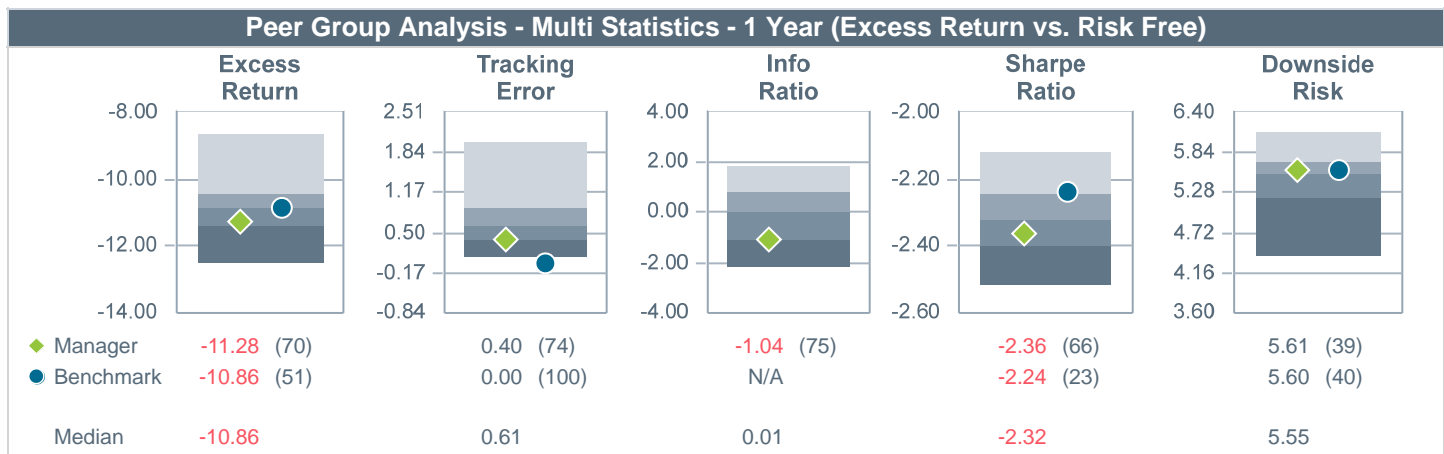
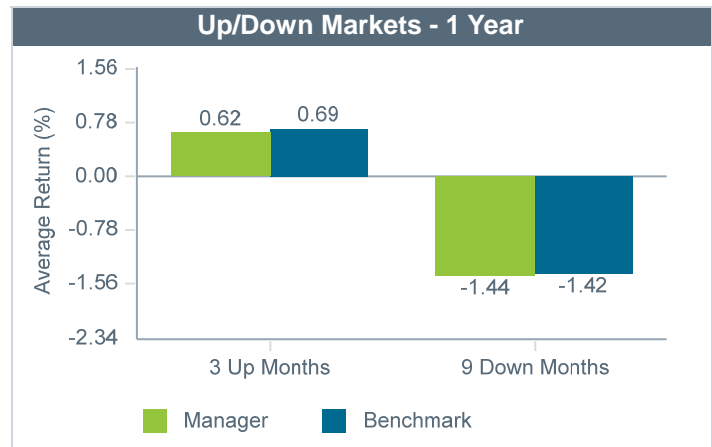
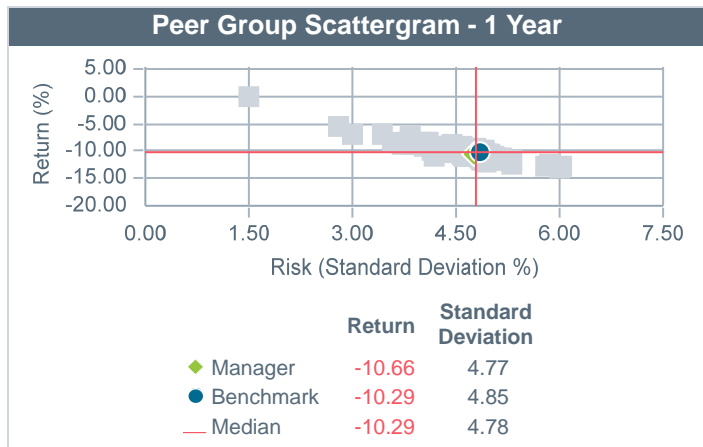


**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
Thursday, September 1, 2022, at 12:30 PM  
City Hall Conference Room 3C**

**AGENDA**

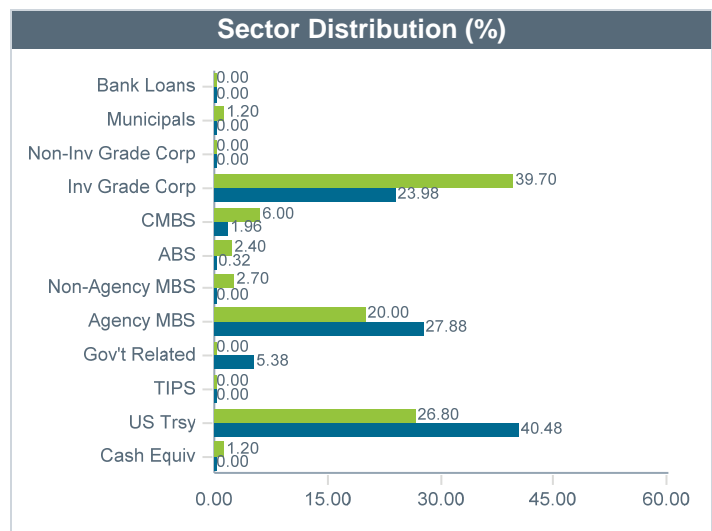
1. **CALL TO ORDER**
2. **PUBLIC COMMENT**
3. **INVESTMENT AND FINANCIAL MATTERS**
  - a. Baird – Core Fixed Income
4. **INFORMATION**
  - a. Next regular BOT meeting scheduled for Thursday, September 22, 2022, at 2 PM
  - b. Manager Review Meeting with Hamilton Lane – Private Credit scheduled for Thursday, October 6, 2022, at 12:30 PM
5. **PRIVILEGE OF THE FLOOR**
6. **ADJOURNMENT**

Performance											
	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	2021	2020	2019	2018	2017
Manager	-4.86	-10.66	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benchmark	-4.69	-10.29	-0.94	0.88	1.42	1.54	-1.55	7.51	8.72	0.01	3.54
Difference	-0.17	-0.37	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Peer Group Median	-4.85	-10.29	-0.44	1.29	1.89	2.03	-1.21	8.52	9.20	0.06	4.02
Rank	54	70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Population	125	125	125	121	118	114	142	151	153	159	164



### Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	6.43	6.44
Spread Duration	3.65	N/A
Avg. Maturity	8.28	8.63
Avg. Quality	AA-	Aa1/Aa2
Yield To Maturity (%)	N/A	3.72
Coupon Rate (%)	2.87	2.49
Current Yield (%)	N/A	N/A
Holdings Count	250	12,563



Performance shown is gross of fees and client specific. Calculation is based on monthly periodicity. Parentheses contain percentile ranks.

*Prepared for*  
City of Jacksonville Retirement System

September 1, 2022



## Representing Baird Advisors



### **Charles Groeschell**

Managing Director  
Senior Portfolio Manager  
414/ 298-1063  
[cgroeschell@rwbaird.com](mailto:cgroeschell@rwbaird.com)



### **Jeffrey Simmons, CFA**

Managing Director  
Senior Portfolio Manager  
312/ 609-4670  
[jsimmons@rwbaird.com](mailto:jsimmons@rwbaird.com)



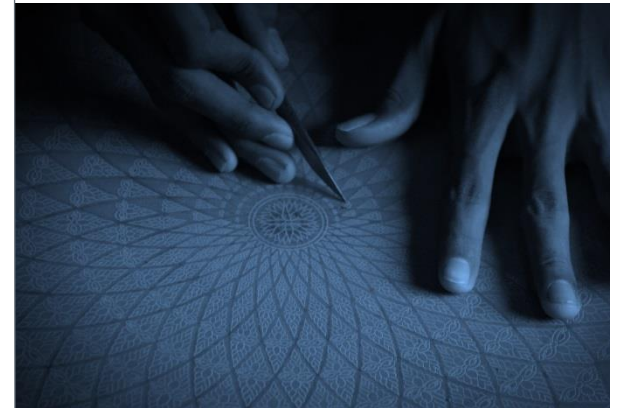
### **Michael Possley, CFA**

Managing Director  
Client Services  
312/ 609-4986  
[mpossley@rwbaird.com](mailto:mpossley@rwbaird.com)

# Table of Contents

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Current Market Review.....	4
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# Section 1

## Firm/Team Overview

# Firm Update

**1919** founded in Milwaukee

**2004** Baird becomes employee-owned

**4,800** Associates (Nearly three-quarters are shareholders)

BAIRD



19 consecutive years



10 consecutive years



2 consecutive years



2021 Outstanding Practice Winner - New in 2021



6 years



Awards 2022

Mary Ellen Stanek **Morningstar Outstanding Portfolio Manager Award 2022**

Baird Asset Management named 1 of 3 nominees for the 2022 **Morningstar Exemplary Stewardship Award**



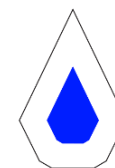
Baird Funds recognized as the **#1 Fund Family** out of the Largest 150 Fund Families



Baird Aggregate, Baird Short-Term and Baird Ultra Short Bond Funds receive **Morningstar's highest gold rating**



Baird Core Plus, Aggregate, Short-Term and Ultra Short Bond Funds selected for Morningstar's **Thrilling 37** mutual fund list out of more than 8,000 mutual funds



REFINITIV LIPPER FUND AWARDS

2022 WINNER UNITED STATES

Baird Short-Term Municipal Bond Fund: **Best Fund** over 3 & 5 years in the Short Municipal Debt category

Baird Funds Signatory of:



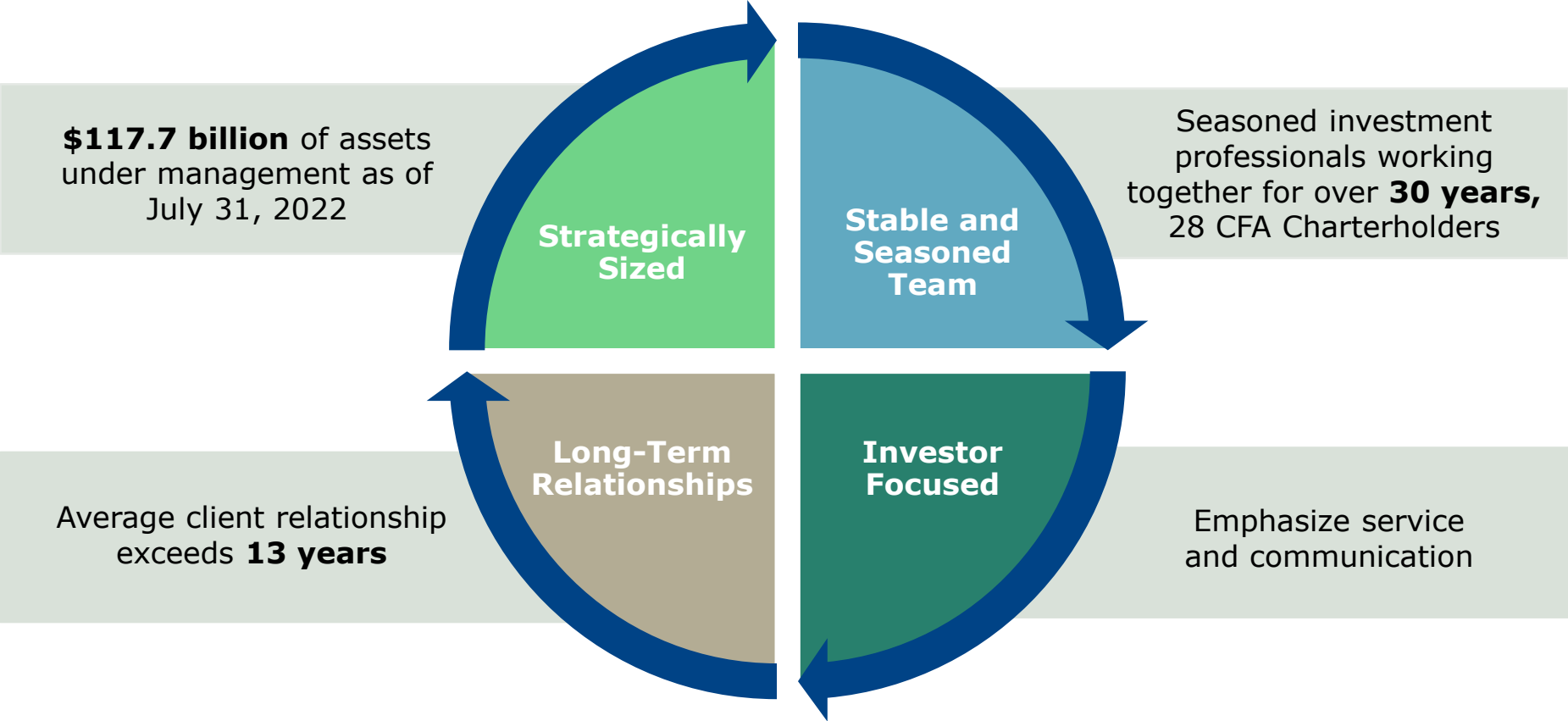
BARRON'S

- **100 Most Influential Women** in U.S. Finance: Mary Ellen Stanek (2020 & 2021)
- June 2020 Baird Short-Term Municipal Bond Fund Profile: **A Muni-Bond Fund That Lets You Sleep at Night**

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# Baird Advisors Overview

Experienced Team with a Competitive Track Record in High-Quality Fixed Income Management





# Baird Advisors

## Portfolio Management Team



### Mary Ellen Stanek, CFA

*MD, Co-Chief Investment Officer  
43 Years of Experience*

### Warren Pierson, CFA

*MD, Co-Chief Investment Officer  
36 Years of Experience*

### Charles Groeschell

*MD, Senior Portfolio Manager  
43 Years of Experience*

### Jay Schwister, CFA

*MD, Research Director  
38 Years of Experience*

### Duane McAllister, CFA

*MD, Senior Portfolio Manager  
Co-Lead Municipal Sector  
35 Years of Experience*

### Lyle Fitterer, CFA

*MD, Senior Portfolio Manager  
Co-Lead Municipal Sector  
33 Years of Experience*

### Jeffrey Simmons, CFA

*MD, Senior Portfolio Manager  
35 Years of Experience*

### Sharon deGuzman

*MD, Senior Portfolio Manager  
31 Years of Experience*

### Jeffrey Schrom, CFA

*MD, Senior Portfolio Manager  
Lead Credit Sector  
28 Years of Experience*

### Meghan Dean, CFA

*MD, Senior Portfolio Manager  
Co-Lead Securitized Sector  
22 Years of Experience*

### Patrick Brown, CFA

*MD, Senior Portfolio Manager  
Co-Lead Securitized Sector  
19 Years of Experience*

### Patrick Mutsune, CFA

*MD, Senior Investment &  
Systems Analyst  
25 Years of Experience*

### Andrew O'Connell, CFA

*MD, Senior Investment Analyst  
15 Years of Experience*

### Abhishek Pulakanti, CFA

*MD, Senior Investment Analyst  
14 Years of Experience*

### Amy Johnson

*MD, Portfolio Analyst  
21 Years of Experience*

### Timothy Fotsch, CFA

*SVP, Senior Investment Analyst  
15 Years of Experience*

### Ian Elfe, CFA

*SVP, Senior Investment Analyst  
14 Years of Experience*

### John Cremer, CFA

*SVP, Senior Investment Analyst  
10 Years of Experience*

### Alice Ambrowiak, CFA, CPA

*SVP, Investment Analyst  
20 Years of Experience*

### Gabriel Diederich, CFA

*SVP, Portfolio Manager  
19 Years of Experience*

### Erik Schleicher, CFA

*SVP, Portfolio Manager  
18 Years of Experience*

### Joseph Czechowicz, CFA

*SVP, Portfolio Manager  
15 Years of Experience*

### Jed Bruss, CFA

*VP, Investment Analyst  
13 Years of Experience*

### Joseph Lorbert, CFA, CFP

*VP, Investment Analyst  
11 Years of Experience*

### Donald Smiley, CFA

*VP, Investment Analyst  
9 Years of Experience*

### Lauren Vollrath, CFA

*VP, Investment Analyst  
9 Years of Experience*

### Allison Mayer

*VP, Investment Analyst  
9 Years of Experience*

### Patrick Hale, CFA

*VP, Investment Analyst  
7 Years of Experience*

### Allison Parra, CFA

*VP, Investment Analyst  
6 Years of Experience*

### Brian Jacobs, CPA

*VP, Investment Analyst  
5 Years of Experience*

### Neha Dimri

*VP, Investment Analyst  
5 Years of Experience*

### George Wong

*Investment Analyst  
2 Years of Experience*

## Baird Resource Partners

**Legal & Compliance  
(81)**

**Information Technology  
(339)**

**Human Resources  
(60)**

**Finance  
(69)**

**Research (Equity & Credit)  
(118)**

# Baird Advisors - Representative Clients

Average Client Relationship Exceeds 13 years



Note: The clients listed above represent various industry groups and geographic locations and were not selected based upon performance. Their appearance is not an indication of approval or disapproval of the investment management services provided.

