Baird Rising Dividend Portfolio

Quarterly report for 2Q22

The Rising Dividend Portfolio declined 11.5% in the second quarter on a gross basis, compared to total returns of -16.1% from the S&P 500 and -10.4% from the Morningstar U.S. Dividend Growth Index.

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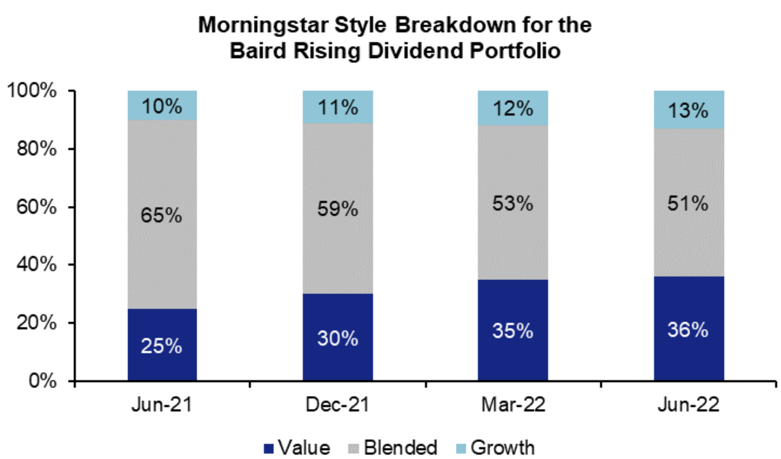
July 2022

Portfolio Changes

Our Q2 trades reflect higher-than-average portfolio turnover as we continued to seek more defensive exposure as inflation and recession fears roiled equity markets. While the portfolio's allocation between Value, Growth, and Core didn't change materially from Q1 to Q2 (see chart below), our trades were primarily motivated by a desire to optimize positioning in favor of more Defensive sectors of the market.



This can be seen via the increase in exposure to the Consumer Staples, Real Estate, Healthcare, and Utilities sectors and the reduction in exposure to the Technology, Industrials, and Communication Services sectors. Changes in exposure to the Energy, Financials, Consumer Discretionary, and Materials sectors and to cash were more modest.

Dividend Increases

The following stocks held in the Baird Rising Dividend Portfolio increased their quarterly dividends in April, May, and June. Of the stocks in the portfolio at quarter-end, 98% raised dividends over the previous 12 months, with an average increase of 14%.

Ticker	Prior	New	Increase
AMT	$1.27	$1.43	13%
CAT	$1.11	$1.20	8%
CB	$0.80	$0.83	4%
JNJ	$1.06	$1.13	7%
MET	$0.48	$0.50	4%
PAYX	$0.66	$0.79	20%
PEP	$1.08	$1.15	7%
PG	$0.87	$0.91	5%
QCOM	$0.68	$0.75	10%
TGT	$0.90	$1.08	20%
UNH	$1.45	$1.65	14%
UNP	$1.18	$1.30	10%

Dividends are not guaranteed and may be decreased or eliminated. "New" refers to most recently declared quarterly dividend. See the holdings chart on page 4 for full company names and current dividend yields.

We added six new names to the portfolio in Q2: **American Tower (AMT)**, **Coca-Cola (KO)**, **Diageo (DEO)**, **J.M. Smucker (SJM)**, **Pinnacle West Capital (PNW)**, and **UnitedHealth Group (UNH)**. We initiated a position in American Tower, adding Defensive exposure via the leading Tower REIT. However, this trade still allows us to retain exposure to the compelling long-term secular growth prospects in wireless data consumption. We added three new names in Consumer Staples, including Coca-Cola, Diageo, and J.M. Smucker, as we sought exposure to companies with more defensive revenue streams. We also added defensive exposure via our purchase of (and subsequent increase to) new

Utility holding, Pinnacle West, which currently trades at a discount to the broader Utility sector. Finally, we opportunistically initiated a position in UnitedHealth as we saw value in a company that has historically grown earnings at a low- to mid-teens rate annually, while also offering somewhat more defensive characteristics.

