

## Prospectus

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May 1, 2011

*Baird LargeCap Fund*  
(Investor Class: BHGSX)  
(Institutional Class: BHGIX)

*Baird MidCap Fund*  
(Investor Class: BMDSX)  
(Institutional Class: BMDIX)

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

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## Baird LargeCap Fund

### Investment Objective

The investment objective of the Baird LargeCap Fund (the “Fund”) is to provide long-term growth of capital. Dividend income is a secondary consideration.

### 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 Class Shares</i>	<i>Institutional Class Shares</i>
Management Fees	0.65%	0.65%
Distribution and Service (12b-1) Fees	0.25%	None
Other Expenses	0.75%	0.75%
Total Annual Fund Operating Expenses	1.65%	1.40%
Expense Limitation <sup>(1)</sup>	-0.65%	-0.65%
Total Annual Fund Operating Expenses After Expense Limitation	1.00%	0.75%

(1) Robert W. Baird & Co. Incorporated (the “Advisor”) has contractually agreed to waive management fees and/or reimburse other expenses in order to limit the Fund’s total annual fund operating expenses to 1.00% of average daily net assets for the Investor Class shares and 0.75% of average daily net assets for the Institutional Class shares. This obligation excludes taxes, brokerage commissions and extraordinary expenses. If such expenses were incurred, Fund expenses would be higher. The Advisor is entitled to recoup the fees waived and/or expenses reimbursed within a three-year period to the extent of the expense limitation. In addition, the Advisor has contractually agreed to reimburse fees and expenses incurred by the Fund in connection with its investments in other investment companies, if any, to the extent that such fees and expenses on an annual basis exceed 0.0049% of the Fund’s average daily net assets. Each agreement will continue in effect at least through April 30, 2012 and may only be terminated prior to the end of this term by or with the consent of the Board of Directors.

### 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
Investor Class Shares	\$102	\$457	\$836	\$1,900
Institutional Class Shares	\$77	\$379	\$704	\$1,623

## 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 52% of the average value of its portfolio.

## Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the equity securities of large-capitalization companies, principally common stocks, preferred stocks, securities convertible into common stocks and American Depositary Receipts (“ADRs”) that are traded on major U.S. exchanges. Although the Fund focuses primarily on U.S. companies, the Fund may invest up to 15% of its total assets in equity securities (including ADRs) of foreign companies. The Fund defines large-capitalization companies as those companies with a market capitalization within the range of companies in the Russell 1000<sup>®</sup> Growth Index at the time of investment. The Fund emphasizes companies with market capitalizations between \$5 billion and \$80 billion. When analyzing equity securities to be purchased by the Fund, the Advisor emphasizes a company’s growth prospects. The Fund’s investments are selected using a variety of both quantitative techniques and fundamental research in seeking to maximize the Fund’s expected return while controlling risk.

The Fund seeks a portfolio comprised of companies which reflect “PRIME” growth factors. These factors are analyzed as part of the Advisor’s investment process and are represented in the following ways:

- **Durable Profitability.** Companies with attractive margins and favorable margin trends can drive superior earnings growth.
- **Sustainable Revenue Growth.** Solid barriers to entry, favorable pricing and demonstrated product/service track record can aid top-line prospects.
- **Favorable Industry dynamics.**
- **Management strength and integrity** is a critical element of a high quality company. Growth, profitability and shareholder returns provide insight into management effectiveness. The Advisor seeks managements that position their company’s balance sheet to be a source of strength.
- **Understanding market Expectations** of a company is important in assessing risk/return opportunities.

The Advisor believes an analysis of these PRIME factors yields insights to the competitive strength of a business model.

The Advisor applies the following strategies when purchasing securities for the Fund’s portfolio:

- Intentionally avoiding short-term trading strategies and rapid shifts in industry positions.
- Setting sector limits at the greater of 30% of the Fund’s total assets or double the weighting of the Russell 1000<sup>®</sup> Growth Index in any one sector, as defined by such index.
- Typically holding the securities of fewer than 60 companies with exposure to approximately 20 industries.
- Seeking securities whose growth prospects, in the Advisor’s opinion, are not reflected in their current stock prices.
- Limiting the size of any one new position. No security will represent more than 5% of the Fund’s total assets at the time of purchase.
- Leveraging key tools, such as the Advisor’s proprietary tier-board, which provides a visual representation of portfolio positions and enables discussion on relative weights of underlying positions.

