

Baird Rising Dividend Portfolio

Quarterly report for 4Q22

The Rising Dividend Portfolio delivered a Q4 total return of 12.6% (gross) and 12.1% (net*). This compares to Q4 total returns of 7.6% for the S&P 500 and 13.2% for the Morningstar U.S. Dividend Growth Index.

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Portfolio Performance

Q4: The Baird Rising Dividend Portfolio delivered a 12.6% gross return and 12.1% net return in Q4, outperforming the S&P 500 total return (includes dividends) of 7.6%. The Morningstar U.S. Dividend Growth Index (or DGRO), which is composed of U.S. equities with a history of consistently growing dividends, returned 13.2% in the quarter.

Full year: In 2022, the Baird Rising Dividend Portfolio delivered a total return of -8.2% (gross) and -10.0% (net) compared to the S&P 500 total return of -18.1% and the DGRO total return of -7.9%.

Portfolio Dividend Increases

The following stocks increased their quarterly dividends in Q4 by the percentages shown in the table below. Of the stocks in the portfolio on December 31, 95% raised dividends over the previous 12 months. Across the portfolio, dividends were raised by 11% in that time frame.

ABBV	5%	\$1.41 to \$1.48	CE	3%	\$0.68 to \$0.70
ABC	5%	\$0.46 to \$0.49	EOG	10%	\$0.75 to \$0.83
AMT	12%	\$1.39 to \$1.56	MRK	6%	\$0.69 to \$0.73
AVGO	12%	\$4.10 to \$4.60	PNW	2%	\$0.85 to \$0.87
BMJ	6%	\$0.54 to \$0.57	TXN	8%	\$1.15 to \$1.24

(Dividends are not guaranteed and may be decreased or eliminated. "New" refers to the most recently declared quarterly dividend. See the chart on page 4 for full company names and current dividend yields. Only dividends increased in US dollar-denominated terms are included. Diageo (DEO) raised its dividend in local currency (GBP), but foreign exchange headwinds, caused it to decline year over year on a USD basis.)

Portfolio Changes

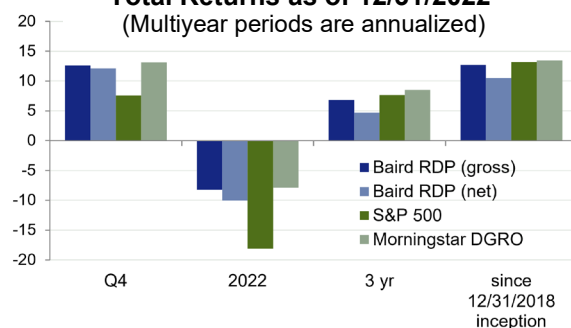
The portfolio's style tilt remains in favor of Value over Growth. We increased exposure to Financials, Consumer Discretionary, Real Estate, and Materials, while reducing our exposure to Communication Services (no exposure), Technology, and Healthcare. Our exposure to Utilities, Industrials, Consumer Staples, and Energy was relatively unchanged.

New positions: In Q4, we added IBM (**IBM**), Prologis (**PLD**), Sysco (**SY**), and Tractor Supply (**TSCO**). We have confidence in IBM's turnaround and the stock's total return prospects given its solid dividend. For Prologis, fears over the potential for softer demand for Industrial warehouse space gave us an entry point, in our view.

(portfolio changes continue on page 2)

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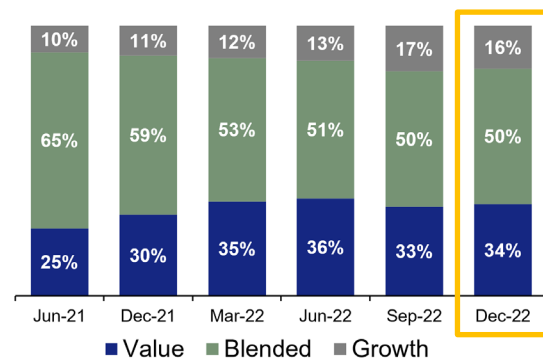
Total Returns as of 12/31/2022 (Multiyear periods are annualized)



	Q4	2022	3 yr	since inception
RDP gross	12.6	-8.2	6.8	12.7
RDP net	12.1	-10.0	4.7	10.5
S&P 500 TR	7.6	-18.1	7.7	13.2
DGRO TR	13.2	-7.9	8.5	13.5

Performance results are total returns (TR) including dividends, annualized for multiyear periods. Net performance shows the effect of a hypothetical account fee of 2% which reflects the highest advisory fee that can be charged. As a model portfolio, performance results for the Rising Dividend Portfolio are hypothetical and would have been obtained only if each issue had been purchased and sold when added / 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.