# Baird Advisors

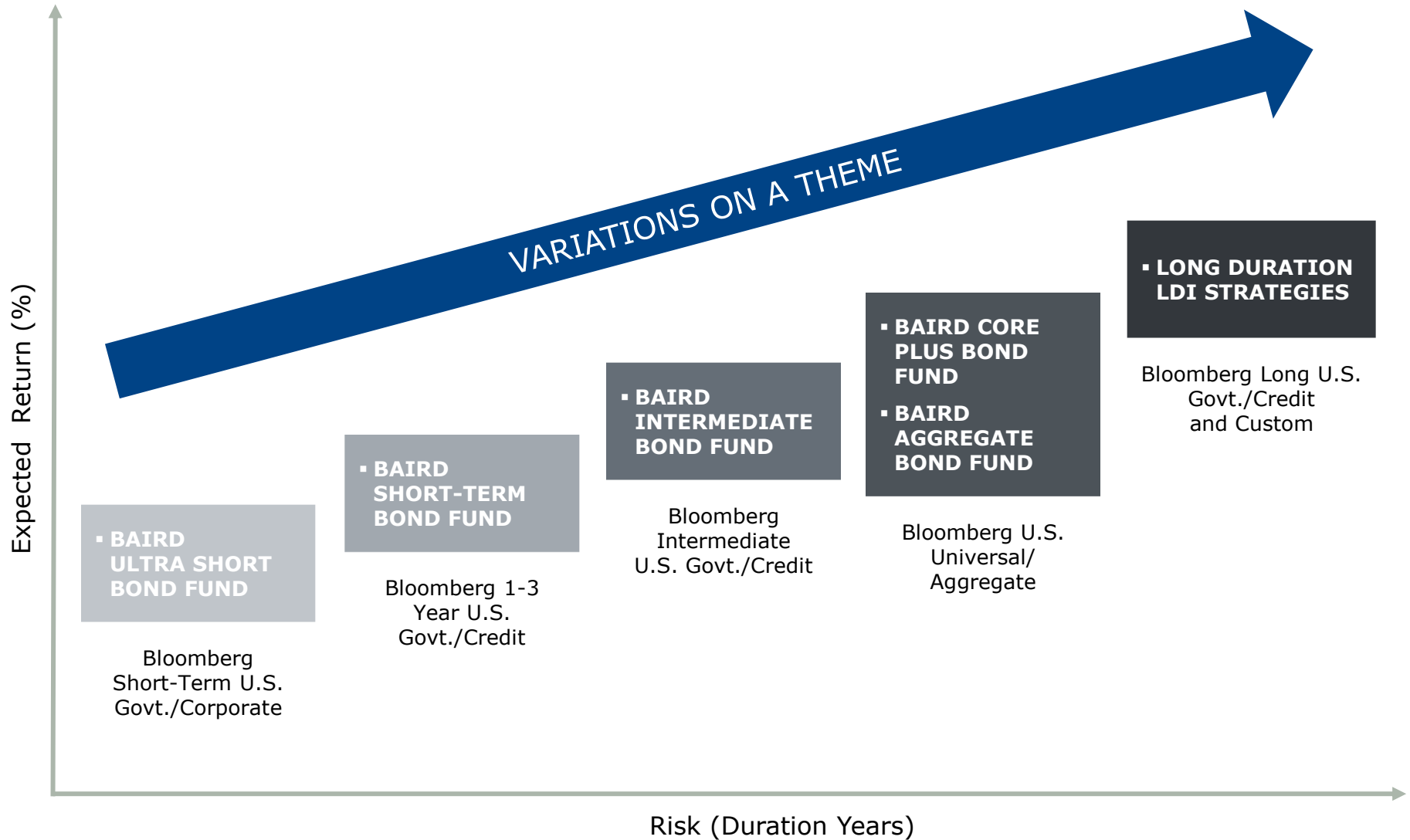
## Competitive Advantages

- Experienced team of investment professionals
- Risk-controlled discipline delivering over 35 years of competitive returns
- Consistency of returns versus peers
- Strategically sized, emphasizing bottom-up versus top-down approach
- All cash bonds, all U.S. dollar-denominated, no derivatives, no leverage
- Attractive expense ratio benefits future returns (30 bps Institutional Class)
- Employee-owned, strong financial services firm



# Structured, Risk-Controlled Taxable Portfolio Management

## Consistent Approach Applied Across Risk Spectrum



# Baird Taxable Bond Funds

## Total Net Returns as of July 31, 2022



	Annualized						Since Inception Lipper Rank & Percentile
	YTD 2022	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>2</sup>	
<b>Baird Core Plus Bond Fund – Institutional</b>	<b>-8.92%</b>	<b>-9.84%</b>	<b>0.19%</b>	<b>1.65%</b>	<b>2.40%</b>	<b>5.01%</b>	8 of 50
Bloomberg U.S. Universal Index	-8.70%	-9.56%	-0.22%	1.34%	1.93%	4.36%	<b>16%</b>
<b>Baird Aggregate Bond Fund – Institutional</b>	<b>-8.97%</b>	<b>-10.05%</b>	<b>-0.08%</b>	<b>1.43%</b>	<b>2.19%</b>	<b>4.57%</b>	13 of 128
Bloomberg U.S. Aggregate Index	-8.16%	-9.12%	-0.21%	1.28%	1.65%	4.13%	<b>11%</b>
<b>Baird Intermediate Bond Fund – Institutional</b>	<b>-5.72%</b>	<b>-7.03%</b>	<b>0.52%</b>	<b>1.49%</b>	<b>1.91%</b>	<b>4.18%</b>	4 of 40
Bloomberg Intermediate U.S. Govt/Credit Index	-5.25%	-6.48%	0.39%	1.37%	1.52%	3.78%	<b>10%</b>
<b>Baird Short-Term Bond Fund – Institutional</b>	<b>-2.90%</b>	<b>-3.57%</b>	<b>0.75%</b>	<b>1.39%</b>	<b>1.58%</b>	<b>2.43%</b>	27 of 111
Bloomberg 1-3 Year U.S. Govt/Credit Index	-2.60%	-3.22%	0.51%	1.12%	1.03%	2.07%	<b>25%</b>
<b>Baird Ultra Short Bond Fund – Institutional<sup>1</sup></b>	<b>-0.22%</b>	<b>-0.24%</b>	<b>0.91%</b>	<b>1.45%</b>	<b>n/a</b>	<b>1.29%</b>	14 of 76
Bloomberg Short-Term U.S. Govt/Corporate Index	-0.21%	-0.23%	0.73%	1.26%	n/a	0.94%	<b>19%</b>

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return 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 funds' current performance may be lower or higher than the performance data quoted. For performance current to the most recent month-end, please visit [www.bairdfunds.com](http://www.bairdfunds.com).

<sup>1</sup> Expense Ratio for the Institutional Share Classes is 0.30%; for the Investor Share Classes is 0.55%. The Advisor has contractually agreed to waive management fees for the Baird Ultra Short Bond Fund in an amount equal to an annual rate of 0.15% of the average daily net assets for the Fund until April 30, 2023. The agreement may only be terminated prior to the end of this term by or with the consent of the Board of Directors of Baird Funds, Inc.

Returns shown include the reinvestment of all dividends and capital gains.

<sup>2</sup> The Baird Core Plus, Aggregate and Intermediate Bond Funds Since Inception net returns are based on performance from September 30, 2000 through July 31, 2022. The Baird Short-Term Bond Fund Since Inception net return is based on performance from August 31, 2004 through July 31, 2022. The Baird Ultra Short Bond Fund Since Inception net return is based on performance from December 31, 2013 through July 31, 2022.

# Consistency is Key

## Baird Taxable Bond Funds – Institutional Shares



Percentage of Time Funds Outperform Their Morningstar Category Average					
Rolling Time Periods	Baird Ultra Short Bond	Baird Short-Term Bond	Baird Intermediate Bond	Baird Aggregate Bond	Baird Core Plus Bond
1 Year	72%	82%	57%	89%	78%
2 Year	89%	92%	59%	93%	90%
3 Year	100%	99%	59%	100%	100%
5 Year	100%	100%	61%	100%	100%

Source: Morningstar Direct as of July 31, 2022.

Performance numbers used are through each month end period from each fund's inception date.

The Baird Core Plus, Aggregate and Intermediate Bond Funds Since Inception net returns are based on performance from September 30, 2000 through July 31, 2022.

The Baird Short-Term Bond Fund Since Inception net return is based on performance from August 31, 2004 through July 31, 2022.

The Baird Ultra Short Bond Fund Since Inception net return is based on performance from December 31, 2013 through July 31, 2022.

All supporting information available upon request.  
Past performance does not guarantee future results.

# Baird Municipal Bond Funds

## Total Net Returns as of July 31, 2022



	Annualized						Since Inception Lipper Rank & Percentile
	YTD 2022	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>1</sup>	
<b>Baird Short-Term Municipal Bond Fund – Institutional</b>	<b>-2.86%</b>	<b>-3.10%</b>	<b>0.60%</b>	<b>1.40%</b>	<b>n/a</b>	<b>1.62%</b>	2 of 92
Bloomberg 1-5 Year Short Municipal Index	-2.19%	-2.49%	0.52%	1.15%	n/a	1.21%	<b>3%</b>
<b>Baird Core Intermediate Municipal Bond Fund – Institutional</b>	<b>-5.00%</b>	<b>-5.06%</b>	<b>1.02%</b>	<b>2.15%</b>	<b>n/a</b>	<b>2.58%</b>	9 of 146
Bloomberg 1-15 Year Municipal Index	-4.72%	-5.14%	0.60%	1.78%	n/a	2.12%	<b>7%</b>
<b>Baird Quality Intermediate Muni Bond Fund – Institutional</b>	<b>-4.58%</b>	<b>-5.02%</b>	<b>0.27%</b>	<b>1.25%</b>	<b>1.53%</b>	<b>3.47%</b>	19 of 51
Bloomberg Quality Intermediate Municipal Index	-4.04%	-4.54%	0.53%	1.54%	1.98%	3.56%	<b>37%</b>
<b>Baird Municipal Bond Fund – Institutional</b>	<b>-5.82%</b>	<b>-5.60%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>3.03%</b>	2 of 267
Bloomberg Municipal Index	-6.58%	-6.93%	n/a	n/a	n/a	0.23%	<b>1%</b>
<b>Baird Strategic Municipal Bond Fund – Institutional</b>	<b>-4.23%</b>	<b>-4.01%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>2.56%</b>	1 of 71
Bloomberg 1-10 Year Municipal Blend Index	-3.74%	-4.18%	n/a	n/a	n/a	0.56%	<b>1%</b>

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return 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 funds' current performance may be lower or higher than the performance data quoted. For performance current to the most recent month-end, please visit [www.bairdfunds.com](http://www.bairdfunds.com).

Expense Ratio for the Institutional Share Classes is 0.30%; for the Investor Share Classes is 0.55%  
Returns shown include the reinvestment of all dividends and capital gains.

<sup>1</sup> The Baird Quality Intermediate Municipal Bond Fund Since Inception net return is based on performance from March 31, 2001 through July 31, 2022. The Baird Core Intermediate and Short-Term Municipal Bond Fund Since Inception net return is based on performance from August 31, 2015 through July 31, 2022. The Baird Municipal and Strategic Municipal Bond Fund Since Inception net return is based on performance from November 15, 2019 through July 31, 2022.

## Section 2

Philosophy/Process Overview



# Investment Philosophy & Process:

## Two-Fold Approach

### Step 1: Structure Portfolio to Achieve Return of the Benchmark

<b>Complete Understanding of the Benchmark</b>	<ul style="list-style-type: none"> <li>▪ Quantify duration, sector and subsector weightings</li> <li>▪ Evaluate pricing, turnover and projected changes to benchmark</li> <li>▪ Purchase only U.S. dollar-denominated securities</li> </ul>
<b>Remain <i>Duration Neutral</i> to Control Portfolio Risk</b>	<ul style="list-style-type: none"> <li>▪ Precisely match duration to index at all times</li> <li>▪ Immediately adjust portfolio as contributions and withdrawals occur</li> <li>▪ Rebalance at month-end to match benchmark changes</li> </ul>
<b>Maintain Strict Adherence to Portfolio Guidelines</b>	<ul style="list-style-type: none"> <li>▪ Continuously monitor risk-control measures</li> <li>▪ Use scenario analysis</li> <li>▪ Compliance systems for all portfolio trades</li> </ul>
<b>Emphasis on Security Structure/Credit Research</b>	<ul style="list-style-type: none"> <li>▪ Evaluate specific security covenants, cash flows and liquidity concerns</li> <li>▪ Assess company financials and management</li> <li>▪ Consider prospects for sector and position in industry</li> </ul>

# Investment Philosophy & Process:

## Two-Fold Approach

### Step 2: Add Incremental Value through Bottom-Up, Risk-Controlled Process

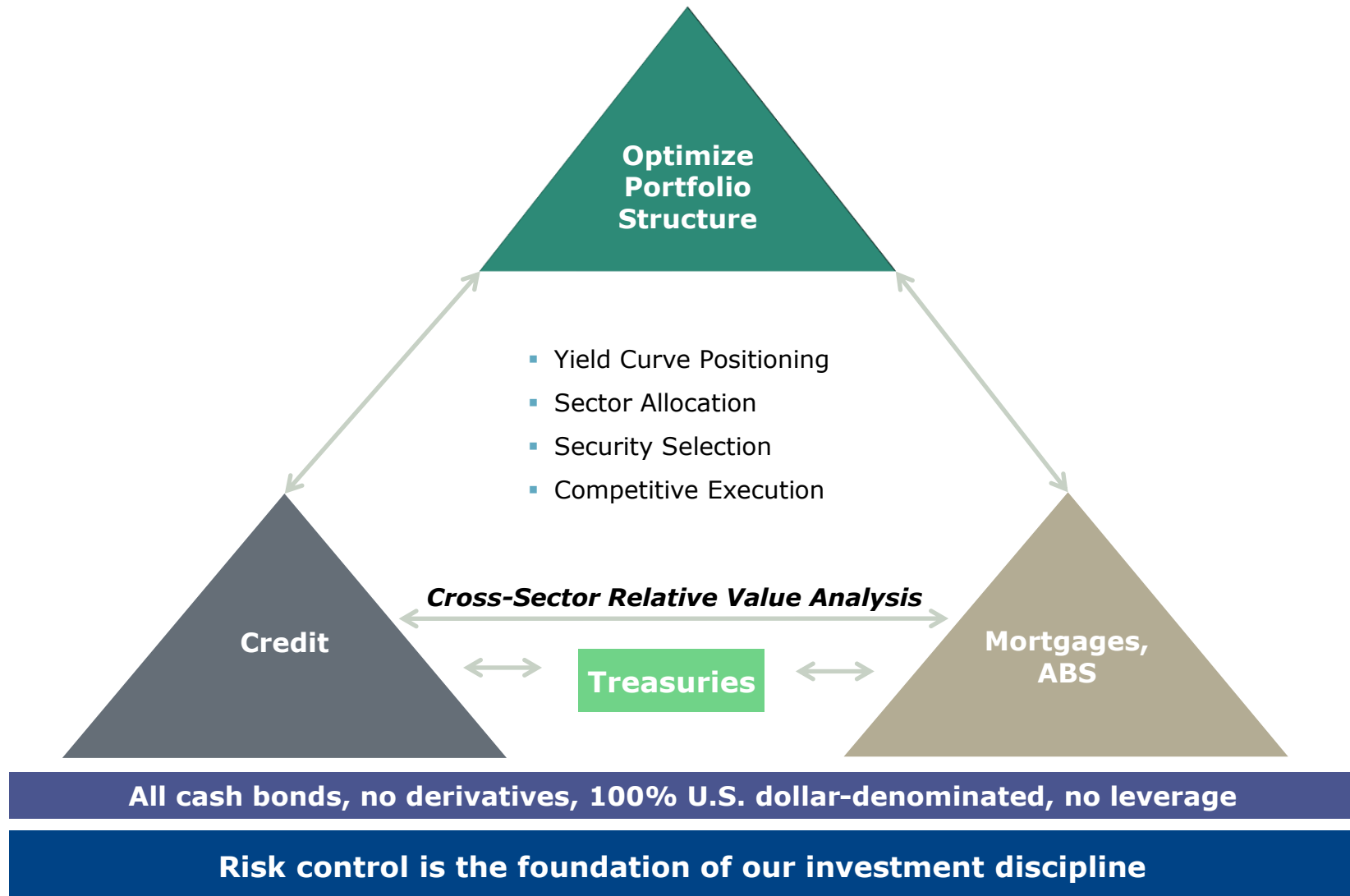
#### Sources of Added Value:

