

Prospectus

May 1, 2011

Baird Short-Term Bond Fund
(Institutional Class: BSBIX)

Baird Intermediate Bond Fund
(Institutional Class: BIMIX)
(Investor Class: BIMSX)

Baird Intermediate Municipal Bond Fund
(Institutional Class: BMBIX)
(Investor Class: BMBSX)

Baird Aggregate Bond Fund
(Institutional Class: BAGIX)
(Investor Class: BAGSX)

Baird Core Plus Bond Fund
(Institutional Class: BCOIX)
(Investor Class: BCOSX)

The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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Please find the Privacy Policy for Baird Funds, Inc. inside the back cover of this prospectus.

Summary Section

Baird Short-Term Bond Fund

Investment Objective

The investment objective of the Baird Short-Term Bond Fund (the “Fund”) is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital 1-3 Year U.S. Government/Credit Bond Index.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Institutional Class Shares</i> |
|---------------------------------------|---------------------------------------|
| Management Fees | 0.25% |
| Distribution and Service (12b-1) Fees | None |
| Other Expenses | 0.05% |
| Total Annual Fund Operating Expenses | 0.30% |

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|--------|---------|---------|----------|
| Institutional Class Shares | \$31 | \$97 | \$169 | \$381 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 58.7% of the average value of its portfolio.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt securities:

- U.S. government and other public-sector entities
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The Fund only invests in debt securities rated investment grade at the time of purchase by at least one major rating agency or, if unrated, determined by Robert W. Baird & Co. Incorporated (the “Advisor”) to be investment grade.

The Advisor attempts to keep the duration of the Fund’s portfolio substantially equal to that of its benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than one year but less than three years. The Advisor attempts to diversify the Fund’s portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

In determining which securities to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund’s benchmark primarily in three ways:

- *Yield curve positioning:* The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund’s objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund’s benchmark.
- *Sector allocation:* The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Fund’s objective.
- *Security selection:* The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

The Advisor generally will sell a security when, on a relative basis and in the Advisor’s opinion, it will no longer help the Fund attain its objective.

Principal Risks

Please be aware that you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you.

Bond Market Risks

A bond’s market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond’s market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). U.S. and international markets have experienced extreme volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years.

Credit Quality Risks

Bonds receiving the lowest investment grade rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

Mortgage- and Asset-Backed Securities Risks

Mortgage- and asset-backed securities are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

Extension Risk

Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off by the borrower more slowly than anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes.

Government Obligations Risks

No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), no assurance can be given that it will always do so.

Liquidity Risks

Certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

Foreign Securities Risks

Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability, differences in financial reporting standards and less regulated securities markets.

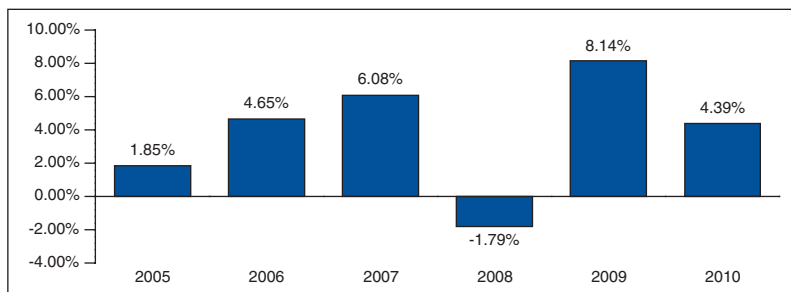
Valuation Risks

The prices provided by the Fund’s pricing service or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

Performance

The performance information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year and by showing how the Fund's average annual returns for one and five years and since inception compare with those of a broad measure of market performance. Past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available on the Fund's website at www.bairdfunds.com or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



Best quarter: 2nd quarter 2009 2.94%
Worst quarter: 3rd quarter 2008 -2.11%

After-tax returns are calculated using the highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns are not relevant if you hold your shares through a tax-deferred account, such as a 401(k) plan or an individual retirement account.

Average Annual Total Returns as of December 31, 2010

| | <u>1 Year</u> | <u>5 Years</u> | <u>Since Inception (8/31/04)</u> |
|--|---------------|----------------|--------------------------------------|
| <i>Institutional Class</i> | | | |
| Return Before Taxes | 4.39% | 4.24% | 3.65% |
| Return After Taxes on Distributions | 3.27% | 2.66% | 2.18% |
| Return After Taxes on Distributions and Sale of Fund Shares | 2.87% | 2.69% | 2.25% |
| Barclay's Capital 1-3 Year U.S. Government/Credit Bond Index (reflects no deduction for fees, expenses or taxes) | 2.80% | 4.53% | 3.85% |

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Managers

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|--|
| Mary Ellen Stanek, CFA | 2004 | Chief Investment Officer for Baird Advisors and Managing Director of the Advisor |
| Gary A. Elfe, CFA | 2004 | Senior Portfolio Manager and Director of Fixed Income Research and Trading for Baird Advisors and Managing Director of the Advisor |
| Charles B. Groeschell | 2004 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Warren D. Pierson, CFA | 2004 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Daniel A. Tranchita, CFA | 2004 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| M. Sharon deGuzman | 2004 | Senior Portfolio Manager for Baird Advisors and Senior Vice President of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|---------------------|------------------------------|-----------------------------|
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Baird Intermediate Bond Fund

Investment Objective

The investment objective of the Baird Intermediate Bond Fund (the “Fund”) is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital Intermediate U.S. Government/Credit Bond Index.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Investor</i> <i>Class Shares</i> | <i>Institutional</i> <i>Class Shares</i> |
|---------------------------------------|--|---|
| Management Fees | 0.25% | 0.25% |
| Distribution and Service (12b-1) Fees | 0.25% | None |
| Other Expenses | 0.05% | 0.05% |
| Total Annual Fund Operating Expenses | 0.55% | 0.30% |

Example

This Example is intended to help you compare the cost of investing in a Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|--------|---------|---------|----------|
| Investor Class Shares | \$56 | \$176 | \$307 | \$689 |
| Institutional Class Shares | \$31 | \$97 | \$169 | \$381 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 38.7% of the average value of its portfolio.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt securities:

- U.S. government and other public-sector agencies
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The Fund only invests in debt securities rated investment grade at the time of purchase by at least one major rating agency or, if unrated, determined by Robert W. Baird & Co. Incorporated (the “Advisor”) to be investment grade.

The Advisor attempts to keep the duration of the Fund’s portfolio substantially equal to that of its benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than three years but less than six years. The Advisor attempts to diversify the Fund’s portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

In determining which securities to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund’s benchmark primarily in three ways:

- *Yield curve positioning:* The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund’s objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund’s benchmark.
- *Sector allocation:* The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Fund’s objective.
- *Security selection:* The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

The Advisor generally will sell a security when, on a relative basis and in the Advisor’s opinion, it will no longer help the Fund attain its objective.

Principal Risks

Please be aware you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you.

Bond Market Risks

A bond’s market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond’s market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). U.S. and international markets have experienced extreme volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years.

Credit Quality Risks

Bonds receiving the lowest investment grade rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

Mortgage- and Asset-Backed Securities Risks

Mortgage- and asset-backed securities are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

Extension Risk

Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off by the borrower more slowly than anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes.

Government Obligations Risks

No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), no assurance can be given that it will always do so.

Liquidity Risks

Certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

Foreign Securities Risks

Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability, differences in financial reporting standards and less regulated securities markets.

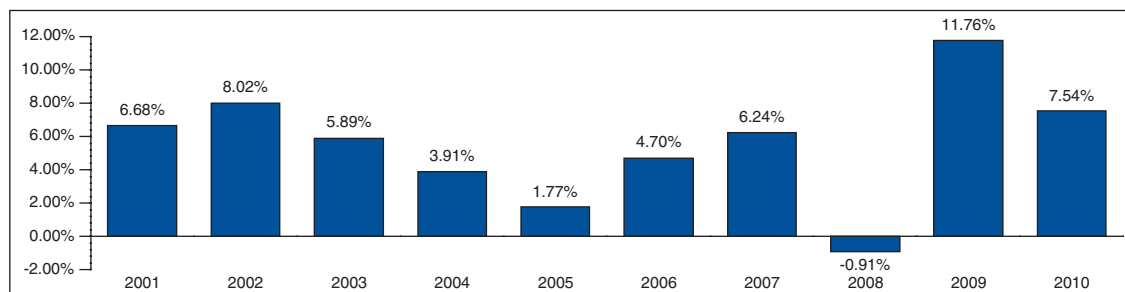
Valuation Risks

The prices provided by the Fund’s pricing service or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

Performance

The performance information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year and by showing how the Fund's average annual returns for one, five and ten years and since inception compare with those of a broad measure of market performance. Past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available on the Fund's website at www.bairdfunds.com or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



Best quarter: 3rd quarter 2009 5.04%
Worst quarter: 2nd quarter 2004 -2.50%

After-tax returns are shown only for Institutional Class shares, and the after-tax returns for Investor Class shares will vary. After-tax returns are calculated using the highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns are not relevant if you hold your shares through a tax-deferred account, such as a 401(k) plan or an individual retirement account.

Average Annual Total Returns as of December 31, 2010

| | <u>1 Year</u> | <u>5 Years</u> | <u>10 Years</u> | <u>Since Inception (9/29/00)</u> |
|--|---------------|----------------|-----------------|--------------------------------------|
| <i>Institutional Class</i> | | | | |
| Return Before Taxes | 7.54% | 5.78% | 5.51% | 6.03% |
| Return After Taxes on Distributions | 5.88% | 3.98% | 3.63% | 4.15% |
| Return After Taxes on Distributions and Sale of Fund Shares | 5.02% | 3.88% | 3.59% | 4.05% |
| <i>Investor Class</i> | | | | |
| Return Before Taxes | 7.30% | 5.49% | 5.23% | 5.77% |
| Barclays Capital Intermediate U.S. Government/Credit Bond Index | | | | |
| (reflects no deduction for fees, expenses or taxes) | 5.89% | 5.53% | 5.51% | 5.75% |

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Managers

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|--|
| Mary Ellen Stanek, CFA | 2000 | Chief Investment Officer for Baird Advisors and Managing Director of the Advisor |
| Gary A. Elfe, CFA | 2000 | Senior Portfolio Manager and Director of Fixed Income Research and Trading for Baird Advisors and Managing Director of the Advisor |
| Charles B. Groeschell | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Warren D. Pierson, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Daniel A. Tranchita, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| M. Sharon deGuzman | 2000 | Senior Portfolio Manager for Baird Advisors and Senior Vice President of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|---------------------|---|-----------------------------|
| Investor Class | \$1,000 – Individual Retirement Accounts (Traditional/Roth/SIMPLE/SEP IRAs) and Coverdell Education Savings Account | \$100 |
| | \$2,500 – All Other Accounts | \$100 |
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Baird Intermediate Municipal Bond Fund

Investment Objective

The primary investment objective of the Baird Intermediate Municipal Bond Fund (the “Fund”) is to seek current income that is substantially exempt from federal income tax. A secondary objective is to seek total return with relatively low volatility of principal.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Investor</i> <i>Class Shares</i> | <i>Institutional</i> <i>Class Shares</i> |
|---------------------------------------|--|---|
| Management Fees | 0.25% | 0.25% |
| Distribution and Service (12b-1) Fees | 0.25% | None |
| Other Expenses | 0.05% | 0.05% |
| Total Annual Fund Operating Expenses | 0.55% | 0.30% |

Example

This Example is intended to help you compare the cost of investing in a Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|--------|---------|---------|----------|
| Investor Class Shares | \$56 | \$176 | \$307 | \$689 |
| Institutional Class Shares | \$31 | \$97 | \$169 | \$381 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 8.7% of the average value of its portfolio.

Principal Investment Strategies

The Fund invests in municipal securities issued by governmental authorities throughout the United States and its territories. The Fund primarily purchases general obligation and pre-refunded bonds issued for any purpose, and revenue bonds funding education, housing, transportation and essential services including, without limitation, water, sewer and electricity. The Fund uses the Barclays Capital 7-Year General Obligation Bond Index as its benchmark. The Barclays Capital 7-Year General Obligation Bond Index is an unmanaged, market value weighted index consisting of investment grade state and local general obligation bonds.

The Fund invests principally in investment grade, intermediate-term municipal obligations issued by state and local authorities exempt from federal income tax. The Fund normally invests at least 80% of its net assets in a diversified portfolio of bonds and debentures, the interest on which is exempt from regular federal income and alternative minimum taxes. Municipal obligations purchased by the Fund will be:

- Investment grade at the time of purchase or, if unrated, determined to be of comparable quality by the Advisor;
- Municipal notes and other short-term obligations rated SP-1 by S&P or MIG-1 by Moody's; or
- Tax-exempt commercial paper rated A-1 by S&P or VMIG-1 by Moody's.

The Advisor attempts to keep the duration of the Fund's portfolio substantially equal to that of its benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than five years but less than eight years.

In determining which securities to buy for the Fund, the Advisor attempts to achieve the Fund's investment objectives primarily in three ways:

- *Yield curve positioning:* The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund's objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund's benchmark.
- *Sector allocation:* The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Fund's objectives.
- *Security selection:* The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

The Advisor generally will sell a security when, on a relative basis and in the Advisor's opinion, it will no longer help the Fund attain its objective.

Principal Risks

Please be aware that you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you.

Bond Market Risks

A bond's market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity

will entail less interest rate risk but have a lower yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). U.S. and international markets have experienced extreme volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years.