The Advisor may sell a security due to achievement of valuation targets, significant change in the initial investment premise or fundamental deterioration.

## **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.

### *Stock Market Risks*

Stock prices vary and may fall, thus reducing the value of the Fund's investments. Certain stocks selected for the Fund's portfolio may decline in value more than the overall stock market. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. Continuing market problems may have adverse effects on the Fund.

### *Growth-Style Investing Risks*

Because the Fund focuses on growth-style stocks, its performance may at times be better or worse than the performance of funds that focus on other types of stocks or that have a broader investment style. Growth stocks are often characterized by high price-to-earnings ratios, which may be more volatile than stocks with lower price-to-earnings ratios.

### *Management Risks*

The Advisor's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

### *Equity Securities Risks*

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific industries, sectors or companies in which the Fund invests.

### *Large Capitalization Risks*

Large-cap stocks perform differently from, and at times and for extended periods of time worse than, stocks of medium and smaller capitalization companies. Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors.

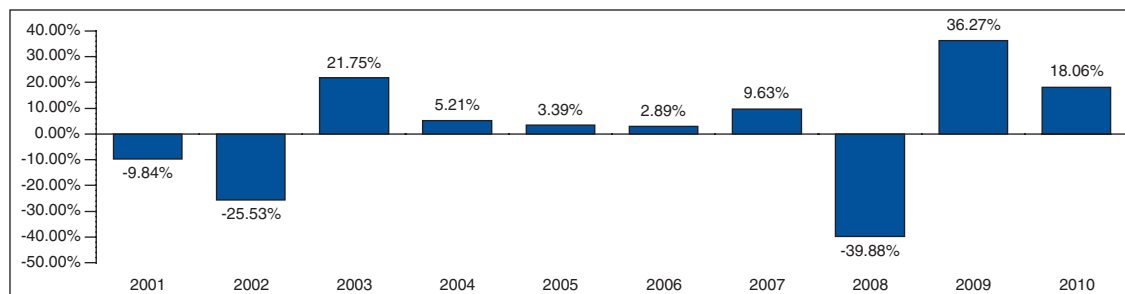
### *Foreign Issuer Risks*

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue and greater fluctuations in price than securities of domestic corporations. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. There is a possibility of expropriation or confiscatory taxation, or diplomatic developments, which could affect investment in certain countries.

## 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](http://www.bairdfunds.com) or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



*Best quarter:* 2<sup>nd</sup> quarter 2009 17.66%  
*Worst quarter:* 4<sup>th</sup> quarter 2008 -26.49%

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 historical 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

	1 Year	5 Years	10 Years	Since Inception (9/29/00)
<i>Institutional Class</i>				
Return Before Taxes	18.06%	1.76%	(0.30%)	(0.71%)
Return After Taxes on Distributions	18.05%	1.70%	(0.37%)	(0.78%)
Return After Taxes on Distributions and Sale of Fund Shares	11.76%	1.49%	(0.27%)	(0.61%)
<i>Investor Class</i>				
Return Before Taxes	17.86%	1.52%	(0.55%)	(0.95%)
<b>Russell 1000® Growth Index</b>	16.71%	3.75%	0.02%	(2.30%)
(reflects no deduction for fees, expenses or taxes)				

## 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>
Douglas E. Guffy	2005	Senior Portfolio Manager for Baird Investment Management and First Vice President of the Advisor
Kenneth M. Hemauer	2006	Director of Research for Baird Investment Management 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 MidCap Fund

### Investment Objective

The investment objective of the Baird MidCap Fund (the “Fund”) is to provide long-term growth of capital.

