

Baird Recommended Portfolio

3Q25 Report

The Recommended Portfolio returned 7.2% during Q3, as a Technology-driven market was fueled by excitement over lower interest rates and the promise of AI.

Portfolio Performance

The Recommended Portfolio posted strong absolute performance in the third quarter, though it underperformed the S&P 500 on a quarterly and year-to-date basis. The portfolio returned +7.2% (+6.7% net*) for Q3, participating in rallies in the Technology and Communication Services sectors as investors sought exposure to higher growth companies. The S&P 500 returned 8.1% in Q3.

Falling bond yields and moderated inflation fueled a risk-on mood as they firmed up investor expectations that the Federal Reserve will continue to cut interest rates into next year.

Year to date, the portfolio has returned 12.6% (+11.0% net*), versus the S&P 500's +14.8%. As the year progressed, some of the overhangs from Q1 were removed as global trade tensions thawed and US tax reform came into clearer relief.

The portfolio benefited from continued investor enthusiasm for artificial intelligence and data center applications, lifting Arista Networks (**ANET**), Amphenol (**APH**), Lam Research (**LRCX**), Alphabet (**GOOG**) and our biggest holding, Nvidia (**NVDA**). The market favored hardware-related over software-related AI stocks in Q3: ServiceNow (**NOW**) and Intuit (**INTU**) were down more than 10% on fears that AI will affect the growth rate and business models of these enterprise software providers.

Our stock selection in Industrials and Consumer Staples, were additive to portfolio performance in the quarter. The Consumer Discretionary and Financials sectors were the biggest detractors from Q3 portfolio performance. Discretionary holdings lagged as a weakening labor market created some concern about discretionary spending holding up. Chipotle (**CMG**), which we have now sold, suffered from slowing sales and traffic. Amazon (**AMZN**), our top Consumer Discretionary holding, was down slightly during Q3 but we maintain confidence in its leadership positions within online retail and cloud computing via its Amazon Web Services (AWS) division. Within Financials, Fiserv (**FI**) was the biggest detractor to overall Q3 portfolio performance. Fears over competition in the payments space, combined with slowing growth in its Merchant and Clover businesses, resulted in valuation contraction.

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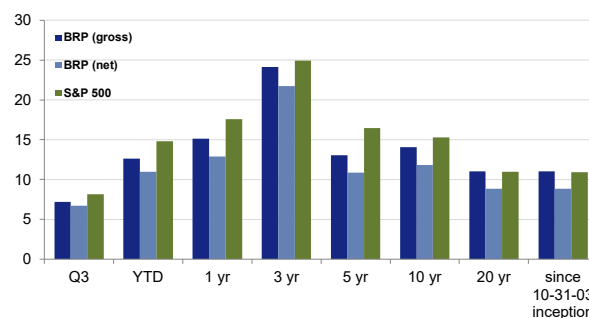
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Total Returns as of 09/30/2025

(Multiyear periods are annualized)



	Q3	YTD	1 yr	3 yr	5 yr	10 yr	20 yr	incep.
BRP gross	7.2	12.6	15.1	24.2	13.1	14.1	11.0	11.0
BRP net	6.7	11.0	12.9	21.7	10.8	11.8	8.8	8.8
S&P 500	8.1	14.8	17.6	24.9	16.5	15.3	11.0	10.9

***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 4 for disclosures.

Portfolio Changes

Baird Recommended Portfolio Changes in 3Q25			
New Positions	Increases	Positions Sold	Decreases
Builders FirstSource (BLDR) VeriSign (VRSN) Uber Technologies (UBER) Veeva Systems (VEEV)	Microsoft (MSFT) Amazon (AMZN) Eli Lilly (LLY)	Chipotle (CMG) Union Pacific (UNP)	Cadence Design Systems (CDNS) Exxon Mobil (XOM) Sherwin-Williams (SHW) Casey's General Stores (CASY) Boston Scientific (BSX) Arista Networks (ANET) Lam Research (LRCX) Spotify Technology (SPOT)

We initiated positions in four new portfolio names during the quarter, purchasing stocks we believe can deliver long-term shareholder value: Builders FirstSource (**BLDR**), Verisign (**VRSN**), Uber Technologies (**UBER**), and Veeva Systems (**VEEV**).

We also added to our positions in Microsoft (**MSFT**), Amazon.com (**AMZN**), and Eli Lilly (**LLY**), as we believe that these stocks possess favorable risk/reward characteristics from a long-term perspective as core portfolio holdings.

We exited our positions in Chipotle (**CMG**) and Union Pacific (**UNP**), as we do not see catalysts over the near term to drive significant share outperformance.