Style still favors Value over Growth (Morningstar style breakdown for Baird RDP)



We believe Sysco will benefit from the ongoing recovery of restaurants post-pandemic. Tractor Supply's growth story is tied to both new store additions and store remodels yet offers more defensive characteristics as well.

Positions added to: We added to Celanese (**CE**) and MetLife (**MET**). Celanese raised its dividend for the first time since acquiring DuPont's Mobility & Materials business, giving us more confidence it can finance its debt obligations and continue to increase its dividend. MetLife was added to given its reasonable valuation relative to its growth prospects.

Positions sold: We sold J.M. Smucker (**SJM**), Qualcomm (**QCOM**), and Verizon (**VZ**). We sold Smucker to reduce exposure to Consumer Staples, and because of concerns over competitive pressure and promotional activity. We sold Qualcomm on concerns that smartphone end markets are weakening, and because we wanted to reduce our overweight exposure to Semiconductors. Finally, we sold Verizon after losing confidence in the company's competitive position and its ability to handle its high debt load in a rising interest rate environment.

Trimmed positions: We trimmed our positions in AbbVie (**ABBV**), Apple (**AAPL**), Chevron (**CVX**), Genuine Parts (**GPC**), and Procter & Gamble (**PG**). We trimmed AbbVie as we questioned the company's ability to manage the loss of exclusivity for blockbuster drug, Humira. We trimmed Apple on softening smartphone demand and the stock's above-average valuation. Chevron and Genuine Parts were trimmed because their weightings in the portfolio increased as a result of their performance; valuation was also a consideration. We trimmed Procter & Gamble as the company navigates a slowdown in volumes and mounting private label competition.

Market Commentary

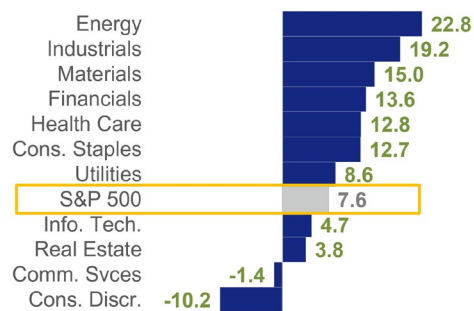
The fourth quarter of 2022 was a fitting cap on a difficult year. Q4 began in risk-on mode, buoyed by several better-than-feared inflation reports and growing anticipation of an eventual Fed "pivot" toward easier monetary policy. Interest rates on both the long- and short-end of the curve fell in anticipation of said pivot, and equities rallied strongly. With the economy proving resilient, a soft landing was once again in discussion.

However, a hawkish December FOMC press conference (coupled with the Fed revising their inflation forecast higher and GDP forecast lower) threw cold water on the market's attempt at a Santa Claus rally. **Breaking things down, Value outperformed Growth (again), Large- and Mid-cap outperformed Small-cap shares, and International equities rallied on the back of an ~8% decline in the US dollar.**

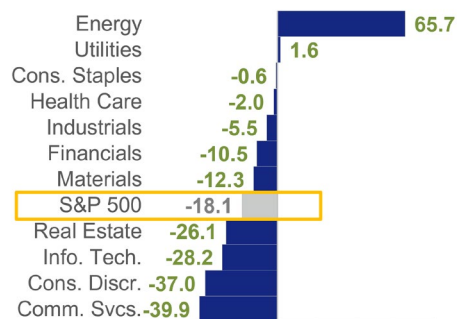
And while there is plenty to be optimistic about on the inflation front, the Fed's insistence that the labor market must soften before they can achieve their 2% inflation target could weigh on markets in 2023. The unemployment rate is still sub-4.0%, there are over 10 million job openings in the U.S. (with far fewer people than that seeking jobs), and wage growth remains north of 4%. Barring a significant jump in productivity, the Fed will want to see the labor market weaken. Until then, they may remain more hawkish than equity investors would like. As of their most recent meeting, they plan to take interest rates above 5% and hold them there until 2024. Even though the pace of hikes has slowed, higher rates will raise the cost of capital, and sticky inflation could keep the Fed from cutting even if the economy slows.

From here, a significant focus will shift to corporate profitability. As our partners at Strategas wrote, "Although earnings appear to have grown by roughly 5.5% last year, the increase in inflation and concomitant rise in long-term interest rates led to a significant re-rating of stocks. Given the prospects of a recession in 2023, growth in earnings would appear to be a longshot." Rarely, if ever, has there been an economic recession not associated with a contraction in corporate earnings. Strategas puts a 50% chance on a recession in 2023, and a 75% chance that the U.S. enters one in the next two years. While rates drove valuations lower in 2022, earnings may sit in the driver's seat from here.

Q4: S&P 500 Sector Performance



2022: S&P 500 Sector Performance



Sector Breakdown: Energy ended 2022 at the top of the heap. Consumer Discretionary, Communication Services, and Information Technology remained near the bottom as fears of an economic slowdown in 2023 ramped up into the end of December.

