

# Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices



March 24, 2023

This document provides information to clients who are participating, or are considering participating, in a wrap fee program ("Program") sponsored by Robert W. Baird & Co. Incorporated ("Baird") about investment managers' placement of client trade orders and their practices of "trading away" from Baird.

## Best Execution Obligation

Investment managers that manage client accounts under a Program ("Accounts") will select the broker-dealers that will execute trade orders for Accounts unless a client has provided instructions to Baird or the manager to the contrary. As an investment adviser, a manager has an obligation to seek "best execution" of client trade orders. "Best execution" means that the manager must place client trade orders with those broker-dealers that the manager believes are capable of providing the best qualitative execution of client trade orders under the circumstances, taking into account the full range and quality of the services offered by the broker-dealer, including the value of the research provided (if any), the broker-dealer's execution capabilities, the cost of the trade, the broker-dealer's financial responsibility, and its responsiveness to the manager. It is important to note that a manager's best execution obligation does not require the manager to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as the manager reasonably believes that the broker-dealer selected can be reasonably expected to provide clients with the best qualitative execution under the circumstances.

## Trade Aggregation and Rotation

Investment managers may participate in other wrap fee programs sponsored by firms other than Baird. In addition, investment managers may manage institutional and other accounts not part of a wrap fee program. In the event an investment manager purchases or sells a security for all accounts using a particular strategy offered by the investment manager, the investment manager may have to potentially effect similar transactions through a number of different broker-dealers. In some cases, to address this situation, investment managers may decide to aggregate all such client transactions into a block trade that is executed through one broker-dealer. This practice may enable the investment manager to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist the investment manager in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing client orders. However, as it pertains to Baird Program clients, this practice may result in "trading away" from Baird, which is more fully described below.



## Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

Alternatively, an investment manager may utilize a trade rotation process where one group of clients may have a transaction effected before or after another group of the manager's clients. A client should be aware that a manager's trade rotation practices may at times result in a transaction being effected for the client's Account that occurs near or at the end of the manager's rotation and, in such event, the client's trade orders will significantly bear the market price impact, if any, of those trades executed earlier in the manager's rotation, and, as a result, the client may receive a less favorable net price for the trade. Additional information regarding an investment manager's trade rotation policies, if any, is available in the manager's Form ADV Part 2A Brochure.

### Trading Away and Step Out Trades

Because a client does not pay commissions to Baird under a Program when Baird, acting as broker-dealer, executes a client's trade orders, and because a client generally would incur trading costs in addition to the wrap fee the client pays to Baird if trade orders were to be executed by another broker-dealer firm, clients generally receive a cost advantage whenever Baird executes Program client transactions. For this reason, and given Baird's execution capabilities as broker-dealer, investment managers may determine that placing trade orders for the client's Account with Baird is the most favorable option for the client. However, investment managers may place a client's trade orders with a broker-dealer firm other than Baird if the manager determines that it must do so to comply with its best execution obligations. This practice is frequently referred to as "trading away" and these types of trades are frequently called "step out trades". A client's trade order so executed is then cleared and settled through Baird in what is frequently referred to as a "step in".

In some instances, step out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If a client's investment manager places trade orders for the client's Account with a firm other than Baird, and the other firm imposes a commission or equivalent fee on the trade (including a commission imbedded in the price of the investment), the client will incur trading costs in addition to the wrap fee the client pays to Baird.

Some managers have historically placed nearly all client trades with broker-dealer firms other than Baird for execution. Some managers have placed nearly all or all client trades resulting from changes to their model portfolios or strategies with firms other than Baird. Similarly, some managers have frequently placed client trade orders for fixed-income, foreign and small cap securities with firms other than Baird. In some cases, the other executing broker-dealer firm imposes a commission or similar fee (which is embedded in the price of the security) for executing the trade. As a result, these types of managers and their strategies could be more costly to a client than managers that primarily place client trade orders with Baird for execution. A client should review the manager's Form ADV Part 2A Brochure, inquire about the manager's trading practices, and consider that information carefully, before selecting a manager. In particular, the client should



## Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

carefully consider any additional trading costs the client may incur before selecting a manager to manage the client's Account.