We also added to our positions in **Celanese (CE)**, **Fastenal (FAST)**, and **VICI Properties (VICI)**. The additions to each of these three stocks was driven by a combination of confidence in company fundamentals coupled with attractive valuation – either on an absolute basis or, in the case of Fastenal, relative to its trading history.

We sold our positions in **Abbott Laboratories (ABT)**, **Accenture (ACN)**, **Comcast (CMCSA)**, and **United Parcel Service (UPS)** during the quarter. The sale of Abbott was driven by expectations that the company's growth will likely suffer as the pandemic wanes and Covid testing revenues decline. We sold our position in Accenture based on concerns that a potential slowdown in Europe would have an outsized negative impact on the company, given the region represents one-third of Accenture's revenues. The sale of Comcast was prompted by the deterioration in the outlook for cable and broadband subscriber growth and the potential for competition from telecom service providers. We sold our position in UPS given headwinds from a restrictive Fed and higher gasoline, diesel, and jet fuel prices that increase UPS' input costs.

We also trimmed our positions in **Broadcom (AVGO)**, **Caterpillar (CAT)**, and **NextEra Energy (NEE)**. The reduction in the position size of Broadcom was motivated by a desire to reduce concentration in the portfolio and to reduce the magnitude of the portfolio's overweight exposure to Semiconductors. The trim of Caterpillar reflects increasing concerns that the Machinery cycle is coming to an end – and that retail sales and backlogs will start to deteriorate. Finally, the trim of NextEra was motivated by a desire to reduce exposure to higher multiple, growth names.

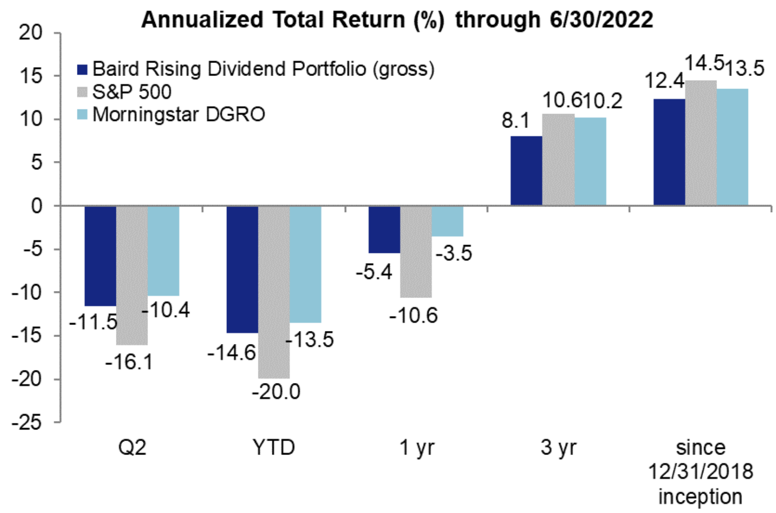
Market and Portfolio Performance

For 2Q22, the S&P 500 was down 16.1%, one of its worst quarters in the last half century. Across asset classes, large-cap stocks outperformed their small- and mid-cap counterparts, while Value again outperformed Growth. International markets bested US handily in local currency terms, though much of that was eaten away by a stronger US dollar, which hit a 20-year high in Q2 as rising Treasury yields and a global flight to safety saw capital shift to the US.

Among sectors, the defensive stalwarts did their duty in a choppy market – Consumer Staples (-4.6%), Utilities (-5.1%), and Health Care (-5.9%) were all outperformers. Elsewhere, Energy (-5.2%) was again a relative leader, though fears of an impending economic slowdown sent the sector tumbling into quarter-end. On the flip side, rising rates and inflationary pressure led Consumer Discretionary, Communication Services, and Technology shares to underperform.