With this in mind, we believe a slowing economy coupled with still-elevated input costs will put a premium on profit margin protection and expansion in 2023. This favors higher quality operators, and, given the rising cost of capital, firms that generate enough free cash flow to fund operations. As rates spike, companies with high debt loads will be forced to spend more in service of that debt at a time when the economy could be slowing.

Market volatility could persist through the first half of the year as investors grapple with this new paradigm, but we believe our strategy is well suited for this environment. We'll remain opportunistic amid the volatility and will continue to focus on prudent management and high-quality firms.

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	Portfolio	S&P	Purch. Date	Purch. Price (\$)	12/31/22 Price (\$)	Change (%)	52 Week		Market Cap (\$bil)	—Next Twelve Month (NTM)—					
							High (\$)	Low (\$)		Rev. Growth (%)	EPS Growth (%)	P/E (x)	EV / EBITDA (x)	Div. Yield (%)	Div. Growth (%)
Communication Services		0.0%													
Consumer Discretionary		10.3%													
BBY	Best Buy Co., Inc.	2.1%	Multiple	98.88	80.21	-18.9	112.96	60.78	17.7	-2.0	nmf	11.8	6.4	4.4	26.0
GPC	Genuine Parts Company	2.2%	3/10/22	122.15	173.51	42.0	187.73	115.63	24.5	3.2	5.4	19.8	13.0	2.1	8.2
HD	Home Depot, Inc.	2.3%	Multiple	165.08	315.86	91.3	417.84	264.51	321.9	1.2	2.0	18.5	13.4	2.4	14.0
TGT	Target Corporation	1.6%	12/18/18	65.23	149.04	128.5	254.87	137.16	68.6	2.4	49.0	16.6	9.8	2.9	25.3
TSCO	Tractor Supply Company	2.1%	Multiple	205.76	224.97	9.3	241.54	166.49	24.9	7.2	8.8	21.2	13.6	1.6	67.3
Consumer Staples		8.1%													
DEO	Diageo plc Sponsored ADR	1.4%	Multiple	200.31	178.19	-11.0	223.14	160.09	99.6	7.5	15.4	20.0	15.5	2.0	5.0
KO	Coca-Cola Company	1.0%	5/11/22	64.79	63.61	-1.8	67.20	54.01	275.1	2.8	1.6	24.7	21.1	2.8	4.2
PEP	PepsiCo, Inc.	2.3%	Multiple	134.44	180.66	34.4	186.84	153.37	248.9	3.2	7.5	24.4	17.2	2.5	6.1
PG	Procter & Gamble Company	1.6%	12/18/18	92.81	151.56	63.3	165.35	122.18	359.2	1.7	3.7	24.9	17.8	2.4	7.4
SYU	Sysco Corporation	1.8%	Multiple	83.84	76.45	-8.8	91.53	70.61	38.7	7.3	19.5	17.1	11.4	2.6	4.3
Energy		7.0%													
CVX	Chevron Corporation	2.7%	Multiple	93.67	179.49	91.6	189.68	117.29	347.1	-12.8	nmf	10.7	5.5	3.2	6.5
EOG	EOG Resources, Inc.	2.0%	Multiple	111.61	129.52	16.0	150.88	88.29	76.1	1.5	4.3	8.4	4.5	2.5	256.0
PSX	Phillips 66	2.3%	Multiple	81.49	104.08	27.7	113.53	72.89	49.2	-4.1	nmf	7.4	5.4	3.7	5.0
Financials		13.4%													
BLK	BlackRock, Inc.	2.0%	Multiple	384.69	708.63	84.2	927.48	503.12	106.4	1.9	0.3	20.7	14.2	2.8	17.2
CB	Chubb Limited	2.6%	1/13/21	157.41	220.60	40.1	223.05	173.78	91.6	7.6	16.9	12.1	8.6	1.5	3.7
JPM	JPMorgan Chase & Co.	2.7%	12/18/18	99.67	134.10	34.5	169.81	101.28	393.3	9.1	11.3	10.5	nmf	3.0	8.1
MET	MetLife, Inc.	2.1%	Multiple	72.21	72.37	0.2	77.36	57.41	56.8	-9.0	15.8	8.7	6.7	2.8	4.3
MS	Morgan Stanley	1.8%	8/11/21	103.49	85.02	-17.8	109.73	72.05	143.7	4.2	14.7	11.6	nmf	3.6	64.3
USB	U.S. Bancorp	2.2%	Multiple	48.79	43.61	-10.6	63.57	38.39	64.8	18.1	15.8	8.9	nmf	4.4	8.1
