

The logo for Baird, featuring the word "BAIRD" in white, serif, uppercase letters on a blue, parallelogram-shaped background that is tilted to the right.

## **Semi-Annual Report - Baird Funds**

---

June 30, 2011

*Baird LargeCap Fund*

*Baird MidCap Fund*

## TABLE OF CONTENTS

	<u>Page</u>
BAIRD LARGE CAP FUND .....	1
BAIRD MID CAP FUND .....	7
ADDITIONAL INFORMATION ON FUND EXPENSES .....	13
STATEMENTS OF ASSETS AND LIABILITIES .....	15
STATEMENTS OF OPERATIONS .....	16
STATEMENTS OF CHANGES IN NET ASSETS .....	17
FINANCIAL HIGHLIGHTS .....	19
NOTES TO THE FINANCIAL STATEMENTS .....	23
ADDITIONAL INFORMATION .....	33

This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.

**Cautionary Note on Analyses, Opinions and Outlooks:** In this report we offer analyses and opinions on the performance of individual securities, companies, industries, sectors, markets, interest rates and governmental policies, including predictions, forecasts and outlooks regarding possible future events. These can generally be identified as such because the context of the statements may include such words as “believe,” “should,” “will,” “expects,” “anticipates,” “hopes” and words of similar effect. These statements reflect the portfolio managers’ good faith beliefs and judgments and involve risks and uncertainties, including the risk that the portfolio managers’ analyses, opinions and outlooks are or will prove to be inaccurate. It is inherently difficult to correctly assess and explain the performance of particular securities, sectors, markets, interest rate movements, governmental actions or general economic trends and conditions, and many unforeseen factors contribute to the performance of Baird Funds. Investors are, therefore, cautioned not to place undue reliance on subjective judgments contained in this report.

# Baird LargeCap Fund

June 30, 2011 (Unaudited)

A June 30, 2011 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell 1000® Growth Index is shown below.

## Top 10 Holdings\*

Apple Inc.	4.0%
Occidental Petroleum Corporation	4.0%
Emerson Electric Company	3.5%
Praxair, Inc.	3.5%
EMC Corporation	3.4%
Danaher Corporation	3.4%
Johnson Controls, Inc.	3.0%
O'Reilly Automotive, Inc.	3.0%
C.H. Robinson Worldwide, Inc.	2.9%
Salesforce.com, Inc.	2.8%

**Net Assets:** \$23,719,265

**Portfolio Turnover Rate:** 27.7%†

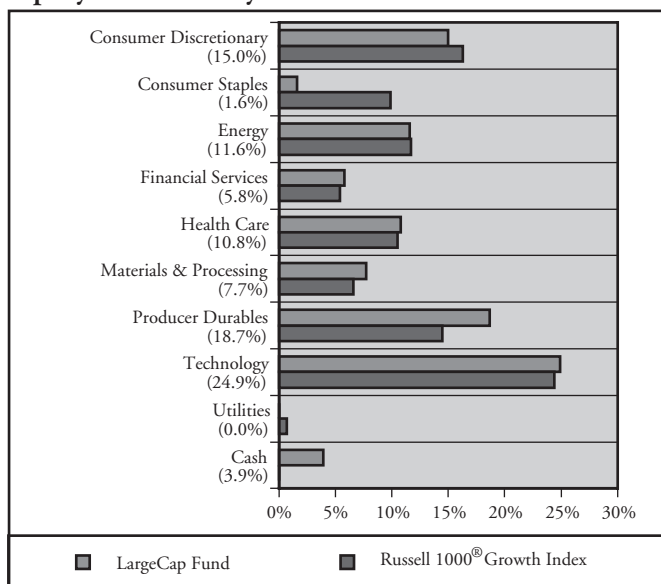
**Number of Equity Holdings:** 55

**Annualized Portfolio Expense Ratio:\*\*\***

**INSTITUTIONAL CLASS:** 0.75%

**INVESTOR CLASS:** 1.00%\*\*\*\*

## Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2011.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2011, and may not add up to 100% due to rounding.

\*\*\* The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.75% of average daily net assets for the Institutional Class shares and 1.00% of average daily net assets for the Investor Class shares, at least through April 30, 2012.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Baird LargeCap Fund

---

## Total Returns

<i>For the Periods Ended June 30, 2011</i>	<b>Six Months</b>	<b>One Year</b>	<b>Average Annual</b>		
			<b>Five Years</b>	<b>Ten Years</b>	<b>Since Inception<sup>(1)</sup></b>
Institutional Class Shares	4.82%	34.79%	3.32%	1.15%	-0.24%
Investor Class Shares	4.71%	34.44%	3.09%	0.91%	-0.49%
Russell 1000 <sup>®</sup> Growth Index <sup>(2)</sup>	6.83%	35.01%	5.33%	2.24%	-1.59%

(1) For the period from September 29, 2000 (commencement of operations) through June 30, 2011.

(2) The Russell 1000<sup>®</sup> Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird LargeCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<i>Shares</i>	<i>Value</i>	<i>Shares</i>	<i>Value</i>
<b>COMMON STOCKS – 98.3%</b>		<b>Electronic Equipment, Instruments &amp; Components – 1.8%</b>	
<b>Aerospace &amp; Defense – 1.5%</b>		8,225 Agilent Technologies, Inc.*	
2,191 Precision Castparts Corp.	\$ 360,748		\$ 420,380
<b>Air Freight &amp; Logistics – 2.9%</b>		<b>Energy Equipment &amp; Services – 5.7%</b>	
8,607 C.H. Robinson Worldwide, Inc.@	678,576	5,020 Core Laboratories N.V. f@	559,931
<b>Auto Components – 3.0%</b>		4,687 Schlumberger Limited f	404,957
17,015 Johnson Controls, Inc.	708,845	7,225 Tidewater Inc.@	388,777
<b>Capital Markets – 2.6%</b>			<u>1,353,665</u>
7,841 State Street Corporation	353,551	<b>Food &amp; Staples Retailing – 1.6%</b>	
4,489 T. Rowe Price Group, Inc.	270,866	5,975 Whole Foods Market, Inc.	379,114
	<u>624,417</u>	<b>Health Care Equipment &amp; Supplies – 1.8%</b>	
<b>Chemicals – 3.5%</b>		1,141 Intuitive Surgical, Inc.*@	424,577
7,638 Praxair, Inc.@	827,883	<b>Health Care Providers &amp; Services – 4.4%</b>	
<b>Commercial Banks – 0.9%</b>		11,625 Express Scripts, Inc.*	627,517
3,575 PNC Financial Services Group, Inc.	213,106	8,050 UnitedHealth Group Incorporated	415,219
<b>Commercial Services &amp; Supplies – 1.3%</b>			<u>1,042,736</u>
3,500 Stericycle, Inc.*	311,920	<b>Insurance – 1.2%</b>	
<b>Communications Equipment – 4.2%</b>		6,225 Aflac, Inc.	290,583
800 F5 Networks, Inc.*	88,200	<b>Internet &amp; Catalog Retail – 1.9%</b>	
8,550 Juniper Networks, Inc.*	269,325	2,183 Amazon.com, Inc.*@	446,402
6,325 QUALCOMM Incorporated	359,197	<b>Internet Software &amp; Services – 3.5%</b>	
7,075 Riverbed Technology, Inc.*	280,099	13,725 Akamai Technologies, Inc.*	431,926
	<u>996,821</u>	783 Google, Inc. – Class A*	396,495
<b>Computers &amp; Peripherals – 7.9%</b>			<u>828,421</u>
2,833 Apple Inc.*	950,953	<b>IT Services – 3.2%</b>	
29,500 EMC Corporation*@	812,725	6,525 Cognizant Technology Solutions Corporation – Class A*	478,544
2,300 NetApp, Inc.*	121,394	945 MasterCard, Inc. – Class A	284,766
	<u>1,885,072</u>		<u>763,310</u>
<b>Electrical Equipment – 4.6%</b>		<b>Machinery – 7.1%</b>	
9,525 ABB Limited – ADR f@	247,174	2,935 Caterpillar Inc.@	312,460
14,832 Emerson Electric Company	834,300	15,234 Danaher Corporation	807,249
	<u>1,081,474</u>		

The accompanying notes are an integral part of these financial statements.