YTD, it's Energy (+31.8%) and everything else, as crude oil strength (bolstered by structurally tight supply and resilient demand) has sent the sector flying. Next best is Utilities (-0.6%), with another minor drop-off before getting to Consumer Staples (-5.6%) and Health Care (-8.3%). Bringing up the rear are Consumer Discretionary and Communication Services, which have seen above-average contraction in both price/earnings multiples and forward earnings estimates.

The Morningstar U.S. Dividend Growth Index (or DGRO), which is composed of U.S. equities with a history of consistently growing dividends, returned -10.4% in Q2. This compares to the Rising Dividend Portfolio's -11.5% (gross) return in the quarter. As mentioned above, the S&P 500 returned -16.1% in Q2. The chart and table on the next page show the portfolio's gross return relative to the two indices.



Annualized Performance (%)	Q2	YTD	1 yr	3 yr	since 12/31/2018 inception
RDP gross	-11.5	-14.6	-5.4	8.1	12.4
RDP net	-11.8	-15.1	-6.4	7.0	11.2
S&P 500 total return	-16.1	-20.0	-10.6	10.6	14.5
DGRO total return	-10.4	-13.5	-3.5	10.2	13.5

Performance results are total returns including dividends, annualized for multiyear periods. Performance is presented gross of fees in the chart above. Net performance (shown in the table above) is intended to show the effect of a hypothetical 1% account fee. Actual fees charged may differ. Future dividends are not guaranteed and may be reduced or eliminated by companies. The S&P 500 and the Morningstar U.S. Dividend Growth Index are unmanaged common stock indices; direct investment in indices is not available. Performance results are for the Baird Rising Dividend Portfolio Composite. We do not imply that future performance will be equally attractive or that losses are not possible using these stocks. See page 5 for further disclosures.

Market Commentary and Outlook

Equities continued their selloff in Q2, as persistent inflation and an increasingly hawkish Federal Reserve roiled markets. The S&P 500 closed down 16.1%, entering a bear market in June for just the second time in the last decade. Bonds fared no better, with the US Aggregate Bond index down 4.7% through June for its second worst quarter in forty years (1Q22 being the worst). The 10-year Treasury yield began Q2 at 2.32%, spiking as high as 3.48% before plummeting back to sub-3.0% by quarter-close. This led to rapid and volatile moves in other rate markets (e.g., mortgages), and contributed to a growing economic unease across the quarter.

The key problem facing the global economy remains inflation. Goods inflation has begun to soften but remains stubbornly high in some sectors as global supply chain kinks refuse to unfurl. Meanwhile, services inflation has continued to tick higher, boosted by rising wages and transportation costs, all while higher energy prices pushed the national average for a gallon of gasoline over $5 for the first time ever. This has challenged the US consumer, which, bolstered by a white-hot labor market, has displayed a willingness to spend into the teeth of inflation. It has also begun to weigh on US corporate profitability, with S&P 500 margins starting to roll over and decline (albeit off record highs).

Inflation has also remained a problem for the Federal Reserve, which is, of course, tasked with maintaining price stability. At their June meeting, the Fed raised their projections both for near-term inflation and interest rates alongside their first 0.75 percentage point rate hike since 1994. While they've maintained the stance that a "soft landing" (i.e., reducing inflation without inducing a recession) is possible, the path to that outcome is narrowing. The Fed should be able to reduce aggregate demand with higher interest rates, but they can do little to control the supply shocks driven by war in Ukraine, China's covid-zero pursuit, etc. that are reverberating throughout the global economy. The Fed also fears inflation expectations becoming unanchored, which should lead to continued hawkishness in the near-term – even as the odds of a recession grow.

