Baird Recommended Portfolio

Quarterly report for 1Q24

The Baird Recommended Portfolio delivered a Q1 2024 total return (includes dividends) of +13.9% (+13.4% net*). This compares to the total return of +10.6% for the S&P 500 index.

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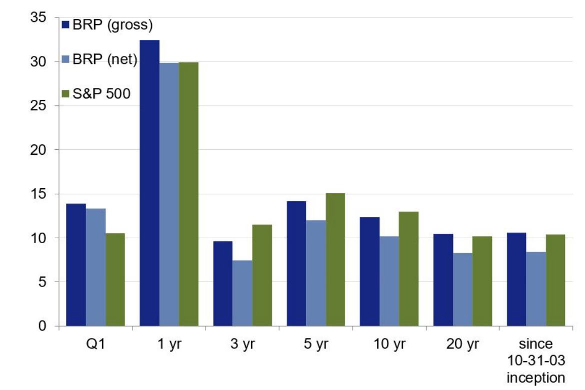
Portfolio Performance

The Baird Recommended Portfolio solidly outperformed in Q1, delivering a Q1 total return (includes dividends) of +13.9% (+13.4% net*), versus a total return of +10.6% for the S&P 500. Stock selection in the Technology sector drove about two-thirds of the outperformance.

Sectors: The market strength in Q1 was broad-based, as every S&P 500 sector except Real Estate generated positive returns. On a relative basis, the portfolio had particularly strong positive sector attribution from Information Technology, and to a lesser degree, from Consumer Discretionary and from Health Care. These positives were partially offset by negative attribution in Financials and Communication Services. The portfolio also maintains a small cash position that detracts from relative performance in strong markets.

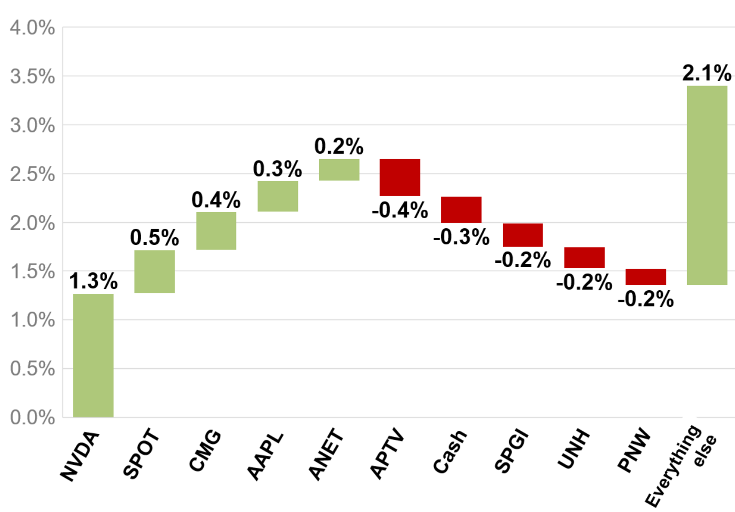
Stocks: For Q1, the portfolio's largest positive contributors to relative performance were NVDA, SPOT, CMG, AAPL, and ANET. The largest negative contributors were APTV, Cash, SPGI, UNH, and PNW. (See page 4 for company names and a complete list of holdings.)

Total Returns as of 3/31/2024
(Multiyear periods are annualized)



	Q1	1 yr	3 yr	5 yr	10 yr	20 yr	incep.
BRP gross	13.9	32.4	9.6	14.2	12.4	10.5	10.6
BRP net	13.4	29.9	7.5	12.0	10.1	8.3	8.4
S&P 500	10.6	29.9	11.5	15.1	13.0	10.2	10.4

Tech stocks were a big contributor to Q1 outperformance



Top contributors and detractors to the Recommended Portfolio's 3.4% relative performance (vs. the S&P 500). Source: Factset

***Net performance shows the effect of a hypothetical account fee of 2% which reflects the highest advisory fee that can be charged.** Performance results are total returns including dividends, annualized for multiyear periods. As a model portfolio, performance results for the Baird Recommended Portfolio are hypothetical and would have been obtained only if each issue had been purchased when recommended and sold when removed from the Portfolio. We do not imply that future performance will be equally attractive or that losses are not possible using these stocks. See page 5 for disclosures.

Portfolio Changes

We made several opportunistic portfolio changes during the fourth quarter, adding to some names we believe possess stronger long-term return characteristics, and reducing exposure to stocks we believe carry less favorable risk/reward.