# Baird LargeCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<i>Shares</i>	<i>Value</i>	<i>Shares</i>	<i>Value</i>
<b>COMMON STOCKS – 98.3% (cont.)</b>		<b>Software – 6.1%</b>	
<b>Machinery – 7.1% (cont.)</b>		1,450 Citrix Systems, Inc.*	\$ 116,000
10,875 PACCAR Inc.@	<u>\$ 555,604</u>	16,175 Oracle Corporation	532,319
	<u>1,675,313</u>	3,100 Red Hat, Inc.*	142,290
<b>Media – 2.1%</b>		4,460 Salesforce.com, Inc.*@	<u>664,451</u>
5,000 DIRECTV*@	254,100		<u>1,455,060</u>
4,900 Scripps Networks Interactive – Class A	<u>239,512</u>	<b>Specialty Retail – 6.4%</b>	
	<u>493,612</u>	16,000 Dick's Sporting Goods, Inc.*	615,200
<b>Metals &amp; Mining – 0.8%</b>		10,800 O'Reilly Automotive, Inc.*	707,508
3,375 Freport-McMoRan Copper & Gold Inc.	<u>178,537</u>	7,200 Urban Outfitters, Inc.*	<u>202,680</u>
<b>Multiline Retail – 2.0%</b>			<u>1,525,388</u>
14,240 Dollar General Corporation*@	<u>482,594</u>	<b>Trading Companies &amp; Distributors – 2.3%</b>	
<b>Oil, Gas &amp; Consumable Fuels – 7.7%</b>		14,944 Fastenal Company@	<u>537,835</u>
3,625 Noble Energy, Inc.	324,909	Total Common Stocks (Cost \$16,992,836)	<u>23,314,250</u>
9,122 Occidental Petroleum Corporation	949,053	<b>SHORT-TERM INVESTMENTS – 1.7%</b>	
2,925 Questar Market Resources, Inc.@	122,352	<b>Money Market Mutual Fund – 1.7%</b>	
9,775 Southwestern Energy Company*@	<u>419,152</u>	408,855 The AIM STIT – Liquid Assets Portfolio, 0.06%«	<u>408,855</u>
	<u>1,815,466</u>	Total Short-Term Investments (Cost \$408,855)	<u>408,855</u>
<b>Pharmaceuticals – 4.7%</b>		<i>Principal Amount</i>	
6,250 Allergan, Inc.	520,313	<b>INVESTMENTS PURCHASED WITH CASH PROCEEDS FROM SECURITIES LENDING – 25.2%</b>	
2,850 Perrigo Company@	250,429	<b>Commercial Paper – 0.5%</b>	
7,338 Teva Pharmaceutical Industries Limited f	<u>353,838</u>	\$170,455 Atlantic East Funding LLC, 0.541%, 03/25/2012†**	<u>116,518</u>
	<u>1,124,580</u>	Total Commercial Paper (Cost \$170,455)	<u>116,518</u>
<b>Semiconductors &amp; Semiconductor Equipment – 1.6%</b>			
3,590 Altera Corporation@	166,397		
6,582 Broadcom Corporation – Class A	<u>221,418</u>		
	<u>387,815</u>		

The accompanying notes are an integral part of these financial statements.

# Baird LargeCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
<b>INVESTMENTS PURCHASED WITH CASH PROCEEDS FROM SECURITIES LENDING – 25.2% (cont.)</b>		<b>Asset Relating to Securities</b>	
<b>Investment Companies – 24.7%</b>		<b>Lending Investments – 0.2%</b>	
5,864,061			Support Agreement* <i>a</i> ** \$ 53,937
Mount Vernon Securities			Total (Cost \$0) 53,937
Lending Trust Prime			Liabilities in Excess of
Portfolio, 0.20% «	\$ 5,864,061		Other Assets – (25.4)% (6,038,356)
Total Investment			TOTAL NET
Companies			ASSETS – 100.0% \$23,719,265
(Cost \$5,864,061)	5,864,061		
Total Investments Purchased			
With Cash Proceeds From			
Securities Lending			
(Cost \$6,034,516)	5,980,579		
Total Investments			
(Cost \$23,436,207) –			
125.2%	29,703,684		

### Notes to Schedule of Investments

ADR American Depository Receipt

\* Non-Income Producing

\*\* Illiquid Security

@ This security or portion of this security is out on loan at June 30, 2011.

f Foreign Security

« 7-Day Yield

† Priced at Fair Value by the Valuation Committee as delegated by the Baird Funds' Board of Directors.

*a* The Fund's transfer agent and administrator and securities lending agent entered into a support agreement with the Fund to cover losses realized by the Fund on its investment in Atlantic East Funding, LLC (up to a certain amount), which investment was made by the Fund's securities lending agent.

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird LargeCap Fund

## Summary of Fair Value Exposure at June 30, 2011 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Funds' financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$23,314,250	\$ —	\$ —	\$23,314,250
<b>Total Equity</b>	23,314,250	—	—	23,314,250
<b>Short-Term Investments</b>				
Money Market Mutual Fund	408,855	—	—	408,855
<b>Total Short-Term Investments</b>	408,855	—	—	408,855
<b>Investments Purchased with Cash</b>				
<b>Proceeds from Securities Lending</b>				
Commercial Paper	—	116,518	—	116,518
Money Market Mutual Fund	5,864,061	—	—	5,864,061
<b>Total Investments Purchased with Cash</b>				
<b>Proceeds from Securities Lending</b>	5,864,061	116,518	—	5,980,579
<b>Total Investments*</b>	<u>\$29,587,166</u>	<u>\$116,518</u>	<u>\$ —</u>	<u>\$29,703,684</u>
<b>Asset Relating to Securities Lending Investments</b>	<u>\$ —</u>	<u>\$ 53,937</u>	<u>\$ —</u>	<u>\$ 53,937</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of current assigned levels within the hierarchy. There were no significant transfers between Level 1 and Level 2 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report.

# Baird MidCap Fund

June 30, 2011 (Unaudited)

A June 30, 2011 summary of the Fund's top 10 holdings and equity sector analysis compared to the Russell Midcap<sup>®</sup> Growth Index is shown below.

## Top 10 Holdings\*

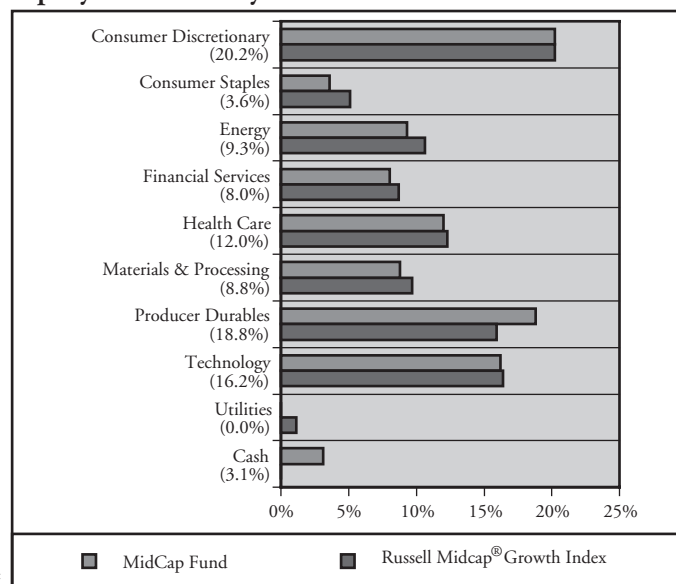
Alliance Data Systems Corporation	2.7%
Plantronics, Inc.	2.4%
Microchip Technology Incorporated	2.4%
Oceaneering International, Inc.	2.4%
AptarGroup, Inc.	2.3%
J.B. Hunt Transport Services, Inc.	2.3%
Catalyst Health Solutions, Inc.	2.2%
Fastenal Company	2.2%
Varian Semiconductor Equipment Associates, Inc.	2.2%
Roper Industries, Inc.	2.2%

<b>Net Assets:</b>	\$40,263,002
<b>Portfolio Turnover Rate:</b>	25.1%†
<b>Number of Equity Holdings:</b>	56

**Annualized Portfolio Expense Ratio:\*\*\***

INSTITUTIONAL CLASS:	0.85%
INVESTOR CLASS:	1.10%****

## Equity Sector Analysis\*\*



\* The Fund's portfolio composition is subject to change and there is no assurance that the Fund will continue to hold any particular security. Percentages shown relate to the Fund's total net assets as of June 30, 2011.

\*\* Percentages shown in parentheses relate to the Fund's total market value of investments as of June 30, 2011, and may not add up to 100% due to rounding.