<b>Yield Curve Positioning</b>	<ul style="list-style-type: none"> <li>▪ Optimize yield and “roll down”</li> <li>▪ Analyze yield curve on a continual basis</li> </ul>
<b>Sector Allocation</b>	<ul style="list-style-type: none"> <li>▪ Evolve sector allocations around long-term biases</li> <li>▪ Focus on relative value</li> <li>▪ Yield spreads and underlying risks change constantly</li> </ul>
<b>Security Selection</b>	<ul style="list-style-type: none"> <li>▪ Structure</li> <li>▪ Attributes</li> <li>▪ Liquidity</li> </ul>
<b>Competitive Execution</b>	<ul style="list-style-type: none"> <li>▪ Capitalize on market inefficiencies</li> <li>▪ Receive timely market information</li> <li>▪ Utilize long-standing dealer relationships</li> </ul>

We seek to consistently add 15-50 basis points of incremental return

Consistent,  
Competitive  
Performance Over  
Complete Market  
Cycles

# Implementation: A Holistic Approach



# Research

## Internal Research Supported By External Tools Drives Our Investment Process

### Internal Expertise: Identifying Value from Bottom Up

#### Credit

- Review issuers by fundamentals, management and benchmark weighting
- Consider industry trends, regulatory environment and ESG risk factors
- Credit curve and capital structure analysis drives security selection

#### Mortgages/ ABS

- Analyze both structure and collateral
- Prefer senior in capital structure with limited cash flow timing risk
- Top-tier originators and servicers

#### Yield Curve Positioning

- Optimize yield curve positioning
- Search for roll-down opportunities
- Duration neutral and prefer positive convexity tilt

### External Tools:

- **Bloomberg:** Benchmark analysis, Security analysis, company research, AIM OMS and pre-trade compliance, PORT Portfolio Analytics
- **Interactive Data BondEdge:** Portfolio and benchmark analysis
- **Investor Tools Perform:** Municipal portfolio management and analytics system
- **CreditSights:** Independent credit research from team of highly ranked analysts
- **Intex Solutions:** Residential and commercial loan and ABS analysis
- **Yield Book:** Agency RMBS risk and relative value analysis
- **Sustainalytics and ISS:** ESG Risk Ratings
- **TradeWeb:** Treasury and agency RMBS trading platform, historical curve information
- **MarketAxess:** Corporate trading platform and TRACE data market monitor
- **Access to Baird equity and credit analysts and other Wall Street-leading fixed income and equity research**

## Section 3

Update on City of Jacksonville Retirement System Portfolio

# Risk Controls in Taxable Portfolio Construction



## **DURATION NEUTRAL TO BENCHMARK**



## **U.S. TREASURY AND GOVERNMENT AGENCY SECURITIES**

- Emphasized for long duration exposures
- Used to match duration



## **CREDIT SECURITIES**

- Overall credit positioning generally shorter on the yield curve versus respective benchmark
- Emphasize sectors and industries that give high priority to stable credit rating
- Broad issuer diversification overall; increases for lower credit quality



## **MORTGAGE-BACKED AND ASSET-BACKED SECURITIES**

- Favor more prepayment protection than U.S. Government Agency MBS (positive convexity “tilt”)
- Focus on most senior class in deal structure if Non-U.S. Government guaranteed



## **CASH BONDS**

- No foreign currency
- No derivatives
- No leverage



## **ONGOING PORTFOLIO MONITORING**

- Continuous review of portfolios for adherence to stated guidelines and objectives

**RISK CONTROL IS THE FOUNDATION OF OUR INVESTMENT DISCIPLINE**

# Yields Rise Sharply

	Date	Fund	Benchmark	Advantage
<b>Ultra Short</b>	<b>7/31/22</b>	<b>3.54%</b>	<b>2.95%</b>	<b>+59 bps</b>
	12/31/21	0.69%	0.36%	+33 bps
<b>Short-Term</b>	<b>7/31/22</b>	<b>3.77%</b>	<b>3.13%</b>	<b>+64 bps</b>
	12/31/21	1.14%	0.81%	+33 bps
<b>Intermediate</b>	<b>7/31/22</b>	<b>3.63%</b>	<b>3.21%</b>	<b>+42 bps</b>
	12/31/21	1.49%	1.30%	+19 bps
<b>Aggregate</b>	<b>7/31/22</b>	<b>3.86%</b>	<b>3.42%</b>	<b>+44 bps</b>
	12/31/21	1.89%	1.75%	+14 bps
<b>Core Plus</b>	<b>7/31/22</b>	<b>4.16%</b>	<b>3.87%</b>	<b>+29 bps</b>
	12/31/21	2.02%	2.08%	-6 bps

# Portfolio Positioning

## **Portfolio yield advantages over benchmarks**

## **Maintain sufficient liquidity for uncertain environment**

## **Portfolios positioned to benefit modestly from spread sector outperformance**

- Maintain nominal underweight to U.S. Treasury sector
- Opportunities across spread sectors attractive on selective basis
- Selective overweight to spread sectors

## **Flat yield curve limits roll down opportunities**

- Duration neutral overall
- Maintain positive convexity tilt

## **Focus on risk control**

- Importance of fundamental credit analysis
- Emphasize diversification
- Maintain coupon advantage

## **Experienced team and risk-controlled process key to long-term success**



# City of Jacksonville Retirement System

## Summary Investment Objectives and Portfolio Guidelines

### **Investment Objective:**

To produce investment returns that add value through active management relative to the returns of the Bloomberg U.S Aggregate Index on an annualized basis over rolling three-to-five year periods, net of fees, and rank above median compared to its style peers over the same period.

### **Authorized Investments:**

Cash and cash equivalents, U.S. Treasuries, U.S. Government Agencies and other public-sector debt obligations of U.S. and foreign issuers. Asset-backed and mortgage-backed obligations of U.S. and foreign issuers. Corporate debt obligations U.S. and foreign issuers. Commercial Paper, Taxable and Tax-Exempt Municipal Securities. All debt obligations will be U.S. Dollar-denominated and marketable which include Rule 144A securities.

### **Portfolio Guidelines Summary:**

- Securities must be rated Baa3/BBB- or better by at least one NRSRO (e.g. Moody's, S&P or Fitch) at time of purchase. Securities rated by more than one NRSRO, the highest rating shall apply. The portfolio may also invest up to 5% in unrated debt obligations that are determined by Baird to be comparable in quality to the rated obligations allowed under these guidelines.
- If a security is downgraded below Baa3/BBB- by all NRSROs subsequent to purchase it may be held as long as the total of these holdings downgraded below Baa3/BBB- does not exceed 10%. In addition, any securities downgraded to below investment grade will be reported to the client along with the recommended action.
- Maximum 25% may be invested in any one industry, excluding U.S. Government and Agency securities.
- Maximum 5% per single issuer, excluding for U.S. Government and Agency obligations. An asset-backed or mortgage-backed security that is backed by a discrete pool of receivables or mortgage loans will be considered a unique issuer.
- Maximum 5% Cash under normal circumstances
- Maximum 25% Municipal Bonds
- Maximum 25% Agency Residential Mortgage Backed Securities
- Maximum 25% Government National Mortgages Association Agency Residential Mortgage Backed Securities
- Maximum 25% International Securities
- Maximum 25% Asset-backed securities (ABS), including Non-Agency Residential Mortgage Backed Securities
- Maximum 25% Agency and Non-Agency Commercial Mortgage Backed Securities (CMBS)
- Maximum 80% Corporates

# Key Drivers of Performance – YTD 2022

## **Credit Positioning – Negative Overall**

- Negative – Overweight to Investment Grade Credit
- Negative – Active positioning within Investment Grade Credit
  - Negative – Overweight to BBB credit
  - Negative – Overweight to Financials and underweight to Non-Corporate Credit
  - Modest Negative – Favoring credit shorter on the curve versus the benchmark (5-10yr maturities in particular)

## **Securitized Positioning – Modest Positive Overall**

- Positive – Underweight to Agency RMBS
- Negative – Overweight to Non-Agency CMBS, ABS & Non-Agency RMBS at the top of the capital structure

## **Yield Curve Positioning – Neutral Overall**

- Negative – Overweight 20yr and underweight 30yr as 20s/30s yield curve inverted further
- Modest Positive – Underweight 1-2yr and overweight 3-5yr as 2s/5s yield curve flattened
- Positive – Positive convexity tilt of overall portfolio versus the benchmark

# City of Jacksonville Retirement System

## Portfolio Characteristics as of July 31, 2022

Change since 12/31/21 (bps)

Yield to Worst (Gross)	(+195) 3.85%	(+167) 3.42%	Portfolio Yield Advantage +0.43% to Bloomberg U.S. Aggregate Index	
Average Coupon	2.88%	2.52%		
Effective Duration	6.40 years	6.40 years		
Effective Maturity	8.18 years	8.49 years		
	Portfolio	Bloomberg U.S. Aggregate Index	Portfolio	Bloomberg U.S. Aggregate Index
Quality Breakdown	% Market Value		% Contribution to Effective Duration	
U.S. Treasury	27.3	40.3	44.3	40.9
U.S. Agency	22.4	30.1	17.7	25.4
AAA	9.5	3.2	5.6	2.3
AA	1.3	2.7	2.2	3.5
A	13.6	10.8	8.7	12.6
BBB	25.8	12.8	21.5	15.3
Below BBB	0.0	0.0	0.0	0.0
Total	100.0%	100.0%	100.0%	100.0%
Sector Breakdown				
<i>U.S. Government (Non-MBS)</i>	27.3	41.6	44.3	41.6
U.S. Treasury	27.3	40.3	44.3	40.9
U.S. Agency (Non-MBS)	0.0	1.2	0.0	0.7
<i>Credit</i>	40.8	28.1	32.4	32.9
Industrials	20.3	14.2	19.3	18.8
Utilities	2.7	2.0	2.6	3.0
Financials	17.5	8.0	10.1	7.2
Non-Corporate Credit	0.3	3.9	0.4	3.8
<i>Securitized</i>	31.3	30.3	23.3	25.5
U.S. Agency RMBS	20.2	28.0	16.0	23.9
U.S. Agency CMBS	2.3	0.9	1.7	0.8
Non-Agency RMBS	2.6	0.0	1.5	0.0
Non-Agency CMBS	3.9	1.0	3.4	0.7
ABS	2.3	0.4	0.6	0.1
<i>Cash</i>	0.7	0.0	0.0	0.0
Total	100.0%	100.0%	100.0%	100.0%
Number of Issues	254	12,597		
Market Value	\$212,322,878			

Yield to Worst is gross of fees and is the lower of: 1) Yield to Maturity or 2) Yield to Call, if applicable.

Below BBB category includes non-rated bonds. Totals sum based on unrounded data. Breakouts are shown rounded to the nearest tenth and may not visually sum. Per prospectus, the fund assigns each security the highest rating provided by a NRSRO. Per Bloomberg, the index assigns a rating based on S&P, Moody's, and Fitch ratings only (middle of three ratings, lower of two, or singular rating).

# City of Jacksonville Retirement System

## Gross Investment Performance as of July 31, 2022

	Portfolio	Bloomberg U.S. Aggregate Index
<b>2021 (4/1/21-12/31/21)</b>	2.19%	1.89%
<b>Year to Date 2022</b>	-8.66%	-8.16%
<b>Since Inception Annualized (4/1/2021)</b>	<b>-5.03%</b>	<b>-4.85%</b>

The performance is presented on a cumulative compound and annualized basis and does not reflect the deduction of investment advisory fees. Returns would be reduced by an advisory fee and other fees such as custodial expenses; refer to the client contract for client specific fee schedule. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports. The Baird Advisors Brochure is available upon request.

# City of Jacksonville Retirement System

## Net Investment Performance as of July 31, 2022

	Portfolio	Bloomberg U.S. Aggregate Index
<b>2021 (4/1/21-12/31/21)</b>	2.03%	1.89%
<b>Year to Date 2022</b>	-8.77%	-8.16%
<b>Since Inception Annualized (4/1/2021)</b>	-5.24%	-4.85%

The performance is presented on a cumulative compound and annualized basis net of fees. Returns would be reduced by an advisory fee and other fees such as custodial expenses; refer to the client contract for client specific fee schedule. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports. The Baird Advisors Brochure is available upon request.

# Section 4

## Current Market Review

# 2022 – Inflation and the Fed

## Fed Intensifies its Fight Against Inflation in Q2

- Yields rise sharply, curve flattens
- Odds of recession increase

## Early Signs of Slowing

- Inflation should temper in back half of year
- Labor market still tight (lagging indicator)
- Secular disinflationary forces persist (demographics, technology)
- Bond market saying inflation surge is not long-term