New positions (3): Casey's General Stores (**CASY**), MarketAccess (**MKTX**), and Walt Disney (**DIS**). The addition of Casey's General Stores reflects our belief that the company is an exceptional operator in the attractive and consolidating convenience store segment. We see MarketAccess benefiting as the fixed-income trading market becomes less manually transacted and more electronically transacted, similar to what we have seen in other financial markets. We expect Walt Disney'**s** performance to improve after Bob Iger returned to DIS as CEO in November 2022. He swiftly instituted strategic initiatives to improve the business and Disney's Direct-to-Consumer (DTC) business is expected to become profitable for the first time by the end of 2024.

Positions Sold (3): Coca-Cola (**KO**), Pinnacle West (**PNW**), and Pioneer Natural Resources (**PXD**). We sold Coca-Cola largely to fund the purchase of stocks in which we saw better opportunities. Coke has benefited from recent price increases, and we view that as a less-sustainable driver for the stock. Pinnacle West had outperformed a Utilities sector pressured by higher rates and we preferred the risk/reward in peer American Electric Power **(AEP)**. Pioneer Natural Resources agreed to be acquired by ExxonMobil **(XOM).** Since this limited the upside in the stock and reduced the diversification benefit to the portfolio of owning both stocks, we chose to exit the Pioneer position.

Positions Added to (7): Align Technology (**ALGN**), American Electric Power (**AEP**), Amazon.com (**AMZN**), Fiserv (**FI**), S&P Global (**SPGI**), Spotify (**SPOT**), and Thermo Fisher Scientific (**TMO**). After initiating several positions, in a few instances we saw the fundamental story continue to improve after our initial purchase. Align Technology saw demand trends firm, American Electric Power got a lift from activist investor involvement, Spotify estimates continued to rise as cost-cutting initiatives took hold, showing the company's operating leverage, and Fiserv saw investor confidence improve on consistent operational execution and lessened competitive concerns. The addition to Amazon.com was simply a desire to have a larger position in a core company that should see continued growth in web services and ecommerce. S&P Global is timely as earnings are seeing a tailwind now as debt refinancing is returning after companies initially delayed refinancing due to the rise in interest rates. Likewise, Thermo Fisher Scientific faced headwinds from the post-pandemic pause in life sciences spending as well as a delayed recovery in China, both of which we see dissipating, making Thermo a timely addition.

Reduced Positions (4): GE Healthcare (**GEHC**), Nvidia (**NVDA**), ServiceNow (**NOW**), and Waste Management (**WM**). With the stronger market, GE Healthcare, ServiceNow, and Waste Management all moved higher from our purchase prices, reflecting at least some of the returns we had expected, so we trimmed those stocks to move money into stocks that we felt reflected a better risk/reward at that point in time. For Nvidia, our trim was largely a means of managing portfolio risk, as the stock had become the largest position in the portfolio on both an absolute and on a relative basis. We always want to manage overall portfolio risk prudently through proper diversification.

Market Commentary

Despite stickier-than-hoped-for inflation and a hearty dose of hawkish Federal Reserve rhetoric, equity markets continued their upward ascent in the first quarter of 2024. And though Growth-adjacent sectors remained market leadership amid AI enthusiasm, the rally broadened out into quarter-end with Small Caps and the Equal Weight S&P outperforming the cap-weighted index across February and March. Momentum begets momentum, and the fuse lit in Q4 2023 certainly kept things ablaze in Q1 2024; for just the 8th time since 1950, the S&P 500 posted back-to-back quarterly gains of 10% or greater.

Economic growth is tracking for another strong quarter, with consumer activity bolstered by a healthy labor market and green shoots emerging for both the housing and manufacturing sectors. At the same time, strong growth paired with sticky core services inflation has kept the Federal Reserve more hawkish than investors anticipated. At the start of the year, futures markets implied as many as six quarter-point rate cuts in 2024; those expectations have been whittled down to a mere three as of this writing (with potential for even fewer). A higher-for-longer interest rate regime should be expected to weigh on economic activity over time, even if we have seen the opposite effect in recent months.

Perhaps because of this dichotomy – a strong economy today possibly seeding a weaker regime down the road – quality factors again outperformed. While the earlier stages of a bull market are more typically defined by speculative and lower quality shares outperforming, the rally year-to-date has actually seen high quality factors – return on equity, profit margins, earnings growth, etc. – deliver the most alpha. This also makes some sense when one considers that while the S&P 500 was up over 25% in 2023, corporate profits were barely flat on the year. Investors will want to see the expectations for double digit S&P 500 earnings growth in 2024 become a reality, especially with valuations now looking somewhat extended.

Ultimately, both the rally's momentum off the October lows and its improving breadth are bullish signposts over the intermediate term. While a consolidation period may be in order to reset some overly optimistic positioning and sentiment, it's hard to get overly bearish given the setup. Political noise is sure to generate headlines and volatility, but as our partners at Strategas have noted, re-election years have historically been quite strong for equity markets. We will continue to keep our eye out for reasonably priced companies with strong fundamentals, prudent management, and attractive growth prospects, as we believe this approach will allow us to outperform over a full cycle – bull and bear markets included.