### 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 Class Shares</i>	<i>Institutional Class Shares</i>
Management Fees	0.75%	0.75%
Distribution and Service (12b-1) Fees	0.25%	None
Other Expenses	0.56%	0.56%
Total Annual Fund Operating Expenses	1.56%	1.31%
Expense Limitation <sup>(1)</sup>	-0.46%	-0.46%
Total Annual Fund Operating Expenses After Expense Limitation	1.10%	0.85%

(1) Robert W. Baird & Co. Incorporated (the “Advisor”) has contractually agreed to waive management fees and/or reimburse other expenses in order to limit the Fund’s total annual fund operating expenses to 1.10% of average daily net assets for the Investor Class shares and 0.85% of average daily net assets for the Institutional Class shares. This obligation excludes taxes, brokerage commissions and extraordinary expenses. If such expenses are incurred, Fund expenses would be higher. The Advisor is entitled to recoup fees waived and/or expenses reimbursed within a three-year period to the extent of the expense limitation. In addition, the Advisor has contractually agreed to reimburse fees and expenses incurred by the Fund in connection with its investments in other investment companies, if any, to the extent that such fees and expenses on an annual basis exceed 0.0049% of the Fund’s average daily net assets. Each agreement will continue in effect at least through April 30, 2012 and may only be terminated prior to the end of this term by or with the consent of the Board of Directors.

### 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
Investor Class Shares	\$112	\$448	\$806	\$1,817
Institutional Class Shares	\$87	\$370	\$674	\$1,539

## 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 62.7% of the average value of its portfolio.

## Principal Investment Strategies

The Fund normally invests at least 80% of its net assets in the equity securities of U.S. and foreign mid-capitalization companies, principally common stocks, preferred stocks, securities convertible into common stocks and American Depositary Receipts (“ADRs”) that are traded on major U.S. exchanges. Although the Fund focuses primarily on U.S. companies, the Fund may invest up to 15% of its total assets in equity securities (including ADRs) of foreign companies. The Fund defines mid-capitalization companies as those companies with a market capitalization within the range of companies in the Russell Midcap<sup>®</sup> Growth Index at the time of investment.

When analyzing equity securities to be purchased by the Fund, the Advisor emphasizes a company’s growth prospects. The Fund’s investments are selected using a variety of both quantitative techniques and fundamental research in seeking to maximize the Fund’s expected return while controlling risk.

The Fund seeks a portfolio comprised of companies which reflect “PRIME” growth factors. These factors are analyzed as part of the Advisor’s investment process and are represented in the following ways:

- **Durable Profitability.** Companies with attractive margins and favorable margin trends can drive superior earnings growth.
- **Sustainable Revenue Growth.** Solid barriers to entry, favorable pricing and demonstrated product/service track record can aid top-line prospects.
- **Favorable Industry dynamics.**
- **Management strength and integrity** is a critical element of a high quality company. Growth, profitability and shareholder returns provide insight into management effectiveness. The Advisor seeks managements that position their company’s balance sheet to be a source of strength.
- **Understanding market Expectations** of a company is important in assessing risk/return opportunities.

The Advisor believes an analysis of these PRIME factors yields insights to the competitive strength of a business model.

The Advisor applies the following strategies when purchasing securities for the Fund’s portfolio:

- Intentionally avoiding short-term trading strategies and rapid shifts in industry positions.
- Setting sector limits at the greater of 30% of the Fund’s total assets or double the weighting of the Russell Midcap<sup>®</sup> Growth Index in any one sector, as defined by such index.
- Typically holding the securities of fewer than 60 companies with exposure to approximately 20 industries.
- Seeking securities whose growth prospects, in the Advisor’s opinion, are not reflected in their current stock prices.
- Limiting the size of any one new position. No security will represent more than 5% of the Fund’s total assets at the time of purchase.
- Leveraging key tools, such as the Advisor’s proprietary tier-board, which provides a visual representation of portfolio positions and enables discussion on relative weights of underlying positions.

The Advisor may sell a security due to achievement of valuation targets, significant change in the initial investment premise or fundamental deterioration.

## **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.

### *Stock Market Risks*

Stock prices vary and may fall, thus reducing the value of the Fund's investments. Certain stocks selected for the Fund's portfolio may decline in value more than the overall stock market. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. Continuing market problems may have adverse effects on the Fund.

### *Growth-Style Investing Risks*

Because the Fund focuses on growth-style stocks, its performance may at times be better or worse than the performance of funds that focus on other types of stocks or that have a broader investment style. Growth stocks are often characterized by high price-to-earnings ratios, which may be more volatile than stocks with lower price-to-earnings ratios.

