

# Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices

The logo for Robert W. Baird & Co. Incorporated, featuring the word "BAIRD" in white, uppercase letters on a blue, parallelogram-shaped background.

March 22, 2021

This document provides information to clients who are participating, or are considering participating, in a wrap fee program ("Program") sponsored by Robert W. Baird & Co. Incorporated ("Baird") about investment managers' placement of client trade orders and their practices of "trading away" from Baird.

## Best Execution Obligation

Investment managers that manage client accounts under a Program ("Accounts") will select the broker-dealers that will execute trade orders for Accounts unless a client has provided instructions to Baird or the manager to the contrary. As an investment adviser, a manager has an obligation to seek "best execution" of client trade orders. "Best execution" means that the manager must place client trade orders with those broker-dealers that the manager believes are capable of providing the best qualitative execution of client trade orders under the circumstances, taking into account the full range and quality of the services offered by the broker-dealer, including the value of the research provided (if any), the broker-dealer's execution capabilities, the cost of the trade, the broker-dealer's financial responsibility, and its responsiveness to the manager. It is important to note that a manager's best execution obligation does not require the manager to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as the manager reasonably believes that the broker-dealer selected can be reasonably expected to provide clients with the best qualitative execution under the circumstances.

## Trade Aggregation and Rotation

Investment managers may participate in other wrap fee programs sponsored by firms other than Baird. In addition, investment managers may manage institutional and other accounts not part of a wrap fee program. In the event an investment manager purchases or sells a security for all accounts using a particular strategy offered by the investment manager, the investment manager may have to potentially effect similar transactions through a number of different broker-dealers. In some cases, to address this situation, investment managers may decide to aggregate all such client transactions into a block trade that is executed through one broker-dealer. This practice may enable the investment manager to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist the investment manager in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing client orders. However, as it pertains to Baird Program clients, this practice may result in "trading away" from Baird, which is more fully described below.



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Alternatively, an investment manager may utilize a trade rotation process where one group of clients may have a transaction effected before or after another group of the manager's clients. A client should be aware that a manager's trade rotation practices may at times result in a transaction being effected for the client's Account that occurs near or at the end of the manager's rotation and, in such event, the client's trade orders will significantly bear the market price impact, if any, of those trades executed earlier in the manager's rotation, and, as a result, the client may receive a less favorable net price for the trade. Additional information regarding an investment manager's trade rotation policies, if any, is available in the manager's Form ADV Part 2A Brochure.

### Trading Away and Step Out Trades

Because a client does not pay commissions to Baird under a Program when Baird, acting as broker-dealer, executes a client's trade orders, and because a client generally would incur trading costs in addition to the wrap fee the client pays to Baird if trade orders were to be executed by another broker-dealer firm, clients generally receive a cost advantage whenever Baird executes Program client transactions. For this reason, and given Baird's execution capabilities as broker-dealer, investment managers may determine that placing trade orders for the client's Account with Baird is the most favorable option for the client. However, investment managers may place a client's trade orders with a broker-dealer firm other than Baird if the manager determines that it must do so to comply with its best execution obligations. This practice is frequently referred to as "trading away" and these types of trades are frequently called "step out trades". A client's trade order so executed is then cleared and settled through Baird in what is frequently referred to as a "step in".

In some instances, step out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If a client's investment manager places trade orders for the client's Account with a firm other than Baird, and the other firm imposes a commission or equivalent fee on the trade (including a commission imbedded in the price of the investment), the client will incur trading costs in addition to the wrap fee the client pays to Baird.

Some managers have historically placed nearly all client trades with broker-dealer firms other than Baird for execution. Some managers have placed nearly all or all client trades resulting from changes to their model portfolios or strategies with firms other than Baird. Similarly, some managers have frequently placed client trade orders for fixed-income, foreign and small cap securities with firms other than Baird. In some cases, the other executing broker-dealer firm imposes a commission or similar fee (which is embedded in the price of the security) for executing the trade. As a result, these types of managers and their strategies could be more costly to a client than managers that primarily place client trade orders with Baird for execution. A client should review the manager's Form ADV Part 2A Brochure, inquire about the manager's trading practices, and consider that information carefully, before selecting a manager. In particular, the client should



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carefully consider any additional trading costs the client may incur before selecting a manager to manage the client's Account.