## Market Opportunities Increase

- Yields up sharply
- Spreads widen

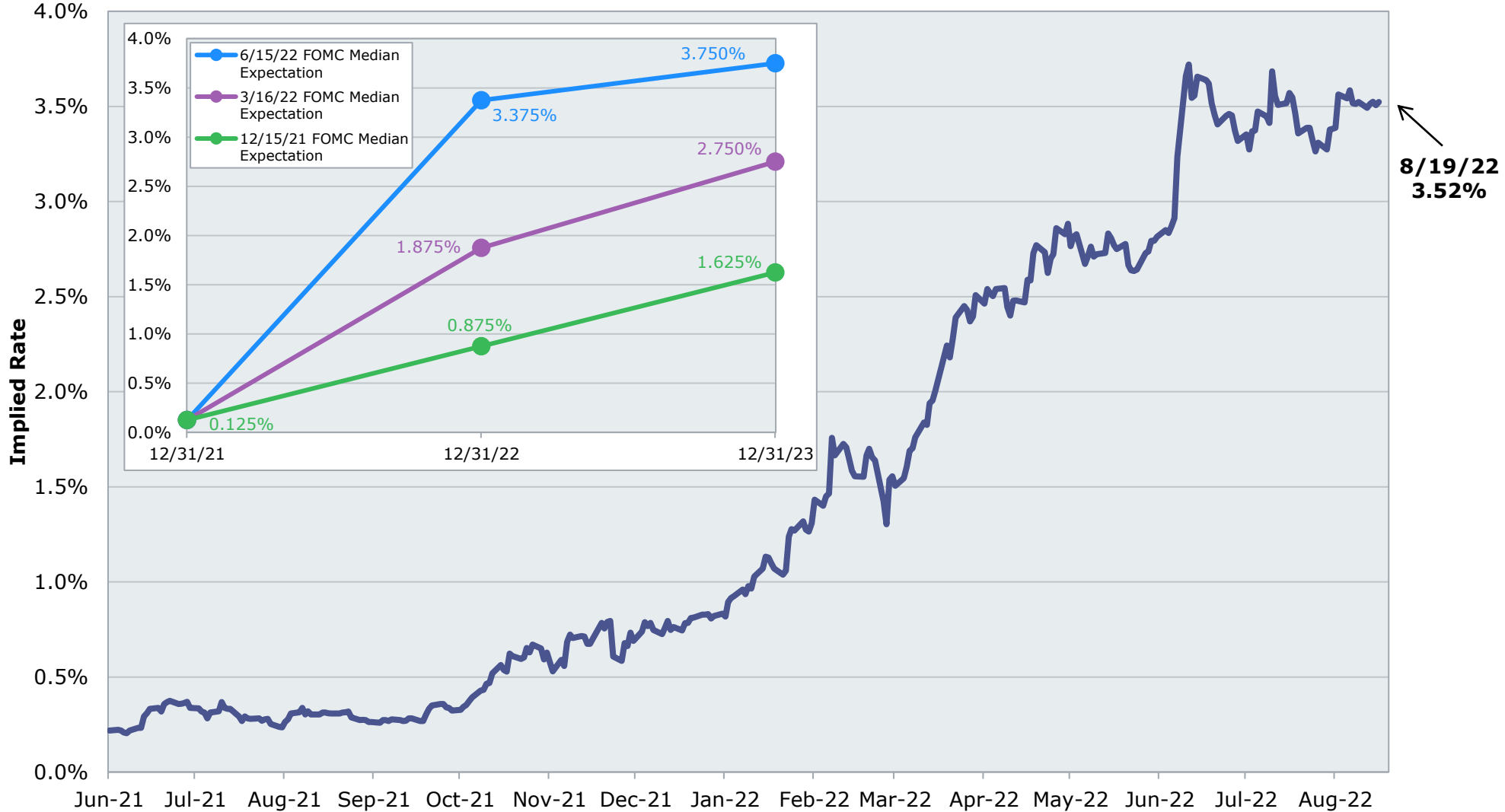
## Higher Risk Environment

- Higher volatility
- Less market liquidity

# Fed Focused on Fighting Inflation



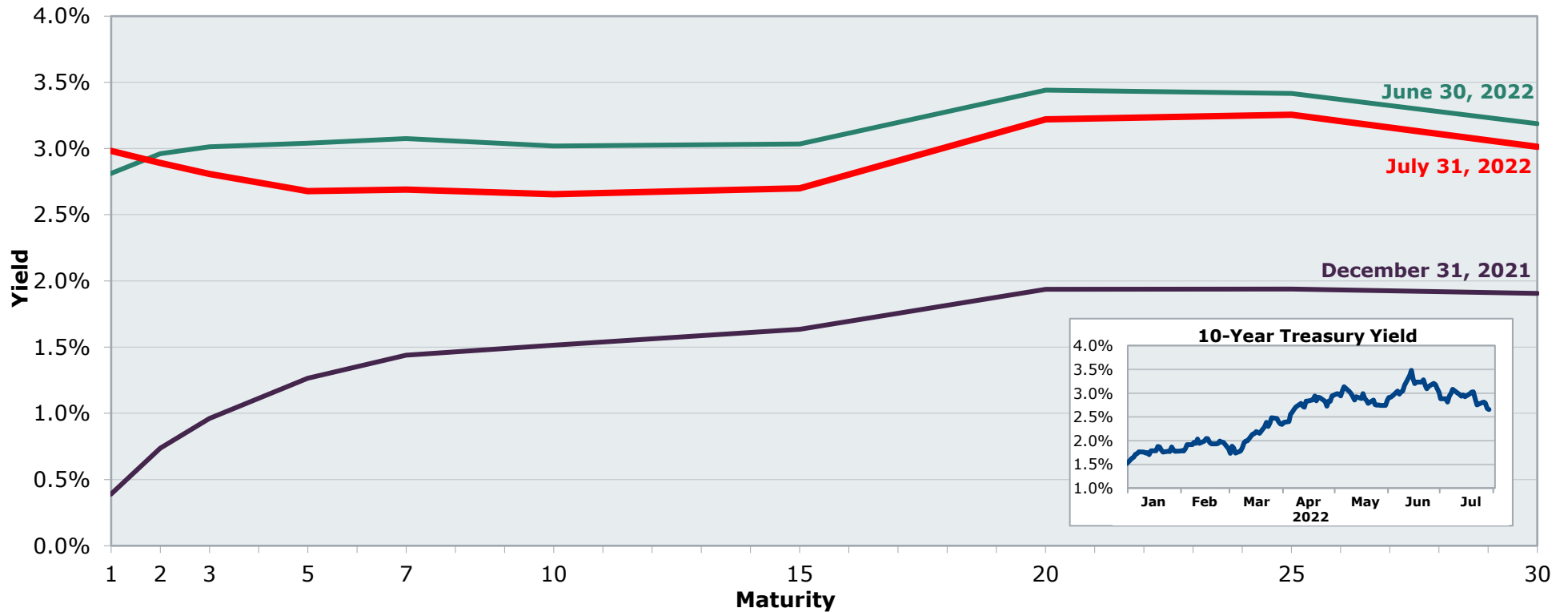
### Year-End 2022 Fed Funds Rate Priced in by Market





# Treasury Yields Decline in July

## Yield Curve Flattens



Maturity	December 31, 2021	June 30, 2022	July 31, 2022	1 Mo. Change	YTD Change
1	0.39%	2.81%	2.98%	0.17%	2.59%
2	0.74%	2.96%	2.89%	-0.07%	2.15%
3	0.96%	3.01%	2.81%	-0.20%	1.85%
5	1.27%	3.04%	2.68%	-0.36%	1.41%
7	1.44%	3.08%	2.69%	-0.39%	1.25%
10	1.51%	3.02%	2.65%	-0.37%	1.14%
20	1.94%	3.44%	3.22%	-0.22%	1.28%
30	1.91%	3.19%	3.01%	-0.18%	1.10%

Source: Bloomberg  
Data as of: 7/31/22

# Spreads Wider YTD

Option-Adjusted Spreads (bps)							
	March 2020 Wides	12/31/21	6/30/22	7/31/22	1 Mo. Change	YTD Change	Post GFC Avg. <sup>1</sup>
<b>U.S. Aggregate Index</b>	127	36	55	49	-6	13	52
<b>U.S. Agency Sector (Non-MBS)</b>	53	8	17	21	4	13	17
<b>MBS and ABS Sectors</b>							
U.S. Agency Pass-Throughs <sup>2</sup>	132	31	46	27	-19	-4	37
U.S. Agency CMBS	144	34	41	49	8	15	N/A
Non-Agency CMBS	348	95	152	154	2	59	166
Consumer ABS	325	38	75	82	7	44	61
<b>Investment Grade Credit Sectors</b>							
U.S. Corporates	373	92	155	144	-11	52	140
Industrials	383	95	153	140	-13	45	135
Utilities	298	107	156	146	-10	39	134
Financials	378	83	159	150	-9	67	149
Other Govt. Related	180	55	72	77	5	22	92
<b>High Yield Credit Sectors</b>							
U.S. High Yield Corporates	1100	283	569	469	-100	186	480
Emerging Market Debt <sup>3</sup>	1370	581	835	826	-9	245	585

<sup>1</sup> Average since 6/30/09 (Global Financial Crisis).

<sup>2</sup> Prepayment model update in January 2022 caused OAS to move 20 bps tighter. Excluding the impact from the model update, spreads were ~16 bps wider YTD.

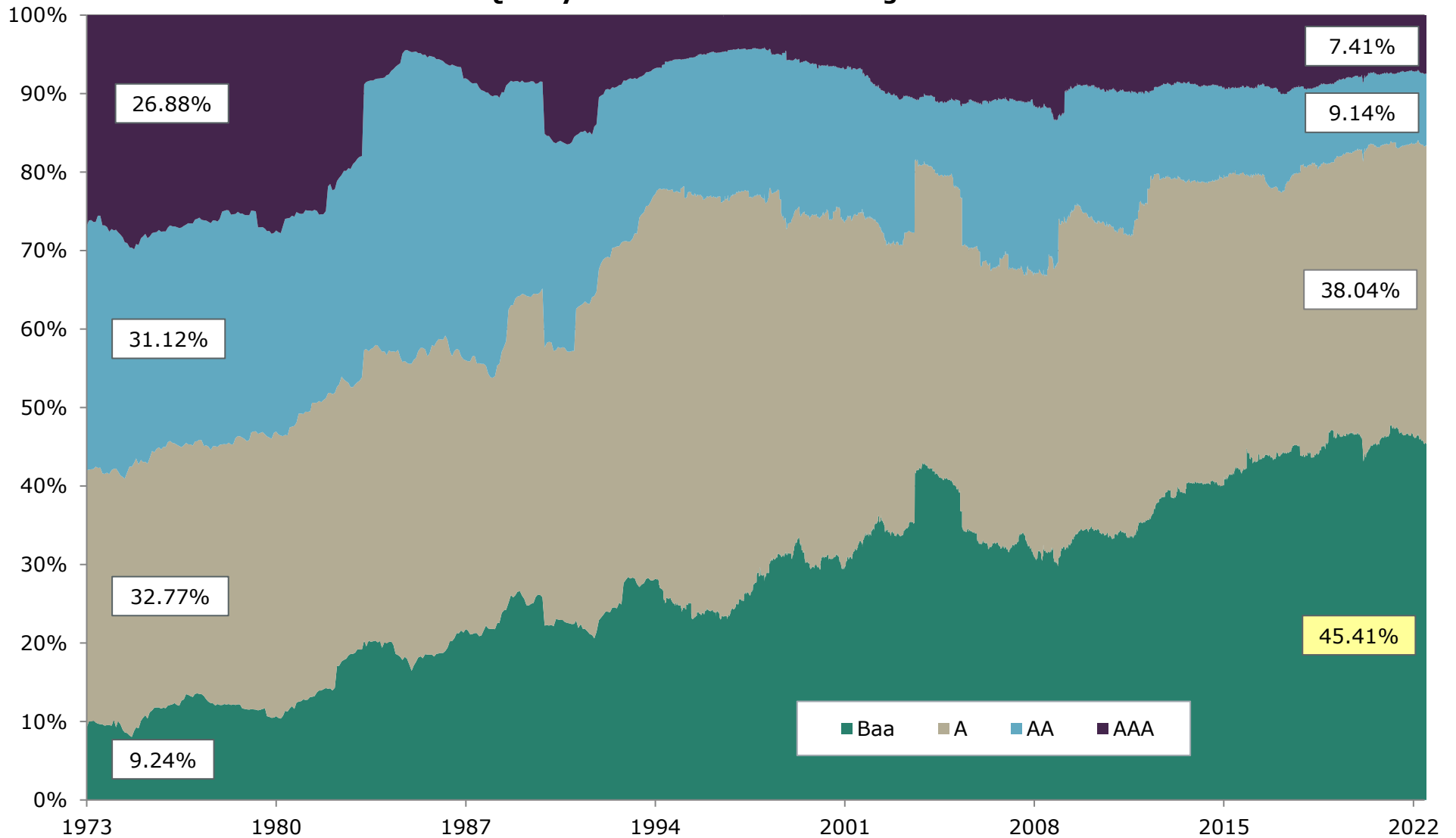
<sup>3</sup> Emerging Market Debt is a subindex of the Bloomberg U.S. Universal Index and is primarily rated below Investment Grade.

# BBB is Rating of Choice

## Intentional Optimization of Balance Sheets

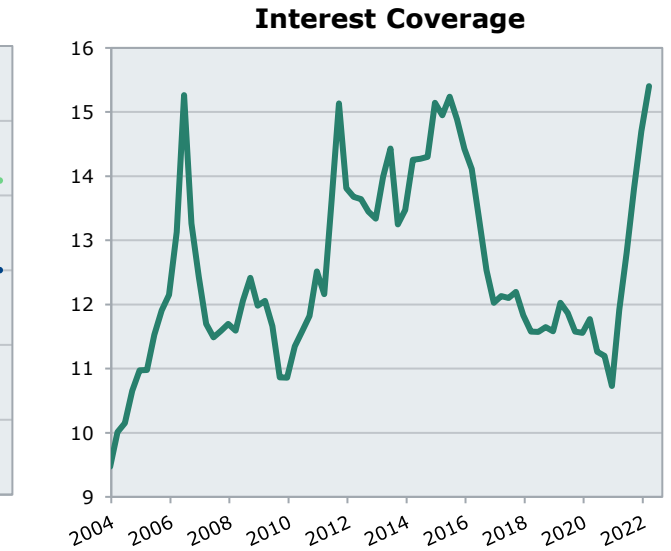
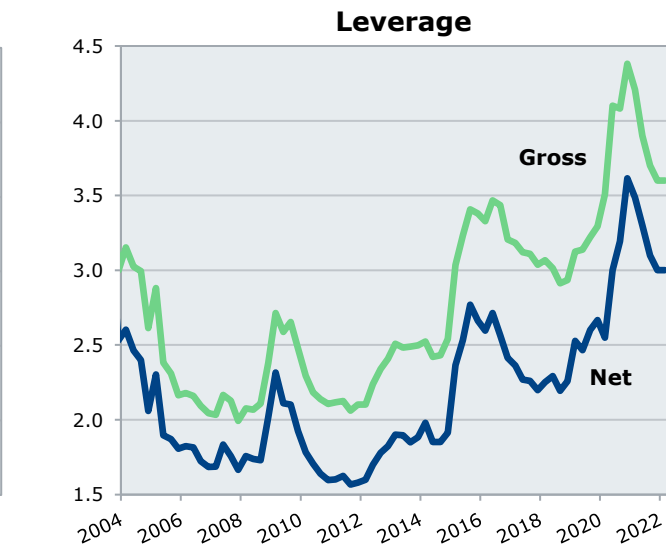
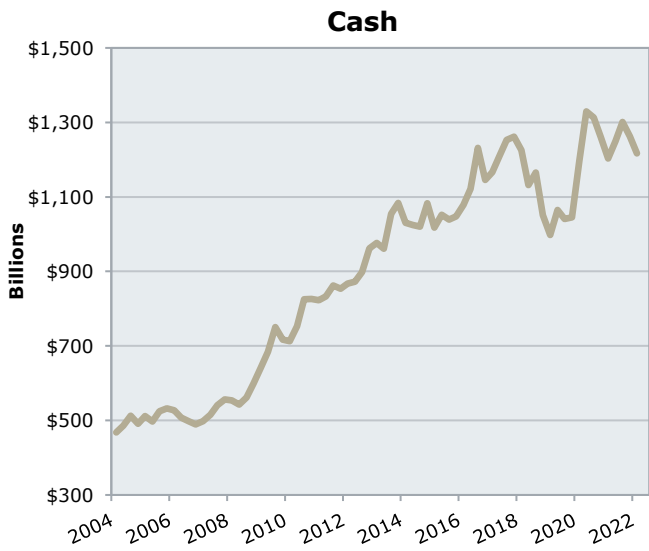
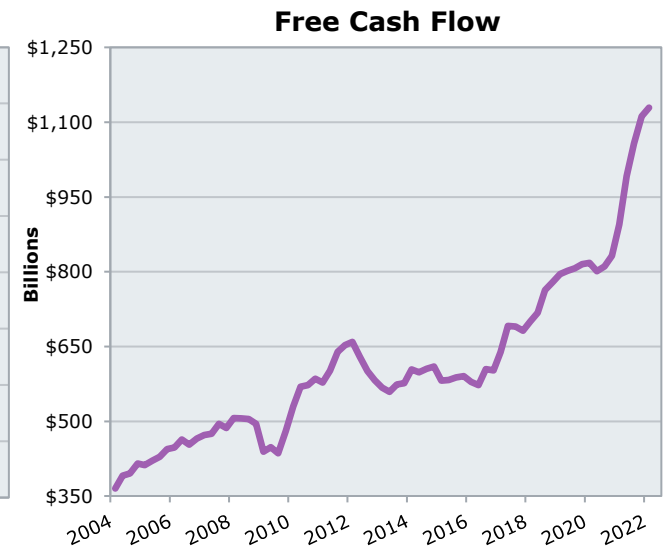
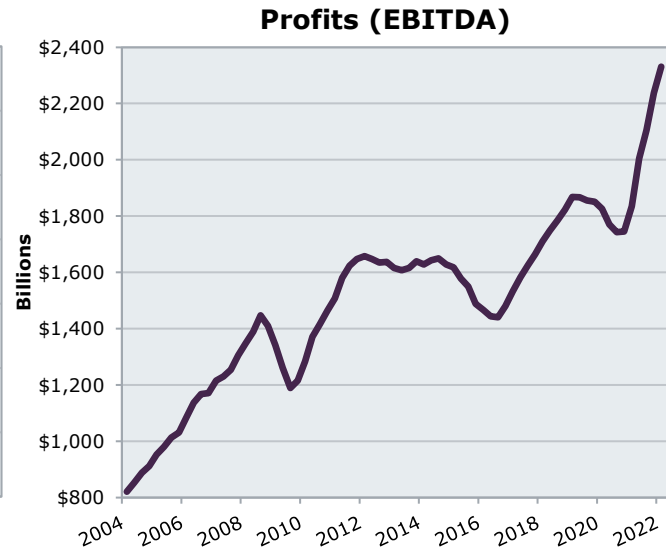
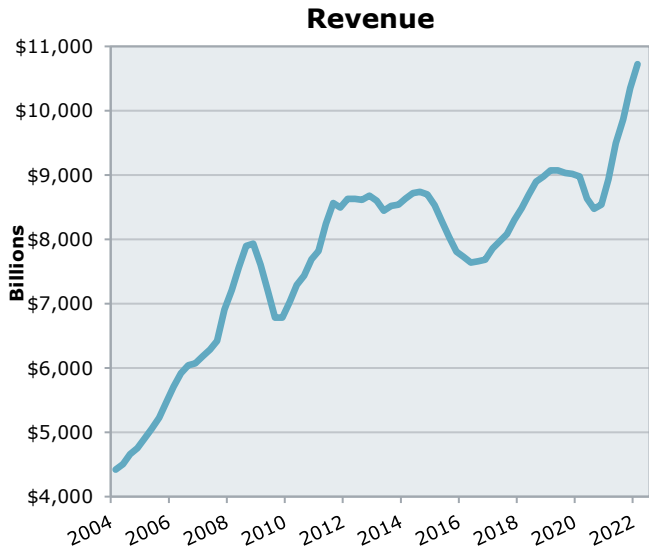