Current Holdings | March 31, 2024

Ticker	Company Name	Portfolio %	S&P %	Most Recent Purch. Date	Purchase Price ($)	3/29/24 Price ($)	% Change (%)	52 Week High ($)	52 Week Low ($)	Market Cap ($mil)	NTM Rev Growth (%)	NTM EPS Growth (%)	NTM P/E (x)	NTM EV/EBITDA (x)	Dividend Yield (%)
Communication Services		*8.8%*	*9.0%*												
GOOG	Alphabet Inc. Class C	4.5%		Multiple	28.85	152.26	427.8	157.00	101.44	1,884,055	11.3	16.7	21.6	12.0	0.0
DIS	Disney (Walt)	2.1%		2/16/24	111.56	122.36	9.7	123.74	78.73	224,445	4.2	21.0	23.9	13.7	0.6
SPOT	Spotify Technology SA	2.2%		Multiple	195.89	263.90	34.7	278.30	128.67	52,339	16.2	-448.8	61.9	37.6	0.0
Consumer Discretionary		*11.4%*	*10.3%*												
AMZN	Amazon.com, Inc.	4.2%		Multiple	80.78	180.38	123.3	183.00	97.71	1,873,676	11.7	38.9	40.3	13.3	0.0
APTV	Aptiv PLC	1.4%		Multiple	104.48	79.65	-23.8	113.60	71.01	21,719	7.3	20.0	13.1	7.6	0.0
CMG	Chipotle Mexican Grill	2.8%		Multiple	1583.74	2906.77	83.5	3023.98	1664.71	79,707	13.5	19.7	51.7	33.4	0.0
SBUX	Starbucks Corporation	1.1%		11/15/23	105.60	91.39	-13.5	115.48	89.21	103,472	8.8	15.3	20.9	13.8	2.5
TSCO	Tractor Supply Company	1.9%		Multiple	230.81	261.72	13.4	268.02	185.00	28,244	3.7	3.6	25.0	15.4	1.7
Consumer Staples		*3.3%*	*6.0%*												
CASY	Casey's General Stores	1.0%		3/18/24	304.20	318.45	4.7	324.40	212.50	11,788	5.0	8.2	23.0	11.8	0.5
COST	Costco Wholesale	2.3%		Multiple	53.63	732.63	1266.1	787.08	476.75	324,924	6.2	10.2	43.7	26.7	0.6
Energy		*3.7%*	*4.0%*												
EOG	EOG Resources, Inc.	1.9%		Multiple	100.13	127.84	27.7	136.79	106.32	74,147	1.4	-0.6	11.1	5.5	2.8
XOM	Exxon Mobil Corporation	1.8%		Multiple	94.83	116.24	22.6	120.70	95.77	461,222	-1.2	-3.5	12.9	6.2	3.3
Financials		*14.3%*	*13.2%*												
BLK	BlackRock, Inc.	1.8%		Multiple	206.84	833.70	303.1	845.00	596.18	124,173	12.0	7.8	20.2	13.9	2.4
FI	Fiserv, Inc.	2.6%		Multiple	137.35	159.82	16.4	159.99	109.11	94,358	8.0	15.2	17.8	12.7	0.0
JKHY	Jack Henry & Associates	1.7%		Multiple	160.18	173.73	8.5	178.37	136.57	12,659	7.0	9.3	31.2	17.4	1.3
JPM	JPMorgan Chase & Co.	3.2%		Multiple	36.32	200.30	451.5	200.94	126.22	576,938	2.6	-0.5	12.4	nmf	2.3
MA	Mastercard Inc. Cl A	2.3%		Multiple	16.75	481.57	2775.0	490.00	355.97	449,253	12.1	17.1	32.1	25.2	0.5
MKTX	MarketAxess Holdings	0.9%		2/1/24	225.51	219.25	-2.8	399.78	200.01	8,303	10.7	7.6	29.3	17.6	1.4
SPGI	S&P Global, Inc.	1.8%		Multiple	419.52	425.45	1.4	461.16	329.46	133,634	7.1	11.8	29.4	21.8	0.9
Healthcare		*13.4%*	*12.4%*												
ALGN	Align Technology, Inc.	2.0%		Multiple	269.63	327.92	21.6	413.20	176.34	24,628	6.0	10.2	33.8	22.4	0.0
BSX	Boston Scientific Corp.	2.2%		Multiple	53.41	68.49	28.2	68.92	48.35	100,481	9.4	10.9	29.4	22.4	0.0
GEHC	GE Healthcare Technologies	1.6%		Multiple	70.26	90.91	29.4	94.50	62.35	41,397	4.3	10.1	20.5	12.2	0.1
MRK	Merck & Co., Inc.	2.2%		Multiple	87.40	131.95	51.0	133.10	99.14	334,182	6.3	170.0	14.9	11.6	2.3
MTD	Mettler-Toledo International	1.6%		Multiple	1288.22	1331.29	3.3	1615.97	928.49	28,594	2.1	6.6	32.4	24.2	0.0
TMO	Thermo Fisher Scientific Inc	1.6%		Multiple	223.98	581.21	159.5	603.82	415.60	221,623	1.8	3.1	26.2	22.2	0.3