A list of managers that informed Baird that they traded away from Baird during 2019 - 2020 and information about the additional cost of those trades (if any) is set forth on the following pages. A client should contact the client's Baird Financial Advisor or investment manager if the client would like to obtain specific information about the manager's trade away practices and the amount of commissions or other costs, if any, the client incurred in connection with step out trades.



Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

**TRADE AWAY INFORMATION  
CALENDAR YEARS 2019 - 2020**

*The information about each manager provided below is based solely upon the information provided to Baird by such manager. Baird has not independently verified the information, and as a result, none of Baird or any of its affiliates or associates makes any representation as to the accuracy of any such information.*

*The information shown below only contains information about managers that informed Baird that they traded away from Baird during 2019 or 2020. A manager's past trade away practice is not a guarantee that the manager will follow the same practice in the future. It is possible that managers not listed below will trade away from Baird in the future or that managers listed below will trade away more frequently or at a higher cost to clients. Thus, a client's trading costs relating to step out trades could be greater than shown below.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>1492 Capital Management</b>				
Small Cap Growth	100%	99%	None	None
<b>Astor Investment Management</b>				
Long/Short Balanced	94%	99%	0 - 1 cps	0 - 1 cps
S.T.A.R. Featuring AlphaDex	91%	97%	0 - 1 cps	0 - 1 cps
<b>Baird Equity Asset Management</b>				
Mid Cap Growth	74%	79%	None	None
Small/Mid Cap Growth	N/A	24%	N/A	None
<b>Brandes Investment Partners<sup>3</sup></b>				
Global Equity (Client Select Manager)	2%	None	1.5 cps	N/A
Global Equity (Baird Referred Manager)	34%	32%	15 bps	25 bps
International Equity	None	Less than 1%	N/A	15 bps
U.S. Value Equity	2%	5%	2 cps	1.64 cps
International Value	73%	70%	13 bps	16 bps



Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>Caprin Asset Management, LLC</b>				
Intermediate Muni - State Specific	100%	100%	0 - 1 cps	0 - 1 cps
Tactical Opportunity ETF	100%	None	0 - 1 cps	N/A
<b>ClearBridge Advisors<sup>4</sup></b>				
All Cap Growth	71%	62%	0.85 cps	1.541 cps
All Cap Value	82%	63%	1.5 cps	1.371 cps
Appreciation	18%	58%	1.52 cps	1.026 cps
Balanced Income (Equity Only)	55%	86%	1.33 cps	0.379 cps
Custom (50% Appreciation/50% Multi Cap Growth)	51%	49%	1.2 cps	1.358 cps
Custom (60% Equity/40% Taxable Fixed Income)	51%	49%	1.2 cps	1.358 cps
Custom (65% Equity/35% Fixed Income)	51%	49%	1.2 cps	1.358 cps
Custom (80% Equity/20% Taxable Fixed Income)	51%	49%	1.2 cps	1.358 cps
Custom Taxable Balanced	42%	67%	0.84 cps	1.29 cps
Dividend & Growth (70% Dividend Strategy/30% Multi Cap Growth)	72%	75%	1.18 cps	1.642 cps
Dividend Strategy	75%	66%	1.64 cps	1.601 cps
Dynamic MDA Global Dividend Balanced	37%	16%	1.12 cps	0.7 cps
Dynamic MDA Global Growth	29%	100%	1.23 cps	0.6 cps
Dynamic MDA Global Growth & Value	83%	22%	1.07 cps	0.967 cps
Dynamic MDA Global Growth & Value ESG Portfolio	82%	100%	1.28 cps	1.093 cps
Dynamic MDA U.S. Dividend Balanced	17%	13%	1.64 cps	1.277 cps
Dynamic MDA U.S. Dividend Balanced ESG Portfolio	22%	21%	0.87 cps	1.122 cps
Dynamic MDA U.S. Growth	28%	100%	1.11 cps	0.447 cps
ESG Appreciation	64%	92%	1.07 cps	0.902 cps
International ADR	93%	100%	1.02 cps	0.693 cps
International Growth ADR	N/A	26%	N/A	1.308 cps
International Growth ADR ESG Portfolio	72%	18%	1.17 cps	1.275 cps
Large Cap Growth	32%	49%	1.48 cps	1.447 cps
Large Cap Growth Catholic ESG	44%	54%	1.35 cps	1.265 cps
Large Cap Growth ESG	24%	35%	1.36 cps	1.244 cps
Large Cap Value	42%	67%	0.84 cps	1.29 cps
Large Cap Value Catholic ESG	1%	100%	0.23 cps	1.176 cps
Large Cap Value ESG	35%	36%	0.55 cps	1.139cps
Multi Cap Growth	17%	23%	0.51 cps	1.739 cps
Rare Global Infrastructure Income	N/A	12%	N/A	None

