

Baird Intermediate Muni Bd Inst BMBIX

Morningstar Rating



Kudos

- Experienced management.
- Consistent and impressive track record.
- Low expenses.

Risks

- The fund's circumspect approach may moderate returns and keep management from shooting the lights out under certain market conditions.
- The fund's total return focus can produce lower yields than many rivals.

Strategy

Management takes a circumspect approach to muni investing by focusing on high-quality securities, particularly pre-refunded bonds (those backed by escrowed Treasury bonds) and general obligation issues. The team won't make big interest-rate calls and aims to keep the fund's duration at around five years. Its high-quality bias has served the fund well during downturns, but it can also hold it back when risk is in vogue.

Management

Chief investment officer Mary Ellen Stanek heads a team of six portfolio managers that oversee all of the firm's fixed-income offerings. Warren Pierson takes the day-to-day duties at this offering. This team has worked together for more than a decade here and at previous firms.

Role in Portfolio

Core. The fund's high-quality bias and total return focus make it a solid core option for cautious muni investors.

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Year	Total Return (%)	+/-Category
2010	2.42	0.20
2009	6.22	-5.19
2008	6.37	8.69
2007	4.93	2.18

Data through 12-31-10

Morningstar's Take | 03-14-11 | by Andrew Gogerty

A belt-and-suspenders type of fund.

Baird Intermediate Muni Bond's focus on capital preservation has served investors well.

This fund's management takes a more conservative approach toward investing in muni bonds than many of its intermediate-term peers. The fund holds 73% of assets in AAA rated bonds, and another 22% in AA rated issues; that combined stake is well above the 64% allocation of its average peer. The team takes its preference for safety one step further, however, as nearly 90% of the fund's AAA rated bonds are pre-refunded issues, which have virtually no credit risk because the remaining interest and principal payments are backed by Treasuries held in escrow. The rest of the portfolio also shies away from trouble and is typically invested in bonds funded by essential services of state and local municipalities, providing a higher level of certainty regarding future payments compared with special service bonds.

The trade-off for management's eye on quality is the fund's slightly lower yield, as its income returns over time have been on par or below peers', especially in recent years when higher-yielding, lower-quality bonds were in vogue. But over time, the fund's total returns have been among the category's best, thanks in part to its low fees. Its expense ratio of 0.30% is one of the cheapest levies in the group, allowing the fund to remain competitive with more aggressive peers. In fact, its 4.9% since-inception annualized gain through February 2011 is among the category's best.

The team has sold down the pre-refunded stake over the past year from 74% to 65% of assets, picking up additional yield in AA rated general obligation and essential service issues. Even so, credit-led rallies (such as 2009) may leave this fund behind. Though it has done relatively well recently, rising interest rates could also be a headwind. Continued demand for income has pushed yields down to near all-time lows, and a spike could result in capital losses in the short term. In total, though, the fund remains a solid choice.

Information through 05/31/11

The Morningstar five-star rating for the Institutional Class Baird Intermediate Municipal Bond Fund is the overall rating received among 211 Municipal National Intermediate bond funds. The fund received four stars for the three-year period among 211 Municipal National Intermediate bond funds, five stars for the five-year period among 189 Municipal National Intermediate bond funds and five stars for the ten-year period among 133 Municipal National Intermediate bond funds.

The overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with a fund's three-, five- and ten-year (if applicable) Morningstar Rating metrics.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk- Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages. Past performance is no guarantee of future results.

The average annual total returns for the Institutional Class of the Baird Intermediate Municipal Bond Fund as of May 31, 2011 are 4.18% for the one-year period, 5.43% for the five year period and 5.06% for the ten-year period. The minimum investment for the fund is \$25,000 and the expense ratio is 0.30%.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value of an investment in the fund will fluctuate so that an Investor's shares, when redeemed, may be worth more or less than their original cost. The fund's current performance may be lower or higher than this performance data.

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information is found in the prospectus. For a prospectus or for performance current to the most recent month-end, contact Fidelity Institutional Wealth Services. Please read the prospectus carefully before investing. The fund's current performance may be lower or higher than this performance data.

Due to the fact that the fund may invest more than 25% of its total assets in municipal obligations issued by entities located in the same state or the interest on which is paid solely from revenues of similar projects, the fund may be adversely affected due to changes in economic, business or political conditions relating to a particular state or types of projects. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise.

All investments contain some degree of risk.

This reprint must be accompanied with performance data current through the most recent quarter. For Morningstar ratings data current through the most recent month-end, please visit www.bairdfunds.com.