Quality Breakdown of Bloomberg Credit Index



# Strong Corporate Credit Fundamentals Will Soften

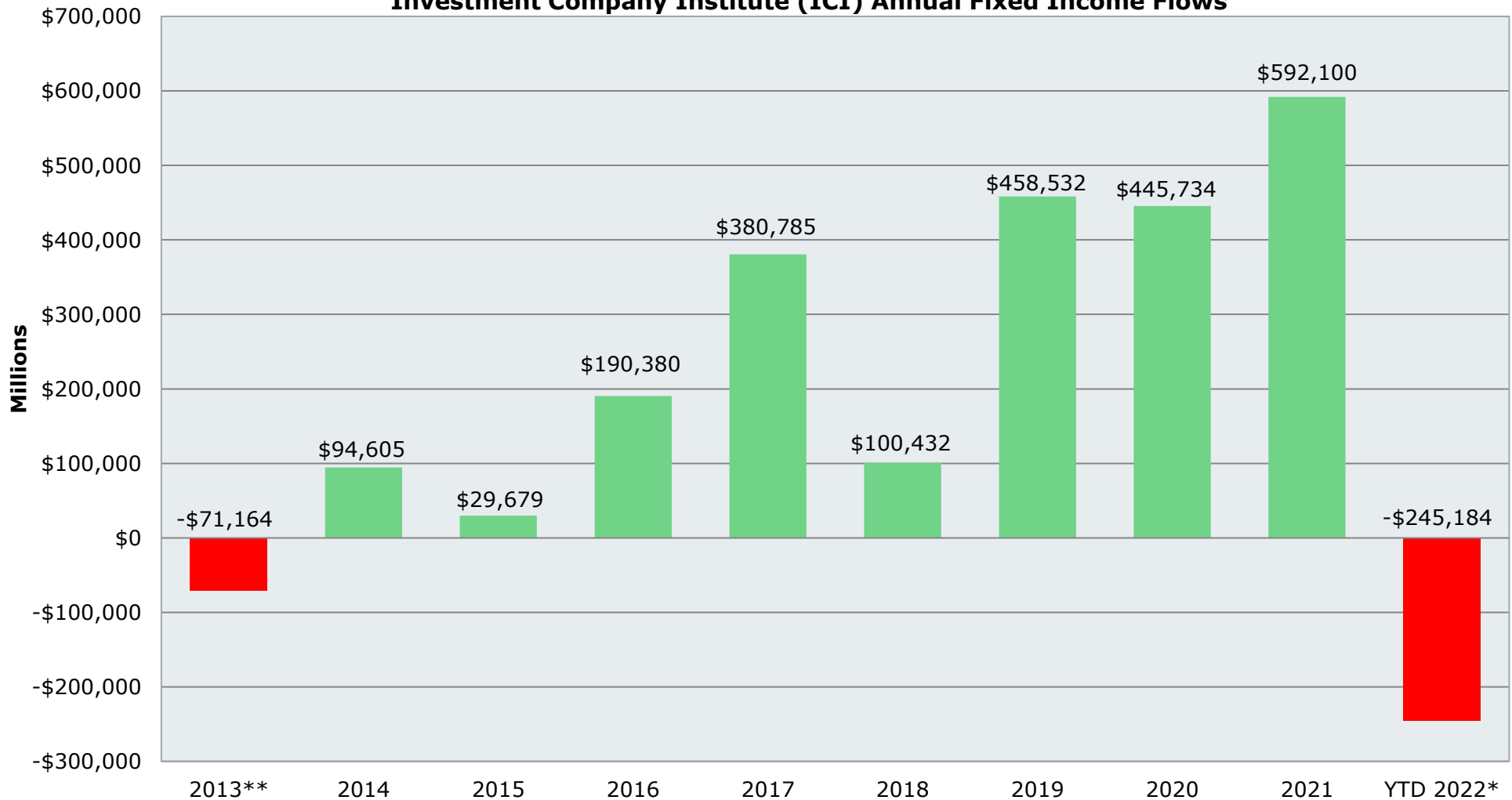
## Revenue, Profits and Free Cash Flow At Or Near Cycle Highs



Source: J.P. Morgan, Barclays  
Data as of: 3/31/22 (Next Release: 9/30/22)

# Fixed Income Flows Negative in 1<sup>st</sup> Half of 2022

**Investment Company Institute (ICI) Annual Fixed Income Flows**



\*Weekly data ending 7/27/22 (July 2022 numbers are estimated).

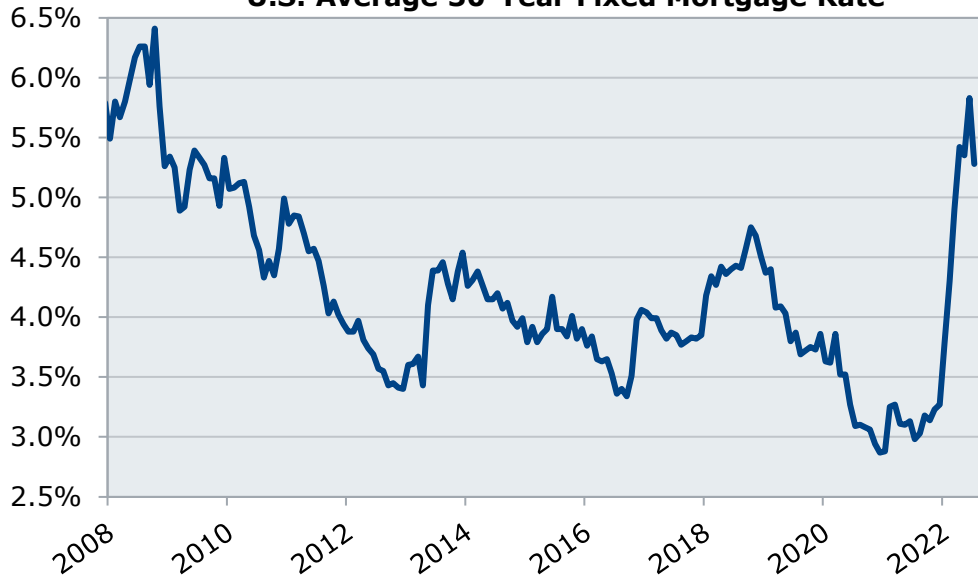
\*\* 2013 Flows are only Mutual Fund flows, ETF Flows are not available.

The flows data include both taxable and municipal mutual funds and ETFs as defined by ICI. Included are investment grade, high-yield, government, multisector and world bond funds.

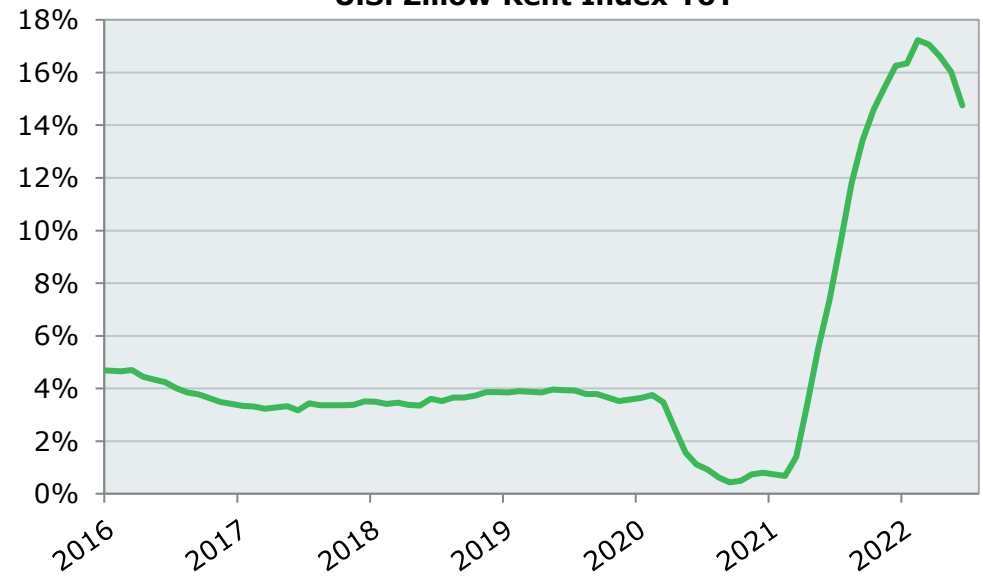
Source: Investment Company Institute, Bloomberg  
Data as of: 7/31/22

# Rising Costs a Drag on Growth

### U.S. Average 30-Year Fixed Mortgage Rate



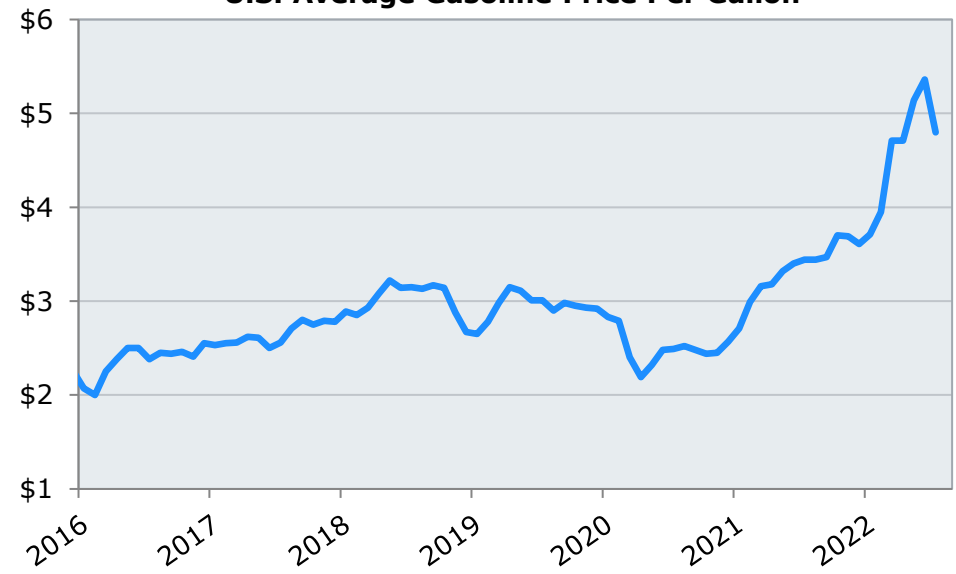
### U.S. Zillow Rent Index YoY



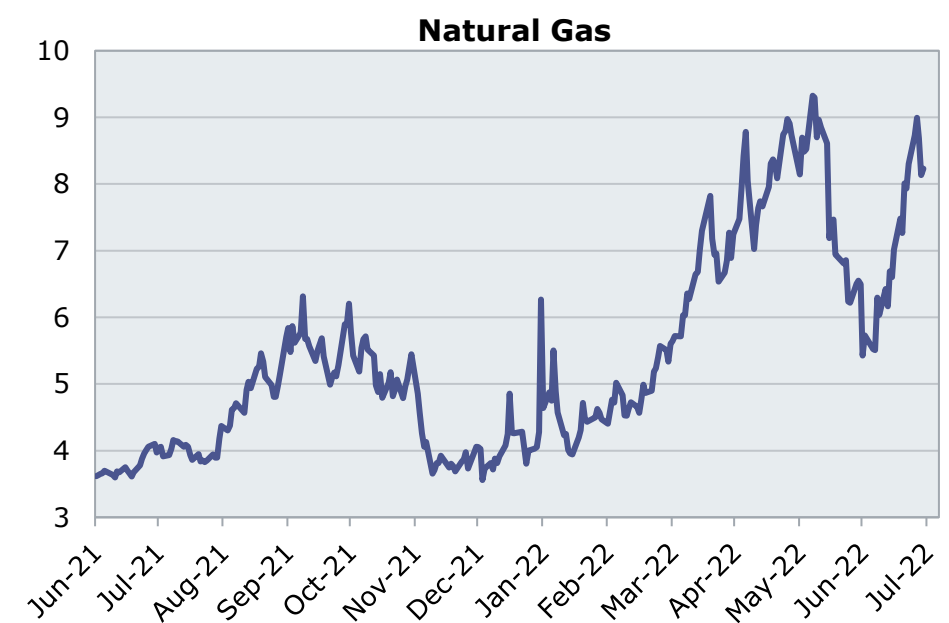
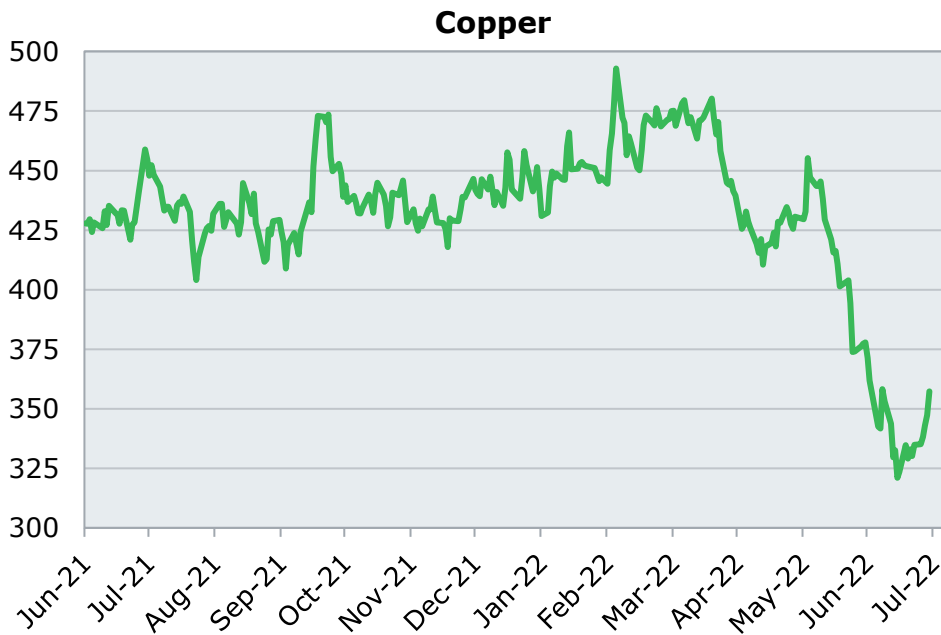
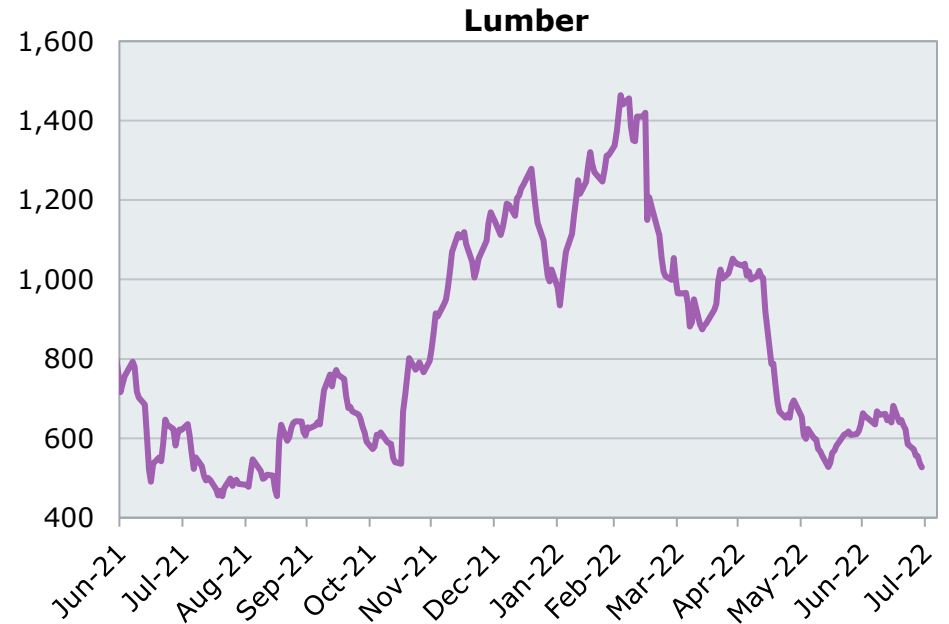
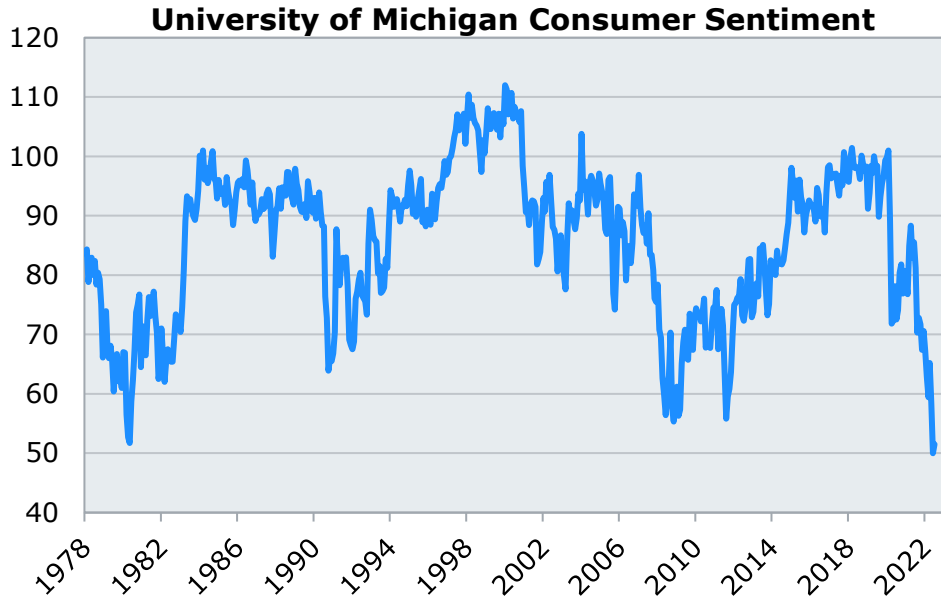
### U.S. CPI Food YoY