Credit Quality Risks

Individual issues of municipal obligations may be subject to the credit risk of the municipality, borrower or issuer (“obligor”). Therefore, the obligor may experience unanticipated financial problems and may be unable to meet its payment obligations. Municipal obligations held by the Fund may be adversely affected by political and economic conditions and developments (for example, legislation reducing state aid to local governments). Bonds receiving the lowest investment grade rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

Municipal Obligations Risks

Because the Fund may invest more than 25% of its total assets in municipal obligations issued by entities located in the same state or the interest on which is paid solely from revenues of similar projects, changes in economic, business or political conditions relating to a particular state or type of projects may have a disproportionate impact on the Fund.

Municipal obligations that the Fund may acquire include municipal lease obligations, which are issued by a state or local government or authority to acquire land and a wide variety of equipment and facilities. If the funds are not appropriated for the following year’s lease payments, the lease may terminate, with the possibility of default on the lease obligation and significant loss to the Fund.

The repayment of principal and interest on some of the municipal securities in which the Fund may invest may be guaranteed or insured by a monoline insurance company. If a company insuring municipal securities in which the Fund invests experiences financial difficulties, the credit rating and price of the security may deteriorate.

Tax Risks

Municipal securities may decrease in value during times when tax rates are falling. The Fund’s investments are affected by changes in federal income tax rates applicable to, or the continuing federal tax-exempt status of, interest income on municipal obligations. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the liquidity, marketability and supply and demand for municipal obligations, which would in turn affect the Fund’s ability to acquire and dispose of municipal obligations at desirable yield and price levels.

Liquidity Risks

Certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

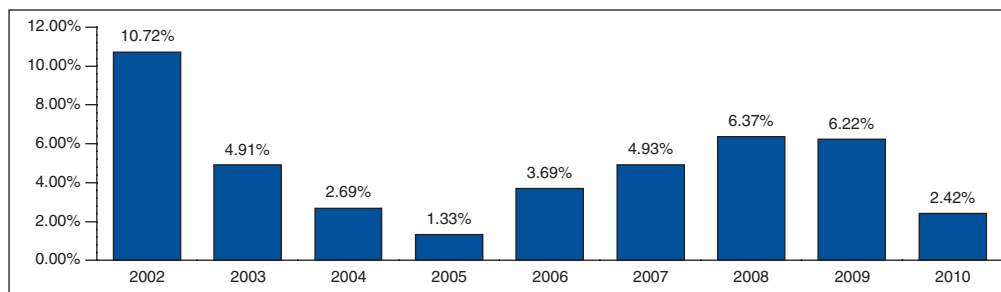
Valuation Risks

The prices provided by the Fund’s pricing service or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

Performance

The performance information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year and by showing how the Fund's average annual returns for one and five years and since inception compare with those of a broad measure of market performance. Past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available on the Fund's website at www.bairdfunds.com or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



Best quarter: 4th quarter 2008 5.22%
Worst quarter: 2nd quarter 2004 -2.63%

After-tax returns are shown only for Institutional Class shares, and the after-tax returns for Investor Class shares will vary. After-tax returns are calculated using the highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns are not relevant if you hold your shares through a tax-deferred account, such as a 401(k) plan or an individual retirement account.

Average Annual Total Returns as of December 31, 2010

| | <u>1 Year</u> | <u>5 Years</u> | <u>Since Inception (3/30/01)</u> |
|--|---------------|----------------|--------------------------------------|
| <i>Institutional Class</i> | | | |
| Return Before Taxes | 2.42% | 4.71% | 4.92% |
| Return After Taxes on Distributions | 2.39% | 4.70% | 4.90% |
| Return After Taxes on Distributions and Sale of Fund Shares | 2.53% | 4.51% | 4.74% |
| <i>Investor Class</i> | | | |
| Return Before Taxes | 2.11% | 4.43% | 4.65% |
| Barclays Capital 7-Year General Obligation Bond Index (reflects no deduction for fees, expenses or taxes) | 4.34% | 5.15% | 5.00% |

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Managers

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|--|
| Mary Ellen Stanek, CFA | 2001 | Chief Investment Officer for Baird Advisors and Managing Director of the Advisor |
| Gary A. Elfe, CFA | 2001 | Senior Portfolio Manager and Director of Fixed Income Research and Trading for Baird Advisors and Managing Director of the Advisor |
| Charles B. Groeschell | 2001 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Warren D. Pierson, CFA | 2001 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Daniel A. Tranchita, CFA | 2001 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| M. Sharon deGuzman | 2001 | Senior Portfolio Manager for Baird Advisors and Senior Vice President of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <u>Initial Purchase</u> | <u>Subsequent Purchases</u> |
|---------------------|---|-----------------------------|
| Investor Class | \$1,000 – Individual Retirement Accounts (Traditional/Roth/SIMPLE/SEP IRAs) and Coverdell Education Savings Account | \$100 |
| | \$2,500 – All Other Accounts | \$100 |
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund intends to make tax-exempt distributions. However, some of the Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Baird Aggregate Bond Fund

Investment Objective

The investment objective of the Baird Aggregate Bond Fund (the “Fund”) is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital U.S. Aggregate Bond Index.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Investor</i> <i>Class Shares</i> | <i>Institutional</i> <i>Class Shares</i> |
|---------------------------------------|--|---|
| Management Fees | 0.25% | 0.25% |
| Distribution and Service (12b-1) Fees | 0.25% | None |
| Other Expenses | 0.05% | 0.05% |
| Total Annual Fund Operating Expenses | 0.55% | 0.30% |

Example

This Example is intended to help you compare the cost of investing in a Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|--------|---------|---------|----------|
| Investor Class Shares | \$56 | \$176 | \$307 | \$689 |
| Institutional Class Shares | \$31 | \$97 | \$169 | \$381 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 41.4% of the average value of its portfolio.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt securities:

- U.S. government and other public-sector entities
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The Fund only invests in debt securities rated investment grade at the time of purchase by at least one major rating agency or, if unrated, determined by Robert W. Baird & Co. Incorporated (the “Advisor”) to be investment grade.

The Advisor attempts to keep the duration of the Fund’s portfolio substantially equal to that of its benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than five years but less than 10 years during normal market conditions. The Advisor attempts to diversify the Fund’s portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

In determining which securities to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund’s benchmark primarily in three ways:

- *Yield curve positioning:* The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund’s objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund’s benchmark.
- *Sector allocation:* The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Fund’s objective.
- *Security selection:* The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

The Advisor generally will sell a security when, on a relative basis and in the Advisor’s opinion, it will no longer help the Fund attain its objective.

Principal Risks

Please be aware you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you.

Bond Market Risks

A bond’s market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond’s market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). U.S. and international markets have experienced extreme volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years.

Credit Quality Risks

Bonds receiving the lowest investment grade rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

Mortgage- and Asset-Backed Securities Risks

Mortgage- and asset-backed securities are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

Extension Risk

Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off by the borrower more slowly than anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes.

Government Obligations Risks

No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), no assurance can be given that it will always do so.

Liquidity Risks

Certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

Foreign Securities Risks

Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability, differences in financial reporting standards and less regulated securities markets.

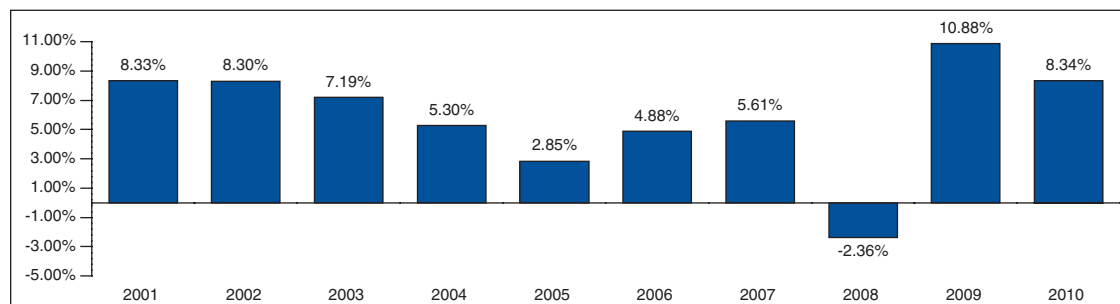
Valuation Risks

The prices provided by the Fund’s pricing service or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

Performance

The performance information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year and by showing how the Fund's average annual returns for one, five and ten years and since inception compare with those of a broad measure of market performance. Past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available on the Fund's website at www.bairdfunds.com or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



Best quarter: 3rd quarter 2009 5.72%
Worst quarter: 2nd quarter 2004 -2.30%

After-tax returns are shown only for Institutional Class shares, and the after-tax returns for Investor Class shares will vary. After-tax returns are calculated using the highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns are not relevant if you hold your shares through a tax-deferred account, such as a 401(k) plan or an individual retirement account.

Average Annual Total Returns as of December 31, 2010

| | <u>1 Year</u> | <u>5 Years</u> | <u>10 Years</u> | <u>Since Inception (9/29/00)</u> |
|---|---------------|----------------|-----------------|--------------------------------------|
| <i>Institutional Class</i> | | | | |
| Return Before Taxes | 8.34% | 5.37% | 5.88% | 6.31% |
| Return After Taxes on Distributions | 6.50% | 3.48% | 3.82% | 4.23% |
| Return After Taxes on Distributions and Sale of Fund Shares | 5.52% | 3.47% | 3.80% | 4.17% |
| <i>Investor Class</i> | | | | |
| Return Before Taxes | 8.16% | 5.13% | 5.63% | 6.07% |
| Barclays Capital U.S. Aggregate Bond Index (reflects no deduction for fees, expenses or taxes) | 6.54% | 5.80% | 5.84% | 6.11% |

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Managers

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|--|
| Mary Ellen Stanek, CFA | 2000 | Chief Investment Officer for Baird Advisors and Managing Director of the Advisor |
| Gary A. Elfe, CFA | 2000 | Senior Portfolio Manager and Director of Fixed Income Research and Trading for Baird Advisors and Managing Director of the Advisor |
| Charles B. Groeschell | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Warren D. Pierson, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Daniel A. Tranchita, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| M. Sharon deGuzman | 2000 | Senior Portfolio Manager for Baird Advisors and Senior Vice President of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|---------------------|---|-----------------------------|
| Investor Class | \$1,000 – Individual Retirement Accounts (Traditional/Roth/SIMPLE/SEP IRAs) and Coverdell Education Savings Account | \$100 |
| | \$2,500 – All Other Accounts | \$100 |
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Baird Core Plus Bond Fund

Investment Objective

The investment objective of the Baird Core Plus Bond Fund (the “Fund”) is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital U.S. Universal Bond Index.

Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees

(fees paid directly from your investment)

None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

| | <i>Investor</i> <i>Class Shares</i> | <i>Institutional</i> <i>Class Shares</i> |
|---------------------------------------|--|---|
| Management Fees | 0.25% | 0.25% |
| Distribution and Service (12b-1) Fees | 0.25% | None |
| Other Expenses | 0.05% | 0.05% |
| Total Annual Fund Operating Expenses | 0.55% | 0.30% |

Example

This Example is intended to help you compare the cost of investing in a Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|--------|---------|---------|----------|
| Investor Class Shares | \$56 | \$176 | \$307 | \$689 |
| Institutional Class Shares | \$31 | \$97 | \$169 | \$381 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in total annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 61.5% of the average value of its portfolio.

Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt securities:

- U.S. government and other public-sector entities
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The Fund invests primarily in investment-grade debt securities, but may invest up to 20% of its net assets in non-investment grade securities (sometimes referred to as “high yield” or “junk” bonds). Non-investment grade securities, at the time of purchase, are generally rated at least B or higher by Standard & Poor’s (“S&P”) or Moody’s Investors Service (“Moody’s”) or have an equivalent rating by another nationally recognized rating agency. The Fund may also invest in unrated debt obligations that are determined by Robert W. Baird & Co. Incorporated (the “Advisor”) to be comparable in quality to the rated obligations. Average quality for the Core Plus Bond Fund is normally expected to be at least the third highest rating category for S&P or Moody’s.

The Advisor attempts to keep the duration of the Fund’s portfolio substantially equal to that of its benchmark. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than five years but less than 10 years. The Advisor attempts to diversify the Fund’s portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

In determining which securities to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund’s benchmark primarily in three ways:

- *Yield curve positioning:* The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund’s objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund’s benchmark.
- *Sector allocation:* The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Fund’s objective.
- *Security selection:* The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

The Advisor generally will sell a security when, on a relative basis and in the Advisor’s opinion, it will no longer help the Fund attain its objective.

Principal Risks

Please be aware that you may lose money by investing in the Fund. The following is a summary description of certain risks of investing in the Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you.

Bond Market Risks

A bond’s market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond’s market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity

will entail less interest rate risk but have a lower yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). U.S. and international markets have experienced extreme volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years.

Credit Quality Risks

Bonds receiving the lowest investment grade rating or a high yield (“junk bond”) rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

Non-Investment Grade Bond Risks

Non-investment grade bonds involve greater risk than investment-grade securities, including the possibility of default or bankruptcy. They tend to be more sensitive to economic conditions than higher-rated debt securities and, as a result, are generally more sensitive to credit risk than securities in the higher-rated categories.

Mortgage- and Asset-Backed Securities Risks

Mortgage- and asset-backed securities are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

Extension Risk

Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off by the borrower more slowly than anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes.

Government Obligations Risks

No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), no assurance can be given that it will always do so.