A list of managers that informed Baird that they traded away from Baird during 2021 - 2022 and information about the additional cost of those trades (if any) is set forth on the following pages. A client should contact the client's Baird Financial Advisor or investment manager if the client would like to obtain specific information about the manager's trade away practices and the amount of commissions or other costs, if any, the client incurred in connection with step out trades.



## Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

### TRADE AWAY INFORMATION CALENDAR YEARS 2021 - 2022

*The information about each manager provided below is based solely upon the information provided to Baird by such manager. Baird has not independently verified the information, and as a result, none of Baird or any of its affiliates or associates makes any representation as to the accuracy of any such information.*

*The information shown below only contains information about managers that informed Baird that they traded away from Baird during 2021 or 2022. A manager's past trade away practice is not a guarantee that the manager will follow the same practice in the future. It is possible that managers not listed below will trade away from Baird in the future or that managers listed below will trade away more frequently or at a higher cost to clients. Thus, a client's trading costs relating to step out trades could be greater than shown below.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>1492 Capital Management</b>				
Small Cap Growth	100%	100%	None	None
<b>Astor Investment Management</b>				
Long/Short Balanced	96%	98%	0 - 1 cps	0 - 1 cps
S.T.A.R. Featuring AlphaDex	96%	95%	0 - 1 cps	0 - 1 cps
<b>Baird Equity Asset Management</b>				
Mid Cap Growth	88%	92%	None	None
Small/Mid Cap Growth	41%	69%	None	None
<b>Brandes Investment Partners<sup>3</sup></b>				
Global Equity (Baird Referred Manager)	43%	24%	14 bps	15bps
International Equity	Less than 1%	None	15 bps	N/A
International Value	64%	62%	14 bps	14 bps



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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>Caprin Asset Management, LLC</b>				
Intermediate Muni - State Specific	100%	100%	0 - 1 cps	0 - 1 cps
Tactical Opportunity ETF	100%	100%	0 - 1 cps	0 - 1 cps
<b>ClearBridge Advisors<sup>4</sup></b>				
All Cap Growth	93%	87%	1.41 cps	1.27cps
All Cap Value	95%	99%	1.44 cps	1.28 cps
Appreciation	27%	63%	1.00 cps	0.71 cps
Balanced Income (Equity Only)	91%	None	0.35	N/A
Custom (50% Appreciation/50% Multi Cap Growth)	58%	66%	1.41 cps	1.32 cps
Custom (60% Equity/40% Taxable Fixed Income)	58%	66%	1.41 cps	1.32 cps
Custom (65% Equity/35% Fixed Income)	58%	66%	1.41 cps	1.32 cps
Custom (80% Equity/20% Taxable Fixed Income)	58%	66%	1.41 cps	1.32 cps
Custom Taxable Balanced	66%	47%	1.31 cps	0.88 cps
Dividend & Growth (70% Dividend Strategy/30% Multi Cap Growth)	59%	64%	1.64 cps	1.59 cps
Dividend Strategy	58%	65%	1.70 cps	1.59 cps
Dynamic MDA Global Dividend Balanced	70%	100%	0.31 cps	0.30 cps
Dynamic MDA Global Growth	73%	100%	0.62 cps	1.02 cps
Dynamic MDA Global Growth & Value	72%	100%	0.74 cps	1.43 cps
Dynamic MDA Global Growth & Value ESG Portfolio	71%	100%	0.68 cps	1.16 cps
Dynamic MDA U.S. Dividend Balanced	100%	100%	1.44 cps	0.27 cps
Dynamic MDA U.S. Dividend Balanced ESG Portfolio	100%	100%	1.12 cps	0.42 cps
Dynamic MDA U.S. Growth	100%	100%	0.48	0.81 cps
ESG Appreciation	63%	100%	0.91 cps	0.60 cps
Global Growth ADR	13%	7%	1.5 – 2 cps	0.99 cps
International ADR	83%	100%	0.93 cps	0.60 cps
International Growth ADR	37%	50%	1.43 cps	1.39 cps
International Growth ADR ESG Portfolio	26%	100%	1.42 cps	1.20 cps
Large Cap Growth	30%	32%	1.18 cps	1.06 cps
Large Cap Growth Catholic ESG	30%	62%	1.178 cps	0.83 cps
Large Cap Growth ESG	45%	45%	1.18 cps	1.18 cps
Large Cap Value	67%	47%	1.31 cps	0.88 cps
Large Cap Value Catholic ESG	3%	63%	1.045 cps	0.93 cps
Large Cap Value ESG	44%	100%	1.19 cps	0.90 cps
Multi Cap Growth	69%	51%	1.61 cps	1.55 cps