To reduce risk or to redeploy proceeds to positions where we see more long-term upside, the team trimmed exposure to the following stocks: Cadence Designs Systems (**CDNS**), Exxon Mobil (**XOM**), Sherwin Williams (**SHW**), Casey's General Stores (**CASY**), Boston Scientific (**BSX**), Arista Networks (**ANET**), Lam Research (**LRCX**), and Spotify Technologies (**SPOT**).

Market Commentary

Fiscal boost. Until the OBBB tax cuts became more clear, we had taken to treating the second quarter of 2025 like the famous Vegas tagline: "What happens in Q2 stays in Q2." Mercifully, while it may not ultimately speak well of America's fiscal situation or that of its citizen spenders, the legislation suggests corporate and consumer tax cuts and spending credits will supply more than \$515 billion of consumer tax refunds next spring (about \$150 billion above levels seen the last several years).

Bullish signposts. In Q3, profit guidance rebounded from the downward revisions that followed the major tariff announcements of early April. Perhaps even more impressively, corporate operators managed to deliver results above the earlier forecasts and have continued to grow revenue and earnings. Profit margins remain strong, and the underpinnings of economic health have started to broaden. As a general rule, when profits remain positive and are growing closer to double-digit rates as opposed to low single-digit rates, the economy can usually stay out of trouble and avoid the pre-recession progression. By our lights, it's tough not to get bullish on capital spending and consumption next year.

Spenders. Concerns are mounting about the state of the labor market and what it portends for the U.S. consumer. While some slowdown in the labor force may be related to immigration policy, many sectors have continued to absorb workers at premium wages through the summer. Moreover, weakness in consumer spending has thus far been confined to the lowest-earning spenders. Not an overwhelming social commentary, but not a signpost of an imminent decline in the broader economy, either.

Fade stagflation. Inflation and inflation expectations have remained generally anchored but continue to run above the Fed's long-run target of 2%. Choppiness related to the haphazard rollout of tariff policy has also given rise to concern that "stagflation" is poised to take hold. For now, we don't see it. A second wave of inflation may be brewing (because of higher fiscal spending and easier monetary conditions), but as of now, it doesn't look like we'll see worrying levels of inflation in 2026.

Themes to watch. Market leadership continues to evolve against a shifting thematic landscape. Deglobalization remains an important theme, but the converging catalysts of the forthcoming "consumption wave" suggests a strong outlook for 2026 once a period of uncertainty has been traversed.