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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>ClearBridge Advisors, cont.<sup>4</sup></b>				
Sustainability Leaders	71%	100%	0.98 cps	None
Value Core International Equity	93%	100%	1.02 cps	0.693 cps
<b>Confluence Investment Management</b>				
Balanced All Cap (Taxable)	13%	2%	1 cps	1 cps
Balanced Equity Income (Taxable)	23%	8%	1 cps	1 cps
Balanced Equity Income (Tax-Exempt)	11%	1%	1 cps	1 cps
Balanced IDEA (Taxable)	19%	18%	1 cps	1 cps
Balanced IDEA (Tax-Exempt)	3%	1%	1 cps	1 cps
Balanced Large Cap Value (Taxable)	30%	20%	1 cps	1 cps
Balanced Large Cap Value (Tax-Exempt)	12%	3%	1 cps	1 cps
<b>Cortland Associates</b>				
All Cap Value	46%	70%	None	None
<b>Delaware Investment Advisors</b>				
International Equity	42%	29%	6 bps	6 bps
Large Cap Value	19%	31%	None	None
<b>Gannett Welsh &amp; Kotler</b>				
Core Bond	N/A	100%	N/A	None
Corporate Bond Opportunities	N/A	100%	N/A	None
Enhanced Core Bond Strategy	N/A	100%	N/A	None
Enhanced Core Taxable	N/A	100%	N/A	None
Municipal Bond	N/A	100%	N/A	None
Taxable Core Bond	N/A	100%	N/A	None
Taxable Enhanced Core Bond	N/A	100%	N/A	None
Total Return Bond Strategy	N/A	100%	N/A	None
<b>Greenwood Capital Associates, LLC</b>				
Balanced Portfolio	15%	5%	None	None
<b>Hardman Johnston Global Advisors, LLC (formerly Johnston Asset Management)</b>				
International Equity	100%	100%	3.9 cps	3.788 cps
<b>Kayne Anderson Rudnick Investment Management, LLC</b>				
Small Cap Value	25%	29%	3 cps	1.2 – 4.2 cps
Small Cap Sustainable Growth	18%	51%	2 cps	1.2 – 4.2 cps
<b>Lateef Investment Management</b>				
Multi Cap Growth	8%	None	None	N/A
<b>Lazard Asset Management, LLC</b>				
International Equity	100%	None	1 – 3 cps	N/A



Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>Legg Mason Private Portfolio Group<sup>4</sup></b>				
All Cap Blend	66%	67%	1.29 cps	1.411 cps
All Cap Blend Balanced (70% All Cap Blend/30% GSM – 7 Year)	79%	60%	1.36 cps	1.399 cps
All Cap Value Balanced with Taxable Income	49%	96%	1.53 cps	1.344 cps
Alternative Completion	N/A	2%	N/A	None
Appreciation Balanced (60% Appreciation/40% GSM – 7 year)	67%	51%	1.4 cps	1.004 cps
Balanced Income	70%	86%	1.19 cps	0.379 cps
Custom (25% ClearBridge Appreciation/75% Legg Mason Balanced Income)	18%	58%	1.52 cps	1.026 cps
Custom Appreciation & Government-Corporate	51%	49%	1.2 cps	1.358 cps
Custom MDA	51%	49%	1.2 cps	1.358 cps
Custom MDA Balanced	79%	60%	1.36 cps	1.399 cps
Diversified All Cap	64%	97%	1.4 cps	1.405 cps
Diversified Income	23%	58%	None	None
Diversified Risk Portfolio – Aggressive	Less than 1%	36%	None	None
Diversified Risk Portfolio – Conservative	8%	55%	None	None
Diversified Risk Portfolio – Conservative Growth	9%	60%	0.10 cps	None
Diversified Risk Portfolio – Fixed Income	8%	50%	0.12 cps	None
Diversified Risk Portfolio – Growth	7%	70%	0.14 cps	None
Diversified Risk Portfolio – Moderate Growth	8%	68%	None	None
Dividend & Growth (70% Appreciation/30% Multi Cap Growth)	33%	49%	0.61 cps	1.201 cps
Dividend & Growth (70% Dividend/30% Multi Cap Growth)	72%	75%	1.18 cps	1.642 cps
ESG Global Equity	8%	52%	None	None
Global Growth	76%	61%	1.25 cps	1.309 cps
Large Cap Blend	34%	62%	1.22 cps	1.417 cps
Large Cap Growth Balanced Taxable (60% Large Cap Growth/40% GSM – 7 Year)	90%	96%	1.46 cps	1.423 cps
Low Volatility High Dividend	Less than 1%	21%	None	None
Multi-Asset Solutions Portfolio – Aggressive	16%	43%	None	None
Multi-Asset Solutions Portfolio – Conservative	23%	72%	0.02 cps	None
Multi-Asset Solutions Portfolio – Conservative Growth	22%	80%	0.03 cps	0.012 cps
Multi-Asset Solutions Portfolio – Growth	24%	78%	0.09 cps	None
Multi-Asset Solutions Portfolio – Moderate Growth	22%	81%	0.04 cps	None



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Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>Legg Mason Private Portfolio Group, cont.<sup>4</sup></b>				
Multi-Asset Solutions Portfolio – Fixed Income	38%	49%	0.04 cps	None
Multi Cap Blend III	71%	76%	0.98 cps	1.367 cps
Multi-Manager Diversified Risk Portfolio - Aggressive	46%	31%	1.18 cps	0.975 cps
Multi-Manager Diversified Risk Portfolio - Balanced	36%	14%	1.16 cps	0.891 cps
Multi-Manager Diversified Risk Portfolio – Balanced Growth	42%	19%	1.21 cps	0.89 cps
Multi-Manager Diversified Risk Portfolio - Conservative	37%	11%	1.13 cps	0.786 cps
Multi-Manager Diversified Risk Portfolio - Growth	44%	26%	1.19 cps	0.946 cps
Multi-Manager ESG Global Equity Portfolio	43%	23%	1.14 cps	1.054 cps
Strategic Real Return	N/A	30%	N/A	None
<b>Leuthold Weeden Capital Management</b>				
Core Investment	96%	99%	None	None
Enhanced Sector Rotation	51%	74%	None	None
Global Tactical ETF	100%	75%	None	None
Sector Rotation	100%	100%	None	None
Select Industries	100%	100%	None	None
<b>New South Capital Management, Inc.<sup>5</sup></b>				
Small Cap Value	100%	82%	None	None
Value Opportunity/All Cap	13%	73%	None	None
<b>Parametric Portfolio Associates</b>				
Russell 300 Portfolio	N/A	Less than 1%	N/A	None
<b>RiverFront Investment Group<sup>6</sup></b>				
Conservative Growth	85%	91%	None	None
Conservative Income Builder	63%	52%	None	None
Conservative Income Builder ETF	58%	41%	None	None
Developed International ETF	54%	None	None	N/A
Dynamic Equity Income	86%	66%	None	None
Dynamic Equity Income ETF	80%	64%	None	None
Dynamic Fixed Income	53%	27%	None	None
Dynamic Fixed Income ETF	75%	13%	None	None
Emerging Markets ETF	N/A	18%	N/A	None
Global Allocation	86%	65%	None	None
Global Allocation ETF	88%	67%	None	None
Global Growth	83%	67%	None	None





Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

Manager Name	Dollar-Weighted Percentage of Client Trades Stepped Out <sup>1</sup>		Additional Cost Incurred by Clients Participating in those Trades <sup>2</sup>	
	2019	2020	2019	2020
<b>RiverFront Investment Group, cont.<sup>6</sup></b>				
Global Growth ETF	79%	77%	None	None
International Opportunities ETF	83%	42%	None	None
Moderate Growth & Income	81%	72%	None	None
Moderate Growth and Income ETF	74%	60%	None	None
RiverShares Conservative Income Builder	27%	34%	None	None
RiverShares Dynamic Equity Income	62%	74%	None	None
RiverShares Global Allocation	38%	90%	None	None
RiverShares Global Growth	18%	58%	None	None
RiverShares International Opportunities	61%	14%	None	None
RiverShares Moderate Growth & Income	45%	75%	None	None
<b>Sage Advisory Services Ltd. Co.</b>				
Intermediate Taxable Bond	N/A	100%	N/A	None
<b>Sands Capital Management</b>				
Large Cap Growth	Less than 1%	2%	None	None
<b>Schafer Cullen Capital Management</b>				
High Dividend Value Equity	2%	5%	None	None
International High Dividend Value ADR	21%	38%	0 – 2 cps	None
<b>Stringer Asset Management</b>				
Growth Portfolio	N/A	Less than 1%	N/A	None
Moderate Growth Portfolio	N/A	Less than 1%	N/A	None
<b>Tandem Investment Advisors</b>				
Large Cap Core	29%	4%	1.5 cps	1.5 cps
Mid Cap Core	42%	3%	1.5 cps	1.5 cps
<b>The London Company</b>				
Small Cap Core	22%	None	None	N/A
<b>Thomas White International, Ltd.</b>				
International Equity	18%	19%	7 bps	7 – 12 bps
<b>WBI Investments, Inc.</b>				
Balanced	100%	None	None	N/A
Balanced Plus	100%	None	None	N/A
Dividend Growth	100%	None	None	N/A
Dividend Income	100%	100%	None	1.25 – 1.5 cps

<sup>1</sup> All percentages are approximate. For purposes of this calculation, the manager was required to divide (a) the total dollar amount of Baird client transactions in equity securities that the manager placed with broker-dealers other than Baird for execution by (b) the total dollar amount of Baird client transactions in equity securities the manager placed with all broker-



## Important Information about Investment Managers' Placement of Client Trade Orders and Their "Trade Away" Practices, *continued.*

dealers, including Baird. For example, assume Firm A placed a total of 1,000 equity securities transactions for Baird clients during 2020, having an aggregate dollar value of \$1,000,000. Of that total, Firm A placed 700 of those transactions with broker-dealers other than Baird. The aggregate dollar value of the equity securities transactions placed with the other broker-dealers was \$950,000. The percentage dollar amount of trades in equity securities that Firm A traded away in 2020 was 95.0% (\$950,000 divided by \$1,000,000).

<sup>2</sup> Additional cost is expressed terms of an average or range of cents per share ("cps") unless otherwise indicated. In some instances, the additional cost is expressed in terms of an average or range of basis points ("bps"). In situations where the executing broker executed a trade as principal, such as "risk" trades and working orders, the price the client received may have included a markup or markdown, which is not required to be disclosed by the broker-dealer, and consequently is not included in the Additional Costs.

<sup>3</sup> The dollar-weighted percentage of client trades stepped out includes only model changes and does not include deposit/withdrawal trades, which are executed by the sponsor. For securities executed in the U.S. and Canada markets, the commissions are in cps and commissions for securities executed in other markets are in bps. Information includes all accounts that participate in the manager's strategy which also includes wrap program accounts that are not sponsored at Baird.

<sup>4</sup> Number of accounts, timing of inception and terminations, client directed cash flows and time period under review, can all be variables that affect the percentage dollar amount of trades that were stepped out.

<sup>5</sup> The dollar-weighted percentage of client trades stepped out includes only model changes and does not include deposit/withdrawal trades, which are executed by Baird.

<sup>6</sup> The Additional Costs referenced above reflects the commission on agency trades. Compensation for non-agency ("principal") transactions have an "unknown" amount, this number represents step-out transactions that included, but were not limited to, trades that were executed as risk trades, working orders, or bond trades where there was no disclosed markup/markdown. In these instances, the undisclosed markup or markdown is netted into the price the client receives. Please see <http://www.riverfrontig.com/advisors/wrap-fee-trading-disclosures/> for more information on RiverFront's wrap fee trading disclosures.