Liquidity Risks

Certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

Foreign Securities Risks

Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability, differences in financial reporting standards and less regulated securities markets.

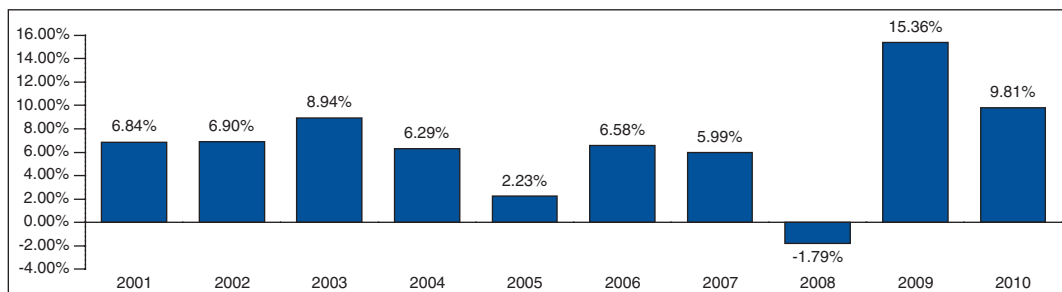
Valuation Risks

The prices provided by the Fund’s pricing service or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

Performance

The performance information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year and by showing how the Fund's average annual returns for one, five and ten years and since inception compare with those of a broad measure of market performance. Past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available on the Fund's website at www.bairdfunds.com or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



Best quarter: 3rd quarter 2009 7.15%
Worst quarter: 2nd quarter 2004 -2.45%

After-tax returns are shown only for Institutional Class shares, and the after-tax returns for Investor Class shares will vary. After-tax returns are calculated using the highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns are not relevant if you hold your shares through a tax-deferred account, such as a 401(k) plan or an individual retirement account.

Average Annual Total Returns as of December 31, 2010

| | <u>1 Year</u> | <u>5 Years</u> | <u>10 Years</u> | <u>Since Inception (9/29/00)</u> |
|---|---------------|----------------|-----------------|--------------------------------------|
| <i>Institutional Class</i> | | | | |
| Return Before Taxes | 9.81% | 7.04% | 6.63% | 7.06% |
| Return After Taxes on Distributions | 7.54% | 4.87% | 4.33% | 4.76% |
| Return After Taxes on Distributions and Sale of Fund Shares | 6.41% | 4.73% | 4.31% | 4.69% |
| <i>Investor Class</i> | | | | |
| Return Before Taxes | 9.53% | 6.79% | 6.37% | 6.79% |
| Barclays Capital U.S. Universal Bond Index (reflects no deduction for fees, expenses or taxes) | 7.16% | 5.90% | 6.08% | 6.30% |

Investment Advisor

Robert W. Baird & Co. Incorporated is the Fund's investment advisor.

Portfolio Managers

| <u>Name</u> | <u>Portfolio Manager of the Fund Since</u> | <u>Title</u> |
|--------------------------|--|--|
| Mary Ellen Stanek, CFA | 2000 | Chief Investment Officer for Baird Advisors and Managing Director of the Advisor |
| Gary A. Elfe, CFA | 2000 | Senior Portfolio Manager and Director of Fixed Income Research and Trading for Baird Advisors and Managing Director of the Advisor |
| Charles B. Groeschell | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Warren D. Pierson, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| Daniel A. Tranchita, CFA | 2000 | Senior Portfolio Manager for Baird Advisors and Managing Director of the Advisor |
| M. Sharon deGuzman | 2000 | Senior Portfolio Manager for Baird Advisors and Senior Vice President of the Advisor |

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any day the New York Stock Exchange (the “NYSE”) is open by written request via mail (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701) or overnight delivery (Baird Funds, Inc. c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, Third Floor, Milwaukee, WI 53202), by wire transfer, by telephone at 1-866-442-2473, or through a financial intermediary. Purchases and redemptions by telephone are only permitted if you previously established these options on your account.

The minimum initial and subsequent investment amounts are shown below, although the Fund may reduce or waive them in some cases in its discretion.

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|---------------------|---|-----------------------------|
| Investor Class | \$1,000 – Individual Retirement Accounts (Traditional/Roth/SIMPLE/SEP IRAs) and Coverdell Education Savings Account | \$100 |
| | \$2,500 – All Other Accounts | \$100 |
| Institutional Class | \$25,000 – All Account Types | No minimum |

Tax Information

The Fund’s distributions may be subject to federal income tax and may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

Principal Investment Strategies, Related Risks and Disclosure of Portfolio Holdings

This prospectus describes the Baird Short-Term Bond Fund (“Short-Term Bond Fund”), Baird Intermediate Bond Fund (“Intermediate Bond Fund”), Baird Intermediate Municipal Bond Fund (“Intermediate Municipal Bond Fund”), Baird Aggregate Bond Fund (“Aggregate Bond Fund”) and Baird Core Plus Bond Fund (“Core Plus Bond Fund”) (each, a “Fund” and collectively, the “Funds”), five mutual funds offered by Baird Funds, Inc. (“Baird Funds” or the “Company”).

Investment Objectives

Short-Term Bond Fund

The investment objective of the Short-Term Bond Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital 1-3 Year U.S. Government/Credit Bond Index. The Barclays Capital 1-3 Year U.S. Government/Credit Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt including government and corporate securities with maturities between one and three years.

Intermediate Bond Fund

The investment objective of the Intermediate Bond Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital Intermediate U.S. Government/Credit Bond Index. The Barclays Capital Intermediate U.S. Government/Credit Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt including government and corporate securities with maturities between one and ten years.

Intermediate Municipal Bond Fund

The primary investment objective of the Intermediate Municipal Bond Fund is to seek current income that is substantially exempt from federal income tax. A secondary objective is to seek total return with relatively low volatility of principal.

Aggregate Bond Fund

The investment objective of the Aggregate Bond Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital U.S. Aggregate Bond Index. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year.

Core Plus Bond Fund

The investment objective of the Core Plus Bond Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays Capital U.S. Universal Bond Index. The Barclays Capital U.S. Universal Bond Index is an unmanaged, market value weighted index of fixed income securities issued in U.S. dollars, including U.S. government and investment grade debt, non-investment grade debt, asset-backed and mortgage-backed securities, Eurobonds, 144A securities and emerging market debt with maturities of at least one year.

Principal Investment Strategies

To achieve each Fund's investment objectives, the Advisor attempts to keep the duration of each Fund's portfolio substantially equal to that of its benchmark. The Advisor seeks to control credit quality risk by purchasing only investment grade, U.S. dollar-denominated securities for the Short-Term Bond Fund, Intermediate Bond Fund, Intermediate Municipal Bond Fund and Aggregate Bond Fund. Although the Core Plus Bond Fund invests primarily in investment grade securities, it may also invest up to 20% of its net assets in non-investment grade securities. The Intermediate Municipal Bond Fund may invest in short-term municipal obligations and tax-exempt commercial paper. The Advisor attempts to diversify each Fund's portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors.

Duration: a measure of a fixed income security's average life that reflects the present value of the security's cash flow, and accordingly is a measure of price sensitivity to interest rate changes. For example, if interest rates decline by 1%, the market value of a portfolio with a duration of five years would rise by approximately 5%. Conversely, if interest rates increase by 1%, the market value of the portfolio would decline by approximately 5%.

During normal market conditions, the dollar-weighted average portfolio effective maturity for each Fund will be as follows:

| <u>Fund</u> | <u>Dollar-Weighted Average Portfolio Effective Maturity</u> |
|----------------------------------|---|
| Short-Term Bond Fund | More than 1 year but less than 3 years |
| Intermediate Bond Fund | More than 3 years but less than 6 years |
| Intermediate Municipal Bond Fund | More than 5 years but less than 8 years |
| Aggregate Bond Fund | More than 5 years but less than 10 years |
| Core Plus Bond Fund | More than 5 years but less than 10 years |

The stated maturity of a bond is the date when the issuer must repay the bond's entire principal value to an investor. Some types of bonds may also have an "effective maturity" that is shorter than the stated maturity due to prepayment or call provisions. Securities without prepayment or call provisions generally have an effective maturity equal to their stated maturity. Dollar-weighted effective maturity is calculated by averaging the effective maturity of bonds held by the Fund with each effective maturity "weighted" according to the percentage of net assets that it represents.

The Advisor generally will sell a security when, on a relative basis and in the Advisor's opinion, it will no longer help a Fund attain its objectives.

The Advisor attempts to achieve each Fund's investment objective over a full market cycle. The Aggregate Bond Fund and Core Plus Bond Fund each maintain longer maturities than the Intermediate Bond Fund and Short-Term Bond Fund and typically maintain longer maturities than the Intermediate Municipal Bond Fund, thus providing a greater potential for return, with an increased level of risk. Each of the Aggregate Bond Fund's and Core Plus Bond Fund's investments are based on, although do not replicate, the securities composition of the respective Fund's benchmark index. Consequently, each Fund's portfolio composition and risks will differ. For example, the Core Plus Bond Fund may invest up to 20% of its net assets in non-investment grade debt securities (high yield or junk bonds). Because it does not purchase non-investment grade bonds, the Aggregate Bond Fund is expected to perform more closely to the overall investment grade bond market than the Core Plus Bond Fund.

Investment Grade Securities are: Securities rated in one of the four highest categories by Standard & Poor's ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch") or another nationally recognized statistical rating organization.

In determining which securities to buy for the Funds, the Advisor attempts to achieve each Fund's investment objective primarily in three ways:

Yield curve positioning: The yield curve is a graphic representation of the actual or projected yields of fixed-income securities in relation to their maturities and durations. The Advisor selects securities with maturities and yields that it believes have the greatest potential for achieving the Fund's objective, while attempting to match the average duration of the securities in the Fund with the average duration of the securities in the Fund's benchmark. The securities in the Fund, though, will not be identical to the securities in the benchmark. Because the yield curve is constantly changing, the Advisor regularly adjusts the Fund's portfolio to purchase securities that it believes will best assist the Fund in achieving its objectives.

Sector allocation: The Advisor next evaluates the return potential of each sector (including: asset-backed securities, mortgage-backed securities, government and other public-sector bonds, and corporate bonds for the Short-Term Bond Fund, Intermediate Bond Fund, Aggregate Bond Fund and Core Plus Bond Fund; and general obligation bonds, revenue bonds, pre-refunded bonds, and insured bonds for the Intermediate Municipal Bond Fund). The Advisor invests in securities in those sectors which it believes represent the greatest potential for achieving the Funds' objectives. The Advisor regularly adjusts the portfolio in order to address changes in yields and underlying risks in various sectors.

Security selection: The Advisor then focuses on selecting individual securities. The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

Each Fund will provide its shareholders with at least a 60-day notice of any change in such Fund's policy to invest at least 80% of its assets in the types of securities suggested by its name. For all Funds, the percentage limitations set forth under "Principal Investment Strategies" are measured at the time of investment.

Debt Securities

The Advisor will attempt to keep the Short-Term Bond Fund, Intermediate Bond Fund, Aggregate Bond Fund and Core Plus Bond Fund fully invested. The Short-Term Bond Fund, Intermediate Bond Fund, Aggregate Bond Fund and Core Plus Bond Fund each have a policy of investing at least 80% of its net assets in the following types of U.S. dollar-denominated debt securities:

- U.S. government and other public-sector entities
- Asset-backed and mortgage-backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

These Funds primarily invest in bonds with fixed rates of interest and other fixed terms, but may also invest in floating or variable rate bonds. Asset-backed obligations in which the Funds may invest are backed with underlying assets such as credit card receivables, auto receivables, student loans, utilities, reimbursement/rate increase allowances and certain residential home loans.

Municipal Obligations

The Intermediate Municipal Bond Fund invests principally in investment grade, intermediate-term municipal obligations issued by state and local authorities exempt from federal income tax. During normal market conditions, the Fund will invest at least 80% of its net assets in bonds and debentures, the interest on which is exempt from regular federal income and alternative minimum taxes.

Municipal Obligations are: dollar-denominated debt obligations issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their authorities, agencies, instrumentalities and political subdivisions.

In pursuing its investment objective, the Intermediate Municipal Bond Fund invests in a diversified portfolio of municipal obligations. Municipal obligations purchased by the Fund will be:

- Investment grade at the time of purchase (i.e., BBB or higher by S&P or Fitch, or Baa or higher by Moody's, or in the highest four categories by another nationally recognized rating agency), or unrated at the time of purchase but determined to be of comparable quality by the Advisor;
- Municipal notes and other short-term obligations rated SP-1 by S&P or MIG-1 by Moody's; or
- Tax-exempt commercial paper rated A-1 by S&P or VMIG-1 by Moody's.

It is possible that 25% or more of the Intermediate Municipal Bond Fund's assets could be invested in municipal securities that would tend to respond similarly to particular economic or political developments or the interest on which is based on revenues or otherwise related to similar types of projects. An example would be securities of issuers whose revenues are paid from similar types of projects, such as education, housing or transportation.