Thus, despite a reasonably healthy economy today, the Fed's necessary shift in policy demands a reevaluation of the investing landscape. As we head towards a slowdown (at best) or recession (at worst), a premium should be placed on high quality operators that prioritize free cash generation, margin defense, and prudent management. Further, as per our partners at Strategas write, "In times of stress, return dispersion has historically spiked…as the dispersion of returns rises, it should bode well for active managers." We believe that economic and market volatility are likely to persist for the intermediate-term, and, while not ideal for absolute return, we see opportunity for relative outperformance. As always, a focus on strong fundamentals and quality management remains our guiding light.

								52 Week			—Next Twelve Month (NTM)—					
		Portfolio	S&P	Purch. Date	Purch. Price ($)	6/30/22 Price ($)	Change (%)	High ($)	Low ($)	Market Cap ($bil)	Rev. Growth (%)	EPS Growth (%)	P/E (x)	EV / EBITDA (x)	Div. Yield (%)	Div. Growth (%)
Communication Services		**2.6%**	**8.9%**													
VZ	Verizon Communications Inc.	2.6%		Multiple	56.13	50.75	-9.6	56.85	45.55	213.1	2.3	1.6	9.3	7.2	5.0	2.0
Consumer Discretionary		**7.4%**	**10.5%**													
BBY	Best Buy Co., Inc.	1.3%		Multiple	107.68	65.19	-39.5	141.97	64.29	14.7	-2.3	nmf	7.2	4.4	5.4	26.8
GPC	Genuine Parts Company	2.4%		3/10/22	122.15	133.00	8.9	142.97	115.63	18.8	7.5	9.6	16.3	10.8	2.7	4.9
HD	Home Depot, Inc.	2.1%		Multiple	165.08	274.27	66.1	420.61	264.51	281.9	3.3	6.1	16.3	11.9	2.8	11.4
TGT	Target Corporation	1.6%		12/18/18	65.23	141.23	116.5	268.98	137.16	65.5	4.0	nmf	13.8	8.5	3.1	32.4
Consumer Staples		**7.8%**	**7.0%**													
DEO	Diageo plc Sponsored ADR	1.0%		4/20/22	205.26	174.12	-15.2	223.14	166.24	97.8	9.7	14.6	21.2	16.3	2.3	5.0
KO	Coca-Cola Company	1.0%		5/11/22	64.79	62.91	-2.9	67.20	52.28	272.7	6.7	6.9	24.8	21.6	2.8	3.0
PEP	PepsiCo, Inc.	2.3%		Multiple	134.44	166.66	24.0	177.62	147.77	230.4	4.1	7.6	24.1	16.8	2.8	5.1
PG	Procter & Gamble Company	2.1%		12/18/18	92.81	143.79	54.9	165.35	129.50	345.0	3.7	5.9	23.3	16.9	2.5	10.0
SJM	J.M. Smucker Company	1.4%		5/11/22	144.31	128.01	-11.3	146.74	118.55	13.6	3.3	nmf	15.5	11.3	3.1	10.0
Energy		**6.9%**	**4.4%**													
CVX	Chevron Corporation	4.7%		Multiple	93.67	144.78	54.6	182.40	92.86	284.5	12.5	27.6	9.0	4.7	3.9	5.4
EOG	EOG Resources, Inc.	2.2%		Multiple	111.61	110.44	-1.0	147.99	62.81	64.7	8.6	25.6	6.9	3.8	2.7	51.2
Financials		**12.3%**	**10.8%**													
BLK	BlackRock, Inc.	1.8%		Multiple	384.69	609.04	58.3	973.16	575.60	92.3	3.3	2.7	15.6	10.6	3.2	15.0
CB	Chubb Limited	2.5%		1/13/21	157.41	196.58	24.9	218.99	157.19	83.3	4.6	16.0	12.2	9.4	1.7	2.6
JPM	JPMorgan Chase & Co.	2.4%		12/18/18	99.67	112.61	13.0	172.96	110.93	330.7	6.0	nmf	9.2	nmf	3.6	8.3
MET	MetLife, Inc.	1.5%		2/16/22	71.56	62.79	-12.3	73.18	55.21	51.1	-0.6	nmf	7.9	6.1	3.2	4.3
MS	Morgan Stanley	1.7%		8/11/21	103.49	76.06	-26.5	109.73	72.23	133.1	-0.2	nmf	9.7	nmf	3.7	75.0
