks, including the risk that the fund may not achieve its investment objective or may underperform its benchmark index. Additionally, the investment adviser to a mutual fund may make decisions with respect to particular investments or strategies that may perform in ways that were not desired or intended. Mutual fund share prices move up and down, sometimes in line with the applicable markets or index and sometimes very differently. Some of the risks associated with various types of mutual funds are described below. A mutual fund prospectus contains important disclosures about the risks associated with the investments made by that fund. Please read it carefully.

- Stock Market/Common Stock Risk – An investment in a stock mutual fund is subject to the risks associated with investing in the stock market. The stock market is subject to fluctuations that may be affected by numerous factors, including macro- and micro-economic trends, fiscal and monetary policy, gross domestic product growth, geopolitical events, supply and demand, investor perceptions and confidence consumer and manufacturing spending, industry developments and announcements and developments affecting major corporations. Stock prices rise and fall and a fund’s performance may resemble or be different from the performance of the overall markets. Individual stock prices will also vary as a result of investor perceptions about a company, earnings expectations, earnings announcements and other developments affecting a company or companies within the same industry.
- Market Capitalization Risk – Companies with certain market capitalizations may perform differently from the equities markets generally. At times, large-cap stocks may underperform as compared to stocks of companies with smaller market capitalizations, and vice versa. Larger, more established companies may be unable to respond to new competitive challenges. Stocks of smaller companies are often more volatile and less liquid than investments in larger companies. Smaller companies may lack management experience, financial resources and product and customer diversification of larger companies, making them more susceptible to market pressures and business failure. These risks are more pronounced with small- and micro-cap companies.
- Industry/Sector Risk – Funds that concentrate in a particular industry or economic sector may be subject to more volatility than broader stock funds. Such industry or sector concentration causes a fund to be vulnerable to events, developments and news affecting a particular industry or one or more leading companies in that industry.
- Investment Style Risk – Funds that focus on growth (or value) stocks may perform better or worse than funds that focus on value (or growth) stocks or funds that have a broader investment style. A particular style of investing may go out of favor at times and for extended periods. Growth stocks are often characterized by high price-to-earnings ratios and may be more volatile than stocks with lower price-to-earnings ratios. Value stocks may not appreciate as much as anticipated as their intrinsic value may not be recognized by the market. Foreign Securities/Currency Risk
- Bond Market Risk – Bonds are generally subject to various risks, including interest rate risk and credit risk. The value of a bond may be significantly affected by changes in interest rates. When prevailing interest rates rise, a bond’s market value declines, and when interest rates decline, a bond’s value increases. Bonds with longer maturities typically will entail greater interest rate risk but have a higher yield. A bond’s value may also be affected by its credit quality rating or the issuer’s financial condition. Generally, bonds with higher ratings are subject to lower risk of default than bonds with lower ratings. Bonds that are rated below investment grade, often known as high-yield or “junk” bonds, are considered speculative because the issuer may have a weakened capacity to make interest and principal payments due to adverse circumstances and may default or enter bankruptcy. Certain types of fixed income securities have unique risks. Mortgage- and asset-backed securities may be subject to greater interest rate risk because modest movements in rates may quickly affect the value of certain types of these securities. These securities are also subject to prepayment

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and extension risk. Prepayment risk occurs when mortgage or other rates fall and the securities are prepaid sooner than expected. Extension risk occurs when rates rise, causing borrowers to pay off their mortgages and other debts more slowly, which increases the average life of the securities and the sensitivity of the prices of the securities to future interest rate changes. Certain bonds may be difficult to sell at the time and price at which the mutual fund would like to sell.