Baird Recommended Portfolio

Current Holdings | September 30, 2025

Ticker	Company Name	Portfolio %	S&P %	Most Recent Purch. Date	Purchase Price (\$)	9/30/25 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		10.4%	10.1%												
GOOG	Alphabet Inc. Class C	5.7%		Multiple	28.85	243.55	744.2	256.70	142.66	2,942,495	12.0	11.1	22.9	14.3	0.3
META	Meta Platforms	3.1%		Multiple	626.69	734.38	17.2	796.25	479.80	1,844,735	17.2	8.9	24.1	13.3	0.3
SPOT	Spotify Technology SA	1.6%		Multiple	184.13	698.00	279.1	785.00	362.31	143,633	17.3	84.3	61.6	40.5	0.0
Consumer Discretionary		8.1%	10.5%												
AMZN	Amazon.com, Inc.	5.6%		Multiple	114.43	219.57	91.9	242.52	161.38	2,341,695	10.5	15.4	29.7	12.1	0.0
DECK	Deckers Outdoor Corp.	0.9%		Multiple	200.49	101.37	-49.4	223.98	93.72	15,038	8.7	5.0	15.3	10.1	0.0
TSCO	Tractor Supply Company	1.6%		Multiple	45.92	56.87	23.8	63.99	46.85	30,138	6.1	8.8	24.7	15.0	1.6
Consumer Staples		5.1%	4.9%												
CASY	Casey's General Stores	1.5%		Multiple	309.91	565.32	82.4	571.57	363.00	21,019	7.5	11.8	32.7	16.0	0.4
COST	Costco Wholesale	1.9%		Multiple	53.63	925.63	1626.0	1078.24	867.16	410,496	7.9	10.1	45.1	27.7	0.6
MNST	Monster Beverage Corp.	1.7%		Multiple	48.45	67.31	38.9	67.45	45.70	65,723	8.3	13.0	32.5	23.7	0.0
Energy		2.7%	2.9%												
EOG	EOG Resources, Inc.	1.3%		Multiple	100.13	112.12	12.0	138.18	102.52	61,217	7.5	3.5	10.4	5.1	3.6
XOM	Exxon Mobil Corporation	1.4%		Multiple	98.30	112.75	14.7	126.34	97.80	480,681	-2.0	4.3	15.4	7.1	3.5
Financials		9.7%	13.5%												
FI	Fiserv, Inc.	1.4%		Multiple	134.73	128.93	-4.3	238.59	127.41	70,085	8.2	16.2	11.2	8.8	0.0
JPM	JPMorgan Chase & Co.	4.0%		Multiple	58.99	315.43	434.7	318.01	202.16	867,355	2.8	5.6	15.1	nmf	1.9
MA	Mastercard Inc. Cl A	2.7%		Multiple	185.45	568.81	206.7	601.77	465.59	514,211	12.9	15.2	31.1	23.6	0.5
SPGI	S&P Global, Inc.	1.6%		Multiple	419.52	486.71	16.0	579.05	427.14	148,593	7.0	11.3	25.9	19.5	0.8
Healthcare		7.4%	8.9%												
ABT	Abbott Labs	1.7%		Multiple	130.58	133.94	2.6	141.23	110.86	233,117	7.5	10.2	24.4	18.4	1.8
BSX	Boston Scientific Corp.	1.7%		Multiple	53.29	97.63	83.2	109.50	80.64	144,663	12.8	15.4	29.7	22.4	0.0
LLY	Eli Lilly	2.5%		Multiple	769.75	763.00	-0.9	937.00	623.78	722,146	22.1	39.1	27.9	23.0	0.8
VEEV	Veeva Systems	1.5%		Multiple	293.59	297.91	1.5	299.95	200.30	48,830	12.6	11.3	35.8	26.7	0.0
Industrials		8.0%	8.3%												
BLDR	Builders FirstSource	1.2%		Multiple	132.99	121.25	-8.8	201.53	102.60	13,404	-0.1	-11.1	18.1	10.5	0.0
FAST	Fastenal Company	2.2%		Multiple	28.48	49.04	72.2	50.63	34.69	56,280	9.1	10.9	40.4	27.7	1.8
GNRC	Generac Holdings	1.4%		8/20/24	154.75	167.40	8.2	203.25	99.50	9,822	6.7	13.7	19.6	11.5	0.0
LHX	L3Harris Technologies	2.2%		Multiple	215.39	305.41	41.8	305.94	193.09	57,141	5.0	6.5	25.2	15.6	1.6
UBER	Uber	1.0%		8/15/25	91.40	97.97	7.2	101.99	59.33	204,308	15.7	2.5	28.8	19.0	0.0
Information Technology		39.0%	34.8%												
APH	Amphenol Corporation	3.3%		Multiple	44.75	123.75	176.5	126.06	56.45	151,089	17.0	21.8	36.5	21.7	0.5
AAPL	Apple Inc.	5.7%		Multiple	20.03	254.63	1171.2	260.10	169.21	3,778,808	5.7	8.6	32.0	24.9	0.4
ANET	Arista Networks, Inc.	2.7%		7/13/23	42.15	145.71	245.7	156.32	59.43	183,138	22.1	18.4	45.5	35.0	0.0
CDNS	Cadence Design Systems	2.2%		Multiple	286.64	351.26	22.5	376.45	221.56	95,715	12.4	15.1	45.3	34.4	0.0
INTU	Intuit Inc.	1.8%		Multiple	428.08	682.91	59.5	813.70	532.65	190,399	12.4	14.7	28.9	20.5	0.7
LRCX	Lam Research Corporation	1.9%		Multiple	48.26	133.90	177.5	134.21	56.32	168,852	9.2	10.2	28.6	23.0	0.8
MSFT	Microsoft Corporation	7.0%		Multiple	112.36	517.95	361.0	555.45	344.79	3,850,009	14.7	15.0	31.6	18.6	0.7
NVDA	NVIDIA Corporation	10.3%		Multiple	6.59	186.58	2731.3	187.35	86.62	4,533,894	39.9	44.1	31.9	26.0	0.0
NOW	ServiceNow, Inc.	2.0%		Multiple	644.88	920.28	42.7	1198.09	678.66	191,418	19.0	19.2	48.3	34.3	0.0
VRSN	Verisign	2.1%		Multiple	269.98	279.57	3.6	310.60	175.62	26,114	4.1	6.7	30.2	nmf	1.1
Materials		2.7%	1.8%												
ECL	Ecolab Inc.	1.5%		Multiple	256.99	273.86	6.6	286.04	221.62	77,674	4.6	13.1	32.8	20.0	0.9
SHW	Sherwin-Williams Company	1.2%		Multiple	241.76	346.26	43.2	400.42	308.84	86,334	3.5	9.2	27.6	19.9	0.9
Real Estate		1.8%	1.9%												
VICI	VICI Properties	1.8%		Multiple	31.15	32.61	4.7	34.03	27.98	34,774	3.0	4.9	11.6	15.3	5.5
Utilities		2.2%	2.3%												
AEP	American Electric Power	2.2%		Multiple	77.12	112.50	45.9	115.36	89.91	60,164	5.6	6.3	18.2	11.6	3.3
Cash		2.7%													

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.

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