\*\*\* The Advisor has contractually agreed to limit the Fund's total annual fund operating expenses to 0.85% of average daily net assets for the Institutional Class shares and 1.10% of average daily net assets for the Investor Class shares, at least through April 30, 2012.

\*\*\*\* Includes 0.25% 12b-1 fee.

† Not annualized.

# Baird MidCap Fund

---

## Total Returns

<i>For the Periods Ended June 30, 2011</i>	<b>Six Months</b>	<b>One Year</b>	<b>Average Annual</b>		
			<b>Five Years</b>	<b>Ten Years</b>	<b>Since Inception<sup>(1)</sup></b>
Institutional Class Shares	10.36%	37.81%	6.96%	5.97%	5.03%
Investor Class Shares	10.25%	37.60%	6.73%	5.73%	4.80%
Russell Midcap <sup>®</sup> Growth Index <sup>(2)</sup>	9.59%	43.25%	6.28%	5.52%	3.61%

(1) For the period from December 29, 2000 (commencement of operations) through June 30, 2011.

(2) The Russell Midcap<sup>®</sup> Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. This index does not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

*The returns shown in the table above reflect reinvestment of dividends and/or capital gains distributions in additional shares. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.*

*Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

*For information about the performance of the Fund as of the most recent month-end, please call 1-866-44BAIRD or visit [www.bairdfunds.com](http://www.bairdfunds.com). Mutual fund performance changes over time and current performance may be lower or higher than that stated.*

# Baird MidCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<i>Shares</i>	<i>Value</i>	<i>Shares</i>	<i>Value</i>
<b>COMMON STOCKS – 95.8%</b>		<b>Energy Equipment &amp; Services – 7.1%</b>	
<b>Auto Components – 3.7%</b>		6,060	Core Laboratories
22,950	Gentex Corporation \$ 693,778		N.V. f@ \$ 675,932
11,450	WABCO Holdings Inc.* 790,737	15,045	Dresser-Rand
	1,484,515		Group, Inc.*@ 808,669
<b>Automobiles – 1.7%</b>		23,936	Oceaneering
16,975	Harley-Davidson, Inc.@ 695,466		International, Inc.* 969,408
<b>Biotechnology – 0.9%</b>		10,400	Rowan Companies, Inc.* 403,624
7,798	Alexion		2,857,633
	Pharmaceuticals, Inc.*@ 366,740	<b>Food Products – 1.8%</b>	
<b>Capital Markets – 4.0%</b>		14,677	McCormick & Co,
12,991	Eaton Vance Corporation@ 392,718		Incorporated 727,539
7,903	Greenhill & Co., Inc.@ 425,339	<b>Health Care Equipment &amp; Supplies – 3.6%</b>	
33,875	Invesco Limited f 792,675	21,270	Thoratec Corporation* 698,081
	1,610,732	10,705	Varian Medical
<b>Chemicals – 2.1%</b>			Systems, Inc.* 749,564
12,125	Airgas, Inc. 849,235		1,447,645
<b>Commercial Services &amp; Supplies – 1.7%</b>		<b>Hotels Restaurants &amp; Leisure – 3.2%</b>	
7,865	Stericycle, Inc.* 700,929	8,443	Buffalo Wild Wings Inc.*@ 559,856
<b>Communications Equipment – 3.8%</b>		34,675	InterContinental Hotels
26,935	Plantronics, Inc. 983,936		Group PLC ADR f@ 716,732
13,650	Riverbed Technology, Inc.* 540,403		1,276,588
	1,524,339	<b>Household Products – 1.8%</b>	
<b>Containers &amp; Packaging – 2.3%</b>		17,476	Church &
17,902	AptarGroup, Inc. 936,991		Dwight Co., Inc.@ 708,477
<b>Electrical Equipment – 2.2%</b>		<b>Internet Software &amp; Services – 1.0%</b>	
10,617	Roper Industries, Inc. 884,396	13,325	Akamai Technologies, Inc.* 419,338
<b>Electronic Equipment, Instruments</b>		<b>IT Services – 3.7%</b>	
<b>&amp; Components – 4.9%</b>		11,369	Alliance Data Systems
14,265	Agilent Technologies, Inc.* 729,084		Corporation*@ 1,069,482
20,520	Plexus Corp.* 714,301	6,800	Teradata Corporation* 409,360
13,250	Trimble Navigation		1,478,842
	Limited* 525,230	<b>Life Sciences Tools &amp; Services – 3.3%</b>	
	1,968,615	20,706	ICON PLC – ADR* f 487,833

The accompanying notes are an integral part of these financial statements.

# Baird MidCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<i>Shares</i>	<i>Value</i>	<i>Shares</i>	<i>Value</i>
<b>COMMON STOCKS – 95.8% (cont.)</b>		<b>Semiconductors &amp; Semiconductor Equipment – 4.6%</b>	
<b>Life Sciences Tools &amp; Services – 3.3% (cont.)</b>		25,868	Microchip Technology Incorporated@ \$ 980,656
15,844	Life Technologies Corporation*	14,547	Varian Semiconductor Equipment Associates, Inc.*
	\$ 824,997		893,767
	1,312,830		1,874,423
<b>Machinery – 7.5%</b>		<b>Software – 3.8%</b>	
25,025	Actuant Corporation@	15,510	ANSYS, Inc.*
5,950	Joy Global Inc.	8,350	Citrix Systems, Inc.*
5,775	Navistar International Corporation*		668,000
7,450	Rockwell Automation, Inc.@		1,515,932
19,255	Zebra Technologies Corporation*		
	811,983		
	3,022,501		
<b>Media – 1.0%</b>		<b>Specialty Retail – 8.5%</b>	
8,045	Scripps Networks Interactive – Class A	20,711	Dick's Sporting Goods, Inc.*
	393,240	12,200	O'Reilly Automotive, Inc.*
		9,621	Tractor Supply Company
		11,295	Ulta Salon, Cosmetics & Fragrance, Inc.*@
		16,889	Urban Outfitters, Inc.*
			475,425
			3,443,869
<b>Multiline Retail – 1.0%</b>		<b>Textiles, Apparel &amp; Luxury Goods – 0.8%</b>	
12,100	Dollar General Corporation*	4,195	Under Armour, Inc. – Class A*@
	410,069		324,315
<b>Oil, Gas &amp; Consumable Fuels – 2.1%</b>		<b>Trading Companies &amp; Distributors – 4.3%</b>	
12,745	Cabot Oil & Gas Corporation	24,972	Fastenal Company@
	845,121	12,165	Watsco, Inc.@
			827,099
			1,725,841
<b>Pharmaceuticals – 4.1%</b>		<b>Total Common Stocks</b>	
16,175	Catalyst Health Solutions, Inc.*	<b>(Cost \$28,000,627)</b>	
8,630	Perrigo Company@	38,588,356	
	902,888		
	758,318		
	1,661,206		
<b>Professional Services – 1.7%</b>		<b>SHORT-TERM INVESTMENTS – 4.2%</b>	
13,040	Manpower Inc.	<b>Money Market Mutual Funds – 4.2%</b>	
	699,596	700,000	The AIM STIT – Liquid Assets Portfolio, 0.06% «
			700,000
<b>Real Estate Investment Trust (REIT) – 1.3%</b>		991,469	Dreyfus Institutional Cash Advantage Fund, 0.15% «
8,205	Digital Realty Trust, Inc.@		991,469
	506,905		
<b>Road &amp; Rail – 2.3%</b>		<b>Total Short-Term Investments</b>	
19,420	J.B. Hunt Transport Services, Inc.	<b>(Cost \$1,691,469)</b>	
	914,488	1,691,469	

The accompanying notes are an integral part of these financial statements.