- Foreign Securities Risk – A fund that invests in foreign securities is subject to additional risks such as greater price volatility, currency exchange fluctuations, political and economic instability, differences in financial reporting standards, less regulated securities markets and country risks. Investments in emerging markets typically involve greater risks than investments in developed nations, such as limited disclosures, less developed legal system, different financial reporting standards, thinner trading markets, trade controls, expropriation, nationalization and taxation risk, currency devaluation and other economic, social and political developments.
- Leverage/Derivatives Risk – To the extent a mutual fund engages in short selling, options, futures, swaps and other derivative transactions, that fund is subject to meaningful additional risks. Such transactions may be used for speculative, in addition to hedging, purposes. If used for speculative purposes, a derivative may move in the opposite direction than anticipated and significant losses may be experienced. Derivatives used for hedging purposes are often intended to help offset possible declines in value or to protect gains, but they also have the effect of limiting gains or worsen losses. In addition, derivative transactions and borrowings create leverage which may be used by a fund to enhance returns, but leverage can also exacerbate losses. Certain derivatives are entered into with specific counterparties and thus involve the risk that a counterparty may fail to perform its contractual obligations.
- Alternative Investment Risk – Funds that make alternative investments or employ alternative strategies may seek returns that are designed to have little or no correlation to the securities markets. However, often those strategies perform similarly to the securities markets at time or for extended periods. Certain alternative investment mutual funds have unique risks, including risks associated with the types of investments they make. They should only be considered by sophisticated investors or experienced financial advisors as part of an overall asset allocation strategy. See “Alternative Mutual Funds” below.

Alternative Mutual Funds

Certain mutual funds pursue special or alternative investment strategies and are thus different from traditional long-only equity, balanced or fixed-income funds. These alternative mutual funds may purport to reduce volatility, increase diversification and produce non-correlated returns and higher yields. Their strategies involve non-traditional asset classes, non-traditional investment approaches, derivatives (such as short sales, options, futures and swaps), leverage and illiquid assets. Alternative mutual funds should not be placed into a single category, as they vary dramatically in terms of their investment objectives, principal strategies, risks and fees. However, they share some similarities in that they can be complex and are not appropriate for all investors, and their use should only be considered, after consultation with a Baird Financial Advisor, as part of an investor’s overall asset allocation strategy. Below is a brief description of the types of the more common alternative mutual funds that are available through Baird and their more significant risks. It is very important that you read the prospectus and understand the fund’s investment objective, principal strategies, risks and fees before investing in an alternative mutual fund.

- Bear Market – Alternative mutual funds with bear market strategies typically invest in short positions on indices and individual stocks as well as derivatives (options, futures and swaps) in order to profit from stocks that decline in price. The returns of these funds will generally move in the opposite direction of the benchmark equity index. These funds may also invest in fixed income securities. These funds are subject to the risk of losses in a rising market, which may be compounded if the fund’s fixed income securities increase in price. Some bear market funds are referred to as “inverse funds,” which seek a return over a single day only that is the opposite of the performance of the index for that day. See “Trading (Including Leverage and Inverse)” below.
- Multi-Currency – Alternative mutual funds with multi-currency strategies invest in different foreign currencies through the use of derivatives (options, futures, forward contracts and swaps), short-term money market instruments and cash deposits, including non-dollar denominated instruments issued by foreign governments and banks. Some of these funds seek absolute return while others may pursue a strategy of benefiting from anticipated directional fluctuations (positive or negative) in the values of foreign currencies against the U.S. Dollar. These funds are subject to foreign currency risk, which is the risk that the value of a foreign currency compared to the U.S. Dollar may experience significant fluctuation, including movements in unexpected ways. The value of foreign currencies relative to the U.S. dollar can be affected by many factors, including national debt levels, trade deficits, international trade and foreign policies, changes in trade and balance of payments, governmental fiscal and monetary policies, currency exchange rates and changes in supply and demand that affect those rates, investment and trading activity of mutual funds, hedge funds and currency