Investment Grade Debt Securities

Debt obligations acquired by the Short-Term Bond Fund, Intermediate Bond Fund, Intermediate Municipal Bond Fund and Aggregate Bond Fund will be "investment grade" at the time of purchase, as rated by at least one nationally recognized rating agency. The Core Plus Bond Fund will invest primarily in investment grade bonds, but may also invest in non-investment grade bonds, as described below. The Advisor may purchase unrated obligations for each Fund that are determined by the Advisor to be comparable in quality to the rated obligations. Average quality for the Short-Term Bond Fund, Intermediate Bond Fund, Intermediate Municipal Bond Fund and Aggregate Bond Fund is normally expected to be at least the second highest rating category of S&P or Moody's. Average quality for the Core Plus Bond Fund is normally expected to be at least the third highest rating category of S&P or Moody's. After purchase, a security may cease to be rated or may have its rating reduced below the minimum rating required by a Fund for purchase. In such cases, the Advisor will consider whether to continue to hold the security.

Non-Investment Grade Debt Securities (High Yield or Junk Bonds)

The Core Plus Bond Fund may invest up to 20% of its net assets in non-investment grade bonds (sometimes referred to as "high yield" or "junk" bonds), which are debt securities that are not rated in one of the four highest rating categories of S&P, Moody's, Fitch or another nationally recognized rating agency. The Fund will generally purchase non-investment grade bonds that are rated at least B or higher by S&P or Moody's or have an equivalent rating by another nationally recognized rating agency at time of purchase, but may purchase bonds below this rating if the Advisor believes the issuer's credit fundamentals or future prospects suggest a higher rating. In addition, in limited circumstances the Fund may invest in bonds in default if the issuer is going through a bankruptcy or restructuring and the new bonds to be issued in replacement are expected to have improved credit fundamentals.

Investment In Other Investment Companies

Each Fund may invest in securities of other investment companies, such as money market funds and mutual funds and exchange-traded funds that invest in fixed income securities or track bond-related indices. Each Fund may invest in other investment companies to the extent permitted by the Investment Company Act of 1940 and the rules and regulations thereunder and any exemptive relief therefrom. As a shareholder of an investment company, a Fund would bear a pro-rata portion of the other investment company's expenses, including advisory fees, and such fees and other expenses will be borne indirectly by the Fund's shareholders.

Illiquid Investments

Each Fund may invest up to 15% of its net assets in illiquid securities, measured at the time of purchase. In general, illiquid securities are securities that cannot be sold or disposed of within seven days at their approximate market value.

Securities that are not registered under the federal securities laws and cannot be sold to the U.S. public because of SEC regulations (known as “restricted securities”) generally are regarded as illiquid securities unless the Advisor determines otherwise, as in the case of Rule 144A securities and certain commercial paper.

Foreign Securities

Each Fund may invest in U.S. dollar-denominated debt obligations of foreign issuers. Foreign debt obligations are debt obligations issued by a corporation or other issuer domiciled outside the United States that derives more than 50% of its assets or revenues from outside the U.S.; provided, however, debt obligations issued by a foreign entity that are subject to a guarantee of a U.S. corporate parent or other U.S. entity are not regarded as foreign securities.

Cash or Similar Investments; Temporary Strategies

Under normal market conditions, each Fund may invest up to 20% of its net assets in cash or similar short-term, investment grade securities such as U.S. government securities, repurchase agreements, commercial paper or certificates of deposit. In addition, each Fund may invest up to 100% of its total assets in cash or short-term, investment grade securities as a temporary defensive position during adverse market, economic or political conditions and in other limited circumstances. Taxable obligations purchased by the Intermediate Municipal Bond Fund normally will not exceed 20% of the Fund’s total assets at the time of purchase. To the extent a Fund engages in any temporary strategies, the Fund may not achieve its investment objective.

Principal Risks

The main risks of investing in each of the Funds are substantially similar. However, certain risks are enhanced for each Fund. Specifically, the Aggregate Bond Fund and Core Plus Bond Fund each maintains longer maturities than the Short-Term Bond Fund and Intermediate Bond Fund, and typically maintains longer maturities than the Intermediate Municipal Bond Fund, thus providing a greater potential for return, with an increased level of risk. In addition, although the Aggregate and Core Plus Bond Funds’ maturities are similar, their portfolio composition and the resulting risks are different. In particular, because the Core Plus Bond Fund may purchase securities that are rated below investment grade, the Core Plus Bond Fund may be exposed to greater credit risk, including risk of default, and other risks associated with non-investment grade bonds than the Aggregate Bond Fund.

Management Risks

The Advisor may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to you. Because each Fund holds fewer securities than its benchmark index, material events affecting a holding in the Fund’s portfolio (for example, an issuer’s decline in credit quality) may influence the performance of the Fund to a greater degree than such events will influence its benchmark index and may prevent the Fund from attaining its investment objective for a particular period.

Bond Market Risks

The major risks of each Fund are those of investing in the bond market. A bond’s market value is affected significantly by changes in interest rates – generally, when interest rates rise, the bond’s market value declines and when interest rates decline, its market value rises (“interest-rate risk”). Generally, the longer a bond’s maturity, the greater the interest rate risk and the higher its yield. Conversely, the shorter a bond’s maturity, the lower the interest rate risk and the lower its yield (“maturity risk”). A bond’s value may also be affected by changes in its credit quality rating or the issuer’s financial condition (“credit-quality risk”). Because bond values may fluctuate, a Fund’s share price may fluctuate.

Credit Quality Risks

Individual issues of fixed-income securities may be subject to the credit risk of the issuer. Therefore, the underlying issuer may experience unanticipated financial problems and may be unable to meet its payment obligations. Municipal obligations in particular may be adversely affected by political and economic conditions and developments (for example, legislation reducing state aid to local governments.) Bonds receiving the lowest investment grade rating or a high yield (“junk bond”) rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings agencies such as Moody’s, Fitch and S&P provide ratings on bonds based on their analyses of information they deem relevant. Ratings are essentially opinions or judgments of the credit quality of an issuer and may prove to be inaccurate. In addition, there may be a delay between events or circumstances adversely affecting the ability of an issuer to pay interest and/or repay principal and an agency’s decision to downgrade a security.

Non-Investment Grade Bond Risks — Core Plus Bond Fund Only

Non-investment grade bonds, while generally offering higher yields than investment grade securities with similar maturities, involve greater risk, including the possibility of default or bankruptcy. Non-investment grade debt securities tend to be more sensitive to economic conditions than higher-rated debt securities. As a result, they generally are more sensitive to credit risk and are considered more speculative than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of non-investment grade debt securities may experience financial stress and may not have sufficient revenues to meet their payment obligations. The risk of loss due to default by an issuer of these securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. The Core Plus Bond Fund may have difficulty disposing of certain non-investment grade debt securities because there may be a thin trading market for such securities. To the extent a secondary trading market does exist, it is generally not as liquid as the secondary market for higher-rated securities. Periods of economic uncertainty generally result in increased volatility in the market prices of these securities and will also increase the volatility of the Core Plus Bond Fund’s net asset value.

Liquidity Risks

Liquidity risk is the risk that certain securities may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Funds. The liquidity of a particular security depends on the strength of demand for the security, which is generally related to the willingness of broker-dealers to make a market for the security as well as the interest of other investors to buy the security. During significant economic and market downturns and periods in which financial services firms are unable to commit capital to make a market in, or otherwise buy, certain debt securities, as experienced in 2008 and 2009, the Funds may experience challenges in selling such securities at optimal prices.

Foreign Securities Risks

Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability, differences in financial reporting standards and less regulated securities markets.

Mortgage- and Asset-Backed Securities Risks

Mortgage- and asset-backed securities are more sensitive to interest rate risk than other types of fixed income securities. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. Prepayment risk is the risk that the borrower will prepay some or the entire principal owed to the investor. If that happens, a Fund may have to replace the security by investing the proceeds in a security with a lower yield. This could reduce the share price and income distributions of the Short-Term Bond, Intermediate Bond,

Aggregate Bond and Core Plus Bond Funds, which invest in mortgage- and asset-backed securities. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets. Weakening real estate markets may cause default rates to rise, which would result in a decline in the value of mortgage-backed securities.

Extension Risk

Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off more slowly than originally anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes. For example, rising interest rates could cause property owners to pay their mortgages more slowly than expected, resulting in slower payments of mortgage-backed securities. This could lengthen the duration of the security, causing its price to decline.

Government Obligations Risks

The Funds may invest in securities issued, sponsored or guaranteed by the U.S. government, its agencies and instrumentalities. However, no assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. For instance, securities issued by the Government National Mortgage Association (“Ginnie Mae”) are supported by the full faith and credit of the United States. Securities issued by Fannie Mae and Freddie Mac have historically been supported only by the discretionary authority of the U.S. government. Securities issued by the Student Loan Marketing Association (“Sallie Mae”) are supported only by the credit of that agency. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as those listed above, no assurance can be given that it will always do so.

Valuation Risks

The securities held by the Funds are priced by Interactive Data Pricing and Reference Data (“IDC”), an independent pricing service or, in some cases, by the Advisor using dealer quotes, prices provided by alternative pricing services or fair valuation methodologies. IDC provides prices for debt securities that are based on various market inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, comparable securities, bids, offers and reference data, as well as market indicators, and material issuer, industry and economic events. For mortgage- and asset-backed securities, IDC also reviews collateral performance data. The prices provided by IDC, alternative pricing services or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which securities are actually bought and sold. The prices of certain securities provided by pricing services such as IDC or the fair values determined by the valuation committee may be subject to frequent and significant change, and will vary depending on the information that is available.

Tax Risks — Intermediate Municipal Bond Fund Only

Municipal securities may decrease in value during times when tax rates are falling. Since interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing federal tax-exempt status of, such interest income. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the liquidity, marketability and supply and demand for municipal obligations, which would in turn affect the Intermediate Municipal Bond Fund’s ability to acquire and dispose of municipal obligations at desirable yield and price levels.

Investment in tax-exempt securities poses additional risks. In many cases, the Internal Revenue Service (“IRS”) has not ruled on whether the interest received on a tax-exempt obligation is tax-exempt, and accordingly, purchases of these securities are based on the opinion of bond counsel to the issuers at the time of issuance. The Intermediate Municipal Bond Fund and the Advisor rely on these opinions and will not review the basis for them.

Municipal Obligations Risks — Intermediate Municipal Bond Fund only

The Intermediate Municipal Bond Fund may invest more than 25% of its total assets in municipal obligations issued by entities located in the same state or the interest on which is paid solely from revenues of similar projects. As a result, changes in economic, business or political conditions relating to a particular state or types of projects may have a disproportionate impact on the Intermediate Municipal Bond Fund’s share price.

Municipal obligations that the Intermediate Municipal Bond Fund may acquire include municipal lease obligations, which are issued by a state or local government or authority to acquire land and a wide variety of equipment and facilities. If the funds are not appropriated for the following year’s lease payments, the lease may terminate, with the possibility of default on the lease obligation and significant loss to the Intermediate Municipal Bond Fund.

The repayment of principal and interest on some of the municipal securities in which the Intermediate Municipal Bond Fund may invest may be guaranteed or insured by a monoline insurance company. The monoline guarantee or insurance will generally enhance the credit rating and lower the interest rate payable on the security. Certain monoline insurers have suffered losses from insuring structured products and other securities backed by residential mortgages. If a company insuring municipal securities in which the Fund invests experiences financial difficulties, the credit rating and price of the security may deteriorate.

Recent Market Events

U.S. and international markets have experienced extreme price volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on the Funds.

The Funds cannot guarantee that they will achieve their respective investment objectives.

Portfolio Holdings Disclosure Policy

A description of the Funds’ policies and procedures with respect to the disclosure of the Funds’ portfolio holdings is available in the Statement of Additional Information (“SAI”) and on the Company’s website at www.bairdfunds.com.

Note Regarding Percentage Limitations

Whenever an investment objective, policy or strategy of the Funds set forth in this Prospectus or the Funds’ SAI states a maximum (or minimum) percentage of the Funds’ assets that may be invested in any type of security or asset class, the percentage is determined immediately after the Funds’ acquisition of that investment, except with respect to percentage limitations on temporary borrowing and illiquid investments. Accordingly, any later increase or decrease resulting from a change in the market value of a security or in a Fund’s assets (e.g., due to net sales or redemptions of Fund shares) will not cause the Funds to violate a percentage limitation. As a result, due to market fluctuations, cash inflows or outflows or other factors, the Funds may exceed such percentage limitations from time to time.

Who May Want to Invest in the Funds

The Funds may be appropriate for investors who:

- Wish to invest for the long-term;
- Want to earn income on investments considered more stable than stocks;
- Are looking for a fixed-income component to their portfolio;
- Are willing to assume the risk of investing in fixed-income securities; and
- Have long-term goals such as planning for retirement.

The Intermediate Municipal Bond Fund may be appropriate for investors who are looking for income that is exempt from federal income tax. The Intermediate Municipal Bond Fund is not an appropriate investment for tax-deferred retirement accounts, such as individual retirement accounts (“IRAs”), because its returns before taxes are generally lower than those of taxable funds.

Before investing in a Fund, you should carefully consider:

- Your investment goals;
- The amount of time you are willing to leave your money invested; and
- The amount of risk you are willing to take.

Management of the Funds

The Advisor

Robert W. Baird & Co. Incorporated, subject to the general supervision of the Company's Board of Directors (the "Board"), is responsible for the day-to-day management of the Funds in accordance with each Fund's respective investment objective and policies. This includes making investment decisions, and buying and selling securities. Pursuant to an Investment Advisory Agreement between the Company and the Advisor, for its services the Advisor receives, and for the fiscal year ended December 31, 2010 was paid, an annual fee of 0.25% of the average daily net assets of each Fund. The advisory fee is accrued daily and paid monthly.