USB	U.S. Bancorp	2.5%		Multiple	48.79	46.02	-5.7	63.57	44.79	68.4	11.2	0.8	9.5	nmf	4.0	7.1
Health Care		**15.4%**	**15.1%**													
ABBV	AbbVie, Inc.	2.5%		Multiple	137.39	153.16	11.5	175.91	105.56	270.7	-0.2	nmf	11.7	10.5	3.7	9.3
ABC	AmerisourceBergen Corporation	1.6%		3/10/22	147.27	141.48	-3.9	167.19	111.34	29.6	6.2	7.5	12.4	8.2	1.3	4.7
BMY	Bristol-Myers Squibb Company	2.5%		Multiple	63.69	77.00	20.9	80.59	53.22	163.9	2.0	4.0	9.7	8.7	2.8	9.6
JNJ	Johnson & Johnson	3.6%		Multiple	138.12	177.51	28.5	186.69	155.72	467.1	3.4	5.3	16.8	12.7	2.5	5.0
MRK	Merck & Co., Inc.	3.1%		Multiple	77.81	91.17	17.2	95.72	70.89	230.6	7.5	10.5	12.2	10.0	3.0	6.3
UNH	UnitedHealth Group Incorporated	2.2%		4/20/22	547.47	513.63	-6.2	553.29	383.12	481.9	9.9	14.1	21.7	14.9	1.3	16.0
Industrials		**8.2%**	**7.8%**													
CAT	Caterpillar Inc.	1.4%		Multiple	162.70	178.76	9.9	237.90	173.72	95.3	9.7	16.2	13.0	8.7	2.7	5.8
ETN	Eaton Corp. Plc	2.2%		Multiple	66.49	125.99	89.5	175.72	123.69	50.3	5.8	12.1	15.9	12.9	2.6	4.7
FAST	Fastenal Company	2.0%		Multiple	54.71	49.92	-8.8	64.75	48.10	28.7	11.6	12.7	25.1	16.8	2.5	11.7
UNP	Union Pacific Corporation	2.6%		Multiple	172.43	213.28	23.7	278.94	195.68	133.9	8.0	13.7	17.4	12.6	2.4	16.0
Information Technology		**23.4%**	**26.8%**													
AAPL	Apple Inc.	5.1%		Multiple	41.88	136.72	226.5	182.94	129.04	2212.8	6.2	7.7	21.1	15.7	0.7	7.3
ADI	Analog Devices, Inc.	2.1%		Multiple	126.89	146.09	15.1	191.95	140.68	75.9	19.0	17.8	14.5	12.7	2.1	11.0
AVGO	Broadcom Inc.	2.7%		Multiple	318.72	485.81	52.4	677.76	455.71	196.2	10.0	15.2	12.0	10.4	3.4	12.4
CSCO	Cisco Systems, Inc.	1.4%		11/23/21	55.00	42.64	-22.5	64.29	41.02	176.6	3.4	5.4	11.9	8.1	3.6	2.8
GLW	Corning Inc	1.6%		Multiple	39.98	31.51	-21.2	43.47	30.70	26.6	6.6	12.7	12.5	7.1	3.4	10.0
MSFT	Microsoft Corporation	5.2%		12/18/18	106.99	256.83	140.1	349.67	241.51	1920.8	14.1	15.5	23.9	16.2	1.0	10.5
PAYX	Paychex, Inc.	2.1%		Multiple	124.06	113.87	-8.2	141.92	106.55	41.1	6.9	9.3	27.6	18.5	2.8	9.9
QCOM	Qualcomm Incorporated	1.4%		Multiple	93.22	127.74	37.0	193.58	118.22	101.2	7.2	4.0	9.4	6.9	2.3	4.6
TXN	Texas Instruments Incorporated	1.9%		12/18/18	94.72	153.65	62.2	202.26	148.15	141.7	3.8	3.3	16.7	12.3	3.0	13.0
Materials		**4.3%**	**2.6%**													
CE	Celanese Corporation	1.8%		Multiple	130.86	117.61	-10.1	176.50	113.18	12.7	14.1	nmf	6.5	6.0	2.3	7.1
RS	Reliance Steel & Aluminum Co.	2.5%		Multiple	142.05	169.86	19.6	211.65	135.46	10.5	-0.1	nmf	6.7	4.2	2.1	14.6
Real Estate		**4.3%**	**2.9%**													
AMT	American Tower Corporation	1.6%		6/22/22	256.90	255.59	-0.5	303.72	220.00	116.6	10.5	nmf	54.9	22.8	2.2	14.5
VICI	VICI Properties Inc	2.7%		Multiple	29.27	29.79	1.8	33.95	26.23	28.7	34.5	9.8	15.1	17.5	4.8	9.5
Utilities		**4.1%**	**3.1%**													
NEE	NextEra Energy, Inc.	2.4%		Multiple	44.06	77.46	75.8	93.73	67.22	152.2	17.1	9.7	26.9	17.6	2.2	10.1
PNW	Pinnacle West Capital Corporation	1.6%		Multiple	75.01	73.12	-2.5	86.87	62.78	8.3	1.4	nmf	17.9	11.3	4.6	4.2
Cash		**3.3%**														
														Weighted Yield / Growth	**2.6**	**10.8**