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funds, exchange rate controls and government intervention in currency markets, inflation rates, interest and deposit rates, market expectations about future inflation rates and interest rates, and global and national economic, financial, political, regulatory, judicial, military and geographical events or developments. Prices of currencies of less developed or emerging market nations tend to be more volatile than those of developed countries, given the greater political, regulatory, economic, financial, military and social instability and uncertainty in less developed or emerging market nations. These funds are also subject to the risks associated with fixed income investments in foreign countries. A fund that invests in foreign securities is subject to additional risks such as greater price volatility, currency exchange fluctuations, political and economic instability, differences in financial reporting standards, less regulated securities markets and country risks. Investments in emerging markets typically involve greater risks than investments in developed nations, such as limited disclosures, less developed legal system, different financial reporting standards, thinner trading markets, trade controls, expropriation, nationalization and taxation risk, currency devaluation and other economic, social and political developments.

- Managed Futures – A managed futures mutual fund generally implements a quantitative trading strategy designed to capitalize on price trends across a broad range of stock index, bond, currency, interest rate, energy, metals, agricultural and other commodities markets. These funds typically invest in futures, options, forward contracts, swaps and other derivatives. These funds are subject to the risk that the advisor's selection of asset classes and decisions about allocations across asset classes may be incorrect. Managed futures funds are also subject to commodities, currency, leverage and derivatives risk. Commodities and futures thereon experience price fluctuations that are often significant and unpredictable and are related to changes in the demand for or supply of commodities, macroeconomic conditions, geopolitical developments, wars and other military events, changes in government policies, prevailing interest rates, weather conditions, disease and famine, changes in production costs, supply chain disruptions, industrial activity affecting utilization of commodities, competitive alternatives for certain commodities, suspensions or disruptions of market trading in commodities and related futures, futures contract price ceilings, regulatory developments affecting futures contracts, and differences between commodity future prices and current or spot prices. Foreign currencies are subject to the risks associated with such currencies and the changes in their values relative to the U.S. dollar. Such risks include volatility in the price relationship between the U.S. dollar and foreign currencies. Although leverage may enhance a fund's return, it may also exacerbate losses. Derivatives may involve significant risk. Some derivatives have the potential for unlimited loss, regardless of the size of a fund's initial investment. Derivatives may be illiquid and may be more volatile than other types of investments. A fund may buy or sell derivatives not traded on an exchange and which may be subject to heightened liquidity and valuation risk. Derivative investments can increase portfolio turnover and transaction costs. Derivatives also are subject to counterparty credit risk. The net asset value (NAV) of managed futures funds can also experience significant volatility.
- Long/Short Equity and Market Neutral – Long/short mutual funds hold both long and short positions primarily with respect to the equities markets. Such funds can vary based on their relative exposures to long and short positions and often can shift or vary their biases or exposures depending on their macroeconomic or market outlook and fundamental or technical analysis. Such funds include market neutral funds that typically divide their exposure equally between long and short positions. Market neutral funds seek to deliver positive returns regardless of the direction of the market. Long/short and market neutral funds may use various derivatives, such as futures, options and swaps, to achieve their desired long and short exposures, and therefore are subject to derivatives risk.
- Commodities – Mutual funds that seek exposure to commodities typically invest in commodity or commodity-linked futures, options, swaps and other derivatives, as well as other funds and securities of companies closely related to commodities. Commodities and derivatives thereon experience price fluctuations that are often significant and unpredictable and are related to changes in the demand for or supply of commodities, macroeconomic conditions, geopolitical developments, wars and other military events, changes in government policies, prevailing interest rates, weather conditions, disease and famine, changes in production costs, supply chain disruptions, industrial activity affecting utilization of commodities, competitive alternatives for certain commodities, suspensions or disruptions of market trading in commodities and related futures, futures contract price ceilings, regulatory developments affecting futures contracts, and differences between commodity future prices and current or spot prices.
- Volatility – Alternative funds that employ volatility strategies trade volatility as an asset class. Directional volatility strategies try to profit from the trend in the implied volatility embedded in derivatives referencing or linked to other asset classes. Volatility arbitrage seeks to profit from the implied volatility discrepancies between related securities. Some of these funds seek to capitalize in high expected volatility and other funds seek to capitalize on low expected volatility. Volatility is a measurement of the frequency and level of change in a portfolio or market without regard to the direction of the market. Some of these funds often make investment decisions based on their perspectives on anticipated future volatility of the market and the future direction of the market. Some volatility funds are used to hedge