UNH	UnitedHealth Group Inc.	2.2%		Multiple	519.51	494.70	-4.8	554.70	445.68	456,081	7.8	11.1	17.3	11.6	1.5
Industrials		*8.9%*	*8.8%*												
CPRT	Copart, Inc.	1.8%		Multiple	29.00	57.92	99.7	58.58	36.78	55,688	8.8	12.8	37.2	26.6	0.0
FAST	Fastenal Company	2.2%		Multiple	56.43	77.14	36.7	79.04	50.30	44,157	7.1	7.4	34.9	23.9	2.0
PAYX	Paychex, Inc.	1.6%		Multiple	120.06	122.80	2.3	129.70	104.09	44,186	6.0	6.9	24.8	16.7	2.9
UNP	Union Pacific Corporation	1.8%		Multiple	194.77	245.93	26.3	258.66	190.37	149,963	3.6	8.1	21.4	14.3	2.1
WM	Waste Management, Inc.	1.5%		Multiple	155.08	213.15	37.4	214.54	149.71	85,601	6.3	11.7	30.0	15.5	1.4
Information Technology		*29.5%*	*29.6%*												
APH	Amphenol Corporation Cl A	2.5%		Multiple	84.98	115.35	35.7	119.59	72.00	69,193	7.7	10.3	33.9	21.3	0.8
AAPL	Apple Inc.	4.4%		Multiple	3.72	171.48	4509.7	199.62	159.78	2,647,974	3.8	8.0	25.0	19.1	0.6
ANET	Arista Networks, Inc.	2.1%		7/14/23	168.61	289.98	72.0	307.74	131.68	90,658	13.2	9.5	37.4	28.0	0.0
INTU	Intuit Inc.	2.2%		Multiple	407.07	650.00	59.7	671.01	400.22	181,986	12.2	15.3	35.8	25.8	0.6
LRCX	Lam Research Corporation	1.9%		Multiple	483.15	971.57	101.1	1007.39	480.45	127,376	9.4	13.0	28.3	22.9	0.8
MSFT	Microsoft Corporation	7.1%		Multiple	92.66	420.72	354.0	430.82	275.37	3,126,133	14.5	15.7	32.5	21.6	0.7
NVDA	NVIDIA Corporation	7.6%		Multiple	65.90	903.56	1271.1	974.00	262.20	2,258,900	65.5	72.7	34.9	29.9	0.0
NOW	ServiceNow, Inc.	1.7%		Multiple	588.09	762.40	29.6	815.32	427.68	156,292	21.2	21.9	55.0	37.6	0.0
Materials		*2.2%*	*2.4%*												
SHW	Sherwin-Williams Company	2.2%		Multiple	243.94	347.33	42.4	348.37	217.07	88,255	3.5	10.8	29.5	21.0	0.8
Real Estate		*0.0%*	*2.3%*												
Utilities		*2.2%*	*2.2%*												
AEP	American Electric Power Co.	2.2%		Multiple	77.12	86.10	11.6	96.05	69.38	45,304	7.4	6.6	15.1	11.0	4.1
Cash		*2.5%*													

Earnings and revenue growth estimates are FactSet Consensus estimates. P/E is price/earnings ratio; EV/EBITDA is the Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization ratio. Dividend yield equals indicated annual dividend (most recently paid common dividend annualized for the next 12 months) divided by current stock price. NTM = next 12 months, nmf = not meaningful.

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Investment Recommendations: The goal of Baird's Recommended Portfolio is to focus on high-quality companies with strong fundamental characteristics and management teams, attractive growth prospects, and reasonable price-appreciation expectations. The Portfolio is derived using a top-down approach starting with the macroeconomic and market outlooks, and industry sector weightings are taken into account. The Recommended Portfolio is intended as a long-term investment strategy.

There are no guarantees that any of the recommended stocks' share prices will increase and there is risk in any investment, including the potential for loss of principal. The securities discussed in the *Recent Portfolio Changes* section do not necessarily represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

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