The Advisor has contractually agreed to reimburse fees and expenses incurred by each Fund in connection with a Fund's investments in other investment companies ("Acquired Fund Fees and Expenses"), if any, to the extent that such Acquired Fund Fees and Expenses on an annual basis exceed 0.0049% of the Fund's average daily net assets. Any reimbursements have the effect of lowering the overall expense ratio for the applicable Fund and increasing the overall return to investors at the time any such amounts are reimbursed. This expense reimbursement agreement will continue in effect at least through April 30, 2012 and will continue for successive renewal terms of one year, unless either the Board of Directors or the Advisor terminates the agreement prior to such renewal.

A discussion regarding the basis for the Board's approval of the Investment Advisory Agreement is available in the Funds' 2010 annual report.

Under a separate Administration Agreement with the Advisor, each Fund pays the Advisor a fee at an annual rate of 0.05% of its average daily net assets to serve as administrator. As administrator, the Advisor assumes and pays all expenses of each Fund, excluding management fees, borrowing costs, commissions and other costs directly related to portfolio securities transactions and extraordinary or non-recurring expenses. In this way, the Advisor is able to control or limit the Funds' operating expenses.

The Advisor was founded in 1919 and has its main office at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. The Advisor provides investment management services for individuals and institutional clients including pension and profit sharing plans. As of December 31, 2010, the Advisor had over \$27 billion in assets under management.

The Investment Management Team

The individuals listed below are members of the Advisor's investment management team that manages each Fund's investments. All team members are equally responsible for the day-to-day management of the Funds and work together to develop investment strategies and select securities for the Funds. The investment management team is supported by a staff of research analysts, traders and other investment professionals.

The Funds' SAI provides additional information about the members of the investment management team, including other accounts they manage, their ownership of Fund shares and their compensation.

Mary Ellen Stanek, CFA

Ms. Stanek is a Managing Director and Chief Investment Officer of the Advisor. She also serves as Chief Investment Officer of Baird Advisors, a department of the Advisor. Ms. Stanek oversees the entire investment management team. She has over 32 years of investment experience managing various types of fixed income portfolios. Ms. Stanek joined

Baird Advisors in March 2000. Prior to joining Baird Advisors, Ms. Stanek was employed by Firststar Investment Research & Management Company, LLC ("FIRMCO") where she served as President and CEO from November 1998 to February 2000, and Chief Operating Officer and President from March 1994 to November 1998. Ms. Stanek also served as President of Firststar Funds, Inc. from December 1998 to March 2000. Ms. Stanek obtained her undergraduate degree from Marquette University and M.B.A. from the University of Wisconsin-Milwaukee. She earned the Chartered Financial Analyst designation in 1983. Ms. Stanek is a member of the CFA Institute and the Milwaukee Investment Analysts Society.

Gary A. Elfe, CFA

Mr. Elfe is a Managing Director and Senior Portfolio Manager of the Advisor. As a member of the investment management team, Mr. Elfe serves as Director of Fixed Income Research and Trading. He has over 32 years of investment experience managing various types of fixed income portfolios. Mr. Elfe joined Baird Advisors in February 2000. Prior to joining Baird Advisors, Mr. Elfe was a Senior Vice President and Senior Portfolio Manager with FIRMCO, where he was Director of Fixed Income Research & Trading. Mr. Elfe obtained his undergraduate degree and M.B.A. from the University of Wisconsin-Milwaukee. He earned the Chartered Financial Analyst designation in 1982. Mr. Elfe is a member of the CFA Institute and the Milwaukee Investment Analysts Society.

Charles B. Groeschell

Mr. Groeschell is a Managing Director and Senior Portfolio Manager of the Advisor. He has over 30 years of investment experience managing various types of fixed income portfolios. Mr. Groeschell joined Baird Advisors in February 2000. Prior to joining Baird Advisors, Mr. Groeschell was a Senior Vice President and Senior Portfolio Manager with FIRMCO, where he played a lead role in the overall management of major fixed income client relationships. Mr. Groeschell received his B.A. from Texas Christian University and his M.B.A. from the University of Wisconsin-Milwaukee.

Warren D. Pierson, CFA

Mr. Pierson is a Managing Director and Senior Portfolio Manager of the Advisor. He has over 25 years of investment experience managing taxable and tax-exempt fixed income portfolios. Mr. Pierson joined Baird Advisors in February 2000. Prior to joining Baird Advisors, Mr. Pierson was employed by FIRMCO where he served as a Senior Vice President and Senior Portfolio Manager from February 1999 to February 2000, Vice President and Senior Portfolio Manager from June 1997 to February 1999, and Vice President and Portfolio Manager from May 1993 to June 1997. Mr. Pierson managed municipal bond portfolios and intermediate taxable bond portfolios while at FIRMCO. Mr. Pierson received his undergraduate degree from Lawrence University. He earned the Chartered Financial Analyst designation in 1990. Mr. Pierson is a member of the CFA Institute and is a member and past President of the Milwaukee Investment Analysts Society.

Daniel A. Tranchita, CFA

Mr. Tranchita is a Managing Director and Senior Portfolio Manager of the Advisor. He has over 22 years of investment experience managing taxable and tax-exempt fixed income portfolios. Mr. Tranchita joined Baird Advisors in February 2000. Prior to joining Baird Advisors, Mr. Tranchita was employed by FIRMCO where he served as a Senior Vice President and Senior Portfolio Manager from February 1999 to February 2000, Vice President and Senior Portfolio Manager from June 1997 to February 1999, and Vice President and Portfolio Manager from June 1993 to June 1997. Mr. Tranchita performed quantitative fixed income analysis and portfolio management while at FIRMCO. Mr. Tranchita received his undergraduate degree and M.B.A. from Marquette University. He earned the Chartered Financial Analyst designation in 1993. Mr. Tranchita is a member of the CFA Institute and the Milwaukee Investment Analysts Society.

M. Sharon deGuzman

Ms. deGuzman is a Senior Vice President and Senior Portfolio Manager of the Advisor. She has over 20 years of investment experience managing taxable and tax-exempt fixed income portfolios. Ms. deGuzman joined Baird Advisors in February 2000. Prior to joining Baird Advisors, Ms. deGuzman was employed by FIRMCO where she served as an Assistant Vice President and Portfolio Manager from November 1998 to February 2000, a Portfolio Manager from November 1996 to November 1998, and a Fixed Income Analyst from November 1995 to November 1996. Ms. deGuzman performed quantitative fixed income analysis and portfolio management while at FIRMCO. She received her undergraduate degree from Eastern Illinois University. She is a member of the CFA Institute and the Milwaukee Investment Analysts Society.

Financial Highlights

The financial highlights table is intended to help you understand each Fund's financial performance for the past five years. Certain information reflects financial results for a single Fund share. The total returns presented in the table represent the rate that an investor would have earned or lost on an investment in the Fund for the stated periods (assuming reinvestment of all dividends and distributions). This information has been audited by Grant Thornton LLP, whose report, along with each Fund's financial statements, is included in the Funds' annual report, which is available upon request.

| | Baird Short-Term Bond Fund – Institutional Class | | | | |
|---|---|---------------|---------------|---------------|---------------|
| | Year Ended December 31, | | | | |
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 9.57 | \$ 9.25 | \$ 9.91 | \$ 9.81 | \$ 9.79 |
| Income from investment operations: | | | | | |
| Net investment income | 0.29 | 0.41 | 0.52 | 0.48 | 0.43 |
| Net realized and unrealized gains (losses) on investments | 0.13 | 0.32 | (0.67) | 0.10 | 0.02 |
| Total from investment operations | 0.42 | 0.73 | (0.15) | 0.58 | 0.45 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.29) | (0.41) | (0.51) | (0.48) | (0.43) |
| Distributions from net realized gains | (0.02) | — | — | — | — |
| Total distributions | (0.31) | (0.41) | (0.51) | (0.48) | (0.43) |
| Net asset value, end of year | \$ 9.68 | \$ 9.57 | \$ 9.25 | \$ 9.91 | \$ 9.81 |
| Total return | 4.39% | 8.14% | (1.79)% | 6.08% | 4.65% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$919,026,165 | \$606,248,576 | \$214,999,406 | \$199,090,483 | \$148,604,711 |
| Ratio of expenses to average net assets | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Ratio of net investment income to average net assets | 2.92% | 4.28% | 5.01% | 5.00% | 4.48% |
| Portfolio turnover rate | 58.7% | 55.5% | 98.5% | 36.6% | 41.1% |

Baird Intermediate Bond Fund – Institutional Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|---------------------|---------------|---------------|---------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.61 | \$ 10.00 | \$ 10.62 | \$ 10.52 | \$ 10.55 |
| Income from investment operations: | | | | | |
| Net investment income | 0.44 ⁽¹⁾ | 0.51 ⁽¹⁾ | 0.55 | 0.54 | 0.51 |
| Net realized and unrealized gains (losses) on investments | 0.35 | 0.63 | (0.64) | 0.10 | (0.03) |
| Total from investment operations | 0.79 | 1.14 | (0.09) | 0.64 | 0.48 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.44) | (0.51) | (0.53) | (0.54) | (0.51) |
| Distributions from net realized gains | (0.09) | (0.02) | — | — | — |
| Total distributions | (0.53) | (0.53) | (0.53) | (0.54) | (0.51) |
| Net asset value, end of year | \$ 10.87 | \$ 10.61 | \$ 10.00 | \$ 10.62 | \$ 10.52 |
| Total return | 7.54% | 11.76% | (0.91)% | 6.24% | 4.70% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$591,158,539 | \$527,750,216 | \$401,914,872 | \$398,321,566 | \$326,835,399 |
| Ratio of expenses to average net assets | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Ratio of net investment income to average net assets | 4.05% | 4.92% | 5.14% | 5.13% | 4.90% |
| Portfolio turnover rate ⁽²⁾ | 38.7% | 38.6% | 32.9% | 42.5% | 44.8% |

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

⁽²⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Intermediate Bond Fund – Investor Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|---------------------|-------------|-------------|-------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.97 | \$ 10.32 | \$ 10.96 | \$ 10.85 | \$ 10.86 |
| Income from investment operations: | | | | | |
| Net investment income | 0.43 ⁽¹⁾ | 0.50 ⁽¹⁾ | 0.52 | 0.52 | 0.50 |
| Net realized and unrealized gains (losses) on investments | 0.36 | 0.65 | (0.65) | 0.10 | (0.03) |
| Total from investment operations | 0.79 | 1.15 | (0.13) | 0.62 | 0.47 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.41) | (0.48) | (0.51) | (0.51) | (0.48) |
| Distributions from net realized gains | (0.09) | (0.02) | — | — | — |
| Total distributions | (0.50) | (0.50) | (0.51) | (0.51) | (0.48) |
| Net asset value, end of year | \$ 11.26 | \$ 10.97 | \$ 10.32 | \$ 10.96 | \$ 10.85 |
| Total return | 7.30% | 11.51% | (1.31)% | 5.89% | 4.47% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$12,745,107 | \$6,707,632 | \$4,017,828 | \$3,276,351 | \$1,207,214 |
| Ratio of expenses to average net assets | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% |
| Ratio of net investment income to average net assets | 3.80% | 4.67% | 4.89% | 4.88% | 4.65% |
| Portfolio turnover rate ⁽²⁾ | 38.7% | 38.6% | 32.9% | 42.5% | 44.8% |

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

⁽²⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Intermediate Municipal Bond Fund – Institutional Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------|---------------------|---------------------|---------------------|---------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 11.35 | \$ 10.98 | \$ 10.69 | \$ 10.55 | \$ 10.56 |
| Income from investment operations: | | | | | |
| Net investment income | 0.32 | 0.32 ⁽¹⁾ | 0.39 ⁽¹⁾ | 0.37 ⁽¹⁾ | 0.39 ⁽¹⁾ |
| Net realized and unrealized gains (losses) on investments | (0.04) | 0.36 | 0.28 | 0.14 | (0.01) |
| Total from investment operations | 0.28 | 0.68 | 0.67 | 0.51 | 0.38 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.32) | (0.31) | (0.38) | (0.37) | (0.39) |
| Net asset value, end of year | \$ 11.31 | \$ 11.35 | \$ 10.98 | \$ 10.69 | \$ 10.55 |
| Total return | 2.42% | 6.22% | 6.37% | 4.93% | 3.69% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$738,957,721 | \$533,313,125 | \$226,148,164 | \$106,583,763 | \$64,932,629 |
| Ratio of expenses to average net assets | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Ratio of net investment income to average net assets | 2.74% | 2.83% | 3.58% | 3.44% | 3.72% |
| Portfolio turnover rate ⁽²⁾ | 8.7% | 0.7% | 0.9% | 5.6% | 25.1% |

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

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

Baird Intermediate Municipal Bond Fund – Investor Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------|---------------------|---------------------|---------------------|---------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 11.57 | \$ 11.19 | \$ 10.90 | \$ 10.75 | \$ 10.75 |
| Income from investment operations: | | | | | |
| Net investment income | 0.29 | 0.29 ⁽¹⁾ | 0.36 ⁽¹⁾ | 0.35 ⁽¹⁾ | 0.37 ⁽¹⁾ |
| Net realized and unrealized gains (losses) on investments | (0.04) | 0.37 | 0.28 | 0.14 | (0.01) |
| Total from investment operations | 0.25 | 0.66 | 0.64 | 0.49 | 0.36 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.29) | (0.28) | (0.35) | (0.34) | (0.36) |
| Net asset value, end of year | \$ 11.53 | \$ 11.57 | \$ 11.19 | \$ 10.90 | \$ 10.75 |
| Total return | 2.11% | 5.95% | 6.02% | 4.68% | 3.44% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$202,796,173 | \$196,663,681 | \$17,415,418 | \$396,464 | \$544,878 |
| Ratio of expenses to average net assets | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% |
| Ratio of net investment income to average net assets | 2.49% | 2.58% | 3.33% | 3.19% | 3.47% |
| Portfolio turnover rate ⁽²⁾ | 8.7% | 0.7% | 0.9% | 5.6% | 25.1% |