### U.S. Average Gasoline Price Per Gallon



# Consumer Sentiment & Commodities Rolling Over

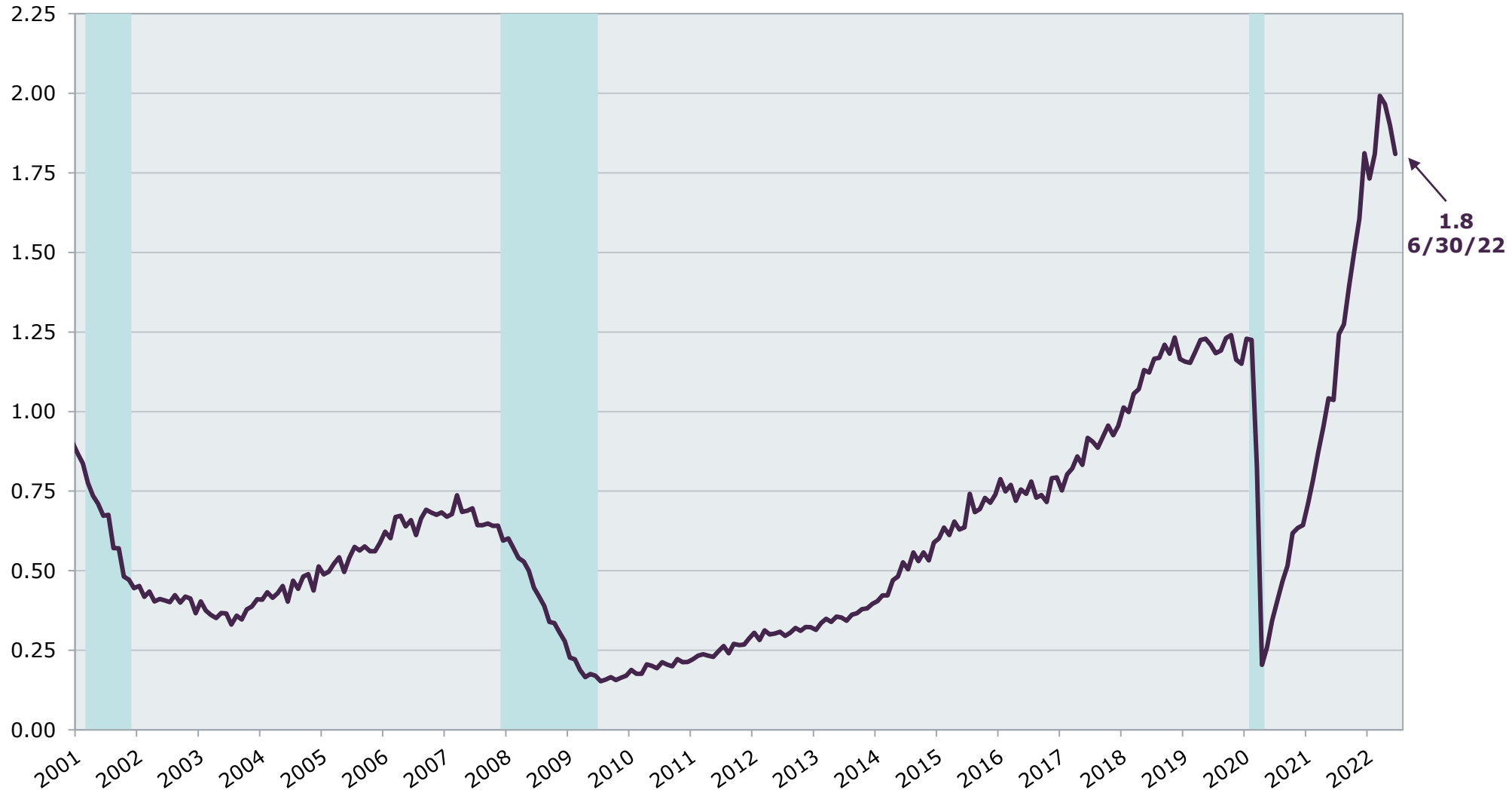


Source: Bloomberg  
Data as of: 7/31/22

# Job Market Still Very Tight

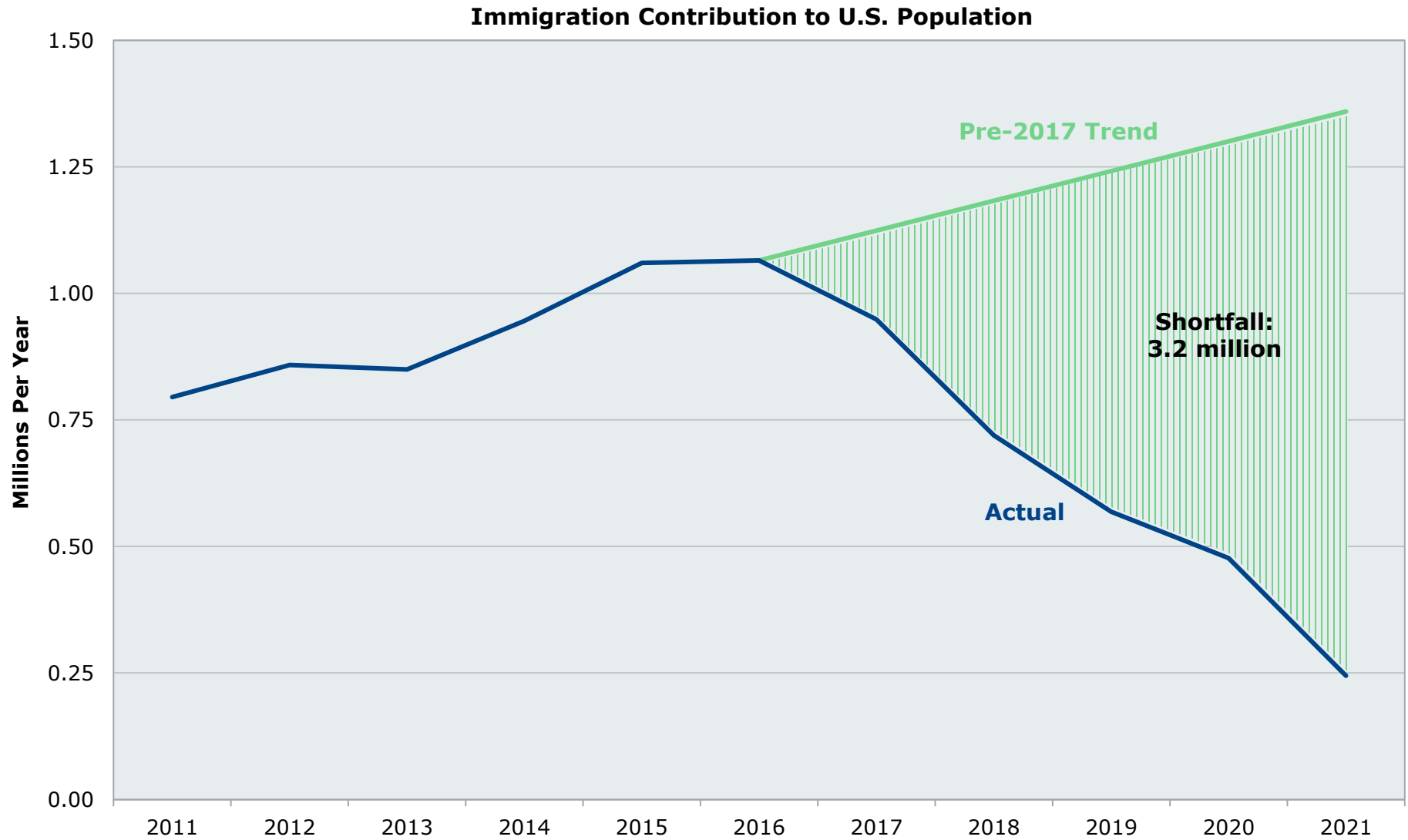
## Bodes for Mild Recession/Slowdown

Number of Job Openings Per Unemployed Person in the U.S.





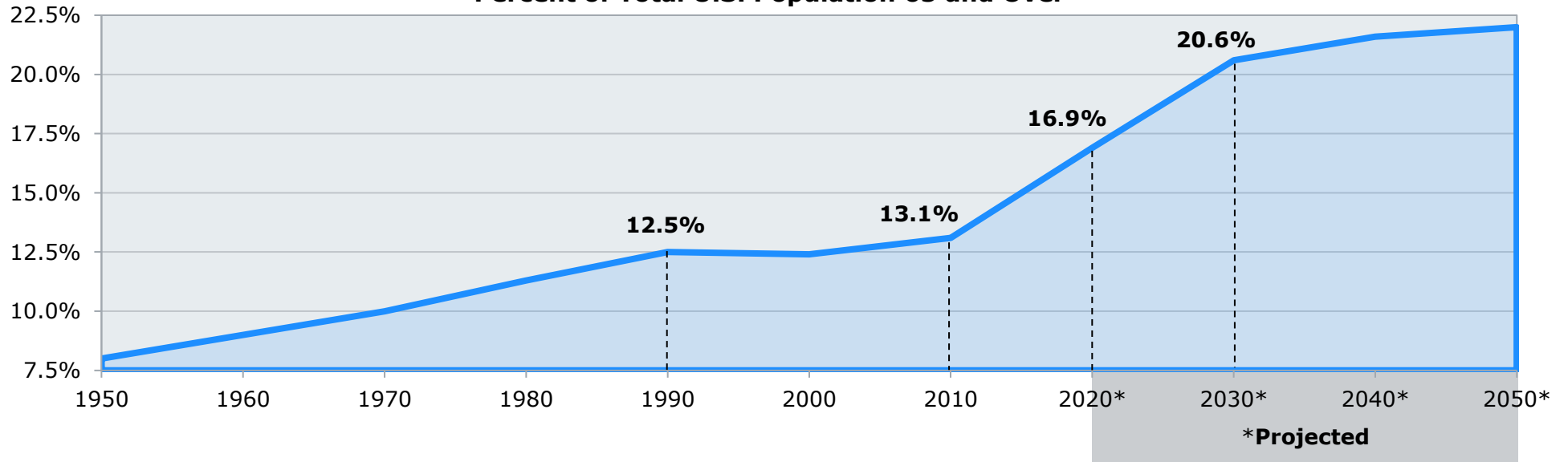
# Decline in Immigration Has Contributed to Labor Shortage



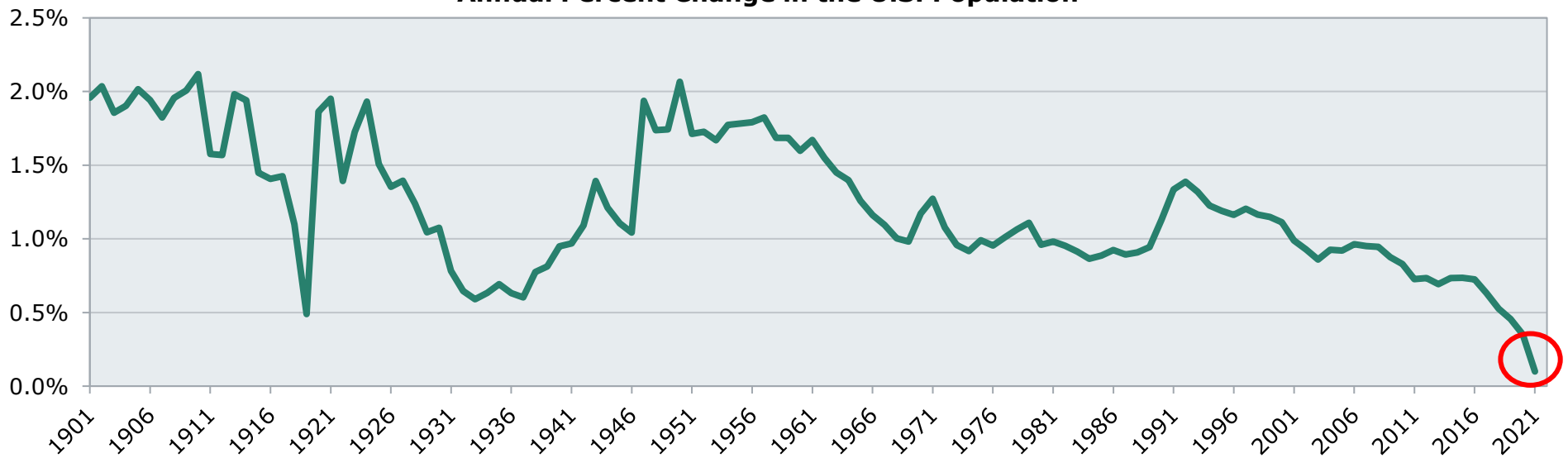
# Our Population Is Aging; Growth Has Stalled

By 2030, One in Five Americans Will be At Least 65 Years Old

**Percent of Total U.S. Population 65 and Over**

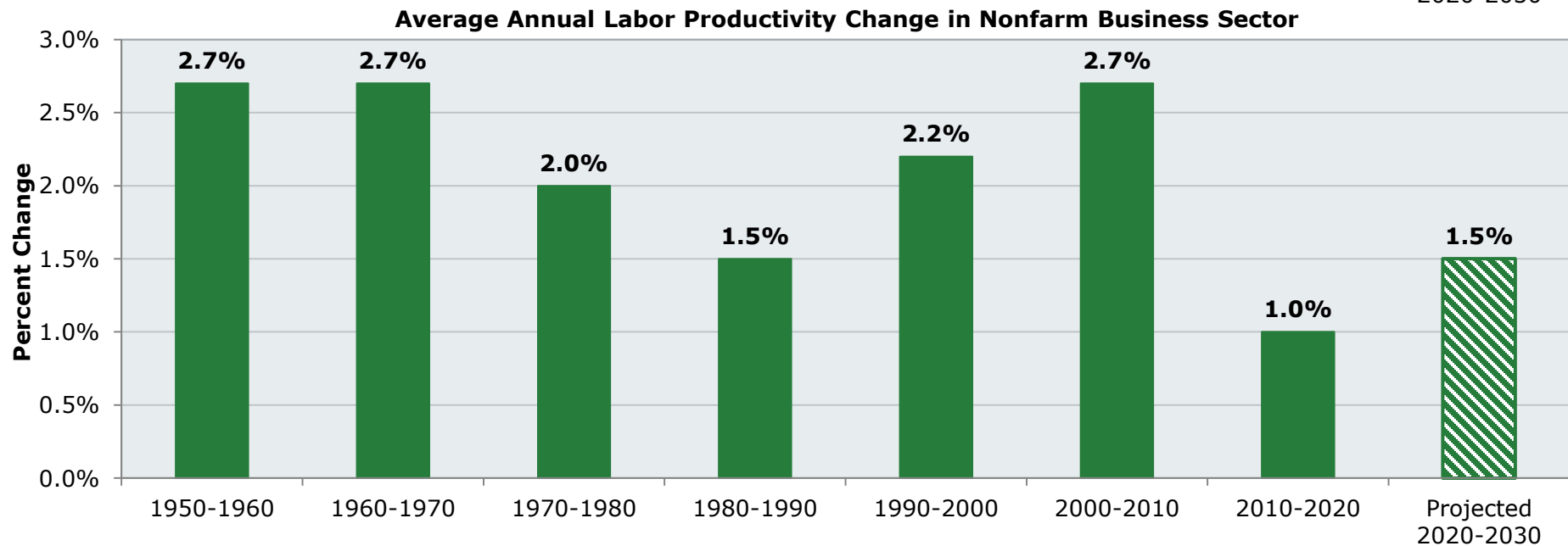
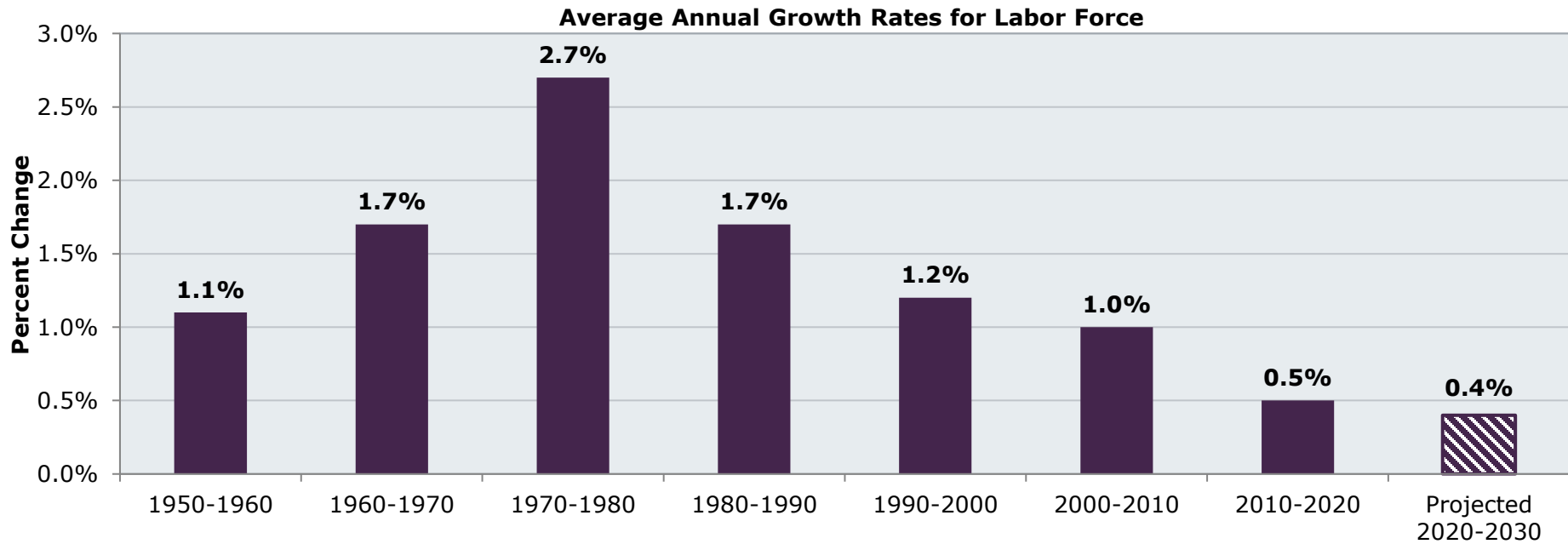