### *Management Risks*

The Advisor's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

### *Equity Securities Risks*

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific industries, sectors or companies in which the Fund invests.

### *Mid-Capitalization Risks*

Mid-capitalization stocks are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of mid-size companies may be substantially less than is typical of larger companies. Therefore, the securities of mid-size companies may be subject to greater and more abrupt price fluctuations. In addition, mid-size companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure.

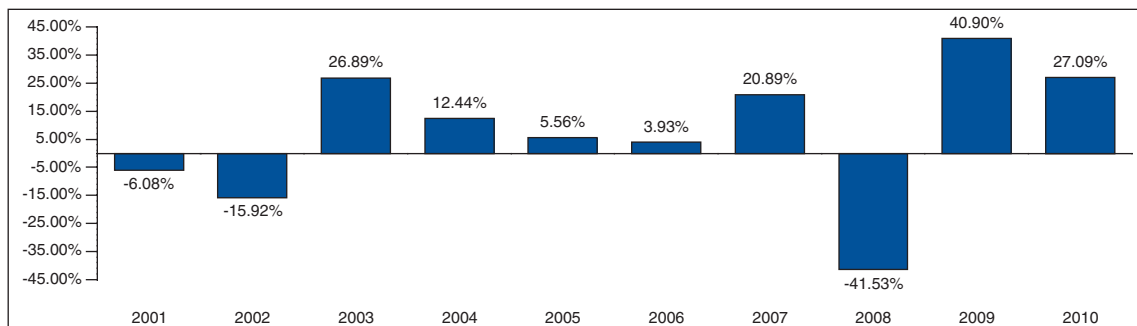
### *Foreign Issuer Risks*

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue and greater fluctuations in price than securities of domestic corporations. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. There is a possibility of expropriation or confiscatory taxation, or diplomatic developments, which could affect investment in certain countries.

## 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](http://www.bairdfunds.com) or by calling the Fund toll-free at 1-866-442-2473.

Calendar Year Returns for Institutional Class Shares



*Best quarter:* 3<sup>rd</sup> quarter 2009 18.55%  
*Worst quarter:* 4<sup>th</sup> quarter 2008 -24.90%

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 historical 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

	1 Year	5 Years	10 Years	Since Inception (12/29/00)
<i>Institutional Class</i>				
Return Before Taxes	27.09%	5.64%	4.58%	4.26%
Return After Taxes on Distributions	27.09%	4.43%	3.92%	3.61%
Return After Taxes on Distributions and Sale of Fund Shares	17.61%	4.63%	3.87%	3.58%
<i>Investor Class</i>				
Return Before Taxes	26.92%	5.40%	4.34%	4.02%
<b>Russell MidCap<sup>®</sup> Growth Index</b> (reflects no deduction for fees, expenses or taxes)				
	26.38%	4.88%	3.12%	2.85%

## Investment Advisor

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

## Portfolio Manager

<u>Name</u>	<u>Portfolio Manager of the Fund Since</u>	<u>Title</u>
Charles F. Severson	2000	Senior Portfolio Manager for Baird Investment Management and Senior Vice President of the Advisor
Kenneth M. Hemauer	2010	Director of Research for Baird Investment Management 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

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This prospectus describes the Baird LargeCap Fund (“LargeCap Fund”) and Baird MidCap Fund (“MidCap Fund”) (each, a “Fund” and collectively, the “Funds”), two investment portfolios offered by Baird Funds, Inc. (“Baird Funds” or the “Company”).

## Investment Objectives

### LargeCap Fund

The investment objective of the LargeCap Fund is to provide long-term growth of capital. Dividend income is a secondary consideration.

### MidCap Fund

The investment objective of the MidCap Fund is to provide long-term growth of capital.