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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>ClearBridge Advisors, cont.<sup>4</sup></b>				
Rare Global Infrastructure Income	98%	100%	0.38 cps	0.40 cps
SMID Cap Growth	Less than 1%	12%	None	None
Sustainability Leaders	100%	100%	None	None
Tactical Dividend Income	7%	49%	None	0.25 cps
Value Core International Equity	83%	100%	0.93 cps	0.60 cps
<b>Cortland Associates</b>				
All Cap Value	81%	54%	None	None
<b>Delaware Investment Advisors</b>				
International Equity	47%	13%	6 bps	6 bps
Large Cap Value	50%	None	None	N/A
<b>Franklin Templeton</b>				
Franklin Core Multi Manager - 100 Equity ESG Model	1%	60%	None	None
Franklin Core Multi Manager – 80 Equity/20 FE ESG Model	N/A	67%	N/A	None
Franklin Core Multi Manager – 60 Equity/40 FE ESG Model	N/A	62%	N/A	None
Franklin Core Multi Manager – 40 Equity/60 FE ESG Model	N/A	60%	N/A	None
Franklin Core Multi Manager - 100 Fixed Income	Less than 1%	62%	None	None
Franklin Core Multi Manager – 20 Equity/80 FI ESG Model	Less than 1%	63%	None	None
Global Balanced ESG	N/A	9%	N/A	None
Global Balance ESG with Munis	N/A	9%	N/A	None
<b>Gannett Welsh &amp; Kotler</b>				
Core Bond	100%	100%	None	None
Corporate Bond Opportunities	100%	100%	None	None
Enhanced Core Bond Strategy	100%	100%	None	None
Enhanced Core Taxable	100%	100%	None	None
Municipal Bond	100%	None	None	N/A
Perpetual Preferred Strategy	100%	100%	None	None
Taxable Core Bond	100%	100%	None	None
Taxable Enhanced Core Bond	100%	100%	None	None
Total Return Bond Strategy	100%	100%	None	None
<b>Greenwood Capital Associates, LLC</b>				
Balanced Portfolio	8%	None	None	N/A



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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>Hardman Johnston Global Advisors, LLC (formerly Johnston Asset Management)</b>				
International Equity	91%	23%	3.85 cps	3.75 cps
<b>Kayne Anderson Rudnick Investment Management, LLC</b>				
Small Cap Value	46%	40%	0.2 - 4.2 cps	0.2 – 2.2 cps
Small Cap Sustainable Growth	25%	36%	1.2 - 1.7 cps	0.2 – 2.2 cps
<b>Legg Mason Private Portfolio Group<sup>4</sup></b>				
All Cap Blend	84%	76%	1.42 cps	1.29 cps
All Cap Blend Balanced (70% All Cap Blend/30% GSM – 7 Year)	92%	66%	1.41 cps	1.30 cps
All Cap Value Balanced with Taxable Income	97%	98%	1.42 cps	1.28 cps
Alternative Completion	5%	50%	None	None
Appreciation Balanced (60% Appreciation/40% GSM – 7 year)	64%	83%	1.03 cps	0.67 cps
Balanced Income	91%	26%	0.35 cps	0.42 cps
Custom (25% ClearBridge Appreciation/75% Legg Mason Balanced Income)	27%	63%	1.002 cps	0.71 cps
Custom Appreciation & Government-Corporate	58%	66%	1.41 cps	1.31 cps
Custom MDA	58%	66%	1.41 cps	1.31 cps
Custom MDA Balanced	92%	66%	1.41 cps	1.31 cps
Diversified All Cap	96%	99%	1.419 cps	1.29 cps
Diversified Income	9%	None	None	N/A
Diversified Risk Portfolio – Aggressive	3%	64%	None	None
Diversified Risk Portfolio – Conservative	26%	94%	None	None
Diversified Risk Portfolio – Conservative Growth	30%	95%	None	None
Diversified Risk Portfolio – Fixed Income	15%	92%	None	None
Diversified Risk Portfolio – Growth	29%	67%	None	None
Diversified Risk Portfolio – Moderate Growth	30%	62%	None	None
Dividend & Growth MDA3A (70% Appreciation/30% Multi Cap Growth)	65%	51%	1.34 cps	1.10 cps
Dividend & Growth MDA3 (70% Dividend/30% Multi Cap Growth)	59%	64%	1.64 cps	1.59 cps
ESG Global Equity	53%	60%	None	None
Global Growth	61%	32%	1.39 cps	1.32 cps
Large Cap Growth Balanced Taxable (60% Large Cap Growth/40% GSM – 7 Year)	67%	100%	1.28 cps	1.06 cps
Low Volatility High Dividend	100%	100%	None	None