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against volatility and market declines. Volatility funds generally invest in a wide range of securities and derivatives, including options, futures, swaps, structured notes, exchange-traded products, other funds, short-term money market instruments and cash. An incorrect assumption about expected volatility could result in meaningful losses.

- Non-Traditional Bond/Absolute Return – Non-traditional bond or absolute return funds pursue strategies that diverge from conventional or traditional bond fund strategies. These funds often seek absolute returns regardless of market conditions over full market cycles. This means that their returns may be uncorrelated with the overall bond market. Other types of these funds are regarded as having unconstrained portfolios that have more flexibility to invest tactically across a wide swath of individual sectors and asset classes within the fixed income category, including high-yield and foreign debt securities, mortgage-backed and asset-backed securities and loan participations. These funds take a combination in long and short position in credit-related instruments. These funds use short sales, options, futures, forwards, swaps and other derivatives, as well as leverage. The use of short sales, derivatives and leverage may exacerbate losses. At times, there fund may significantly underperform the overall bond markets. In addition to the risks commonly associated with fixed income investing, such as credit risk and interest rate risk, these funds are subject to allocation risk, short sale risk, leverage risk, derivatives risk, foreign securities and emerging markets risk, currency risk, high-yield risk, derivatives risk, liquidity risk, diversification risk and leverage risk.
- Multi-Alternative – Certain funds may employ a broad range of alternative strategies in seeking total return with low correlation to traditional asset classes. These funds have the flexibility to allocate their portfolios in a dynamic or tactical way across a vast array of non-traditional asset classes and different exposures. These funds often attempt to provide returns with lower volatility than traditional core asset classes such as U.S. large cap equities or investment grade bonds. Diversified or multiple strategies that these funds can employ include industry sector strategies, long-short strategies, foreign currency strategies, emerging market strategies, managed futures strategies, floating rate loan and bond strategies, REIT strategies and other non-core investment strategies. These funds may vary their allocation across alternative asset classes frequently as they often employ macro-economic, technical, event-driven, quantitative processes and try to exploit price discrepancies. Because of these funds' multi-alternative strategies, they are subject to asset allocation risk, derivatives and counterparty risk, hedging risk and correlation risk, in addition to the risks associated with the types of alternative investments they make such as currency risk, emerging market risk, short position risk, leverage risk, high yield risk, interest rate risk, sector risk, and commodities risk.
- Trading (Including Leverage and Inverse) – Some funds may employ short-term trading strategies that seek to benefit from a change in an underlying index or benchmark often over a single trading day or other brief period. The underlying index or benchmark from fund to fund can vary such as a broad stock market index, a more narrow stock index (such as one based on industry or market cap), a basket of equity securities, Treasury bond prices, a Treasury or other bond index, a commodity-related index or basket of certain commodities, a real estate index, or a currency index or basket of foreign currencies measured against the U.S. dollar, to name the more common types These funds seek investment results for a single day only and not for longer periods. Some of these funds are short or inverse funds, meaning that they seek to generate a return for a day that is the opposite of the performance of the index or benchmark for that day. Some funds are leveraged funds, meaning that they seek to generate a multiple (such as 2x) of the return of the index or benchmark for that day. There are also leveraged inverse funds which seek to generate a return that is a multiple of the opposite performance of the index or benchmark for that day. These funds are complicated investments that are only appropriate for sophisticated investors who fully understand their complexities, terms, structures and risks. Buy-and-hold investors with an intermediate or long-term time horizon should carefully consider whether leveraged and inverse funds are appropriate for their portfolio. Due to the effect of compounding, operating expenses and daily resets, the performance of leveraged and inverse funds over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. The magnitude of this disparate performance is particularly high in volatile markets. Leveraged and inverse funds that have daily resets are attempting to achieve their objectives on a daily basis, not over a week, month or longer period; as a result, investors should not assume or expect the performance of a leveraged or inverse fund over a period of time in excess of one trading day to track or even resemble the performance (or the opposite performance) of the underlying index or benchmark. In addition, leveraged or leveraged inverse funds run the risk that their returns may be significantly worse than the decline (or, for leveraged inverse funds, the increase) in the value of the underlying index or benchmark. Leverage causes the value of a fund's shares to be more volatile than if the fund did not use leverage. The use of leverage by a fund will also cause the fund to underperform the compounded return of the underlying index or benchmark in a trendless or flat market. Leveraged funds are considered speculative and should only be used by investors willing and able to absorb potentially significant losses. Leveraged and inverse funds involve risks associated with their respective investment objectives and principal strategies, including aggressive investment techniques and derivatives risk, correlation and inverse correlation risk (particularly for leveraged funds), counterparty risk, credit risk,