## Principal Investment Strategies

### LargeCap Fund

The Fund normally invests at least 80% of its net assets in the equity securities of large-capitalization companies, principally common stocks, preferred stocks, securities convertible into common stocks and American Depositary Receipts (“ADRs”) that are traded on major U.S. exchanges. Although the Fund focuses primarily on U.S. companies, the Fund may invest up to 15% of its total assets in equity securities (including ADRs) of foreign companies. The Fund defines large-capitalization companies as those companies with a market capitalization within the range of companies in the Russell 1000<sup>®</sup> Growth Index at the time of investment. The Fund emphasizes companies with market capitalizations between \$5 billion and \$80 billion. As of March 31, 2011, the weighted average and median capitalizations of the companies in the Russell 1000<sup>®</sup> Growth Index were \$92.4 billion and \$6.4 billion, respectively. The Russell 1000<sup>®</sup> Growth Index measures the performance of those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000<sup>®</sup> Index consists of the 1,000 largest companies in the Russell 3000<sup>®</sup> Index, which represents approximately 92% of the total market capitalization of the Russell 3000<sup>®</sup> Index, which in turn consists of the 3,000 largest U.S. domiciled publicly-traded common stocks by market capitalization. These indices do not reflect any deduction for fees, expenses or taxes. A direct investment in the index is not possible.

When analyzing equity securities to be purchased by the LargeCap Fund, the Advisor emphasizes a company’s growth prospects. The LargeCap Fund’s investments are selected using a variety of both quantitative techniques and fundamental research in seeking to maximize the LargeCap Fund’s expected return while controlling risk.

The LargeCap Fund seeks a portfolio comprised of companies which reflect “PRIME” growth factors. These factors are analyzed as part of the Advisor’s investment process and are represented in the following ways:

- **Durable Profitability.** Companies with attractive margins and favorable margin trends can drive superior earnings growth.
- **Sustainable Revenue Growth.** Solid barriers to entry, favorable pricing and demonstrated product/service track record can aid top-line prospects.

- Favorable **I**ndustry dynamics.
- **M**anagement strength and integrity is a critical element of a high quality company. Growth, profitability and shareholder returns provide insight into management effectiveness. The Advisor seeks managements that position their company's balance sheet to be a source of strength.
- Understanding market **E**xpectations of a company is important in assessing risk/return opportunities.

The Advisor believes an analysis of these PRIME factors yields insights to the competitive strength of a business model.

The Advisor applies the following strategies when purchasing securities for the Fund's portfolio:

- Intentionally avoiding short-term trading strategies and rapid shifts in industry positions.
- Setting sector limits at the greater of 30% of the Fund's total assets or double the weighting of the Russell 1000<sup>®</sup> Growth Index in any one sector, as defined by such index. Thus, the LargeCap Fund may be heavily invested in a single sector. However, a single sector may include numerous subsectors or industries. The LargeCap Fund may therefore be concentrated in one sector, while being diversified among several industries.
- Typically holding the securities of fewer than 60 companies with exposure to approximately 20 industries.
- Seeking securities whose growth prospects, in the Advisor's opinion, are not reflected in their current stock prices.
- Limiting the size of any one new position. No security will represent more than 5% of the Fund's total assets at the time of purchase.
- Leveraging key tools, such as the Advisor's proprietary tier-board, which provides a visual representation of portfolio positions and enables discussion on relative weights of underlying positions.

## MidCap Fund

The Fund normally invests at least 80% of its net assets in the equity securities of mid-capitalization companies, principally common stocks, preferred stocks, securities convertible into common stocks and ADRs that are traded on major U.S. exchanges. Although the Fund focuses primarily on U.S. companies, the Fund may invest up to 15% of its total assets in equity securities (including ADRs) of foreign companies. The Fund defines mid-capitalization companies as those companies with a market capitalization within the range of companies in the Russell Midcap<sup>®</sup> Growth Index at the time of investment. As of March 31, 2011, the weighted average and median capitalizations of the companies in the Russell Midcap<sup>®</sup> Growth Index were \$8.7 billion and \$5.0 billion, respectively. The Russell Midcap<sup>®</sup> Growth Index measures the performance of those Russell Midcap<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap<sup>®</sup> Index consists of the 800 smallest companies in the Russell 1000<sup>®</sup> Index, which represents approximately 31% of the total market capitalization of the Russell 1000<sup>®</sup> Index. The Russell 1000<sup>®</sup> Index consists of the largest 1,000 companies in the Russell 3000<sup>®</sup> Index, which in turn consists of the 3,000 largest U.S. domiciled publicly traded common stocks by market capitalization. These indices do not reflect any deduction for fees, expenses or taxes. A direct investment in an index is not possible.

