

A Message  
from  
Paul Purcell



“We manage Baird to serve the best interests of our clients and associates. That singular focus has proven to be the best business strategy we could possibly have.”

Call the global financial crisis of 2008 what you will – breathtaking, unprecedented, inconceivable – words do little to convey the painful reality for clients who invest or raise capital. For most, it was simply an awful year.

While Baird was not immune to the effects of the global economic downturn, we proved beyond any doubt that we have the right associates, the right strategy and the right focus to help clients weather the storm. Each of our five businesses was profitable in 2008, and we performed far better than most of the financial services industry.

Baird’s net revenues for the year totaled \$680 million, a 7% decrease from our record results in 2007. Operating income was \$70.6 million, down 33% from a year ago, while the firm’s book value appreciated more than 8%. Given the steep losses posted by many of our competitors, Baird had a very strong year.

There are compelling reasons why Baird enjoys such relative strength. We are independent and employee-owned, which gives us the freedom to keep our focus on the long-term building blocks that serve our clients’ interests. We are conservative by nature and take a longer-term, strategic approach to growth. And we have developed five complementary businesses – Private Wealth Management, Equity Capital Markets, Private Equity, Fixed Income Capital Markets and Asset Management – that provide Baird with a stable platform on which some operations prosper when others are impacted by market cycles.

These fundamental strengths enabled us to invest during 2008 in the unprecedented opportunities that now exist to deepen our expertise and skills. It was, in short, a year of strong offense for us:

- Private Wealth Management had a record recruiting year, hiring 58 veteran Financial Advisors and opening offices in Baltimore, Philadelphia, Sacramento and suburban Minneapolis.
- Equity Capital Markets added 10 veteran investment bankers in the U.S., Europe and Asia and opened offices in Charlotte and Shanghai. Research had one of its biggest years ever for new analyst hires.
- Fixed Income Capital Markets expanded its Public Finance and sales and trading teams, gaining market share in national competitive underwritings.
- Baird Private Equity created a partnership to invest in Asia, and its U.S. venture fund exceeded its fund-raising target by raising \$170 million in committed capital.
- Baird Advisors, our fixed income asset manager, continued to gain national attention and clients, based on its long-term performance.
- We increased our investment in technology by 25% in 2008 – on top of a 25% increase in the prior year – to improve productivity and add tools for clients and associates.
- Baird made a minority investment in Riverfront Investment Group, a highly regarded team of investment professionals with an outstanding investment methodology and service orientation.

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Attracting and retaining great talent helps ensure we have the most competitive platform possible. This is the best way we know to fulfill our commitment to great outcomes for our clients.

The challenging environment of 2008 underscores the tremendous work done by Baird associates at all levels of the firm. They delivered the creative solutions and hands-on service that continue to demonstrate our focus on the quality of the relationships we have with our clients. We were pleased that our work was again acknowledged in numerous independent studies:

- For the fifth consecutive year, Baird ranked No. 1 for “most trusted” research in the Greenwich Associates annual survey of U.S. small-cap and mid-cap fund managers.
- Baird was named “Manufacturing Sector Adviser of the Year” by Europe’s *Acquisitions Monthly* magazine and garnered the 2008 “Consumer and Retail Products Deal of the Year” award from *The M&A Advisor* in the United States.
- We earned first-place honors in *Institutional Investor’s* 2008 All-America Sales Team rankings for “best small- and mid-cap equity sales forces in the United States.”
- Baird ranked among the top 25 wealth managers in the United States in *Barron’s* 2008 compilation of top wealth managers for individual clients.
- Baird Capital Partners was recognized as a top 20 “Consistent Performer” among buyout managers by Private Equity Intelligence Ltd., which reviewed more than 1,400 global firms to develop its 2008 list.

- In early 2009, Baird was again recognized as one of the FORTUNE 100 Best Companies to Work For®, ranking No. 14. Earning this honor for six consecutive years is an outstanding achievement as well as a tribute to the firm’s culture of integrity, service and caring.

The strong partnerships we enjoy with our clients are the result of teamwork. That is a primary reason we continue to make substantial investments in building the diversity of Baird – to match our own profile to the increasingly diverse backgrounds and perspectives of our clients. We are making comprehensive progress in program development and training. And we have significantly expanded our internship program to introduce a broad spectrum of graduate and undergraduate interns to the opportunities the financial services industry offers under-represented employees. This is a strategic initiative that will continue to be a priority for many years to come.

In the face of a particularly uncertain global economy in 2009, we are certain about this: Baird is well positioned to continue its path of thoughtful, entrepreneurial growth. Our long-term strategy of becoming the best middle-market investment firm in the world is undiminished. And our resolve, our opportunities and our resources have never been greater. However we grow to become the best at what our clients value most, our focus will always be on *how* Baird does business – with honest communication, deep expertise and shared values.



**Paul E. Purcell**  
Chairman, President &  
Chief Executive Officer