# Baird MidCap Fund

## Schedule of Investments June 30, 2011 (Unaudited)

<i>Principal Amount</i>	<i>Value</i>	<i>Shares</i>	<i>Value</i>
<b>INVESTMENTS PURCHASED WITH CASH PROCEEDS FROM SECURITIES LENDING – 24.2%</b>			
<b>Commercial Paper – 0.4%</b>			
\$239,950 Atlantic East Funding LLC, 0.541%, 03/25/2012 †**	\$ 164,022		
Total Commercial Paper (Cost \$239,950)	<u>164,022</u>		
		<b>Investment Companies – 23.8%</b>	
		9,595,111 Mount Vernon Securities Lending Trust Prime Portfolio, 0.20% «	\$ 9,595,111
		Total Investment Companies (Cost \$9,595,111)	<u>9,595,111</u>
		Total Investments Purchased With Cash Proceeds From Securities Lending (Cost \$9,835,061)	<u>9,759,133</u>
		Total Investments (Cost \$39,527,157) – 124.2%	<u>50,038,958</u>
		<b>Asset Relating to Securities</b>	
		<b>Lending Investments – 0.2%</b>	
		Support Agreement* <i>a</i> **	75,928
		Total (Cost \$0)	<u>75,928</u>
		Liabilities in Excess of Other Assets – (24.4)%	<u>(9,851,884)</u>
		<b>TOTAL NET</b>	
		<b>ASSETS – 100.0%</b>	<u>\$40,263,002</u>

### Notes to Schedule of Investments

ADR American Depository Receipt

\* Non-Income Producing

\*\* Illiquid Security

@ This security or portion of this security is out on loan at June 30, 2011.

f Foreign Security

« 7-Day Yield

† Priced at Fair Value by the Valuation Committee as delegated by the Baird Funds' Board of Directors.

*a* The Fund's transfer agent and administrator and securities lending agent entered into a support agreement with the Fund to cover losses realized by the Fund on its investment in Atlantic East Funding, LLC (up to a certain amount), which investment was made by the Fund's securities lending agent.

*Industry classifications shown in the Schedule of Investments are based off of the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

*The accompanying notes are an integral part of these financial statements.*

# Baird MidCap Fund

## Summary of Fair Value Exposure at June 30, 2011 (Unaudited)

The Fund has adopted authoritative fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion on changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has determined that these standards have no material impact on the Funds' financial statements. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. These standards state that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized into three broad levels and described below:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets, dealer indications, interest rates, yield curves, prepayment speeds, credit risk, default rates, inputs corroborated by observable market data, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about the factors that market participants would use in valuing the security) based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks	\$38,588,356	\$ —	\$ —	\$38,588,356
<b>Total Equity</b>	38,588,356	—	—	38,588,356
<b>Short-Term Investments</b>				
Money Market Mutual Funds	1,691,469	—	—	1,691,469
<b>Total Short-Term Investments</b>	1,691,469	—	—	1,691,469
<b>Investments Purchased with Cash</b>				
<b>Proceeds from Securities Lending</b>				
Commercial Paper	—	164,022	—	164,022
Money Market Mutual Fund	9,595,111	—	—	9,595,111
<b>Total Investments Purchased with Cash</b>				
<b>Cash Proceeds from Securities Lending</b>	9,595,111	164,022	—	9,759,133
<b>Total Investments*</b>	<u>\$49,874,936</u>	<u>\$164,022</u>	<u>\$ —</u>	<u>\$50,038,958</u>
<b>Asset Relating to Securities Lending Investments</b>	<u>\$ —</u>	<u>\$ 75,928</u>	<u>\$ —</u>	<u>\$ 75,928</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of current assigned levels within the hierarchy. There were no significant transfers between Level 1 and Level 2 fair value measurements during the reporting period, as compared to their classification from the prior year's annual report.

# Baird Funds, Inc.

## Additional Information on Fund Expenses June 30, 2011 (Unaudited)

### Example

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, which may include sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, such as management fees; distribution and/or service (12b-1) fees; and other fund expenses. Although the Funds do not charge any sales loads, redemption fees, or other transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently the Fund's transfer agent charges a \$15.00 fee.

This Example is intended to help you understand your ongoing costs (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (1/1/11 – 6/30/11).

### Actual Expenses

The third and fourth columns of the following table provide information about account values based on actual returns and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the fourth column entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The fifth and sixth columns of the following table provide information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other mutual funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the sixth column of the table (entitled "Expenses Paid During Period") is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different mutual funds. In addition, if these transactional costs were included, your costs could have been higher.

# Baird Funds, Inc.

## Additional Information on Fund Expenses June 30, 2011 (Unaudited)

### Actual vs. Hypothetical Returns

For the Six Months Ended June 30, 2011

	Fund's Annualized Expense Ratio <sup>(1)</sup>	Beginning Account Value 1/1/11	Actual		Hypothetical (5% return before expenses)	
			Ending Account Value 6/30/11	Expenses Paid During Period <sup>(1)</sup>	Ending Account Value 6/30/11	Expenses Paid During Period <sup>(1)</sup>
<b>Baird LargeCap Fund</b>						
Institutional Class	0.75%	\$1,000.00	\$1,048.20	\$3.81	\$1,021.08	\$3.76
Investor Class	1.00%	\$1,000.00	\$1,047.10	\$5.08	\$1,019.84	\$5.01
<b>Baird MidCap Fund</b>						
Institutional Class	0.85%	\$1,000.00	\$1,103.60	\$4.43	\$1,020.58	\$4.26
Investor Class	1.10%	\$1,000.00	\$1,102.50	\$5.73	\$1,019.34	\$5.51

<sup>(1)</sup> Expenses are equal to the Fund's annualized net expense ratio multiplied by the average account value over the period, multiplied by 181 days and divided by 365 to reflect the one-half year period.

# Baird Funds, Inc.

## Statements of Assets and Liabilities June 30, 2011 (Unaudited)

	Baird LargeCap Fund	Baird MidCap Fund
<b>ASSETS:</b>		
Investments, at value (cost \$23,436,207 and \$39,527,157, respectively)	\$29,703,684	\$50,038,958
Support Agreement (Note 6)	53,937	75,928
Dividends receivable	12,966	—
Interest receivable	30	95
Receivable for investments sold or paid down	235,282	—
Receivable for fund shares sold	—	23,824
Uninvested cash	488	799
Prepaid expenses	15,007	11,620
Total assets	<u>30,021,394</u>	<u>50,151,224</u>
<b>LIABILITIES:</b>		
Payable for collateral received for securities loaned (Note 6)	6,035,004	9,835,860
Payable for securities purchased	206,644	—
Payable for fund shares repurchased	20,625	—
Payable to Advisor and Distributor	299	11,687
Accrued expenses and other liabilities	39,557	40,675
Total liabilities	<u>6,302,129</u>	<u>9,888,222</u>
<b>NET ASSETS</b>	<u>\$23,719,265</u>	<u>\$40,263,002</u>
<b>NET ASSETS CONSIST OF:</b>		
Capital stock	\$21,225,776	\$28,391,146
Accumulated undistributed net investment income	8,615	—
Accumulated net realized gain (loss) on investments sold	(3,836,540)	1,284,127
Net unrealized appreciation on investments and support agreement	6,321,414	10,587,729
<b>NET ASSETS</b>	<u>\$23,719,265</u>	<u>\$40,263,002</u>
<b>INSTITUTIONAL CLASS SHARES</b>		
Net Assets	\$23,550,597	\$39,108,626
Shares outstanding (\$0.01 par value, unlimited shares authorized)	2,514,839	3,529,408
Net asset value, offering and redemption price per share	<u>\$ 9.36</u>	<u>\$ 11.08</u>
<b>INVESTOR CLASS SHARES</b>		
Net Assets	\$ 168,668	\$ 1,154,376
Shares outstanding (\$0.01 par value, unlimited shares authorized)	18,076	107,331
Net asset value, offering and redemption price per share	<u>\$ 9.33</u>	<u>\$ 10.76</u>

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Statements of Operations Six Months Ended June 30, 2011 (Unaudited)

	Baird LargeCap Fund	Baird MidCap Fund
<b>INVESTMENT INCOME:</b>		
Dividends (net of foreign taxes or issuance fees withheld of \$650 and \$810, respectively)	\$ 93,717	\$ 85,781
Income from securities lending (Note 6)	2,983	5,997
Interest	406	1,029
Other income	—	54
Total investment income	<u>97,106</u>	<u>92,861</u>
<b>EXPENSES:</b>		
Investment advisory fees	76,541	140,572
Administration fees	2,101	3,197
Shareholder servicing fees	7,602	7,702
Fund accounting fees	11,041	11,744
Professional fees	16,853	16,953
Federal and state registration	17,036	16,895
Directors fees	21,699	21,699
Custody fees	1,167	2,701
Reports to shareholders	2,465	3,158
Distribution fees – Investor Class Shares (Note 8)	201	1,474
Miscellaneous expenses	<u>312</u>	<u>362</u>
Total expenses	157,018	226,457
Expense reimbursement by Advisor (Note 5)	<u>(68,500)</u>	<u>(65,668)</u>
Total expenses	<u>88,518</u>	<u>160,789</u>
NET INVESTMENT INCOME (LOSS)	<u>8,588</u>	<u>(67,928)</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>		
Net realized gain on investments	1,179,350	2,584,609
Change in unrealized appreciation/depreciation on investments and support agreement	<u>(77,250)</u>	<u>1,219,292</u>
Net realized and unrealized gain on investments	<u>1,102,100</u>	<u>3,803,901</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$1,110,688</u>	<u>\$3,735,973</u>