When analyzing equity securities to be purchased by the MidCap Fund, the Advisor emphasizes a company's growth prospects. The MidCap Fund's investments are selected using a variety of both quantitative techniques and fundamental research in seeking to maximize the MidCap Fund's expected return while controlling risk.

The MidCap Fund seeks a portfolio comprised of companies which reflect "PRIME" growth factors. These factors are analyzed as part of the Advisor's investment process and are represented in the following ways:

- **Durable Profitability.** Companies with attractive margins and favorable margin trends can drive superior earnings growth.
- **Sustainable Revenue Growth.** Solid barriers to entry, favorable pricing and demonstrated product/service track record can aid top-line prospects.
- **Favorable Industry dynamics.**
- **Management strength and integrity** is a critical element of a high quality company. Growth, profitability and shareholder returns provide insight into management effectiveness. The Advisor seeks managements that position their company's balance sheet to be a source of strength.
- **Understanding market Expectations** of a company is important in assessing risk/return opportunities.

The Advisor believes an analysis of these PRIME factors yields insights to the competitive strength of a business model.

The Advisor applies the following strategies when purchasing securities for the Fund's portfolio:

- Intentionally avoiding short-term trading strategies and rapid shifts in industry positions.
- Setting sector limits at the greater of 30% of the MidCap Fund's total assets or double the weighting of the Russell Midcap<sup>®</sup> Growth Index in any one sector, as defined by such index. Thus, the MidCap Fund may be heavily invested in a single sector. However, a single sector may include numerous subsectors or industries. The MidCap Fund may therefore be concentrated in one sector, while being diversified among several industries.
- Typically holding the securities of fewer than 60 companies with exposure to approximately 20 industries.
- Seeking securities whose growth prospects, in the Advisor's opinion, are not reflected in their current stock prices.
- Limiting the size of any one new position. No security will represent more than 5% of the Fund's total assets at the time of purchase.
- Leveraging key tools, such as the Advisor's proprietary tier-board, which provides a visual representation of portfolio positions and enables discussion on relative weights of underlying positions.

For both Funds, the Advisor may sell a security due to achievement of valuation targets, significant change in the initial investment premise or fundamental deterioration. Fundamental deterioration occurs when a company is no longer able to achieve the results generally expected by the investment management team due to a specific issue, such as a loss of a key customer or pricing pressure in the industry.

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 both Funds, the percentage limitations set forth under "Principal Investment Strategies" are measured at the time of investment.

#### *Illiquid Investments*

Each Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities are securities that cannot be sold or disposed of within seven days at their approximate market value.

#### *Foreign Securities and American Depositary Receipts*

Each Fund may invest in securities of foreign issuers and ADRs that are traded on a major U.S. exchange. ADRs are receipts generally issued by U.S. banks or trust companies evidencing ownership of the underlying foreign securities and denominated in U.S. dollars. ADRs may be sponsored or unsponsored. "Sponsored" ADRs are issued jointly by the issuer of the underlying security and the depository and "unsponsored" ADRs are issued without the participation of the

issuer of the deposited security. Holders of unsponsored ADRs generally bear all costs of the facility. With sponsored facilities, the underlying issuer typically bears some of the costs of the facility. Each Fund will limit its investments in foreign equity securities, including ADRs, to not more than 15% of its total assets.

#### *Cash or Similar Investments; Temporary Strategies*

Each Fund may invest up to 100% of its total assets in cash or similar short-term investment grade securities (such as U.S. government securities, repurchase agreements, commercial paper or certificates of deposit) as a temporary defensive position during adverse market, economic or political conditions and in other limited circumstances. To the extent a Fund engages in any temporary strategies or maintains a substantial cash position, the Fund may not achieve its investment objective.

**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.

## Principal Risks

The main risks of investing in each of the Funds are:

#### *Stock Market Risks*

Equity security prices vary and may fall, thus reducing the value of a Fund's investments. Certain stocks selected for a Fund's portfolio may decline in value more than the overall stock market. U.S. and international markets have experienced extreme price volatility, reduced liquidity 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.