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

⁽²⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Aggregate Bond Fund – Institutional Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|-----------------------|---------------|---------------|-----------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.23 | \$ 9.74 | \$ 10.54 | \$ 10.51 | \$ 10.54 |
| Income from investment operations: | | | | | |
| Net investment income | 0.47 ⁽¹⁾ | 0.54 | 0.56 | 0.54 | 0.52 |
| Net realized and unrealized gains (losses) on investments | 0.37 | 0.49 | (0.81) | 0.03 | (0.03) |
| Total from investment operations | 0.84 | 1.03 | (0.25) | 0.57 | 0.49 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.49) | (0.54) | (0.55) | (0.54) | (0.52) |
| Distributions from net realized gains | (0.06) | (0.00) ⁽²⁾ | — | — | (0.00) ⁽²⁾ |
| Total distributions | (0.55) | (0.54) | (0.55) | (0.54) | (0.52) |
| Net asset value, end of year | \$ 10.52 | \$ 10.23 | \$ 9.74 | \$ 10.54 | \$ 10.51 |
| Total return | 8.34% | 10.88% | (2.36)% | 5.61% | 4.88% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$1,658,404,061 | \$1,362,164,059 | \$842,724,670 | \$725,580,384 | \$334,907,855 |
| Ratio of expenses to average net assets | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Ratio of net investment income to average net assets | 4.44% | 5.37% | 5.46% | 5.37% | 5.11% |
| Portfolio turnover rate ⁽³⁾ | 41.4% | 37.7% | 21.9% | 33.6% | 52.4% |

⁽¹⁾ Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

⁽²⁾ Amount is less than (\$0.005).

⁽³⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Aggregate Bond Fund – Investor Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|-----------------------|--------------|--------------|-----------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.48 | \$ 9.97 | \$ 10.78 | \$ 10.73 | \$ 10.75 |
| Income from investment operations: | | | | | |
| Net investment income | 0.46 ⁽¹⁾ | 0.52 | 0.52 | 0.53 | 0.50 |
| Net realized and unrealized gains (losses) on investments | 0.38 | 0.50 | (0.81) | 0.04 | (0.02) |
| Total from investment operations | 0.84 | 1.02 | (0.29) | 0.57 | 0.48 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.46) | (0.51) | (0.52) | (0.52) | (0.50) |
| Distributions from net realized gains | (0.06) | (0.00) ⁽²⁾ | — | — | (0.00) ⁽²⁾ |
| Total distributions | (0.52) | (0.51) | (0.52) | (0.52) | (0.50) |
| Net asset value, end of year | \$ 10.80 | \$ 10.48 | \$ 9.97 | \$ 10.78 | \$ 10.73 |
| Total return | 8.16% | 10.55% | (2.63)% | 5.45% | 4.61% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$38,930,696 | \$35,117,120 | \$29,146,211 | \$14,363,416 | \$1,848,622 |
| Ratio of expenses to average net assets | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% |
| Ratio of net investment income to average net assets | 4.19% | 5.12% | 5.21% | 5.12% | 4.86% |
| Portfolio turnover rate ⁽³⁾ | 41.4% | 37.7% | 21.9% | 33.6% | 52.4% |

⁽¹⁾ Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

⁽²⁾ Amount is less than (\$0.005).

⁽³⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Core Plus Bond Fund – Institutional Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.18 | \$ 9.46 | \$ 10.22 | \$ 10.16 | \$ 10.06 |
| Income from investment operations: | | | | | |
| Net investment income | 0.59 ⁽¹⁾ | 0.65 ⁽²⁾ | 0.56 ⁽²⁾ | 0.54 ⁽²⁾ | 0.55 ⁽²⁾ |
| Net realized and unrealized gains (losses) on investments | 0.39 | 0.74 | (0.73) | 0.05 | 0.09 |
| Total from investment operations | 0.98 | 1.39 | (0.17) | 0.59 | 0.64 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.60) | (0.65) | (0.55) | (0.53) | (0.54) |
| Distributions from net realized gains | (0.05) | (0.02) | (0.04) | — | — |
| Total distributions | (0.65) | (0.67) | (0.59) | (0.53) | (0.54) |
| Net asset value, end of year | \$ 10.51 | \$ 10.18 | \$ 9.46 | \$ 10.22 | \$ 10.16 |
| Total return | 9.81% | 15.36% | (1.79)% | 5.99% | 6.58% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$452,419,012 | \$215,194,337 | \$158,983,325 | \$114,421,895 | \$51,551,017 |
| Ratio of expenses to average net assets | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Ratio of net investment income to average net assets | 5.56% | 6.67% | 5.61% | 5.41% | 5.49% |
| Portfolio turnover rate ⁽³⁾ | 61.5% | 33.2% | 27.7% | 47.4% | 62.0% |

⁽¹⁾ Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

⁽²⁾ Calculated using average shares outstanding during the year.

⁽³⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Baird Core Plus Bond Fund – Investor Class

Year Ended December 31,

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Per Share Data: | | | | | |
| Net asset value, beginning of year | \$ 10.49 | \$ 9.72 | \$ 10.50 | \$ 10.42 | \$ 10.30 |
| Income from investment operations: | | | | | |
| Net investment income | 0.57 ⁽¹⁾ | 0.64 ⁽²⁾ | 0.53 ⁽²⁾ | 0.53 ⁽²⁾ | 0.54 ⁽²⁾ |
| Net realized and unrealized gains (losses) on investments | 0.41 | 0.78 | (0.74) | 0.06 | 0.09 |
| Total from investment operations | 0.98 | 1.42 | (0.21) | 0.59 | 0.63 |
| Less distributions: | | | | | |
| Distributions from net investment income | (0.57) | (0.63) | (0.53) | (0.51) | (0.51) |
| Distributions from net realized gains | (0.05) | (0.02) | (0.04) | — | — |
| Total distributions | (0.62) | (0.65) | (0.57) | (0.51) | (0.51) |
| Net asset value, end of year | \$ 10.85 | \$ 10.49 | \$ 9.72 | \$ 10.50 | \$ 10.42 |
| Total return | 9.53% | 15.06% | (2.07)% | 5.80% | 6.34% |
| Supplemental data and ratios: | | | | | |
| Net assets, end of year | \$58,352,793 | \$45,507,621 | \$29,583,588 | \$2,473,660 | \$288,928 |
| Ratio of expenses to average net assets | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% |
| Ratio of net investment income to average net assets | 5.31% | 6.42% | 5.36% | 5.16% | 5.24% |
| Portfolio turnover rate ⁽³⁾ | 61.5% | 33.2% | 27.7% | 47.4% | 62.0% |

⁽¹⁾ Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

⁽²⁾ Calculated using average shares outstanding during the year.

⁽³⁾ Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

Your Account

Distribution of Shares

Distributor

The Advisor, Robert W. Baird & Co. Incorporated, is also the distributor (the “Distributor”) for shares of the Funds, and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

Rule 12b-1 Plan

The Funds have adopted a distribution and shareholder service plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 (the “Rule 12b-1 Plan”). Under the Rule 12b-1 Plan, Investor Class shares pay the Distributor a fee of 0.25% of their average daily net asset value. The Distributor uses this fee primarily to finance activities that promote the sale of Investor Class shares. Such activities include, but are not necessarily limited to, compensating brokers, dealers, financial intermediaries and sales personnel for distribution and shareholder services, printing and mailing prospectuses to persons other than current shareholders, printing and mailing sales literature, and advertising. Because 12b-1 fees are ongoing, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Sales and Networking Programs

The Distributor has established a referral program pursuant to which it may pay cash compensation to its sales personnel for sales of Institutional Class shares of the Funds. Compensation paid to participants in this program for sales of Institutional Class shares of the Funds may be more or less than compensation they receive for sales of shares of other investment companies. These payments may influence the Distributor’s sales personnel to recommend the Institutional Class shares of the Funds over another investment. The Distributor will pay compensation under the referral program out of its own resources. Accordingly, the referral program will not affect the price an investor will pay for Institutional Class shares of the Funds. Please see “Fees and Expenses of the Funds” for information about the Funds’ fees and expenses.

From time to time, the Distributor may also pay brokers, dealers or other financial intermediaries for the provision of certain marketing support and administrative, shareholder and other services on behalf of their clients who are Fund shareholders, including the distribution and marketing of the Funds. In some circumstances, the Funds may directly pay the intermediary for performing sub-transfer agency and related services provided that the aggregate fee does not exceed what the Funds would pay the transfer agent if the intermediary’s clients were direct shareholders of the Funds. Any such payments in excess of these limitations will be made from the Distributor’s own resources and will not increase costs to the Funds. The payments to these firms may vary based on the types of services provided, the level of sales activity and amount of their clients’ assets invested in the Funds. These payments may influence the broker, dealer or intermediary to recommend a particular Fund, or a particular class of Fund shares, over another investment. The Distributor may be reimbursed for such payments, if permissible, under the Funds’ Rule 12b-1 Plan.

Description of Classes

Each Fund (other than the Short-Term Bond Fund) offers two classes of shares - Investor Class and Institutional Class. Currently, the Short-Term Bond Fund does not have Investor Class shareholders and is not offering Investor Class shares to investors. Therefore, only the Institutional Class shares of the Short-Term Bond Fund are offered in this prospectus.

The classes differ with respect to their minimum investments. In addition, expenses of the classes differ. Investor Class shares impose a Rule 12b-1 fee that is assessed against the assets of a Fund attributable to that class. Accordingly, the performance information for the Investor Class shares would be lower than the performance information shown for the Institutional Class shares above under “Performance” in the “Summary Section” for each Fund.

The Distributor may select financial institutions, such as banks, fiduciaries, custodians, investment advisers and broker-dealers, as agents to provide sales or administrative services for their clients or customers who beneficially own Investor Class shares. Financial institutions will receive 12b-1 fees from the Distributor based upon shares owned by their clients or customers. The Distributor will determine the schedule of such fees and the basis upon which such fees will be paid.

Share Price

Shares of each class in a Fund are sold at their net asset value (“NAV”). Shares may be purchased or redeemed on days the New York Stock Exchange (the “NYSE”) is open. The NYSE is closed most national holidays and Good Friday.

The NAV for each class of shares of a Fund is determined as of the close of regular trading on the NYSE (currently 3:00 p.m., Central time) Monday through Friday, except on days the NYSE is not open. If the NYSE closes early, the Fund will calculate the NAV on that day, or if an emergency exists as permitted by the SEC, NAV may be calculated at a different time.

The NAV for a class of shares is determined by adding the value of each Fund’s investments, cash and other assets attributable to a particular share class, subtracting the liabilities attributable to that class and then dividing the result by the total number of shares outstanding in the class.

When making a purchase request, make sure your request is in good order. “Good order” means your purchase request includes:

- The name of the Fund;
- The dollar amount of shares to be purchased;
- Purchase application or investment stub; and
- Check payable to Baird Funds or, if paying by wire, receipt of Federal Funds.

Each Fund’s investments are valued according to market value when market quotations are readily available or otherwise at fair value in accordance with pricing and valuation policies and procedures approved by the Board of Directors. The valuation committee of the Advisor is responsible for fair value determinations, subject to the ultimate supervision of the Board of Directors. In general, the “fair value” of a security means the amount that a Fund might reasonably expect to receive for the security upon its current sale. Pursuant to Statement of Financial Accounting Standards No. 157 (also known as ASC 820 in the updated Financial Accounting Standards Board Codification), “fair value” means “the price that would be received to sell [a security] in an orderly transaction between market participants at the measurement date.”

Under the Funds’ pricing and valuation policies and procedures, debt securities are generally valued by IDC, an independent pricing service, using valuation methods that are designed to approximate market or fair value, such as matrix pricing and other analytical pricing models, market transactions and dealer quotations. Short-term money market instruments (i.e., debt securities with remaining maturities of 60 days or less) are generally valued at acquisition cost plus or minus any amortized premium or discount. Mutual fund shares are valued at their last calculated NAV. When IDC does not provide a price for a particular security or when IDC’s price is deemed to be inaccurate by the Advisor, the Advisor will value the security at “fair value” as determined in accordance with the Funds’ pricing and valuation policies and procedures. In such instances the Advisor may use one or more dealer quotes or prices obtained from alternative independent pricing services or, if dealer quotes or prices from alternative pricing services are unavailable or are deemed to be unreliable, fair value will be determined by the 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 a quoted or published price for the same security. Fair

value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

Trading in Foreign Securities

The securities markets on which the foreign securities owned by a Fund trade may be open on days when the Fund does not calculate its NAV and thus the value of the Fund may change on days when shareholders are not able to purchase or redeem shares of the Fund. In computing the NAV of each Fund, a Fund will typically value any foreign securities held at the latest closing price on the exchange on which they are traded immediately prior to the closing of the NYSE. Certain foreign currency exchange rates may also be determined at the latest rate prior to the close of the NYSE. Prices of foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. Occasionally, events that affect these 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.