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Statements of Changes in Net Assets

	Baird LargeCap Fund	
	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
<b>OPERATIONS:</b>		
Net investment income	\$ 8,588	\$ 27,834
Net realized gain on investments	1,179,350	541,152
Change in unrealized appreciation/depreciation on investments and support agreement	<u>(77,250)</u>	<u>3,040,877</u>
Net increase in net assets from operations	<u>1,110,688</u>	<u>3,609,863</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	1,720,328	1,834,410
Shares issued to holders in reinvestment of dividends	—	19,011
Cost of shares redeemed	<u>(2,651,915)</u>	<u>(2,992,605)</u>
Net decrease in net assets resulting from capital share transactions	<u>(931,587)</u>	<u>(1,139,184)</u>
<b>DISTRIBUTIONS TO INSTITUTIONAL CLASS SHAREHOLDERS:</b>		
From net investment income	<u>—</u>	<u>(19,202)</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	179,101	2,451,477
<b>NET ASSETS:</b>		
Beginning of period	<u>23,540,164</u>	<u>21,088,687</u>
End of period (including undistributed net investment income of \$8,615 and \$27, respectively)	<u>\$23,719,265</u>	<u>\$23,540,164</u>

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Statements of Changes in Net Assets

	Baird MidCap Fund	
	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
<b>OPERATIONS:</b>		
Net investment loss	\$ (67,928)	\$ (32,176)
Net realized gain on investments	2,584,609	2,878,157
Change in unrealized appreciation/depreciation on investments and support agreement	<u>1,219,292</u>	<u>4,470,072</u>
Net increase in net assets from operations	<u>3,735,973</u>	<u>7,316,053</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	4,096,663	4,145,696
Cost of shares redeemed	<u>(2,120,757)</u>	<u>(4,001,060)</u>
Net increase in net assets resulting from capital share transactions	<u>1,975,906</u>	<u>144,636</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	5,711,879	7,460,689
<b>NET ASSETS:</b>		
Beginning of period	<u>34,551,123</u>	<u>27,090,434</u>
End of period (including undistributed net investment income of \$0 and \$0, respectively)	<u>\$40,263,002</u>	<u>\$34,551,123</u>

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Financial Highlights

### Baird LargeCap Fund – Institutional Class

	Baird LargeCap Fund – Institutional Class					
	Six Months Ended June 30, 2011 (Unaudited)	2010	2009	Year Ended December 31,		2006
			2008	2007		
Per Share Data:						
Net asset value, beginning of period	\$ 8.93	\$ 7.57	\$ 5.59	\$ 9.33	\$ 8.53	\$ 8.33
Income from investment operations:						
Net investment income	0.00 <sup>(1)(2)</sup>	0.01	0.03	0.03	0.02	0.04
Net realized and unrealized gains (losses) on investments	0.43	1.36	1.98	(3.74)	0.80	0.20
Total from investment operations	0.43	1.37	2.01	(3.71)	0.82	0.24
Less distributions:						
Distributions from net investment income	—	(0.01)	(0.03)	(0.03)	(0.02)	(0.04)
Net asset value, end of period	\$ 9.36	\$ 8.93	\$ 7.57	\$ 5.59	\$ 9.33	\$ 8.53
Total return	4.82% <sup>(3)</sup>	18.06%	36.27%	(39.88%)	9.63%	2.89%
Supplemental data and ratios:						
Net assets, end of period	\$23,550,597	\$23,399,325	\$20,741,302	\$16,349,025	\$27,644,009	\$27,442,329
Ratio of expenses to average net assets	0.75% <sup>(4)</sup>	0.75%	0.75%	0.75%	0.75%	0.75%
Ratio of expenses to average net assets (before waivers)	1.33% <sup>(4)</sup>	1.40%	1.39%	1.17%	1.10%	1.12%
Ratio of net investment income to average net assets	0.07% <sup>(4)</sup>	0.14%	0.46%	0.32%	0.25%	0.44%
Ratio of net investment income (loss) to average net assets (before waivers)	(0.51%) <sup>(4)</sup>	(0.51%)	(0.18%)	(0.10%)	(0.10%)	0.07%
Portfolio turnover rate <sup>(5)</sup>	27.7% <sup>(3)</sup>	52.0%	58.7%	43.0%	72.2%	63.9%

(1) Amount is less than \$0.005.

(2) Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Financial Highlights

### Baird LargeCap Fund – Investor Class

	Year Ended December 31,					
	Six Months Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007	2006
Per Share Data:						
Net asset value, beginning of period	\$ 8.91	\$ 7.56	\$ 5.59	\$ 9.29	\$ 8.50	\$ 8.29
Income from investment operations:						
Net investment income (loss)	(0.00) <sup>(1)(2)</sup>	(0.02)	0.02	0.00 <sup>(1)</sup>	0.00 <sup>(1)</sup>	0.01
Net realized and unrealized gains (losses) on investments	0.42	1.37	1.97	(3.70)	0.79	0.21
Total from investment operations	0.42	1.35	1.99	(3.70)	0.79	0.22
Less distributions:						
Distributions from net investment income	—	—	(0.02)	—	—	(0.01)
Net asset value, end of period	\$ 9.33	\$ 8.91	\$ 7.56	\$ 5.59	\$ 9.29	\$ 8.50
Total return	4.71% <sup>(3)</sup>	17.86%	35.79%	(39.94%)	9.29%	2.64%
Supplemental data and ratios:						
Net assets, end of period	\$168,668	\$140,839	\$347,385	\$261,198	\$740,779	\$1,087,948
Ratio of expenses to average net assets	1.00% <sup>(4)</sup>	1.00%	1.00%	1.00%	1.00%	1.00%
Ratio of expenses to average net assets (before waivers)	1.58% <sup>(4)</sup>	1.65%	1.64%	1.42%	1.35%	1.37%
Ratio of net investment income (loss) to average net assets	(0.18%) <sup>(4)</sup>	(0.11%)	0.21%	0.07%	0.00%	0.19%
Ratio of net investment loss to average net assets (before waivers)	(0.76%) <sup>(4)</sup>	(0.76%)	(0.43%)	(0.35%)	(0.35%)	(0.18%)
Portfolio turnover rate <sup>(5)</sup>	27.7% <sup>(3)</sup>	52.0%	58.7%	43.0%	72.2%	63.9%

(1) Amount is less than \$0.005.

(2) Net investment loss per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Financial Highlights

### Baird MidCap Fund – Institutional Class

	Baird MidCap Fund – Institutional Class					
	Six Months Ended June 30, 2011 (Unaudited)	2010	2009	Year Ended December 31,		2006
				2008	2007	
Per Share Data:						
Net asset value, beginning of period	\$ 10.04	\$ 7.90	\$ 5.63	\$ 9.62	\$ 9.33	\$ 11.12
Income from investment operations:						
Net investment income (loss) <sup>(1)</sup>	(0.02)	(0.01)	0.02	0.01	(0.01)	(0.02)
Net realized and unrealized gains (losses) on investments	1.06	2.15	2.27	(3.99)	1.99	0.46
Total from investment operations	1.04	2.14	2.29	(3.98)	1.98	0.44
Less distributions:						
Distributions from net investment income	—	—	(0.02)	(0.01)	—	—
Distributions from net realized gains	—	—	—	—	(1.69)	(2.23)
Total distributions	—	—	(0.02)	(0.01)	(1.69)	(2.23)
Net asset value, end of period	\$ 11.08	\$ 10.04	\$ 7.90	\$ 5.63	\$ 9.62	\$ 9.33
Total return	10.36% <sup>(2)</sup>	27.09%	40.90%	(41.53%)	20.89%	3.93%
Supplemental data and ratios:						
Net assets, end of period	\$39,108,626	\$33,432,268	\$25,513,554	\$18,163,034	\$36,616,547	\$32,057,214
Ratio of expenses to average net assets	0.85% <sup>(3)</sup>	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of expenses to average net assets (before waivers)	1.20% <sup>(3)</sup>	1.30%	1.34%	1.19%	1.11%	1.01%
Ratio of net investment income (loss) to average net assets	(0.35%) <sup>(3)</sup>	(0.10%)	0.25%	0.06%	(0.06%)	(0.17%)
Ratio of net investment loss to average net assets (before waivers)	(0.70%) <sup>(3)</sup>	(0.55%)	(0.24%)	(0.28%)	(0.32%)	(0.33%)
Portfolio turnover rate <sup>(4)</sup>	25.1% <sup>(2)</sup>	62.7%	61.3%	74.0%	72.3%	78.6%

(1) Calculated using average shares outstanding during the period.