Health Care		14.5%													
ABBV	AbbVie, Inc.	1.6%	Multiple	137.39	161.61	17.6	175.91	128.26	285.8	-6.5	nmf	15.7	12.6	3.7	8.5
ABC	AmerisourceBergen Corporation	1.8%	3/10/22	147.27	165.71	12.5	174.63	127.94	34.1	5.5	5.8	13.9	9.0	1.2	4.5
BMY	Bristol-Myers Squibb Company	2.2%	Multiple	63.69	71.95	13.0	81.43	60.86	153.0	2.6	4.8	9.1	8.2	3.2	10.2
JNJ	Johnson & Johnson	3.4%	Multiple	138.12	176.65	27.9	186.69	155.72	461.8	2.7	3.2	17.1	12.8	2.6	5.8
MRK	Merck & Co., Inc.	3.5%	Multiple	77.81	110.95	42.6	112.89	72.88	281.3	-1.9	1.6	14.7	11.6	2.6	6.2
UNH	UnitedHealth Group Incorporated	2.1%	4/20/22	547.47	530.18	-3.2	558.10	445.73	495.4	10.0	13.3	20.7	14.0	1.2	14.8
Industrials		7.0%													
FAST	Fastenal Company	2.4%	Multiple	53.08	47.32	-10.8	64.10	43.73	27.1	3.5	1.2	24.7	16.6	2.6	11.0
RTX	Raytheon Technologies Corporation	2.2%	Multiple	92.97	100.92	8.5	106.02	80.27	148.4	7.7	6.5	19.8	14.1	2.2	7.6
UNP	Union Pacific Corporation	2.4%	Multiple	172.43	207.07	20.1	278.94	183.70	127.3	1.5	3.0	17.5	12.5	2.5	21.6
Information Technology		23.3%													
AAPL	Apple Inc.	4.2%	Multiple	41.88	129.93	210.2	182.94	124.17	2066.9	3.4	3.4	19.7	14.8	0.7	5.9
ADI	Analog Devices, Inc.	2.3%	Multiple	126.89	164.03	29.3	180.01	133.48	83.5	1.9	3.2	16.3	14.4	1.9	10.4
AVGO	Broadcom Inc.	2.9%	Multiple	318.72	559.13	75.4	672.19	415.07	233.7	5.7	7.7	13.5	11.0	3.3	13.9
CSCO	Cisco Systems, Inc.	2.0%	Multiple	52.74	47.64	-9.7	63.35	38.60	195.7	4.9	6.5	13.0	9.2	3.2	2.7
GLW	Corning Inc	1.5%	Multiple	39.98	31.94	-20.1	43.47	28.98	27.0	3.2	9.7	14.1	7.7	3.4	11.7
IBM	International Business Machines Co	2.0%	Multiple	137.58	140.89	2.4	153.21	115.54	127.4	0.8	5.2	14.7	10.4	4.7	0.6
MSFT	Microsoft Corporation	4.6%	12/18/18	106.99	239.82	124.2	338.00	213.43	1787.7	10.3	10.7	23.0	15.4	1.1	10.4
PAYX	Paychex, Inc.	2.0%	Multiple	124.06	115.56	-6.8	141.92	105.66	41.7	6.7	9.0	26.1	17.4	2.7	16.5
TXN	Texas Instruments Incorporated	1.9%	12/18/18	94.72	165.22	74.4	192.10	144.46	149.9	-7.8	nmf	20.5	15.0	3.0	12.7
Materials		3.6%													
CE	Celanese Corporation	2.0%	Multiple	122.30	102.24	-16.4	176.50	86.71	11.1	23.3	nmf	7.8	7.6	2.7	2.3
RS	Reliance Steel & Aluminum Co.	1.6%	Multiple	142.05	202.44	42.5	216.76	145.79	11.9	-17.5	nmf	10.5	6.2	1.7	23.3
Real Estate		6.2%													
AMT	American Tower Corporation	1.9%	Multiple	260.78	211.86	-18.8	292.55	178.17	98.6	3.9	nmf	45.9	19.7	2.8	13.1
PLD	Prologis, Inc.	1.5%	12/7/22	116.01	112.73	-2.8	174.54	98.03	106.5	29.3	nmf	34.2	23.1	2.8	21.5
VICI	VICI Properties Inc	2.8%	Multiple	29.27	32.40	10.7	35.69	26.23	31.2	22.8	76.3	13.4	16.3	4.8	8.9
Utilities		4.5%													
NEE	Nex tEra Energy, Inc.	2.5%	Multiple	44.06	83.60	89.8	93.65	67.22	166.1	13.2	7.7	26.8	16.7	2.0	10.3
PNW	Pinnacle West Capital Corporation	2.1%	Multiple	75.15	76.04	1.2	80.60	59.03	8.6	3.5	nmf	17.7	11.2	4.6	2.4
Cash		2.2%													

Weighted Yield / Growth 2.6 16.7

Appendix – Important Disclosures

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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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