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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>Legg Mason Private Portfolio Group, cont. <sup>4</sup></b>				
Multi-Asset Solutions Portfolio – Aggressive	81%	64%	None	None
Multi-Asset Solutions Portfolio – Conservative	97%	94%	None	None
Multi-Asset Solutions Portfolio – Conservative Growth	94%	95%	None	None
Multi-Asset Solutions Portfolio – Growth	93%	100%	None	None
Multi-Asset Solutions Portfolio – Moderate Growth	93%	93%	None	None
Multi-Asset Solutions Portfolio – Fixed Income	96%	92%	None	None
Multi Cap Blend III	63%	26%	1.33 cps	1.08 cps
Multi-Manager Diversified Risk Portfolio - Aggressive	37%	64%	1.31 cps	1.32 cps
Multi-Manager Diversified Risk Portfolio - Balanced	27%	56%	1.25 cps	1.4 cps
Multi-Manager Diversified Risk Portfolio – Balanced Growth	21%	56%	1.26 cps	1.34 cps
Multi-Manager Diversified Risk Portfolio - Conservative	19%	54%	1.16 cps	1.4 cps
Multi-Manager Diversified Risk Portfolio - Growth	28%	60%	1.29 cps	1.32 cps
Multi-Manager ESG Global Equity Portfolio	33%	59%	0.99 cps	0.15-2.0 cps
Royce Premier	23%	100%	None	None
Strategic Real Return	60%	64%	None	None
<b>Leuthold Weeden Capital Management</b>				
Enhanced Sector Rotation	71%	99%	None	None
Global Tactical ETF	55%	100%	None	None
Sector Rotation	99%	86%	None	None
Select Industries	100%	100%	None	None
<b>Madison Investment Advisors</b>				
Reinhart Active Intermediate Fixed Income	N/A	100%	N/A	None
Reinhart Flexible Taxable Fixed Income	N/A	100%	N/A	None
<b>New South Capital Management, Inc.</b>				
Small Cap Value	85%	75%	None	None
Value Opportunity/All Cap	49%	25%	None	None
<b>RiverFront Investment Group<sup>5</sup></b>				
Aggressive Tactical Income ETF	N/A	11%	N/A	None
Conservative Growth	81%	None	None	N/A
Conservative Income Builder	48%	75%	0 - 0.5 cps	0 - 0.5 cps
Conservative Income Builder ETF	32%	88%	0 - 0.5 cps	None
Conservative Tactical Income ETF	N/A	17%	N/A	None
Custom Portfolio Solution	8%	17%	0 – 0.5 cps	0 - 0.5 cps





# Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2021	2022	2021	2022
<b>RiverFront Investment Group, cont.</b> <sup>5</sup>			0 - 0.5 cps	
Developed International ETF	55%	43%	None	None
Dynamic Equity Income	74%	None	0 – 0.5 cps	N/A
Dynamic Equity Income ETF	67%	16%	None	None
Dynamic Fixed Income ETF	None	82%	N/A	None
Emerging Markets ETF	55%	45%	None	None
Fixed Core Plus	N/A	47%	N/A	None
Global Allocation	84%	87%	0 – 0.5 cps	0 - 0.5 cps
Global Allocation ETF	65%	16%	None	None
Global Growth	87%	None	0 – 0.5 cps	N/A
Global Growth ETF	62%	78%	None	None
International Opportunities ETF	67%	45%	None	None
Moderate Growth & Income	60%	94%	0 – 0.5 cps	0 - 0.5 cps
Moderate Growth and Income ETF	58%	99%	None	None
Moderate Tactical Income ETF	N/A	14%	N/A	None
RiverShares Conservative Income Builder	46%	None	None	N/A
RiverShares Dynamic Equity Income	71%	49%	None	None
RiverShares Global Allocation	91%	None	None	N/A
RiverShares Global Growth	41%	None	None	N/A
RiverShares International Opportunities	50%	None	None	N/A
RiverShares Moderate Growth & Income	67%	46%		None
RiverShares Global Balanced	N/A	2%	N/A	None
RiverShares Moderate Tactical Income	N/A	1%	N/A	None
RiverShares Global Balanced Opportunistic	N/A	49%	N/A	None
<b>Schafer Cullen Capital Management</b>				
High Dividend Value Equity	3%	None	3 cps	N/A
International High Dividend Value ADR	44%	None	None	N/A
<b>Stringer Asset Management</b>				
Growth Portfolio	Less than 1%	None	None	N/A
<b>Tandem Investment Advisors</b>				
Large Cap Core	19%	63%	1.5 cps	1.5 cps
Mid Cap Core	18%	35%	1.5 cps	1.5 cps
<b>Thomas White International, Ltd.</b>				
International Equity	24%	None	7 bps	N/A
<b>Western Asset Management Co</b> <sup>6</sup>				
Core Plus	100%	None	None	N/A



## Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

<sup>1</sup> All percentages are approximate. For purposes of this calculation, the manager was required to divide (a) the total dollar amount of Baird client transactions in equity securities that the manager placed with broker-dealers other than Baird for execution by (b) the total dollar amount of Baird client transactions in equity securities the manager placed with all broker-dealers, including Baird. For example, assume Firm A placed a total of 1,000 equity securities transactions for Baird clients during 2021, having an aggregate dollar value of \$1,000,000. Of that total, Firm A placed 700 of those transactions with broker-dealers other than Baird. The aggregate dollar value of the equity securities transactions placed with the other broker-dealers was \$950,000. The percentage dollar amount of trades in equity securities that Firm A traded away in 2021 was 95.0% (\$950,000 divided by \$1,000,000).

<sup>2</sup> Additional cost is expressed terms of an average or range of cents per share ("cps") unless otherwise indicated. In some instances, the additional cost is expressed in terms of an average or range of basis points ("bps"). In situations where the executing broker executed a trade as principal, such as "risk" trades and working orders, the price the client received may have included a markup or markdown, which is not required to be disclosed by the broker-dealer, and consequently is not included in the Additional Costs.

<sup>3</sup> The dollar-weighted percentage of client trades stepped out includes only model changes and does not include deposit/withdrawal trades, which are executed by the sponsor. For securities executed in the U.S. and Canada markets, the commissions are in cps and commissions for securities executed in other markets are in bps. Information includes all accounts that participate in the manager's strategy which also includes wrap program accounts that are not sponsored at Baird.

<sup>4</sup> Number of accounts, timing of inceptions and terminations, client directed cash flows and time period under review, can all be variables that affect the percentage dollar amount of trades that were stepped out. The percentage of client trades stepped out in 2021 represents results from equity trades of these balanced strategies. 100% of fixed income transactions are stepped out and not included in the calculations.

<sup>5</sup> The Additional Costs referenced above reflects the commission on agency trades. Compensation for non-agency ("principal") transactions have an "unknown" amount, this number represents step-out transactions that included, but were not limited to, trades that were executed as risk trades, working orders, or bond trades where there was no disclosed markup/markdown. In these instances, the undisclosed markup or markdown is netted into the price the client receives. Please see <http://www.riverfrontig.com/advisors/wrap-fee-trading-disclosures/> for more information on RiverFront's wrap fee trading disclosures.

<sup>6</sup> The percentage of trades for this strategy traded away for execution does not include the Mutual Funds that are part of this model as all Mutual Fund trades must be routed to Baird for execution.