(2) Not annualized.

(3) Annualized.

(4) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Financial Highlights

### Baird MidCap Fund – Investor Class

	Year Ended December 31,					
	Six Months Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007	2006
Per Share Data:						
Net asset value, beginning of period	\$ 9.76	\$ 7.69	\$ 5.49	\$ 9.40	\$ 9.17	\$ 10.99
Income from investment operations:						
Net investment income (loss) <sup>(1)</sup>	(0.03)	(0.03)	0.00 <sup>(2)</sup>	(0.02)	(0.04)	(0.04)
Net realized and unrealized gains (losses) on investments	1.03	2.10	2.21	(3.89)	1.96	0.45
Total from investment operations	1.00	2.07	2.21	(3.91)	1.92	0.41
Less distributions:						
Distributions from net investment income	—	—	(0.01)	—	—	—
Distributions from net realized gains	—	—	—	—	(1.69)	(2.23)
Total distributions	—	—	(0.01)	—	(1.69)	(2.23)
Net asset value, end of period	\$ 10.76	\$ 9.76	\$ 7.69	\$ 5.49	\$ 9.40	\$ 9.17
Total return	10.25% <sup>(3)</sup>	26.92%	40.52%	(41.70%)	20.61%	3.73%
Supplemental data and ratios:						
Net assets, end of period	\$1,154,376	\$1,118,855	\$1,576,880	\$1,563,786	\$4,783,844	\$5,023,621
Ratio of expenses to average net assets	1.10% <sup>(4)</sup>	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of expenses to average net assets (before waivers)	1.45% <sup>(4)</sup>	1.55%	1.59%	1.44%	1.36%	1.26%
Ratio of net investment income (loss) to average net assets	(0.60%) <sup>(4)</sup>	(0.35%)	0.00%	(0.19%)	(0.31%)	(0.42%)
Ratio of net investment loss to average net assets (before waivers)	(0.95%) <sup>(4)</sup>	(0.80%)	(0.49%)	(0.53%)	(0.57%)	(0.58%)
Portfolio turnover rate <sup>(5)</sup>	25.1% <sup>(3)</sup>	62.7%	61.3%	74.0%	72.3%	78.6%

(1) Calculated using average shares outstanding during the period.

(2) Amount is less than \$0.005.

(3) Not annualized.

(4) Annualized.

(5) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

*The accompanying notes are an integral part of these financial statements.*

# Baird Funds, Inc.

## Notes to the Financial Statements      June 30, 2011 (Unaudited)

### 1. ORGANIZATION

Baird Funds, Inc. (the “Corporation”) was incorporated on June 9, 2000 as a Wisconsin corporation and is registered as an open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The accompanying financial statements include the Baird LargeCap Fund and the Baird MidCap Fund (each a “Fund” and collectively the “Funds”), two of the seven series comprising the Corporation. Pursuant to the 1940 Act, the Funds are “diversified” series of the Corporation. The investment advisor to the Funds is Robert W. Baird & Co. Incorporated (“Baird” or the “Advisor”).

The Baird LargeCap Fund commenced operations with the sale of both Institutional and Investor Class Shares on September 29, 2000. The Baird MidCap Fund commenced operations with the sale of both Institutional and Investor Class Shares on December 29, 2000. The Institutional Class Shares are not subject to a distribution and service (12b-1) fee, while the Investor Class Shares are subject to a distribution and service (12b-1) fee of 0.25%.

The Baird LargeCap Fund seeks long-term growth of capital through investments in equity securities of large-capitalization companies. Dividend income is a secondary consideration.

The Baird MidCap Fund seeks long-term growth of capital through investments in equity securities of mid-capitalization companies.

On June 30, 2011, shareholders affiliated with the Advisor held 82% of the Institutional Class shares of the Baird LargeCap Fund and 39% of the Institutional Class shares of the Baird MidCap Fund. These shareholders included the Advisor’s participant-directed retirement and deferred compensation plans and the Baird Foundation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America.

- a) *Investment Valuation* – Section 2(a)(41) of the 1940 Act, together with the rules and interpretations of the SEC, require the Funds, in computing NAV, to value their portfolio securities using market quotations when they are “readily available.” When market quotations are not readily available (e.g., because there is no regular market quotation for such securities, the market for such security is limited, the validity of quotations is questionable or, for debt securities, IDC, the Funds’ independent pricing service, does not provide a price), the Board of Directors of the Corporation must value the securities at “fair value determined in good faith.” The Board has delegated such responsibility to the Advisor pursuant to pricing policies and procedures that the Board has adopted and regularly reviews. In general, the “fair value” of a security means the price that would be received to sell a security in an orderly transaction between market participants at the measurement date.

The Funds determine the fair value of their investments and compute their net asset value per share as of the close of regular trading of the New York Stock Exchange (4 pm EST).

# Baird Funds, Inc.

Notes to the Financial Statements      June 30, 2011 (Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Consistent with Section 2(a)(41) of the 1940 Act, the Funds price their securities as follows: common stocks that are listed on a securities exchange (other than NASDAQ) are valued at the last quoted sale price. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. Price information on listed stocks is taken from the exchange where the security is primarily traded. Securities that were not traded on the valuation date, as well as stocks that are not listed on an exchange, including NASDAQ, are valued at the average of the current bid and asked price. Debt securities are valued at their bid prices by an independent pricing service using valuation methods that are designed to represent fair value, such as matrix pricing and other analytical pricing models, market transactions and dealer quotations. Debt securities purchased with a remaining maturity of 60 days or less are valued at acquisition cost plus or minus any amortized discount or premium. Investments in mutual funds are valued at their stated net asset value. Other assets and securities for which market quotations are not readily available are valued at fair value as determined in good faith by the Advisor in accordance with procedures approved by the Corporation's Board of Directors. In accordance with such procedures, the Advisor may use broker quotes or prices obtained from alternative independent pricing services or, if the broker quotes or prices from alternative pricing services are unavailable or deemed to be unreliable, fair value will be determined by a valuation committee of the Advisor. In determining fair value, the valuation committee takes into account all relevant factors and available information. Consequently, the price of the security used by a Fund to calculate its NAV may differ from quoted or published prices for the same security. Fair value pricing involves subjective judgments and there is no single standard for determining a security's fair value. As a result, different mutual funds could reasonably arrive at a different fair value for the same security. It is possible that the fair value determined for a security is materially different from the value that could be realized upon the sale of that security or from the values that other mutual funds may determine. In addition, given the volatility and periodic illiquidity experienced in recent years, the prices determined for any individual security on any given day may vary significantly from the amount that can be obtained in an actual sale of that security, and the Funds' NAV may fluctuate significantly from day to day or from period to period.

In January, 2010, FASB issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires new disclosures regarding transfers in and out of Levels 1 and 2 (effective for interim and annual periods beginning after December 15, 2009), as well as additional details regarding Level 3 transaction activity (effective for interim and annual periods beginning after December 15, 2010). The Funds have disclosed the applicable requirements of this accounting standard in their financial statements.

In May 2011, the FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" in GAAP and the International Financial Reporting Standards ("IFRSs"). ASU No. 2011-04 amends FASB ASC Topic 820, Fair Value Measurements and Disclosures, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRSs. ASU No. 2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. Management is currently evaluating the impact these amendments may have on the Fund's financial statements.

- b) *Foreign Securities* – Foreign securities are defined as securities issued by companies that are organized outside the United States. Investing in securities of foreign companies and foreign governments involves special risks and

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include foreign currency fluctuations and adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government. Occasionally, events that affect those values and exchange rates may occur after the close of the exchange on which such securities are traded. If such events materially affect the value of a Fund's securities, these securities may be valued at their fair value pursuant to procedures adopted by the Board of Directors. All of the foreign securities owned by the Funds as of June 30, 2011 are traded on the New York Stock Exchange or NASDAQ.

