

# Baird Short-Term Bond Fund

As of December 31, 2011

Baird Funds

## Investment Objective

The investment objective of the Fund is to seek a total return, before Fund expenses, greater than the total return of the Barclays Capital 1-3 Year U.S. Government/Credit Bond Index using an enhanced core fixed income management approach.

## Investment Philosophy

Risk control is the foundation of the Baird Advisors investment discipline. Since interest rates are extremely difficult to consistently forecast over time, Baird Advisors employs a duration-neutral, risk-controlled approach. The duration of the Fund is set equal to the duration of the Barclays Capital 1-3 Year U.S. Government/Credit Bond Index, thus helping to ensure a high degree of predictability in tracking benchmark returns.

Incremental value is added through security selection, yield curve positioning, sector allocation and competitive execution of trades.

## Investment Strategy

The Fund actively invests in the following types of investment-grade debt securities:

- U.S. Treasuries
- U.S. Government Agencies
- Asset and mortgage-backed obligations of U.S. Issuers
- Corporate debt of U.S. and Foreign Issuers

The Fund only invests in U.S. dollar denominated debt securities rated investment-grade at the time of purchase by at least one major rating agency or, if unrated, determined by Baird Advisors to be investment grade.

Baird Advisors keeps the duration of the Fund's portfolio equal to the Barclays Capital 1-3 Year U.S. Government/Credit Bond Index. The Fund's dollar-weighted average effective maturity will normally be more than one year but less than three years. The Fund diversifies its holdings across many different issuers from a variety of sectors.

**Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information can be found in the prospectus. A prospectus may be obtained by visiting [bairdfunds.com](http://bairdfunds.com) or calling 800-444-9102. Please read the prospectus carefully before you invest or send money.**

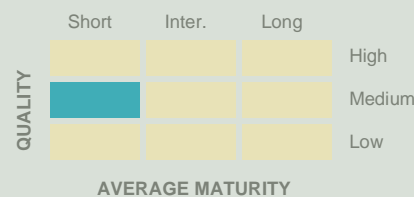
## Fund Information

|                            | Institutional Shares |
|----------------------------|----------------------|
| Ticker                     | BSBIX                |
| CUSIP                      | 057071409            |
| Net Asset Value            | \$9.59               |
| Load Type                  | No-Load              |
| 12b-1 Fees                 | –                    |
| Minimum Initial Investment | \$25,000             |
| Expense Ratio              | 0.30%                |

## Investment Style

**Category:** U.S. Fixed Income

**Style:** Short Domestic Bond



## Fund Management Team

The Baird Short-Term Bond Fund is managed by Baird Advisors, the institutional fixed income investment management group of Robert W. Baird & Co., Inc. In February, 2000 this team of experienced fixed income portfolio managers formed the newly created investment group within Robert W. Baird. The three founding partners of Baird Advisors who developed and implemented the investment process have been working together since 1979, and continue to lead a very deep and seasoned portfolio management team with uncommon longevity. Each named portfolio manager has over 20 years of experience managing fixed income portfolios.

|                          | Fund Manager Since | Joined Industry |
|--------------------------|--------------------|-----------------|
| Mary Ellen Stanek, CFA   | 2000               | 1979            |
| Gary A. Elfe, CFA        | 2000               | 1978            |
| Charles B. Groeschell    | 2000               | 1979            |
| Warren D. Pierson, CFA   | 2000               | 1985            |
| Daniel A. Tranchita, CFA | 2000               | 1989            |
| M. Sharon deGuzman       | 2000               | 1990            |

## Performance Information (as of 12/31/2011)

|  | Total Returns (%) |          | Average Annual Total Returns (%) |         |         |                           |
|--|-------------------|----------|----------------------------------|---------|---------|---------------------------|
|  | YTD               | 3 Months | 1 Year                           | 3 Years | 5 Years | Since Inception (8/31/04) |
| Institutional Class  | 2.09              | 0.62     | 2.09                             | 4.85    | 3.73    | 3.43                      |
| Barclays Capital 1 – 3 U.S. Government/<br>Credit Bond Index | 1.59              | 0.25     | 1.59                             | 2.74    | 3.99    | 3.54                      |

|  | Calendar Year Total Returns (%) |      |       |      |      |      |
|--|---------------------------------|------|-------|------|------|------|
|  | 2010                            | 2009 | 2008  | 2007 | 2006 | 2005 |
| Institutional Class  | 4.39                            | 8.14 | -1.79 | 6.08 | 4.65 | 1.85 |
| Barclays Capital 1 – 3 U.S. Government/<br>Credit Bond Index | 2.80                            | 3.82 | 4.97  | 6.83 | 4.25 | 1.77 |

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment in the fund will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. The fund's current performance may be lower or higher than the performance data quoted. Performance figures assume reinvestment of all dividends and capital gains. For performance current to the most recent month-end, please visit [bairdfunds.com](http://bairdfunds.com).

## Fund Statistics

|                            |                 |
|----------------------------|-----------------|
| Average Effective Duration | 1.88 Years      |
| Average Effective Maturity | 2.20 Years      |
| Annual Turnover Rate       | 61.1%           |
| Number of Holdings         | 324             |
| Fund Assets                | \$1,021,714,238 |

## Yield Information

|                        | Institutional Shares |
|------------------------|----------------------|
| SEC 30-Day Yield       | 2.41%                |
| Distribution Frequency | Monthly              |

## Expense Ratio

|                          | Institutional Shares |
|--------------------------|----------------------|
| Total Operating Expenses | 0.30%                |

## Fund Characteristics

| Quality                            | Fund  | Index |
|------------------------------------|-------|-------|
| U.S. Treasury                      | 8.0%  | 59.6% |
| U.S. Government Agency             | 0.6%  | 16.2% |
| AAA                                | 9.1%  | 5.0%  |
| AA                                 | 12.5% | 3.7%  |
| A                                  | 30.9% | 10.3% |
| BBB                                | 37.4% | 5.2%  |
| Below BBB                          | 1.5%  | 0.0%  |
| Sector Weights                     | Fund  | Index |
| U.S. Treasury                      | 8.0%  | 59.6% |
| U.S. Government Agency             | 0.0%  | 16.2% |
| Other Government Related           | 7.3%  | 6.4%  |
| Corporate Debt                     | 76.4% | 17.8% |
| <i>Industrials</i>                 | 25.5% | 9.2%  |
| <i>Utilities</i>                   | 15.1% | 1.3%  |
| <i>Financials</i>                  | 35.8% | 7.3%  |
| Mortgages                          | 6.9%  | 0.0%  |
| <i>Commercial Mortgage-Backed</i>  | 5.8%  | 0.0%  |
| <i>Residential Mortgage-Backed</i> | 1.1%  | 0.0%  |
| Asset-Backed                       | 0.7%  | 0.0%  |
| Cash                               | 0.7%  | 0.0%  |

The SEC 30-Day Yield reflects the rate at which the fund is earning income on its current portfolio of holdings after expenses.

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

The quality distribution breakdown is calculated on a market value-weighted basis using the highest credit quality rating given by Moody's, Standard & Poor's, or Fitch for each security in the fund.

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