



Baird Asset Classes

Studies have shown that among the factors that influence an investment portfolio's performance, the greatest influence comes from the portfolio's asset allocation – or how different types of investments are combined. When reviewing a portfolio's asset allocation, Baird assigns each position in the account into four broad asset classes – Equity, Fixed Income, Cash and Satellite/Alternative. Each of those classes is further divided into more detailed asset classes. Below is a summary of the asset classes Baird utilizes and their definitions, as well as index that is used to represent that particular class.

Equity Asset Classes	Definition	Representative Index
Large Cap Core Equities	Domestic U.S. stocks that comprise the top 70% of the cumulative U.S. market capitalization	S&P 500 Index
Large Cap Growth Equities	Domestic U.S. stocks that comprise the top 70% of the cumulative U.S. market capitalization. Growth stocks are those whose per-share earnings, book value, revenues and cash flow are expected to grow quickly relative to other stocks.	Russell 1000 Growth
Large Cap Value Equities	Domestic U.S. stocks that comprise the top 70% of the cumulative U.S. market capitalization. Value stocks are those whose price is relatively low given the anticipated per-share earnings, book value, revenues, cash flow, and dividends that the stock provides to investors.	Russell 1000 Value
Mid Cap Core Equities	Domestic U.S. stocks that comprise between 10% and 30% of the cumulative U.S. market capitalization.	Russell Mid Cap Index
Mid Cap Growth Equities	Domestic U.S. stocks that comprise between 10% and 30% of the cumulative U.S. market capitalization. Growth stocks are those whose per-share earnings, book value, revenues and cash flow are expected to grow quickly relative to other stocks.	Russell Mid Cap Growth Index
Mid Cap Value Equities	Domestic U.S. stocks that comprise between 10% and 30% of the cumulative U.S. market capitalization. Value stocks are those whose price is relatively low given the anticipated per-share earnings, book value, revenues, cash flow, and dividends that the stock provides to investors.	Russell Mid Cap Value Index
Small Cap Core Equities	Domestic U.S. stocks that comprise the smallest 10% of the cumulative U.S. market capitalization.	Russell 2000 Index



Baird Asset Classes, *continued.*

Equity Asset Classes	Definition	Representative Index
Small Cap Growth Equities	Domestic U.S. stocks that comprise the smallest 10% of the cumulative U.S. market capitalization. Growth stocks are those whose per-share earnings, book value, revenues and cash flow are expected to grow quickly relative to other stocks.	Russell 2000 Growth Index
Small Cap Value Equities	Domestic U.S. stocks that comprise the smallest 10% of the cumulative U.S. market capitalization. Value stocks are those whose price is relatively low given the anticipated per-share earnings, book value, revenues, cash flow, and dividends that the stock provides to investors.	Russell 2000 Value Index
International Equities	Stocks issued by countries outside of the United States, including both growth and value stocks. Risks specific to foreign investments include currency risks, different and sometimes less strict financial reporting standards and regulation and the potential for political and economic instability.	Morgan Stanley Capital International EAFE Index
Broad Equities	This class is meant to represent a well diversified cross section of equities across a variety of equity asset classes, although it tends to focus on large cap equities.	Russell 3000 Index
Satellite Asset Classes	Definition	Representative Index
Commodities	Physical substances, such as food, grains, or metals, which investors buy or sell, usually through futures contracts.	Dow Jones AIG Commodity Index
Emerging Markets Equities	Stocks issued by companies in less-developed markets, with a tendency to focus on countries in Asia or Latin America. Risks specific to foreign investments include currency risks, different and sometimes less strict financial reporting standards and regulation and the potential for political and economic instability.	Morgan Stanley Capital International Emerging Markets Index
High Yield Bonds	Lower rated, riskier bonds than those issued by more established entities. They typically are rated Ba or below (by Moody's) or BB or below (by Standard & Pools).	Barclays Capital (BC) High Yield Bond Index
REITs	Companies that develop and manage real-estate properties, including apartments, factory-outlets, health-care properties, hotels, industrial and office properties and shopping centers.	Dow Jones Wilshire REIT Index
Global REITs	Securities, primarily REITs, containing commercial real estate of all types found in the US as well as internationally. Risks specific to global investments include currency risks, different and sometimes less strict financial reporting standards and regulation and the potential for political and economic instability.	Dow Global Real Estate Securities Index
Fixed Income Asset Classes	Definition	Representative Index
Short Term Taxable Bonds	Obligations that provide a return in the form of a taxable interest payment and have a maturity of less than three years.	Barclays Capital (BC) 1-3 Year Government Bond Index
Intermediate Term Taxable Bonds	Obligations that provide a return in the form of a taxable interest payment and have a maturity of between three and ten years.	Barclays Capital (BC) Intermediate Term Government/Credit Index



Baird Asset Classes, *continued.*

Fixed Income Asset Classes	Definition	Representative Index
Long Term Taxable Bonds	Obligations that provide a return in the form of a taxable interest payment and have a maturity of ten years or more.	Barclays Capital (BC) Long Term Government/Credit Index
Short Term Tax-Exempt Bonds	Obligations that provide a return in the form of a federally tax-free interest payment and have a maturity of less than three years.	Merrill Lynch (ML) 1-3 Year Municipal Bond Index
Intermediate Term Tax-Exempt Bonds	Obligations that provide a return in the form of a federally tax-free interest payment and have a maturity of between three and ten years.	Merrill Lynch (ML) 3-7 Year Municipal Bond Index
Long Term Tax-Exempt Bonds	Obligations that provide a return in the form of a federally tax-free interest payment and have a maturity of ten years or more.	Merrill Lynch (ML) 12-22 Year Municipal Bond Index
Global Fixed Income	This class is meant to represent a cross-section of bonds across a variety of maturities and from both US and non-US issuers. Risks specific to global investments include currency risks, different and sometimes less strict financial reporting standards and regulation and the potential for political and economic instability.	Barclays Capital (BC) Global Aggregate Bond Index
Broad Fixed Income	This class is meant to represent a well diversified cross section of bonds across a variety of time horizons, although it tends to focus on intermediate term bonds.	Barclays Capital (BC) US Aggregate Index
Cash & Cash Alternative Asset Classes	Definition	Representative Index
Cash & Cash Alternatives	Short-term debt obligations with a maturity of less than one year that provide a return in the form of an interest payment, such as money market accounts and 7-day put bonds.	Citigroup 3 Month U.S. Treasury Bill Index
Alternative Asset Classes	Definition	Representative Index
Diversified Hedge Funds	Managed portfolios that use sophisticated investment strategies to generate returns. These investments are generally illiquid and less highly regulated than other investments and therefore require investors to be accredited.	HFRI Fund of Funds Composite Index
Managed Futures	Pools of investments in the global futures market, such as commodities, currency and interest rates, among others, through the use of futures contracts. These investments may utilize leverage and fees and expenses are generally high. They can also be subject to credit and income risk and there is generally not a secondary market for these products.	Barclay CTA Index
Private Equity	Capital that is made available to create or expand new businesses, products or technologies. Privately held investments are not quoted on any exchange, are generally illiquid and less highly regulated than other investments and typically require a large investment.	Cambridge Private Equity Index
Alternatives-Other	This class represents a catch-all asset class for any type of investment considered "alternative" that is not represented by its own asset class. Evaluating or pricing alternative investments can sometimes be speculative in nature and in some cases they may have little to no liquidity.	HFRI Fund of Funds Conservative Index

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