#### *Growth-Style Investing Risks*

Different types of stocks tend to shift into and out of favor with stock market investors depending on market and economic conditions. Because each Fund focuses on growth-style stocks, a Fund's performance may at times be better or worse than the performance of funds that focus on other types of stocks or that have a broader investment style. Growth stocks are often characterized by high price-to-earnings ratios, which may be more volatile than stocks with lower price-to-earnings ratios.

#### *Management Risks*

The Advisor's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

#### *Equity Securities Risks*

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets in general, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

#### *Capitalization Risks*

The LargeCap Fund invests primarily in large capitalization stocks which perform differently from, and at times worse than, stocks of medium and smaller capitalization companies. The MidCap Fund invests primarily in mid-capitalization stocks, which are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of mid-size companies may be substantially less than is typical of larger companies. Therefore, the securities of mid-size companies may be subject to greater and more abrupt price fluctuations. In addition, mid-size companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure. You should expect that the value of the MidCap Fund's shares will be more volatile than the value of shares in a fund that invests primarily in large-capitalization companies.

### *Foreign Issuer Risks*

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue, the difficulty of predicting international trade patterns and the possibility of imposition of exchange controls. Such securities may also be subject to greater fluctuations in price than securities of domestic corporations. In addition, there may be less publicly available information about a foreign company than about a domestic company. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. With respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments, which could affect investment in those countries.

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](http://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 realize capital appreciation on investments in equity securities;
- Are looking for an equity component to their portfolio;
- Are willing to assume the risk of investing in equity securities; and
- Have long-term goals such as planning for retirement.

The Funds are not appropriate for investors who have short-term financial goals.

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

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## 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 an annual fee of 0.65% and 0.75% of the average daily net assets of the LargeCap Fund and MidCap Fund, respectively. The advisory fee is accrued daily and paid monthly.

The Advisor has contractually agreed to waive its fees and/or reimburse each Fund's total annual fund operating expenses at least through April 30, 2012 to the extent necessary to ensure that the total operating expenses, excluding taxes, brokerage commissions and extraordinary expenses, do not exceed

- 1.00% of the Investor Class's average daily net assets and 0.75% of the Institutional Class's average daily net assets for the LargeCap Fund; and
- 1.10% of the Investor Class's average daily net assets and 0.85% of the Institutional Class's average daily net assets for the MidCap Fund.

In addition, 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, if any, to the extent that such fees and expenses on an annual basis exceed 0.0049% of the Fund's average daily net assets. 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.

Any waivers or 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 waived and/or reimbursed.

After expense waivers, the advisory fee paid to the Advisor for the fiscal year ended December 31, 2010 was equal to 0.00% of the LargeCap Fund's average daily net assets and 0.30% of the MidCap Fund's average daily net assets.

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

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 the Funds' investments. No member of the investment management team is solely responsible for making recommendations for portfolio purchases and sales. The investment management team is supported by a staff of research analysts, traders and other investment professionals. Each Fund's co-managers jointly review and approve the analysts' recommendations and make the final buy and sell decisions for a Fund.

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.

*Douglas E. Guffy*

Mr. Guffy co-manages the LargeCap Fund. He is a Senior Portfolio Manager and First Vice President of the Advisor, having joined Baird Investment Management in April 2004. Previously, he had been a portfolio manager at American Express Financial Corp. He also served as a Group Director of Research and a research analyst during his nine years at American Express. Before joining American Express, he was an equity analyst for Banc One Investment Advisors. Mr. Guffy earned his B.S. in Economics and Government from Anderson University and his M.B.A. from Ball State University.

*Kenneth M. Hemauer, CFA*

Mr. Hemauer co-manages the LargeCap and MidCap Funds. He is a Senior Vice President of the Advisor and Director of Research for Baird Investment Management. He joined Baird Investment Management in 2001, after spending seven years as a Senior Analyst in the Equity Research Department of the Advisor. He received both a B.B.A. degree and an M.S. degree in Finance from the University of Wisconsin-Madison. He earned the Chartered Financial Analyst designation in 1995.

