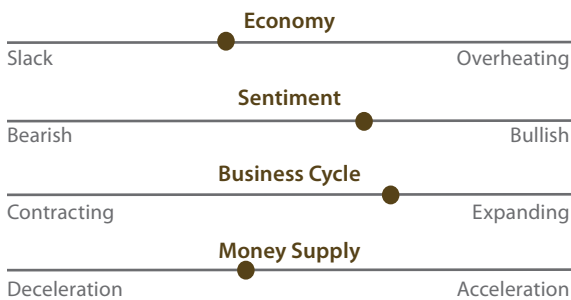


*“No one is safe when Congress is in session.”*

-Mark Twain

## Market Barometer



Source: MTI, Investors Intelligence, Bloomberg

## Market Update

	MTD	YTD	Trailing 12 Months
Dow Industrial Avg	8.9%	6.7%	-16.6%
S&P 500	7.7%	11.1%	-20.0%
Russell 1000® Growth	7.1%	19.5%	-17.6%
Russell MidCap® Growth	7.9%	25.8%	-21.9%

Data as of 7/31/09

## Navigating Healthcare Reform

The cartoon at right is a satirical take on what many investors have been hearing lately when it comes to healthcare stocks – a lot of noise! Although the intensity of the debate in Washington D.C. is clearly increasing, concrete details are scarce, and the exact timing remains unpredictable as the legislative process continues. Healthcare reform has been a worry among investors since the election of President Obama last year, and, at various times in 2009, the stock market has reacted quickly, both positively and negatively, to specific announcements throughout the healthcare reform debate. This has created an overhang of questions that are of constant debate:

- Is the threat of significant healthcare reform still a risk to stocks?
- Has the market overreacted and the worst is over?
- How should investors deal with the continuing uncertainty?
- Are there specific stocks to own, and specific stocks to avoid?
- Will this process come to an end?

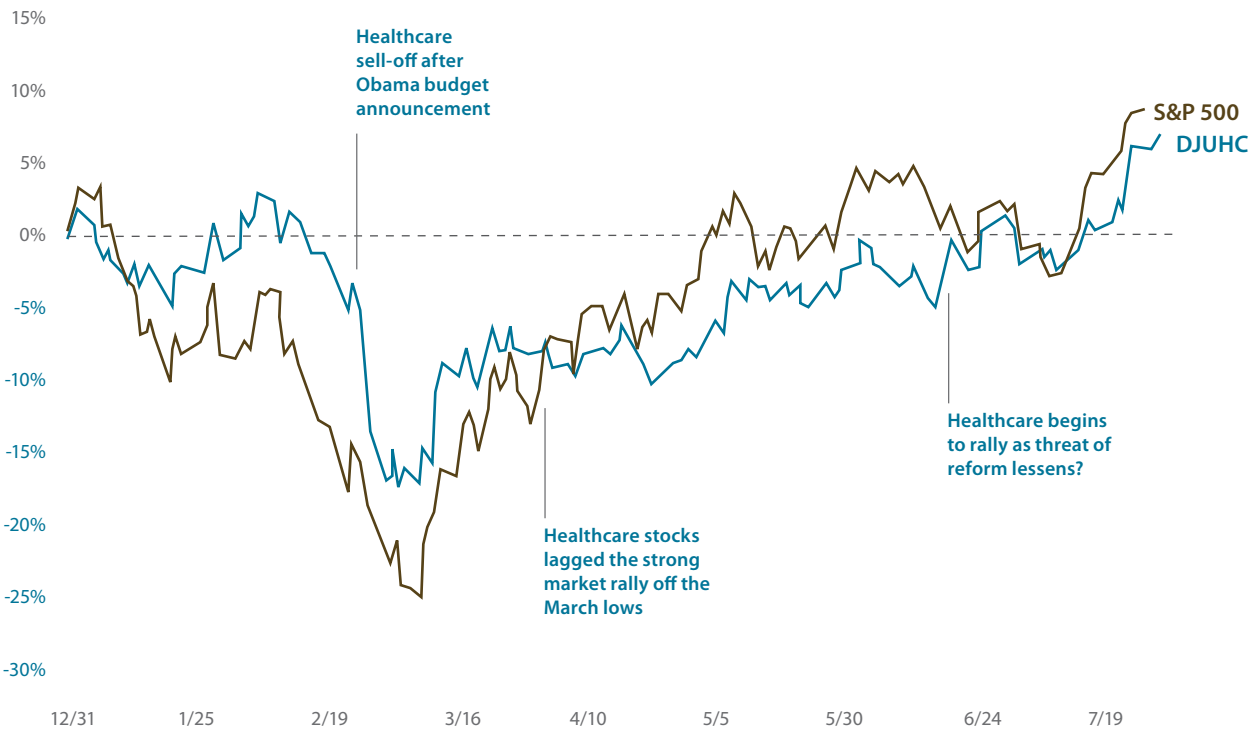


We would argue that today, the risk to stocks of significant healthcare reform has lessened considerably. The possibility of “zero reform” has also increased, despite a Democratic president and Democratic majorities in the U.S. House and Senate. The recent outperformance of healthcare stocks and the stronger than expected performance post earnings reports are reflections of this. Furthermore, some of the most positive stock price performance has come from healthcare subsectors with the most “reform risk” such as healthcare services and expensive capital equipment.

In summary, like the broader economy, the consensus view seems to be that a total overhaul of the healthcare system is off the table. However, until we see healthcare plan specifics, have a final vote in both the House and Senate, and a signed bill from President Obama, the healthcare reform process remains unpredictable.

### 2009 YTD US Dow Jones Healthcare Index (DJUHC) vs. S&P 500

Data through July 28, 2009



Source: Baseline

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The S&P 500 Index is a representative sample of 500 leading companies in leading industries of the U.S. economy. The Russell 1000® Growth Index measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values and is a large-cap index. The Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book and higher forecasted growth values. The stocks are also members of the Russell 1000® Index. The Dow Jones Composite Average Index is computed from the stock prices of 30 of the largest and most widely held public companies in the United States. Indices are unmanaged and an investment cannot be made in one.

The index measures the performance of the healthcare sector of the U.S. equity market. The Index includes companies in the following sectors: healthcare equipment and services, pharmaceuticals and biotechnology.

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