- c) *Income Tax Status* – The Funds intend to continue to qualify as regulated investment companies as provided in subchapter M of the Internal Revenue Code and to distribute substantially all of their taxable income to their shareholders in a manner which results in no tax cost to the Funds. Therefore, no federal income or excise tax provision is recorded.

There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2010, or for any other tax years which are open for exam. As of June 30, 2011, open tax years include the tax years ended December 31, 2007 through 2010. The Funds are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense and other expense, respectively, in the Statement of Operations. During the year, the Funds did not incur any interest or penalties.

- d) *Distributions to Shareholders* – Distributions from net investment income, if any, are declared and paid annually. Distributions of net realized gains, if any, are declared and paid at least annually. The book basis character of distributions may differ from their ultimate characterization for Federal income tax purposes.
- e) *Allocation of Income and Expenses* – Each Fund is charged for those expenses directly attributable to it. Expenses directly attributable to a class of shares, such as Rule 12b-1 distribution fees, are charged to that class of shares. Income, expenses, and realized and unrealized gains and losses are allocated to the classes based on their respective net assets. Expenses that are not directly attributable to a Fund are allocated among the series of the Corporation in proportion to their assets.
- f) *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- g) *Securities Transactions and Investment Income* – Investment and shareholder transactions are recorded on trade date. The Funds determine the gain or loss realized from investment transactions by comparing the original cost of the security lot sold with the net sales proceeds. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Accounting principles generally accepted in the United States require that permanent financial reporting and tax differences be reclassified in the capital accounts.

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

- h) *Guarantees and Indemnifications* – In the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds' maximum exposure under these arrangements is unknown and this would involve future claims against the Funds that have not yet occurred. Based on experience, the Funds would expect the risk of loss to be remote.

### 3. CAPITAL SHARE TRANSACTIONS

The following table summarizes the capital share transactions of each Fund for the past two fiscal periods:

#### *BAIRD LARGE CAP FUND*

	Six Months Ended June 30, 2011			Six Months Ended June 30, 2011	
	Shares	Amount		Shares	Amount
<b>Institutional Class Shares</b>			<b>Investor Class Shares</b>		
Shares sold	186,780	\$ 1,699,890	Shares sold	2,275	\$ 20,438
Shares redeemed	(291,046)	(2,651,915)	Shares redeemed	—	—
Net decrease	(104,266)	<u>\$ (952,025)</u>	Net increase	2,275	<u>\$ 20,438</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	2,619,105		Beginning of period	15,801	
End of period	<u>2,514,839</u>		End of period	<u>18,076</u>	
	Year Ended December 31, 2010			Year Ended December 31, 2010	
	Shares	Amount		Shares	Amount
<b>Institutional Class Shares</b>			<b>Investor Class Shares</b>		
Shares sold	231,994	\$ 1,795,760	Shares sold	5,115	\$ 38,650
Shares issued to shareholders in reinvestment of dividends	2,124	19,011	Shares issued to shareholders in reinvestment of dividends	—	—
Shares redeemed	(355,005)	(2,730,847)	Shares redeemed	(35,252)	(261,758)
Net decrease	(120,887)	<u>\$ (916,076)</u>	Net decrease	(30,137)	<u>\$ (223,108)</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	2,739,992		Beginning of period	45,938	
End of period	<u>2,619,105</u>		End of period	<u>15,801</u>	

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 3. CAPITAL SHARE TRANSACTIONS (cont.)

#### BAIRD MIDCAP FUND

	Six Months Ended June 30, 2011			Six Months Ended June 30, 2011	
	Shares	Amount		Shares	Amount
<b>Institutional Class Shares</b>			<b>Investor Class Shares</b>		
Shares sold	379,018	\$ 3,952,003	Shares sold	14,132	\$ 144,660
Shares redeemed	(177,891)	(1,897,923)	Shares redeemed	(21,418)	(222,834)
Net increase	201,127	<u>\$ 2,054,080</u>	Net decrease	(7,286)	<u>\$ (78,174)</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	<u>3,328,281</u>		Beginning of period	<u>114,617</u>	
End of period	<u>3,529,408</u>		End of period	<u>107,331</u>	
	Year Ended December 31, 2010			Year Ended December 31, 2010	
	Shares	Amount		Shares	Amount
<b>Institutional Class Shares</b>			<b>Investor Class Shares</b>		
Shares sold	455,890	\$ 3,935,728	Shares sold	24,937	\$ 209,968
Shares redeemed	(358,437)	(3,077,251)	Shares redeemed	(115,309)	(923,809)
Net increase	97,453	<u>\$ 858,477</u>	Net decrease	(90,372)	<u>\$ (713,841)</u>
Shares Outstanding:			Shares Outstanding:		
Beginning of period	<u>3,230,828</u>		Beginning of period	<u>204,989</u>	
End of period	<u>3,328,281</u>		End of period	<u>114,617</u>	

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 4. INVESTMENT TRANSACTIONS AND INCOME TAX INFORMATION

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) were as follows:

	Baird LargeCap Fund	Baird MidCap Fund
Purchases:	\$6,499,647	\$10,460,214
Sales:	\$6,973,373	\$ 9,246,311

The Baird LargeCap Fund and Baird MidCap Fund did not purchase or sell U.S. Government securities during the six months ended June 30, 2011.

At December 31, 2010, accumulated earnings/losses on a tax basis were as follows:

	Baird LargeCap Fund	Baird MidCap Fund
Cost of Investments	<u>\$20,903,718</u>	<u>\$34,091,664</u>
Gross unrealized appreciation	\$ 6,510,519	\$ 9,585,473
Gross unrealized depreciation	(164,299)	(252,576)
Net unrealized appreciation	<u>\$ 6,346,220</u>	<u>\$ 9,332,897</u>
Undistributed ordinary income	\$ 27	\$ —
Undistributed long-term capital gain	—	—
Total distributable earnings	<u>\$ 27</u>	<u>\$ —</u>
Other accumulated losses	<u>\$ (4,963,446)</u>	<u>\$ (1,264,942)</u>
Total accumulated earnings	<u>\$ 1,382,801</u>	<u>\$ 8,067,955</u>

Undistributed income or net realized gains for financial statement purposes may differ from amounts recognized for federal income tax purposes due to differences in the recognition and characterization of income, expense and capital gain items. The difference between book-basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses on wash sales.

Additionally, U.S. generally accepted accounting principles require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.

Under the current tax law, capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the year ended December 31, 2010, the Baird LargeCap Fund and Baird MidCap Fund did not defer any capital losses occurring between November 1, 2010 and December 31, 2010.

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 4. INVESTMENT TRANSACTIONS AND INCOME TAX INFORMATION (cont.)

At December 31, 2010, accumulated net realized capital loss carryovers, if any, and the year(s) in which the capital loss carryovers expire were:

	<u>Capital Loss Carryover</u>	<u>Year of Expiration</u>
Baird LargeCap Fund	\$1,016,997	2012
	\$ 929,167	2016
	\$3,017,282	2017
Baird MidCap Fund	\$1,264,942	2017

To the extent the Funds realize future net capital gains, those gains will be offset by any unused capital loss carryovers. During the year ended December 31, 2010, the Baird LargeCap Fund and the Baird MidCap Fund utilized capital loss carryovers of \$365,884 and \$2,698,070, respectively.

#### **RIC Modernization Act**

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "RIC Act") was enacted. The RIC Act modernizes several of the federal income and excise tax provisions related to regulated investment companies ("RICs"). Under the RIC Act, new capital losses may be carried forward indefinitely, with the character of the original loss retained. The RIC Act also contains simplification provisions, which are aimed at preventing disqualification of a RIC for inadvertent failures to comply with asset diversification and/or qualifying income tests. The RIC Act exempts RICs from the preferential dividend rule and repealed the 60-day designation requirement for certain types of pay-through income and gains. In addition, the RIC Act contains provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31. Except for the simplification provisions related to RIC qualification, the RIC Act is effective for taxable years beginning after December 22, 2010. Management is currently evaluating the implications of the RIC Act and the impact on the Funds' financial statements, if any, is currently being assessed.

During the six months ended June 30, 2011, the Funds did not pay any dividends.