**Annual Percent Change in the U.S. Population**



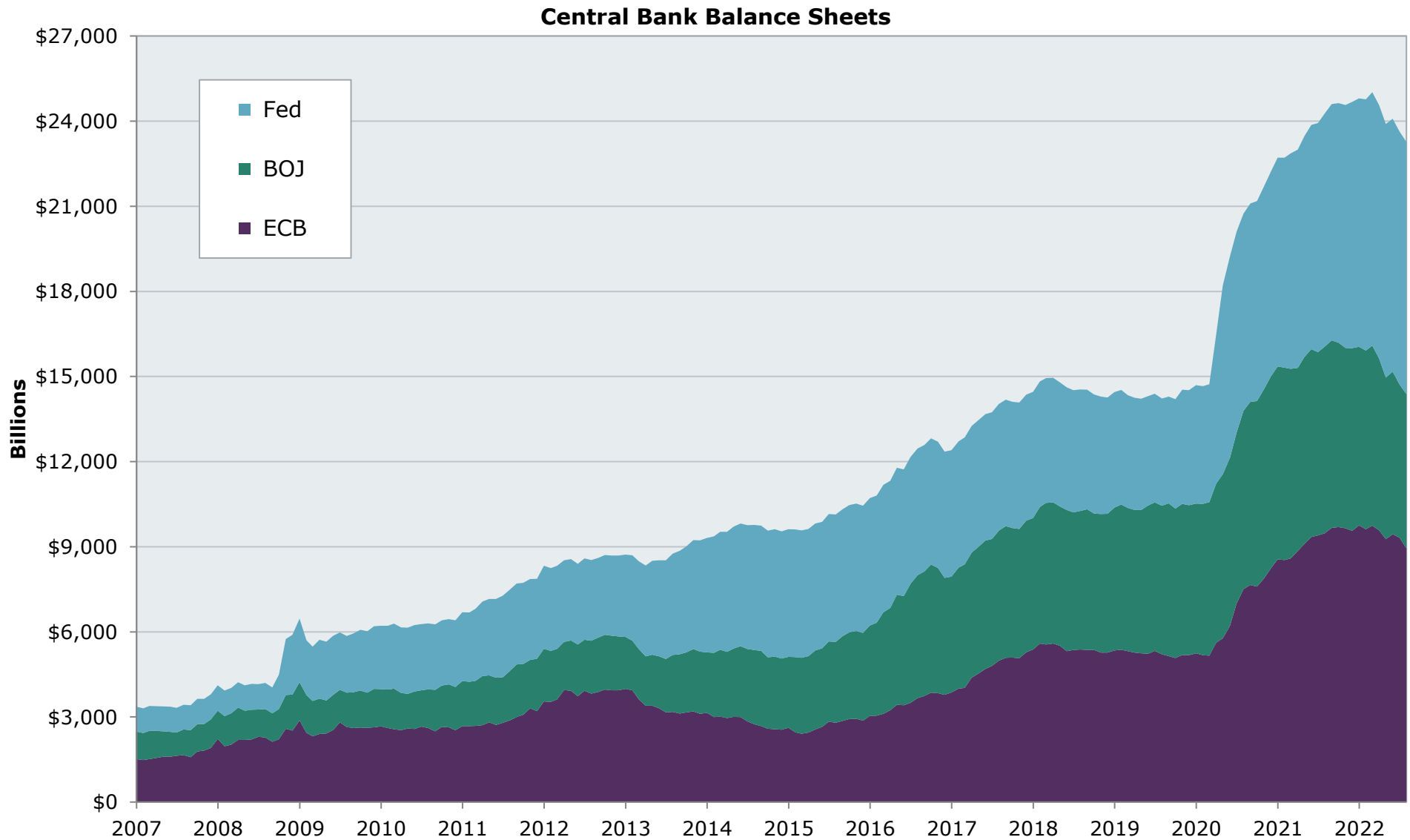
Note: 1917-1919 population includes U.S. Armed Forces overseas.  
 Source: Statista, U.S. Census Bureau, Federal Reserve Bank of St. Louis  
 Data as of: 12/31/21

# Slow Labor Force and Productivity Growth Limit Potential GDP



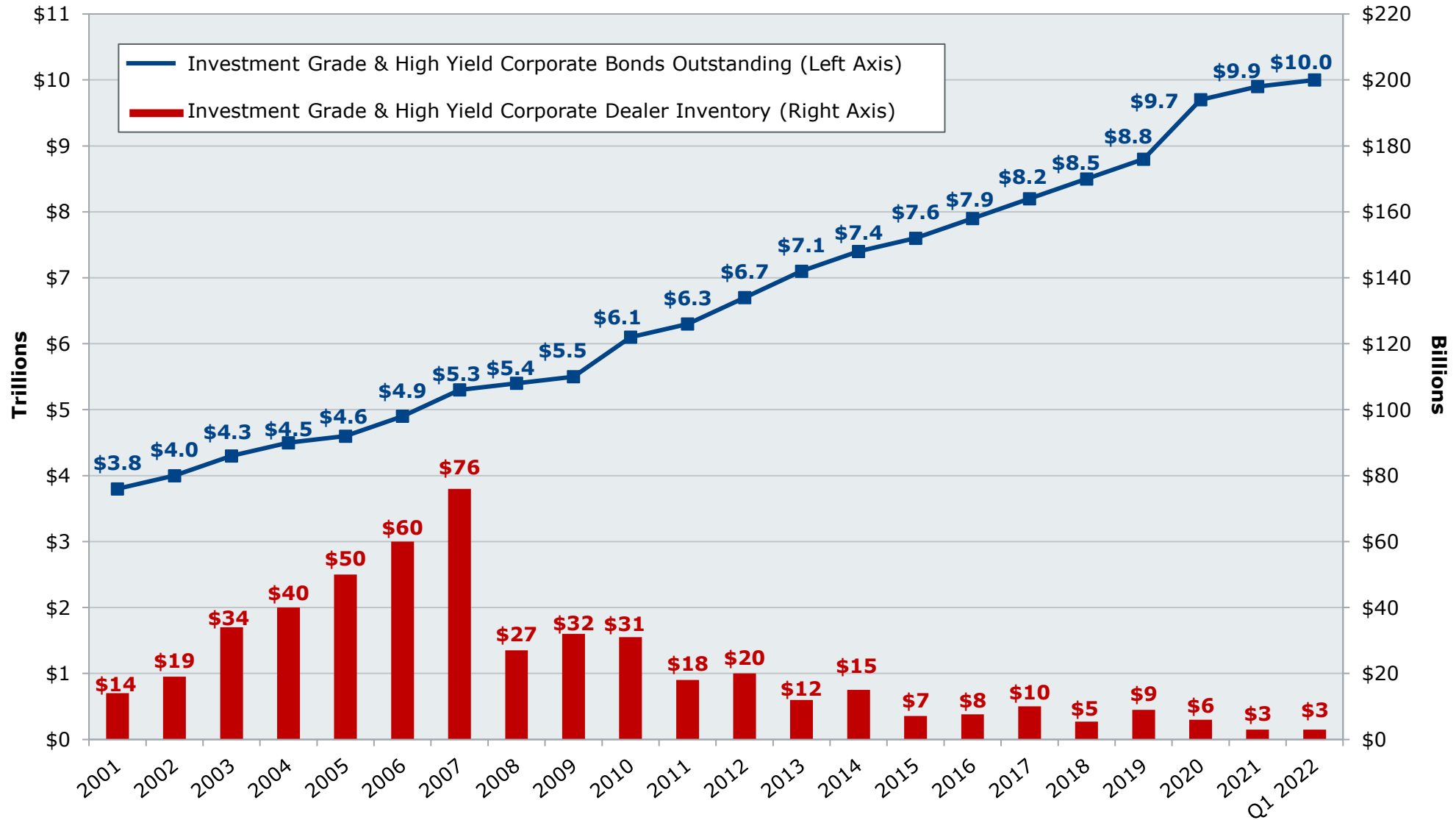
# Central Bank Bond Buying Distorted Financial Markets

Liquidity is Now Noticeably Declining



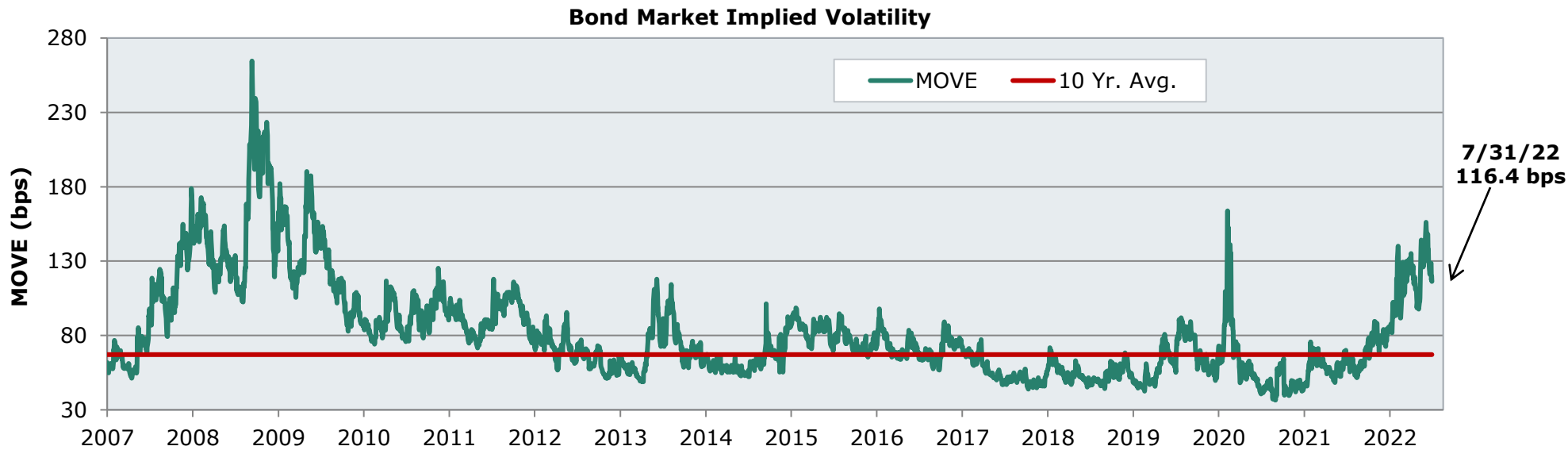
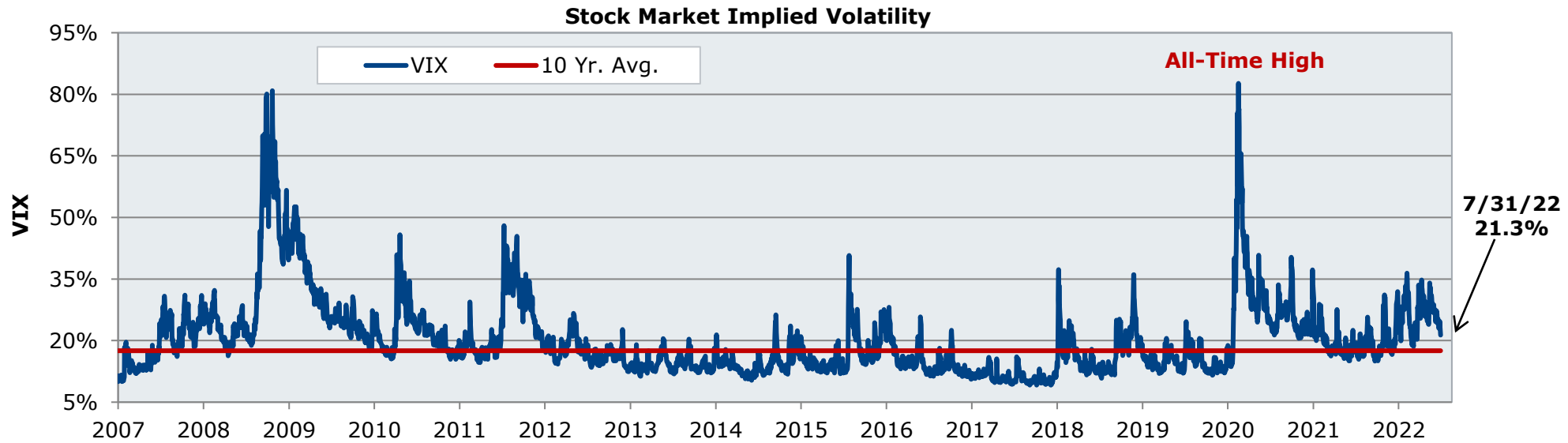
# When Liquidity Declines, Volatility Rises

## Bond Dealers No Longer “Shock Absorber” for Bond Market



Source: FINRA, SIFMA, Federal Reserve, Credit Suisse  
Data as of: 3/31/22

# Stock and Bond Market Volatility Higher



# Appendix

## *Baird's Associate Promise:*

**We believe every associate matters and contributes to our success.**

**We are committed to providing a diverse and inclusive environment of trust, respect and equity where you partner with the best in the industry and thrive.**

**We are passionate about how we achieve great outcomes for our clients, communities and each other.**



19 consecutive years



10 consecutive years



6 years



2 consecutive years



# Inclusion & Diversity at Baird

Baird's commitment to inclusion and diversity stems from a strong culture of integrity, genuine concern for others and respect for the individual. We don't just respect our differences, we value them. And we believe inclusion and diversity creates great outcomes for everyone we serve.

## Our Approach



### Business Results



### Associate Engagement



### Inclusive Environment

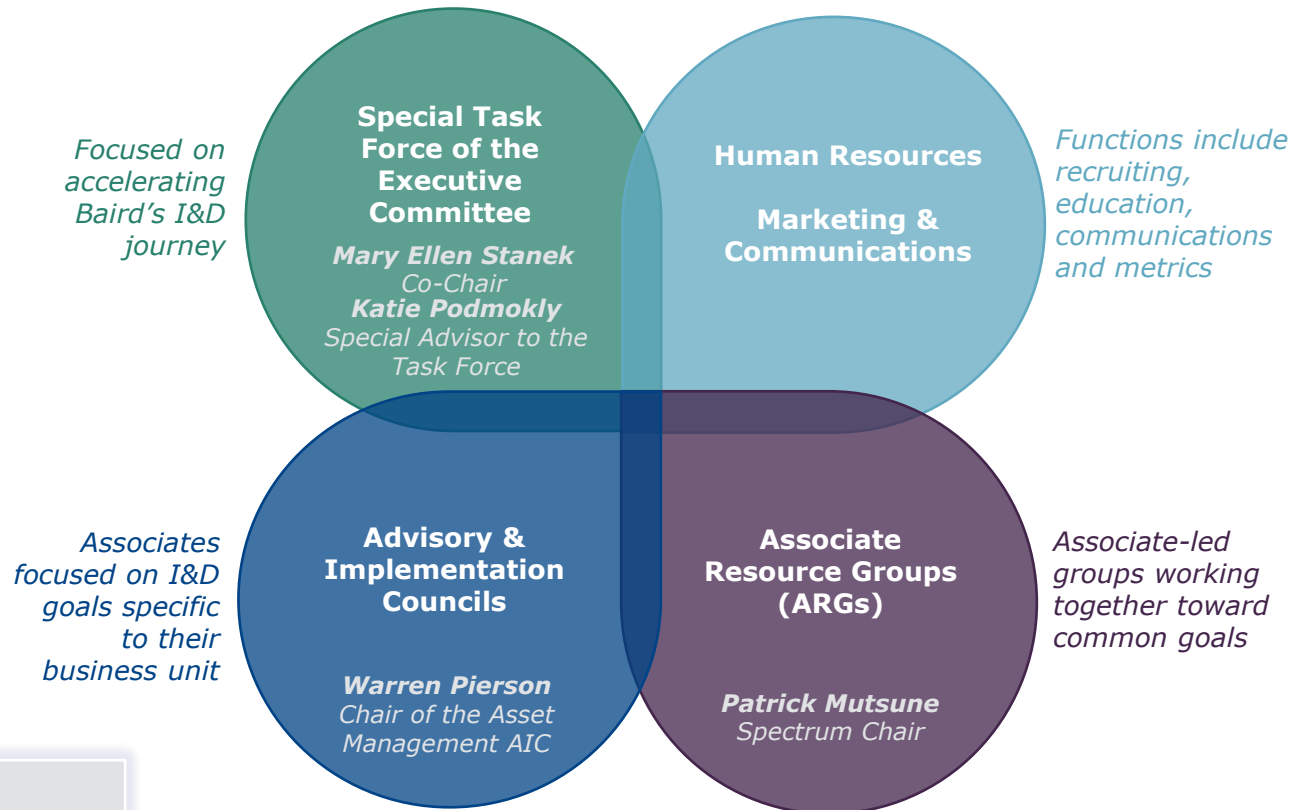


### Recruit & Retain Top Talent



### Diversity for Innovation

More than 100 associates, including these senior members of Baird Advisors, lead the firm's inclusion and diversity initiatives.