*Charles F. Severson, CFA*

Mr. Severson co-manages the MidCap Fund. He is a Senior Portfolio Manager and Senior Vice President of the Advisor. He joined the Advisor in 1987 as an Institutional Salesman. In 1991, Mr. Severson joined Baird Investment Management as a Portfolio Manager. He has a B.B.A. degree in Accounting and Finance and an M.S. degree in Finance from the University of Wisconsin-Madison. He earned the Chartered Financial Analyst designation in 1990.

# 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.

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

<sup>(1)</sup> Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

## Baird LargeCap Fund – Investor Class

Year Ended December 31,

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

<sup>(1)</sup> Amount is less than \$0.005.

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

## Baird MidCap Fund – Institutional Class

Year Ended December 31,

	2010	2009	2008	2007	2006
Per Share Data:					
Net asset value, beginning of year	\$ 7.90	\$ 5.63	\$ 9.62	\$ 9.33	\$ 11.12
Income from investment operations:					
Net investment income (loss) <sup>(1)</sup>	(0.01)	0.02	0.01	(0.01)	(0.02)
Net realized and unrealized gains (losses) on investments	2.15	2.27	(3.99)	1.99	0.46
Total from investment operations	2.14	2.29	(3.98)	1.98	0.44
Less distributions:					
Distributions from net investment income	—	(0.02)	(0.01)	—	—
Distributions from net realized gains	—	—	—	(1.69)	(2.23)
Total distributions	—	(0.02)	(0.01)	(1.69)	(2.23)
Net asset value, end of year	\$ 10.04	\$ 7.90	\$ 5.63	\$ 9.62	\$ 9.33
Total return	27.09%	40.90%	(41.53%)	20.89%	3.93%
Supplemental data and ratios:					
Net assets, end of year	\$33,432,268	\$25,513,554	\$18,163,034	\$36,616,547	\$32,057,214
Ratio of expenses to average net assets	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of expenses to average net assets (before waivers)	1.30%	1.34%	1.19%	1.11%	1.01%
Ratio of net investment income (loss) to average net assets	(0.10%)	0.25%	0.06%	(0.06%)	(0.17%)
Ratio of net investment loss to average net assets (before waivers)	(0.55%)	(0.24%)	(0.28%)	(0.32%)	(0.33%)
Portfolio turnover rate <sup>(2)</sup>	62.7%	61.3%	74.0%	72.3%	78.6%

<sup>(1)</sup> Calculated using average shares outstanding during the period.

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

## Baird MidCap Fund – Investor Class

Year Ended December 31,

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

<sup>(1)</sup> Calculated using average shares outstanding during the period.

<sup>(2)</sup> Amount is less than \$0.005.

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

# Your Account

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## 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, the 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 offers two classes of shares: Investor Class and Institutional Class. 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. 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.

Each Fund’s investments are valued at 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, stocks are generally valued according to market value. Most stocks held by the Funds are listed on a U.S. exchange, and their market values are equal to their last quoted sales prices (or, for NASDAQ-listed stocks, the NASDAQ Official Closing Prices). If there were no transactions on a particular trading day, stocks will be valued at the average of their most recent bid and asked prices. Investments in 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 a market quote for a security is not readily available or 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 broker quotes or prices obtained from alternative independent pricing services or, if broker 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.

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.

## 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.
By Mail	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.	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.

	<i>To Open an Account</i>	<i>To Add to an Account</i>
By Federal Funds Wire	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.	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.
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.
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.

In addition to the situations described above, the Funds and/or the Transfer Agent reserve the right to require a signature guarantee or other acceptable signature verification in other instances based on the circumstances relative to the particular situation.

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.

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.

## **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

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### 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 annually. Capital gains, if any, are generally distributed once a year. It is expected that each Fund’s distributions will be primarily distributions of capital gains.

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

Fund distributions are taxable to most investors regardless of whether the distributions are received in cash or reinvested in Fund shares. Distributions paid by a 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. Distributions from a Fund’s net investment company taxable income may be eligible for the corporate dividends-received deduction. Fund distributions 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. The current federal tax provisions applicable to “qualified dividends” are scheduled to expire for tax years beginning after December 31, 2012. 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.

# **BAIRD FUNDS, INC. PRIVACY POLICY**

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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

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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](http://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](mailto: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>.