During the year ended December 31, 2010, the Funds paid the following dividends:

	<u>Ordinary Income Dividends</u>
Baird LargeCap Fund	\$ 19,202
Baird MidCap Fund	—

# Baird Funds, Inc.

## Notes to the Financial Statements June 30, 2011 (Unaudited)

### 5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

The Funds have entered into an Investment Advisory Agreement with Baird for the provision of investment advisory services. Pursuant to the Investment Advisory Agreement, the Advisor is entitled to receive a fee, calculated daily and payable monthly, at the annual rate of 0.65% for the Baird LargeCap Fund and 0.75% for the Baird MidCap Fund as applied to the respective Fund's average daily net assets. Certain officers of the Advisor are also officers of the Funds.

For the six months ended June 30, 2011 and through April 30, 2012, the Advisor has contractually agreed to waive its investment advisory fee and/or reimburse the Funds' operating expenses (exclusive of brokerage, taxes, and extraordinary expenses) to the extent necessary to ensure that each Fund's annual operating expenses do not exceed the following percentages of average daily net assets:

	<u>Institutional Class Shares</u>	<u>Investor Class Shares</u>
Baird LargeCap Fund	0.75%	1.00%
Baird MidCap Fund	0.85%	1.10%

To the extent that the Advisor reimburses or absorbs fees and expenses, it may seek payment of such amounts for three years after the year in which expenses were reimbursed or absorbed. A Fund will make no such payment, however, if its total annual operating expenses exceed the expense limits in effect at the time the expenses were reimbursed or at the time these payments are proposed.

	Six Months Ended			
	June 30, <u>2011</u>	Fiscal Year Ended December 31, <u>2010</u> <u>2009</u> <u>2008</u>		
Reimbursed / Absorbed Expenses Subject to Recovery by Advisor Until:	2014	2013	2012	2011
Baird LargeCap Fund	\$68,500	\$136,939	\$118,040	\$ 99,829
Baird MidCap Fund	\$65,668	\$133,302	\$110,382	\$101,968

U.S. Bancorp Fund Services, LLC serves as transfer agent, administrator, and accounting services agent for the Funds. U.S. Bank, N.A. serves as custodian for the Funds.

Robert W. Baird & Co. Incorporated (the "Distributor") is the sole distributor of the Funds pursuant to a distribution agreement.

No commissions were earned by the Distributor for services rendered as a registered broker-dealer in securities transactions for the Baird LargeCap Fund and Baird MidCap Fund for the six months ended June 30, 2011.

### 6. SECURITIES LENDING

Each Fund may lend up to one-third of its total assets (including such loans) to borrowers under terms of participation in a securities lending program administered by U.S. Bank N.A., the Funds' custodian and an affiliate of the Funds' transfer agent and administrator. The securities lending agreement requires that loans are collateralized at all times in an amount equal to at least 102% of the market value of any loaned securities at the time of the loan, plus accrued interest.

# Baird Funds, Inc.

## Notes to the Financial Statements      June 30, 2011 (Unaudited)

### 6. SECURITIES LENDING (cont.)

The Funds receive compensation in the form of fees and earn interest on the cash collateral. The amount of fees depends on a number of factors including the type of security and length of the loan. Each Fund continues to receive interest payments or dividends on the securities loaned during the borrowing period. Each Fund has the right under the terms of the securities lending agreement to recall the securities from the borrower on demand.

As of June 30, 2011, the Baird LargeCap and Baird MidCap Funds had loaned securities that were collateralized by cash equivalents. The cash collateral is invested by the custodian in accordance with approved investment guidelines. Those guidelines require the cash collateral to be invested in readily marketable, high quality, short-term obligations; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. A Fund could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the Funds are indemnified from this risk by contract with the securities lending agent.

As of June 30, 2011, the market value of the securities on loan and payable on collateral due to broker were as follows:

	<u>Market Value of Securities on Loan</u>	<u>Payable on Collateral due to Broker</u>
Baird LargeCap Fund	\$5,940,505	\$6,035,004
Baird MidCap Fund	\$9,678,641	\$9,835,860

The Funds receive cash as collateral in return for securities lent as part of a securities lending program. The collateral is invested in the Mount Vernon Securities Lending Prime Portfolio (a securities lending trust subject to Rule 2a-7 under the 1940 Act), other than a legacy interest in Atlantic East Funding LLC. The schedules of investments for the Funds include the particular cash collateral holdings as of June 30, 2011.

The Funds' interest in Atlantic East Funding LLC is priced at fair value by the Valuation Committee of the Advisor. The fair value of the Funds' interest in Atlantic East Funding LLC is based on the underlying market values of the securities owned by Atlantic East Funding LLC, which are determined by independent pricing sources. In addition, the Funds' transfer agent and administrator and securities lending agent entered into a support agreement with the Funds to cover potential losses realized by the Funds on their investment in Atlantic East Funding LLC (up to a certain amount). The amounts agreed to be provided to the Funds under the support agreement are shown in the Funds' schedules of investments and statements of assets and liabilities. At June 30, 2011, the fair value of the Funds' interest in Atlantic East Funding LLC, plus the amounts payable under the support agreement, amounted to 100% of the outstanding par value of the Funds' interest in Atlantic East Funding LLC.

The interest income earned by the Funds on investments of cash collateral received from borrowers for the securities loaned to them ("securities lending income") is reflected in the Funds' statements of operations. Interest income earned on collateral investments and recognized by the Funds during the six months ended June 30, 2011 for the Baird LargeCap Fund and Baird MidCap Fund was \$2,983 and \$5,997, respectively.

# Baird Funds, Inc.

## Notes to the Financial Statements      June 30, 2011 (Unaudited)

### 7. LINE OF CREDIT

The Corporation maintains an uncommitted, senior secured line of credit (“LOC”) with U.S. Bank, N.A. (the “Bank”) to provide the Funds a temporary liquidity source to meet unanticipated redemptions. Under the terms of the LOC, borrowings for each Fund are limited to one-third of the total assets (including the amount borrowed) of the respective Fund, or as otherwise indicated within the Funds’ agreement with the Bank. The Bank charges interest at the Bank’s Prime Rate less 1% (weighted average rate of 2.25% for the first six months of 2011). For the six months ended June 30, 2011, the Baird LargeCap Fund and the Baird MidCap Fund did not borrow on the LOC.

### 8. DISTRIBUTION AND SHAREHOLDER SERVICE PLAN

The Funds have adopted a distribution and shareholder service plan (the “Plan”) pursuant to Rule 12b-1 under the 1940 Act. The Plan allows the Funds to compensate the Distributor for the costs incurred in distributing the Funds’ Investor Class Shares, including amounts paid to brokers or dealers, at an annual rate of 0.25% of the average daily net assets of the Funds’ Investor Class Shares. The Baird LargeCap Fund and Baird MidCap Fund incurred \$201 and \$1,474, respectively, in fees pursuant to the Plan during the six months ended June 30, 2011.

### 9. SUBSEQUENT EVENT

In preparing these financial statements, the Corporation has evaluated subsequent events after June 30, 2011. There were no subsequent events since June 30, 2011 that would require adjustment to or additional disclosure in these financial statements.

# Additional Information

## Proxy Voting

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll free, 1-866-44BAIRD, or by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com); and by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

Each Fund's proxy voting record for the most recent 12-month period ended June 30 is available without charge, upon request, by calling toll free, 1-866-44BAIRD, or by accessing the Funds' website at [www.bairdfunds.com](http://www.bairdfunds.com); and by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

## Portfolio Holdings Disclosure

The Funds file a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-732-0330. The Funds' Forms N-Q may also be obtained by calling toll-free 1-866-44BAIRD.

**Baird Funds, Inc.**

c/o U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701  
1-866-44BAIRD

---

**Board of Directors**

G. Frederick Kasten, Jr. (Chairman)  
John W. Feldt  
Cory L. Nettles  
Marlyn J. Spear  
Frederick P. Stratton, Jr.

**Investment Advisor and Distributor**

Robert W. Baird & Co. Incorporated  
777 East Wisconsin Avenue  
Milwaukee, WI 53202

**Administrator and Transfer Agent**

U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
615 East Michigan Street  
Milwaukee, WI 53202

**Custodian**

U.S. Bank, N.A.  
1555 N. RiverCenter Drive, Suite 302  
Milwaukee, WI 53212

**Legal Counsel**

Godfrey & Kahn, S.C.  
780 North Water Street  
Milwaukee, WI 53202

**Independent Registered Public Accounting Firm**

Grant Thornton LLP  
175 West Jackson Boulevard, 13th Floor  
Chicago, IL 60604