## Baird Advisors' Success Metrics

- 54%** of associates are **women**
- 51%** of associates are **millennials or gen z**
- 27%** of associates are **people of color**
- 14%** of associates started with Baird as interns
- 6%** of associates identify as **LGBTQ**

Baird's ARGs support women in the workforce, cultural diversity, LGBTQ, next-gen, community involvement and veterans.



# Baird Advisors' Approach to ESG Integration

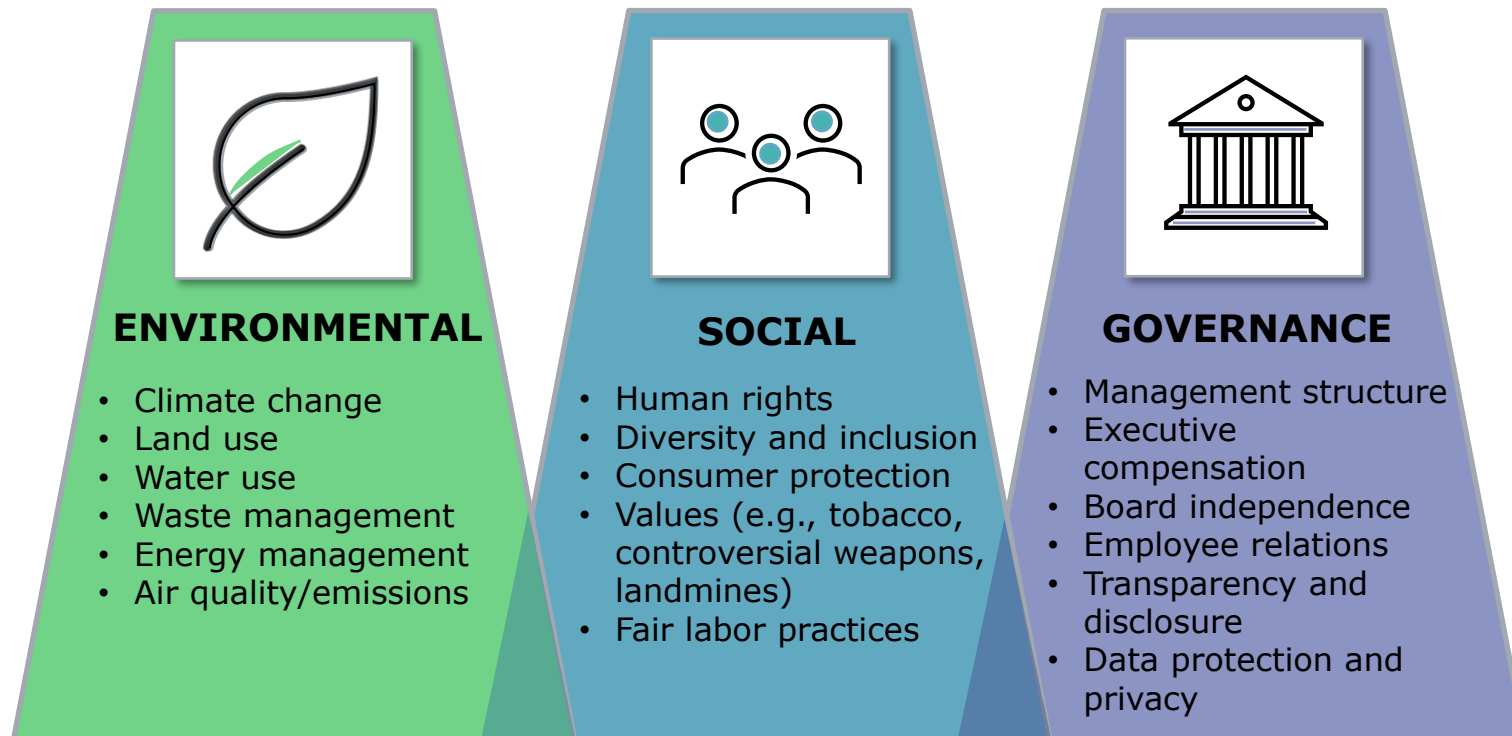
Signatory of:



***Baird Funds, Inc. is a United Nations Principles for Responsible Investment (UN PRI) signatory to publicly demonstrate our commitment to responsible investment and building a more sustainable future.***

As fixed income investors with a long investment horizon, we firmly believe ESG risk factors have a significant impact on the long-term sustainability of an entity. ESG considerations have been an integral part of our fundamental credit risk assessment and fully integrated into our investment process for decades.

Baird Advisors employs a bottom-up approach to credit research and portfolio construction, focused on generating strong risk-adjusted performance, primarily from security selection and sector allocation decisions. Our fundamental credit risk assessment, including material ESG risk factors that impact long-term sustainability, drives our investment decision to lend to specific issuers:



# Baird Advisors' Approach to ESG Integration



- Seek to invest in companies that are leaders in their industries and focused on long-term sustainability.
- Assess management's attentiveness (or lack thereof) to ESG challenges and opportunities.
- Consider reputational risks associated with very severe controversies in areas such as environment, customers, human rights, labor rights, and governance.
- Analyze the long-term ESG track record of companies with particular attention to recent actions.
- Assess a company's ESG performance relative to its peers.
- Engage with management teams, enhancing our clarity on each issuer's awareness of sector-specific ESG trends, encouraging a commitment to ESG related targets and uniform disclosure requirements.

# Baird Advisors' Approach to ESG Integration

“The score will take care of itself when you take care of the effort that precedes the score”

- John Wooden

- We believe ESG scores and additional research provided by industry-leading data providers (e.g., Sustainalytics, ISS, S&P, Bloomberg) can be used to further enhance our ESG integration framework.
- Third-party ESG data is a component of our fundamental analysis, incorporating financial and non-financial data points bringing to light how issuers are performing over time relative to their industry peers.
- The availability of ESG-related data continues to grow and evolve across the industry. Discussions with industry leaders, peer organizations, oversight bodies, etc. help to ensure we are keeping pace with emerging trends and consensus views.



## Peer Assessment

- The investment team looks to **leverage industry-leading ESG data sources** to evaluate ESG profiles for each issuer relative to peers.

## Trend Analysis

- Our corporate credit analysts **formulate a forward-looking view** of an issuer's commitment to ESG risk mitigation with a diligent focus on an improving/declining trend within each sector.

## Engagement

- The investment team **remains regularly engaged with different ESG data providers** as we continue to refine our ESG integration efforts, leveraging many tools to enhance our relative value analysis.

# Baird Advisors

## Portfolio Management Team

Formulation of  
Investment Outlook  
& Portfolio Strategy

Mary Ellen Stanek, CFA  
Warren Pierson, CFA  
Charles Groeschell  
**Jay Schwister, CFA**  
Duane McAllister, CFA  
Lyle Fitterer, CFA  
Jeffrey Simmons, CFA

MD, Co-Chief Investment Officer 43 years  
MD, Co-Chief Investment Officer 36 years  
MD, Senior Portfolio Manager 43 years  
**MD, Research Director 38 years**  
MD, Senior Portfolio Manager-Muni 35 years  
MD, Senior Portfolio Manager-Muni 33 years  
MD, Senior Portfolio Manager 35 years

**Sharon deGuzman**  
Jeffrey Schrom, CFA  
Meghan Dean, CFA  
Patrick Brown, CFA  
Patrick Mutsune, CFA  
Andrew O'Connell, CFA  
Abhishek Pulakanti, CFA  
Amy Johnson

**MD, Senior Portfolio Manager 31 years**  
MD, Senior Portfolio Manager 28 years  
MD, Senior Portfolio Manager 22 years  
MD, Senior Portfolio Manager 19 years  
**MD, Senior Investment & Systems Analyst 25 years**  
MD, Senior Investment Analyst 15 years  
MD, Senior Investment Analyst 14 years  
**MD, Portfolio Analyst 21 years**

### Key Areas of Focus:

- Portfolio Construction & Risk Monitoring
- Credit
- MBS/ABS

Timothy Fotsch, CFA  
Ian Elfe, CFA  
John Cremer, CFA  
Alice Ambrowiak, CFA, CPA

SVP, Senior Investment Analyst 15 years  
SVP, Senior Investment Analyst 14 years  
SVP, Senior Investment Analyst 10 years  
SVP, Investment Analyst 20 years

Gabriel Diederich, CFA  
Erik Schleicher, CFA  
Joseph Czechowicz, CFA

SVP, Portfolio Manager-Muni 19 years  
SVP, Portfolio Manager-Muni 18 years  
SVP, Portfolio Manager-Muni 15 years

Jed Bruss, CFA  
**Joseph Lorbert, CFA, CFP**  
Donald Smiley, CFA  
Lauren Vollrath, CFA  
**Allison Mayer**  
Patrick Hale, CFA  
**Allison Parra, CFA**  
**Brian Jacobs, CPA**  
Neha Dimri  
George Wong

VP, Investment Analyst 13 years  
**VP, Investment Analyst 11 years**  
VP, Investment Analyst 9 years  
VP, Investment Analyst 9 years  
**VP, Investment Analyst 9 years**  
VP, Investment Analyst 7 years  
**VP, Investment Analyst 6 years**  
**VP, Investment Analyst 5 years**  
VP, Investment Analyst 5 years  
Investment Analyst 2 years

## Baird Resource Partners

Legal & Compliance  
(81)

Information Technology  
(339)

Human Resources  
(60)

Finance  
(69)

Research (Equity & Credit)  
(118)

# Baird Advisors



## Portfolio Management Support Team

Mary Hoppa	MD, Operations Manager	35 years
Katie Podmokly	SVP, Director of Strategic Initiatives	16 years
Tara Haley	SVP, Portfolio Analyst	24 years
Janna Goihl	SVP, Portfolio Analyst	20 years
Carisa Oppermann	SVP, Portfolio Analyst	20 years
Monica Augustine	VP, Portfolio Manager Specialist	42 years
Mary Walters	VP, Portfolio Manager Specialist	36 years
Erika Haska	VP, Portfolio Manager Specialist	28 years
Adela Ortiz	VP, Portfolio Analyst	19 years
Bridget Kempf	VP, Portfolio Analyst	15 years
Alyssa Dahms	VP, Portfolio Analyst	11 years
Nate Robertstad	VP, Data Analyst	11 years
Alvin Nevels	AVP, Portfolio Manager Specialist	39 years
Margaret Lynn	AVP, Portfolio Manager Specialist	16 years
Carla Teat	Portfolio Manager Specialist	38 years
Elaine Skenadore	Portfolio Analyst	30 years
Beatrice Johnson	Portfolio Manager Specialist	27 years
Mohd Md Shahrin	IT Technical Support Analyst	12 years
Candace Watson	Portfolio Manager Specialist	9 years
Nicholas Krueger	Portfolio Analyst	3 years
Julie Asher	Portfolio Analyst	3 years
Brianna Hogans	Portfolio Analyst	2 years
Kayla Neitzke	Portfolio Manager Specialist	1 year

## Client Service Team

Randall North	Managing Director	34 years
Peter Hammond	Managing Director	29 years
Heidi Schneider, CFA, CPA	Managing Director	27 years
Dustin Hutter, CPA	Managing Director	22 Years
Michael Possley, CFA	Managing Director	22 years
Mandy Hess, CPA	Senior Vice President	29 years
Adrienne Limjoco	Senior Vice President	22 years
Devon Norwood	Senior Vice President	17 years
Kathleen Ruidl	Vice President	17 years
Kayla Hollenbeck	Vice President	12 years
Caroline Murphy	Vice President	10 years
Madelynn Wallen, CFA	Vice President	8 years
Brett Dawsey	Vice President	6 years
Alec Johnson	Vice President	5 years
Rebekah Bozich	Assistant Vice President	18 years
Tiaira Johnson	Client Service Specialist	12 years

## Baird Resource Partners

**Legal & Compliance**  
(81)

**Information Technology**  
(339)

**Human Resources**  
(60)

**Finance**  
(69)

**Research (Equity & Credit)**  
(118)

## Benefits

- Long-term relationships focused on client and direct communication
- Experienced management team implementing proven investment discipline
  - Structured, risk-controlled process
  - No derivatives, no non-\$ currency exposure, no leverage
  - Focus on **bottom-up** added value from sector allocation and security selection
- Total focus on fixed income management
- Culture and resources key to future success
- Importance of the relationship to Baird Advisors

# Important Disclosures

**Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This, and other information can be found in the prospectus or summary prospectus. A prospectus or summary prospectus may be obtained by visiting [www.bairdfunds.com](http://www.bairdfunds.com). Please read the prospectus or summary prospectus carefully before you invest or send money.**

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return 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 funds' current performance may be lower or higher than the performance data quoted. For performance current to the most recent month-end, please visit [www.bairdfunds.com](http://www.bairdfunds.com).

Funds may invest in U.S. dollar denominated foreign securities which involve additional risks such as the potential for political and economic instability and less strict regulation. The Fund may also invest in mortgage and asset-backed securities which include interest rate and prepayment risks more pronounced than those of other fixed income securities.

*Baird Funds are offered through Robert W. Baird & Co., a registered broker/dealer, member NYSE and SIPC. Robert W. Baird & Co. also serves as investment advisor for the Fund and receives compensation for these services as disclosed in the current prospectus.*

Lipper rankings are based on average annual total returns for the 1, 3, 5, 10-year/life periods for each respective Lipper category. Baird Core Plus Bond Fund is ranked among the Core Plus Bond Funds, Baird Aggregate Bond Fund is ranked among the Core Bond Funds, Baird Intermediate Bond Fund is ranked among Short-Intermediate Investment Grade Debt Funds, Baird Short-Term Bond Fund is ranked among the Short Investment Grade Debt Funds, Baird Ultra Short Bond Fund is ranked among the Ultra-Short Obligations Funds, Baird Quality Intermediate Municipal and Baird Core Intermediate Municipal Bond Funds are ranked among the Intermediate Municipal Debt Funds, Baird Municipal Bond Fund is ranked among the General & Insured Municipal Debt Funds, Baird Strategic Municipal Bond Fund is ranked among the Short-Intermediate Municipal Debt Funds and Baird Short-Term Municipal Bond Fund is ranked among the Short Municipal Debt Funds. Each fund is ranked based on average annual total returns assuming reinvestment of dividends and capital gains, distributions, at net asset value and the deduction of all fund expenses. Past performance is no guarantee of future results.

Morningstar categories: Baird Core Plus Bond Fund is ranked within the Intermediate Core-Plus Bond Fund category (Overall: 568 funds, 3-year period: 568, 5-year period: 503, 10-year period: 362). Baird Aggregate and Baird Intermediate Bond Fund are ranked within the Intermediate Core Bond Fund category (Overall: 401 funds, 3-year period: 401, 5-year period: 362, 10-year period: 266). Baird Short-Term Bond Fund is ranked within the Short-Term Bond Fund category (Overall: 550 funds, 3-year period: 550, 5-year period: 487, 10-year period: 334). Baird Ultra Short Bond Fund is ranked within the Ultrashort Bond Fund category (Overall: 217 funds, 3-year period: 217, 5-year period: 180). Baird Quality Intermediate, Baird Core Intermediate, and Baird Strategic Municipal Bond Funds are ranked within the Municipal National Intermediate Bond Fund category (Overall: 277 funds, 3-year period: 277, 5-year period: 238, 10-year period: 176). Baird Short-Term Municipal Bond Fund is ranked within the Municipal National Short Bond Fund category (Overall: 209 funds, 3-year period: 209, 5-year period: 180). Baird Municipal Bond Fund is ranked within the Municipal National Long Bond Fund category.

The quality profile is calculated on a market value-weighted basis using the highest credit quality rating given by S&P, Moody's or Fitch for each security in the fund. Per the Baird Funds prospectus, each security in the bond fund is assigned the highest credit quality rating provided by a nationally recognized statistical rating organization (e.g. S&P, Moody's, Fitch). Per the Bloomberg index controlling rating methodology, each security in the index is assigned a rating using S&P, Moody's, and Fitch (middle of three ratings, lower of two ratings, or singular rating if rated by one rating agency).

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