Buying Shares

Minimum Investments

| | <i>Initial Purchase</i> | <i>Subsequent Purchases</i> |
|----------------------------|--|-----------------------------|
| Investor Class Shares | \$1,000 – IRAs \$2,500 – all other accounts | \$100 \$100 |
| Institutional Class Shares | \$25,000 | No minimum |

Minimum Investment Reductions – Institutional Class Shares

The minimum initial investment amount for Institutional Class shares is waived for all employees, directors and officers of the Advisor or the Funds and members of their families (including parents, grandparents, siblings, spouses, children and in-laws of such employees, directors and officers). It is also waived for clients of the Advisor who acquire shares of a Fund made available through a mutual fund asset allocation program offered by the Advisor. Also, the minimum initial investment amount for Institutional Class shares may be waived or reduced at the discretion of the Distributor, including waivers or reductions for purchases made through certain registered investment advisers and qualified third-party platforms.

Timing of Requests

Shares may only be purchased on days when the NYSE is open for business. Your price per share will be the NAV next computed after your request is received in good order by a Fund or its agents. All requests received in good order before the close of regular trading on the NYSE will be executed at the NAV computed on that day. Requests received after the close of regular trading on the NYSE will receive the next business day's NAV.

Receipt of Orders

The Funds may authorize one or more broker-dealers to accept on their behalf purchase and redemption orders that are in good order. In addition, these broker-dealers may designate other financial intermediaries to accept purchase and redemption orders on a Fund's behalf. Contracts with these agents require the agents to track the time that purchase and redemption orders are received. Purchase and redemption orders must be received by the Funds or their authorized intermediaries before the close of regular trading on the NYSE to receive that day's share price.

Customer Identification Procedures

The Company, on behalf of each Fund, is required to comply with various anti-money laundering laws and regulations. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions, including mutual funds, to obtain, verify and record information that identifies each person who opens an account.

In compliance with the USA PATRIOT Act, please note that U.S. Bancorp Fund Services, LLC, the Company's transfer agent (the "Transfer Agent"), will verify certain information on your account application as part of the Funds' Anti-Money Laundering Program. As requested on the account application, you should supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. If you require assistance when completing your application, please call (toll free) 1-866-44BAIRD.

If the Company or the Transfer Agent does not have a reasonable belief of the identity of a shareholder, the initial purchase will be rejected or the shareholder will not be allowed to perform a transaction on the account until such information is received. The Funds also reserve the right to close the account within five business days if clarifying information and/or documentation is not received. The shareholder will be notified of such action within five business days. Any delay in processing your order will affect the purchase price you receive for your shares. The Company, the Distributor and the Transfer Agent are not liable for fluctuations in NAV experienced as a result of such delays in processing. If at any time the Company or the Transfer Agent detects suspicious behavior or if certain account information matches government lists of suspicious persons, the Company or the Transfer Agent may determine not to open an account, may reject additional purchases, may close an existing account, may file a suspicious activity report and/or may take other action.

The Funds may not be sold to investors residing outside the U.S. and its territories, except upon evidence of compliance with the laws of the applicable foreign jurisdictions.

Market Timing Policy

Depending on various factors (including the size of the Fund, the amount of assets the Advisor typically maintains in cash or cash equivalents, and the dollar amount, number and frequency of trades), short-term or excessive trading into and out of the Funds, generally known as market timing, may harm all shareholders by: disrupting investment strategies; increasing brokerage, administrative and other expenses; decreasing tax efficiency; diluting the value of shares held by long-term shareholders; and impacting Fund performance. The Board has approved policies that seek to discourage frequent purchases and redemptions and curb the disruptive effects of market timing (the "Market Timing Policy"). Pursuant to the Market Timing Policy, the Funds may decline to accept an application or may reject a purchase request, including an exchange, from a market timer or an investor who, in the Advisor's sole discretion, has a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Funds. For these purposes, the Advisor may consider an investor's trading history in the Funds or other Baird Funds. The Funds, the Advisor and affiliates thereof are prohibited from entering into arrangements with any shareholder or other person to permit frequent purchases and redemptions of Fund shares.

The Company monitors and enforces its market timing policy through:

- Regular reports to the Board by the Funds' Chief Compliance Officer regarding any instances of suspected market timing;
- Monitoring of trade activity; and
- Restrictions and prohibitions on purchases and/or exchanges by persons believed to engage in frequent trading activity.

In addition, if market timing is detected in an omnibus account held by a financial intermediary, the Funds may request that the intermediary restrict or prohibit further purchases or exchanges of Fund shares by any shareholder that has been identified as having violated the Market Timing Policy. The Funds may also request that the intermediary provide identifying information, such as social security numbers, and trading information about the underlying shareholders in the account in order to review any unusual patterns of trading activity discovered in the omnibus account.

While the Funds seek to take action that will detect and deter market timing, the risks of market timing cannot be completely eliminated. For example, the Funds may not be able to identify or reasonably detect or deter market timing transactions that may be facilitated by financial intermediaries or made difficult to identify through the use of omnibus accounts by those intermediaries that transmit purchase, exchange, or redemption orders to the Funds on behalf of their customers who are the beneficial owners. More specifically, unless the financial intermediaries have the ability to detect and deter market timing transactions themselves, the Funds may not be able to determine whether the purchase or sale is connected with a market timing transaction. Additionally, there can be no assurance that the systems and procedures of the Transfer Agent will be able to monitor all trading activity in a manner that would detect market timing. However, the Funds, the Advisor, the Distributor and the Transfer Agent will attempt to detect and deter market timing in transactions by all Fund investors, whether directly through the Transfer Agent or through financial intermediaries.

Householding

In an effort to decrease costs, the Funds intend to reduce the number of duplicate prospectuses and annual and semi-annual reports you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders we reasonably believe are from the same family or household. Once implemented, if you would like to discontinue householding for your accounts, please call the Funds toll-free at 1-866-44BAIRD to request individual copies of these documents. Once the Funds receive notice to stop householding, we will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

Methods of Buying

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|--------------|--|---|
| By Telephone | You may not use the telephone purchase option for your initial purchase of a Fund's shares. However, you may call the Funds (toll-free) at 1-866-44BAIRD to open a new account by requesting an exchange into another Baird Fund. See "Exchanging Shares." | You may call the Funds (toll-free) at 1-866-44BAIRD to place your order for Fund shares. Money will then be moved from your bank account to your Fund account upon request. Only bank accounts held at domestic institutions that are Automated Clearing House ("ACH") members may be used for telephone transactions. The minimum telephone purchase is \$100. |

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|-----------------------|---|--|
| By Mail | <p>Make your check payable to “Baird Funds.” All checks must be in U.S. dollars drawn on a U.S. financial institution. Forward the check and your application to the address below. To prevent fraud, the Funds will not accept cash, money orders, third party checks, traveler’s checks, credit card checks, starter checks or U.S. Treasury checks for the purchase of shares. If your check is returned for any reason, a \$25 fee will be assessed against your account and you will be responsible for any loss incurred by the Fund(s). The Funds will only accept payment by cashier’s check when the cashier’s check is in excess of \$10,000. The Funds are unable to accept post-dated checks, post-dated on-line bill pay checks or any conditional order or payment.</p> | <p>Fill out the investment stub from an account statement, or indicate the Fund name and account number on your check. Make your check payable to “Baird Funds.” Forward the check and stub to the address below.</p> |
| By Federal Funds Wire | <p>Forward your application to Baird Funds at the address below. Call (toll-free) 1-866-44BAIRD to obtain an account number. Wire funds using the instructions to the right.</p> | <p>Notify the Funds of an incoming wire by calling (toll-free) 1-866-44BAIRD. Use the following instructions: U.S. Bank, N.A. 777 E. Wisconsin Ave. Milwaukee, WI 53202 ABA#: 075000022 Credit: U.S. Bancorp Fund Services, LLC Account #: 112-952-137 Further Credit: (name of Fund, share class) (name/title on the account) (account #) The Funds, the Advisor and the Transfer Agent are not responsible for the consequences of delays resulting from the banking or Federal Reserve Wire system, or from incomplete wiring instructions.</p> |

| | <i>To Open an Account</i> | <i>To Add to an Account</i> |
|---|--|--|
| Automatic Investment Plan | Open a Fund account with one of the other methods. If by mail, be sure to include your checking account number on the appropriate section of your application and enclose a voided check or deposit slip with your initial purchase application. | Call the Funds (toll-free) at 1-866-44BAIRD for instructions on how to set up an Automatic Investment Plan if you did not select the option on your original application. Regular automatic investments (minimum of \$100) will be taken from your checking account on a monthly or quarterly basis. If you do not have sufficient funds in your account or if your account is closed at the time of the automatic transaction, you will be assessed a \$25 fee. |
| Through Shareholder Service Organizations | To purchase shares for another investor, call the Funds (toll-free) at 1-866-44BAIRD. | To purchase shares for another investor, call the Funds (toll-free) at 1-866-44BAIRD. |
| By Exchange | Call the Funds (toll-free) at 1-866-44BAIRD to obtain exchange information. See “Exchanging Shares.” | Call the Funds (toll-free) at 1-866-44BAIRD to obtain exchange information. See “Exchanging Shares.” |

You should use the following addresses when sending documents by mail or by overnight delivery:

By Mail

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

By Overnight Delivery

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
615 E. Michigan Street, Third Floor
Milwaukee, Wisconsin 53202

NOTE: The Funds and the Transfer Agent do not consider the U.S. Postal Service or other independent delivery services to be their agents. Therefore, deposit in the mail or with such services, or receipt at the Transfer Agent’s post office box, of purchase orders or redemption requests does not constitute receipt by the Transfer Agent.

Selling Shares

Methods of Selling

| | <i>To Sell Some or All of Your Shares</i> |
|--------------|---|
| By Telephone | Call the Funds (toll-free) at 1-866-44BAIRD to place the order. (Note: for security reasons, requests by telephone will be recorded.) Telephone redemptions involving \$50,000 or more of Investor Class shares are not permitted. |
| By Mail | Send a letter to the Funds that indicates the dollar amount or number of shares you wish to redeem. The letter should contain the Fund’s name, the account number and the number of shares or the dollar amount of shares to be redeemed. Be sure to have all shareholders sign the letter and, if necessary, have the signature guaranteed. For IRA accounts, requests submitted without an election regarding tax withholding will be subject to tax withholding. |

To Sell Some or All of Your Shares

| | |
|----------------------------------|---|
| Systematic Withdrawal Plan | The Funds offer shareholders a Systematic Withdrawal Plan. Call the Funds (toll-free) at 1-866-44BAIRD to obtain information on how to arrange for regular monthly or quarterly fixed withdrawal payments. The minimum payment you may receive is \$50 per period. Note that this plan may deplete your investment and affect your income or yield. |
| Shareholder Service Organization | Consult your account agreement for information on redeeming shares. |
| By Exchange | Call the Funds (toll-free) at 1-866-44BAIRD to obtain exchange information. See “Exchanging Shares” for further information. |

Payment of Redemption Proceeds

You may request redemption of your shares at any time. Your shares will be redeemed at the next NAV per share calculated after your order is received in good order by a Fund or its agents. All requests received in good order before the close of regular trading on the NYSE will be executed at the NAV computed on that day. Requests received after the close of regular trading on the NYSE will receive the next business day's NAV. You may receive the proceeds in one of three ways:

- 1) A check mailed to your account's address. Your proceeds will typically be sent on the business day following the day on which the Fund or its agent receives your request in good order. Checks will not be forwarded by the U.S. Postal Service, so please notify us if your address has changed prior to a redemption request. A redemption request made within 15 days of an address change will require a signature guarantee. Proceeds will be sent to you in this way, unless you request one of the alternatives described below.
- 2) The proceeds transmitted by Electronic Funds Transfer (“EFT”) to a properly pre-authorized bank account. The proceeds usually will arrive at your bank two banking days after we process your redemption.
- 3) The proceeds transmitted by wire to a pre-authorized bank account for a \$15 fee. This fee will be deducted from your redemption proceeds for complete redemptions. In the case of a partial redemption, the fee will be deducted from the remaining account balance. The fee is paid to the Transfer Agent to cover costs associated with the transfer. The Advisor reserves the right to waive the wire fee in limited circumstances. The proceeds usually will arrive at your bank the first banking day after we process your redemption. Be sure to have all necessary information from your bank. Your bank may charge a fee to receive wired funds.

When making a redemption request, make sure your request is in good order. “Good order” means your letter of instruction includes:

- The name of the Fund;
- The number of shares or the dollar amount of shares to be redeemed;
- Signatures of all registered shareholders exactly as the shares are registered and, if necessary, with a signature guarantee; and
- The account number.

Before selling recently purchased shares, please note that if the Transfer Agent has not yet collected payment for the shares you are selling, there may be a delay in sending the proceeds until the payment is collected, which may take up to 12 calendar days from the purchase date. This procedure is intended to protect the Funds and their shareholders from loss.

The Transfer Agent will send redemption proceeds by wire or EFT only to the bank and account designated on the account application or in written instructions (with signatures guaranteed) subsequently received by the Transfer Agent, and only if the bank is a member of the Federal Reserve System. If the dollar or share amount requested to be redeemed is greater than the current value of your account, your entire account balance will be redeemed. If you choose to redeem your account in full, any Automatic Investment Plan currently in effect for the account will be terminated unless you indicate otherwise in writing and any Systematic Withdrawal Plan will be terminated.