Appendix – Important Disclosures

Research reports on the companies identified in this report are provided by Baird, Credit Suisse, and/or S&P Capital IQ, and are available to clients through their Baird Financial Advisor. This report does not provide recipients with information or advice that is sufficient on which to base an investment decision. This report does not take into account the specific investment objectives, financial situation or need of any particular client and may not be suitable for all types of investors. Recipients should consider the contents of this report as a single factor in making an investment decision. Additional fundamental and other analyses would be required to make an investment decision about any individual security identified in this report.

Investment Recommendations: The Baird Rising Dividend Portfolio is managed with the intent of focusing on high-quality companies with a history of consistent dividend growth, strong fundamental characteristics and management teams, attractive growth prospects, and reasonable price-appreciation expectations. The Portfolio is derived using a top–down approach that begins with macroeconomic and market outlooks. Industry sector weightings are taken into account. The Rising Dividend Portfolio is intended as a long-term investment strategy.

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Net performance reflects the inclusion of a hypothetical 1.0% account fee which is representative of a median fee based on average account assets. Actual fees charged may differ. The net fee performance is intended to provide an example of the impact fees would have on returns.

At least one of the analysts involved in the preparation of these materials has an ownership stake in the following companies: AAPL, CAT, CSCO, ETN, HD, JNJ, JPM, KO, MSFT, VZ.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST

The S&P 500 unmanaged common stock index is used to measure and report performance of the domestic large-cap sector of the stock market; direct investment in the index is not available. Similarly, the **Morningstar U.S. Dividend Growth Index, or DGRO,** is an unmanaged common stock index used to measure and report performance of various sectors of the stock market. Morningstar® US Dividend Growth Index is a dividend dollars-weighted index that seeks to measure the performance of U.S. companies selected based on a consistent history of growing dividends. Eligible companies must pay a qualified dividend, must have at least five years of uninterrupted annual dividend growth and their earnings payout ratio must be less than 75%. Companies that are in the top decile based on dividend yield are excluded from the Underlying Index prior to the dividend growth and payout ratio screens. Direct investment in indices is not available.

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