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non-diversification risk, market risk, equity or fixed income risk, price variation risk, liquidity risk, early close/trading halt risk, and active trading and portfolio turnover risk, which are described in their prospectuses.

Additional Considerations Associated with New or Low Asset Funds

Before investing in any mutual fund, you should make sure you read the prospectus and other available materials about the product so that you understand the investment objectives, strategies, fees and risks. There are a number of additional considerations associated with investing in a new or low asset fund, including without limitation the following:

Possibility of Controlling Security Holders – The securities of a new or low asset mutual fund may be held by one or a few significant holders. Such concentration of ownership may expose the fund to the risk that those owners may assert control and make changes. It also exposes the fund to potential disruptions in managing the assets effectively should one or more significant holders decide to redeem or sell their securities. If, for example, a significant shareholder in a mutual fund with low level of assets elects to redeem his or her shares, the fund would likely have to dispose of portfolio securities at inopportune times, which may affect performance and result in taxable gains and income (to be borne by the remaining shareholders would have to bear.

Lack of Operating History and Performance Track Record – A new fund will lack operating history and historical performance information, making it harder to evaluate the fund's merits.

Performance Challenges/Volatility – A fund that is small in terms of total assets may encounter difficulties in buying and selling portfolio securities efficiently given the relative small orders. Smaller orders for securities transactions may not receive favorable pricing. In addition, trading costs may be higher for small funds and smaller funds may be challenged in achieving their desired portfolio diversification. For these and other reasons, funds with low asset levels may experience challenges resulting in under-performance and performance volatility.

High Fees/Expense Ratio – Small funds may have higher fees and expense ratios than larger, more established products because the variable operating expenses as a percentage of assets of a small fund can be significant.

Risk of Closure – Funds that remain small over an extended period of time may not be profitable to the manager or sponsor and as a result they may be closed, liquidated or merged into other funds, which could result in adverse consequences to investors. Even if such fund is not closed, they may experience the risk that the manager or sponsor may not be as focused on the fund as they may otherwise be if the fund were more successful or they may redeploy resources elsewhere. Portfolio managers of small funds may be inclined to seek employment elsewhere.

Additional Information

Baird is fully committed to helping you understand your mutual fund investments. For additional information about mutual fund investing at Baird please contact your Baird Financial Advisor or, if applicable, review your investment advisory agreement and Baird's Form ADV Part 2A Brochure applicable to the Baird advisory program in which you are participating. To learn more about mutual funds and investing in funds generally, please contact your Baird Financial Advisor or visit the following Web sites:

Securities and Exchange Commission (www.sec.gov)
Financial Industry Regulatory Authority (www.finra.org)
Securities Industry and Financial Markets Association (www.sifma.org)
Investment Company Institute (www.ici.org)

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