

Baird Investment Management

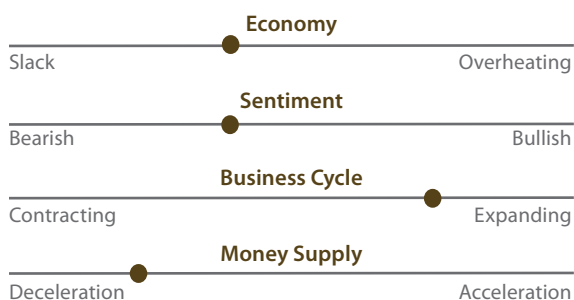
BAIRD

Great outcomes.
Done well.

“History does not repeat itself, but it does rhyme.”

-Mark Twain

Market Barometer



Source: MTI, Investors Intelligence, Bloomberg

Market Update

as of 9/30/09

	MTD	YTD	Trailing 12 Months
Dow Industrial Avg	2.4%	13.5%	-7.4%
S&P 500	3.7%	19.3%	-6.9%
Russell 1000® Growth	4.3%	27.1%	-1.9%
Russell MidCap® Growth	5.8%	37.1%	-0.4%

Studying the Past

The third quarter saw major global equity markets experience positive returns of over 15%. With this run, many market prognosticators have been predicting a pullback over concerns that the market has gone too far, too fast. However, a look at historical data indicates that good market performance is often followed by continued positive performance.

The following chart details the performance of the Dow Jones Industrial Average for periods post quarters up 15% or more, of which there were 23 occurrences in the last 100 years. The performance in the month, quarter and year following the strong quarters have been positive on average. The hit rate, or the number of times performance was positive, for the following month and quarter was 70% and 57% for the following year. This data is quite compelling, especially considering a number of the negative periods occurred during the Great Depression.

continued ▶

The sustainability of these periods of strong performance is typically tied to a shift in market dynamics. The economic environment has improved immensely since last fall when the pillars of our financial system were under attack. In fact, earlier this year many of the bleakest forecasters were calling for the Second Great Depression. Now we are looking at an environment where capital markets are normalizing, the economy is recovering and the world is moving forward. These are the changes the market is reacting to. There have been and will be periods of strong, flat and poor performance. The market does not move in a straight line, and we believe corrections are part of a healthy stock market. As the introductory quote implies, you can learn a lot about what might happen from studying what has happened in the past.

Record Quarterly Performance in the Dow Jones Industrial Average

	Quarterly Return %	Following Month %	Following Quarter %	Following Year %
9/30/1904	16.93	10.07	21.64	41.33
12/30/1904	21.64	1.03	13.10	37.84
12/29/1905	18.64	2.86	-0.13	-2.36
3/31/1908	14.91	3.02	7.52	27.57
9/30/1915	29.29	5.26	8.41	14.52
9/29/1916	15.89	1.49	-8.42	-19.54
6/30/1919	20.39	1.80	4.15	-15.16
12/31/1924	16.82	2.47	-3.12	30.00
9/30/1927	18.87	-8.05	1.57	20.14
12/31/1928	26.38	5.84	2.95	-17.17
3/31/1930	15.14	-2.40	-20.89	-39.76
9/30/1932	67.04	-11.84	-15.79	31.69
6/30/1933	73.73	-3.67	-3.97	-2.44
6/28/1935	17.67	4.78	11.08	33.67
6/30/1938	32.59	5.47	5.65	-2.43
9/29/1939	15.46	2.20	-0.11	-12.25
3/31/1975	24.65	6.92	14.43	30.11
3/31/1976	17.25	-0.26	0.33	-8.04
12/31/1982	16.77	2.79	7.98	20.27
12/31/1985	16.41	1.57	17.58	22.58
3/31/1986	17.58	-1.90	4.08	26.73
3/31/1987	21.56	-0.80	4.94	-13.74
12/31/1998	17.07	1.90	6.59	25.22
9/30/2009	14.98	-	-	-
Average	23.65%	1.33%	3.46%	9.95%

Source: Bianco Research

To learn more about Baird Investment Management (BIM) and our products, please contact us at 800-792-4011 or 414-765-7246. Visit us online at www.bairdinvestmentmanagement.com.

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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