Signature Guarantees

A signature guarantee or other acceptable signature verification of each owner is required to redeem shares in the following situations:

- If you are requesting a change in ownership on your account;
- When redemption proceeds are payable or sent to any person, address or bank account not on record;
- If a change of address request has been received by the Transfer Agent within the last 15 days; and
- For all redemptions of Investor Class shares totaling \$50,000 or more from any shareholder account.

Non-financial transactions including establishing or modifying certain services on an account may require signature verification from a Signature Validation Program member or other acceptable form of authentication from a financial institution.

Signature guarantees are designed to protect both you and the Funds from fraud. Signature guarantees can be obtained from most banks, credit unions or saving associations, or from broker-dealers, national securities exchanges, registered securities exchanges or clearing agencies deemed eligible by the SEC. Notaries cannot provide signature guarantees.

The Funds and/or the transfer agent may also require a signature guarantee or other acceptable signature authentication in other instances based on the circumstances relative to the particular situation.

Corporate, Trust and Other Accounts

Redemption requests from corporate, trust and institutional accounts, and executors, administrators and guardians, require documents in addition to those described above evidencing the authority of the officers, trustees or others. In order to avoid delays in processing redemption requests for these accounts, you should call the Funds (toll-free) at 1-866-44BAIRD before making the redemption request to determine what additional documents are required.

Transfer of Ownership

In order to change the account registrant or transfer ownership of an account, additional documents will be required. To avoid delays in processing these requests, you should call the Funds (toll-free) at 1-866-44BAIRD before making your request to determine what additional documents are required.

Exchanging Shares

You may exchange all or a portion of your investment from the same class of one Baird Fund to another. You may also exchange between classes of a Fund or other Baird Funds if you meet the minimum investment requirements for the class into which you would like to exchange. Any new account established through an exchange will be subject to the minimum investment requirements applicable to the shares acquired. Exchanges will be executed on the basis of the relative NAV of the shares exchanged. The exchange privilege may be exercised only in those states where the class of shares of the Fund being acquired legally may be sold.

An exchange is considered to be a sale of shares for federal income tax purposes on which you may realize a taxable gain or loss.

Call the Funds (toll-free) at 1-866-44BAIRD to learn more about exchanges and other Baird Funds.

More Information about the Exchange Privilege

The Funds are intended as long-term investment vehicles and not to provide a means of speculating on short-term market movements. In addition, excessive trading can hurt a Fund's performance and shareholders. Therefore, each

Fund may terminate, without notice, the exchange privilege of any shareholder who uses the exchange privilege excessively. See “Your Account—Buying Shares—Market Timing Policy.” The Funds may change or temporarily suspend the exchange privilege during unusual market conditions.

General Transaction Policies

The Funds reserve the right to:

- Vary or waive any minimum investment requirement.
- Refuse, change, discontinue, or temporarily suspend account services, including purchase, exchange, or telephone redemption privileges, for any reason.
- Reject any purchase or exchange request for any reason. Generally, a Fund does this if the purchase or exchange is disruptive to the efficient management of the Fund (due to the timing of the investment or a shareholder’s history of excessive trading).
- Reinvest a distribution check in your account at a Fund’s then-current NAV and reinvest all subsequent distributions if you elect to receive distributions in cash and the U.S. Postal Service cannot deliver your check, or if a distribution check remains uncashed for six months.
- Redeem all shares in your account if your balance falls below the Fund’s minimum requirements for the applicable class of shares. If, within 60 days of a Fund’s written request, you have not increased your account balance, you may be required to redeem your shares. The Funds will not require you to redeem shares if the value of your account drops below the investment minimum due to fluctuations of NAV.
- Delay paying redemption proceeds for up to seven days after receiving a request.
- Modify or terminate the Automatic Investment and Systematic Withdrawal Plans at any time.
- Modify or terminate the exchange privilege after a 60-day written notice to shareholders.
- Make a “redemption in kind” (a payment in portfolio securities rather than cash) if the amount you are redeeming is in excess of the lesser of (i) \$250,000 or (ii) 1% of a Fund’s assets. In such cases, you may incur brokerage costs in converting these securities to cash.
- Reject any purchase or redemption request that does not contain all required documentation.

If you elect telephone privileges on the account application or in a letter to the Funds, you may be responsible for any fraudulent telephone orders as long as the Funds have taken reasonable precautions to verify your identity. In addition, once you place a telephone transaction request, it cannot be canceled or modified.

Telephone trades must be received by or prior to market close. During periods of significant economic or market change, shareholders may encounter higher than usual call waits and telephone transactions may be difficult to complete. Please allow sufficient time to place your telephone transaction. If you are unable to contact the Funds by telephone, you may also mail the requests to the Funds at the address listed under “Buying Shares.”

Your broker-dealer or other financial organization may establish policies that differ from those of the Funds. For example, the organization may charge transaction fees, set higher minimum investments, or impose certain limitations on buying or selling shares in addition to those identified in this prospectus. Contact your broker-dealer or other financial organization for details.

Inactive Accounts. Your mutual fund account may be transferred to your state of residence if no activity occurs within your account during the “inactivity period” specified in your state’s abandoned property laws.

Distributions and Taxes

Distributions

Each Fund makes distributions to its shareholders from the Fund's net investment income and any realized net capital gains.

Distributions from a Fund's net investment income are declared and paid monthly. Capital gains, if any, are generally distributed once a year. It is expected that each Fund's distributions will be primarily distributions of net investment income.

Each share class determines its net investment income and capital gains distributions in the same manner. However, because Investor Class shares have Rule 12b-1 distribution fees, distributions of net investment income paid to Investor Class shareholders will be lower per share than those paid to Institutional Class shareholders.

All of your distributions from a Fund's net investment income and capital gains will be reinvested in additional shares of the same class of that Fund unless you instruct otherwise on your account application or have redeemed all shares you held in the Fund.

Taxation

Tax-Exempt Distributions

The Intermediate Municipal Bond Fund intends to make tax-exempt distributions to shareholders of income from interest earned on qualifying municipal obligations. However, the Intermediate Municipal Bond Fund may invest a portion of its assets in securities that generate income that is not exempt from federal or state income tax. Income exempt from federal tax may be subject to state and local income tax. Furthermore, if you are subject to the federal alternative minimum tax ("AMT"), you may have to pay federal tax on a portion of your distributions from tax-exempt income. You may also be subject to tax on any net capital gain realized by the Intermediate Municipal Bond Fund. The federal tax status of exempt-interest distributions made by the Intermediate Municipal Bond Fund for the preceding year will be reported annually to shareholders.

Taxable Distributions

Distributions from interest earned on securities held by the Short-Term Bond Fund, Intermediate Bond Fund, Aggregate Bond Fund and Core Plus Bond Fund are taxable to most investors regardless of whether the distributions are received in cash or reinvested in Fund shares. Distributions paid by a Fund (including the Intermediate Municipal Bond Fund) out of the Fund's net investment company taxable income (which includes dividends, interest, net short-term capital gains and net gains from foreign currency transactions), if any, generally are taxable to the Fund's shareholders as ordinary income, except to the extent any of the distributions are designated as attributable to "qualified dividends," as described below. The current federal tax provisions applicable to "qualified dividends" are scheduled to expire for tax years beginning after December 31, 2012. Distributions from a Fund's net investment company taxable income may be eligible for the corporate dividends-received deduction. Distributions from these Funds may not be subject to federal income tax if you are a tax-exempt investor or are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account, in which case you may be subject to federal income tax upon withdrawal from such tax deferred arrangements.

To the extent that a Fund reports a distribution of net investment company taxable income to its shareholders as attributable to “qualified dividend” income, the receipt of such income may be eligible for the reduced rate of tax applicable to non-corporate shareholders on net long-term capital gains. If a Fund has gross income (excluding net capital gains) of which more than 95% was qualified dividends, all of that Fund’s distributions attributable to net investment company taxable income will be eligible for the lower rates on qualified dividends. Certain holding period requirements also must be satisfied by both a Fund and the shareholder to obtain qualified dividend treatment.

To the extent the Funds’ distributions of net capital gains (the excess of net long-term capital gains over net short-term capital losses) are reported as capital gain distributions, such distributions will generally be taxable as long-term capital gains whether reinvested in additional Fund shares or received in cash and regardless of the length of time that a shareholder has owned Fund shares.

A distribution from a Fund’s net investment company taxable income or capital gains declared by the Fund in October, November or December, but paid during January of the following year, will be considered to be paid on December 31 of the year it was declared.

If the value of shares is reduced below a shareholder’s cost as a result of a distribution by a Fund, the distribution will be taxable even though it, in effect, represents a return of invested capital. Investors considering buying shares just prior to a distribution of a Fund’s net investment company taxable income or capital gains should be aware that, although the price of shares purchased at that time may reflect the amount of the forthcoming distribution, those who purchase just prior to the record date for a distribution may receive a distribution which will be taxable to them.

The federal tax status of all distributions made by each Fund for the preceding year will be reported to shareholders annually. Distributions by the Funds may also be subject to state and local taxes. Please note that distributions of both net investment company taxable income and capital gains are taxable even if reinvested.

Shareholders who sell, exchange or redeem shares generally will have a capital gain or loss from the sale, exchange or redemption. The amount of the gain or loss and the rate of tax will depend mainly upon the amount paid for the shares, the amount received from the sale, exchange or redemption, and how long the shares were held by a shareholder. Any loss arising from the sale or redemption of shares held for six months or less, however, is treated as a long-term capital loss to the extent of any amounts treated as distributions of net capital gain received on such shares. In determining the holding period of such shares for this purpose, any period during which your risk of loss is offset by means of options, short sales or similar transactions is not counted.

Additional tax information may be found in the SAI. Because everyone’s tax situation is unique, always consult your tax professional about federal, state and local tax consequences of an investment in the Funds.

Taxable Investments

The Intermediate Municipal Bond Fund may invest up to 20% of its net assets in U.S. government and corporate bonds and other debt securities that are of the same quality as its investments in municipal bonds. These bonds produce income taxable for federal purposes, unlike municipal bonds which generally provide income exempt from federal income tax.

If You Are Subject to the Alternative Minimum Tax

The Intermediate Municipal Bond Fund may invest up to 20% of its net assets in municipal obligations whose interest is a tax-preference item for purposes of the AMT. If you are subject to the AMT, a portion of the Intermediate Municipal Bond Fund’s distributions to you may not be exempt from federal income tax. If this is the case, the Intermediate Municipal Bond Fund’s net return to you may be lower.

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BAIRD FUNDS, INC. PRIVACY POLICY

Protecting the privacy of Fund shareholders is important to us. The following is a description of the practices and policies through which Baird Funds, Inc. protects the privacy and security of your non-public personal information.

What Information We Collect

We collect and maintain information about you so that we can open and maintain your account in the Funds and provide various services to you. We may collect and maintain the following personal information about you:

- Information we receive from you or your financial advisor on account applications or other forms, correspondence, or conversations, such as your name, address, e-mail address, phone number, social security number, assets, income and date of birth; and
- Information about your transactions with us, our affiliates, or others, such as your account number and balance, positions, activity, history, cost basis information, and other financial information.

What Information We Disclose

We do not sell any non-public personal information about our current or former shareholders to third parties. We do not disclose any non-public personal information about our current or former shareholders to anyone, except as permitted or required by law. We are permitted by law to share any of the information we collect, as described above, with our affiliates. In addition, we may share such information with nonaffiliated third parties to the extent necessary to effect, process, administer or enforce a transaction that the shareholder requests or authorizes, in connection with maintaining or servicing the shareholder's account, as requested by regulatory authorities or as otherwise permitted or required by law. For example, we are permitted by law to disclose all of the information we collect, as described above, to our transfer agent to process your transactions. We may also provide your name and address to third party service providers who send account statements and other Fund-related material to you.

How We Protect Your Information

We restrict access to your non-public personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to protect the confidentiality, integrity and security of your non-public personal information.

We will continue to adhere to the privacy policies and practices in this notice even after your account is closed or becomes inactive.

In the event that you hold shares of the Fund(s) through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with nonaffiliated third parties.

For More Information

You can find more information about the Funds in the following documents:

Statement of Additional Information (“SAI”)

The SAI contains details about the investments and techniques of the Funds and certain other additional information. A current SAI is on file with the Securities and Exchange Commission (“SEC”) and is incorporated by reference into this prospectus. This means that the SAI is legally considered a part of this prospectus even though it is not physically within this prospectus.

Annual and Semi-Annual Reports

The Funds’ annual and semi-annual reports provide information regarding the Funds’ financial reports and portfolio holdings. The annual report contains a discussion of the market conditions and investment strategies that significantly affected the Funds’ performance during the Funds’ last fiscal year.

You can obtain a free copy of these documents, request other information, or make general inquiries about the Funds by calling the Funds (toll-free) at 1-866-44BAIRD or by writing to:

Baird Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701

The Funds’ prospectuses, SAI and the annual and semi-annual reports are also available, free of charge, on the Funds’ website at www.bairdfunds.com.

You may write to the SEC’s Public Reference Room at the regular mailing address or the e-mail address below and ask them to mail you information about the Funds, including the SAI. They will charge you a fee for this duplicating service. You can also visit the SEC’s Public Reference Room and review and copy documents while you are there. For more information about the operation of the SEC’s Public Reference Room, call the SEC at the telephone number below.

Public Reference Section
Securities and Exchange Commission
100 F Street, Washington, D.C. 20549-1520
publicinfo@sec.gov
(202) 551-8090

Reports and other information about the Funds are also available on the EDGAR database on the SEC’s Internet website at <http://www.sec.gov>.