



BROWN ADVISORY

# U.S. Equity Value Fund

## CORE INVESTMENT PRINCIPLES

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- ▶ Deep fundamental research
- ▶ Collaborative investment culture
- ▶ Value is created by investing in companies for the long-term
- ▶ There are a limited number of stocks that meet our investment criteria
- ▶ Valuation is an important tool regardless of investment style
- ▶ Mitigate risk through diversification of business models and economic sectors



## COLLABORATIVE INVESTMENT TEAM

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- Experienced Portfolio Management
  - Richard M. Bernstein, CFA, 25 years experience, 16 years with firm
- Dedicated, sector specific research analysts
- Broad perspective given Brown Advisory's diverse investment strategies
  - U.S. Equities: large- and small-cap, value and growth
  - U.S. Fixed Income
- Brown Advisory network
  - Our extensive network of clients, directors and outside shareholders provides us with an “informational advantage” over our competitors
- Compensation structure that supports teamwork



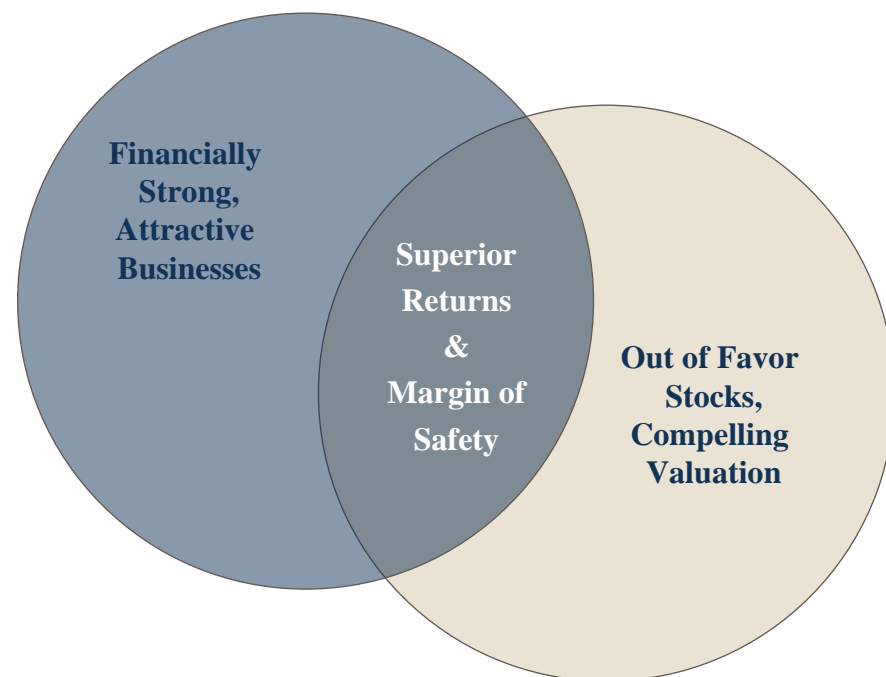
## INVESTMENT PHILOSOPHY

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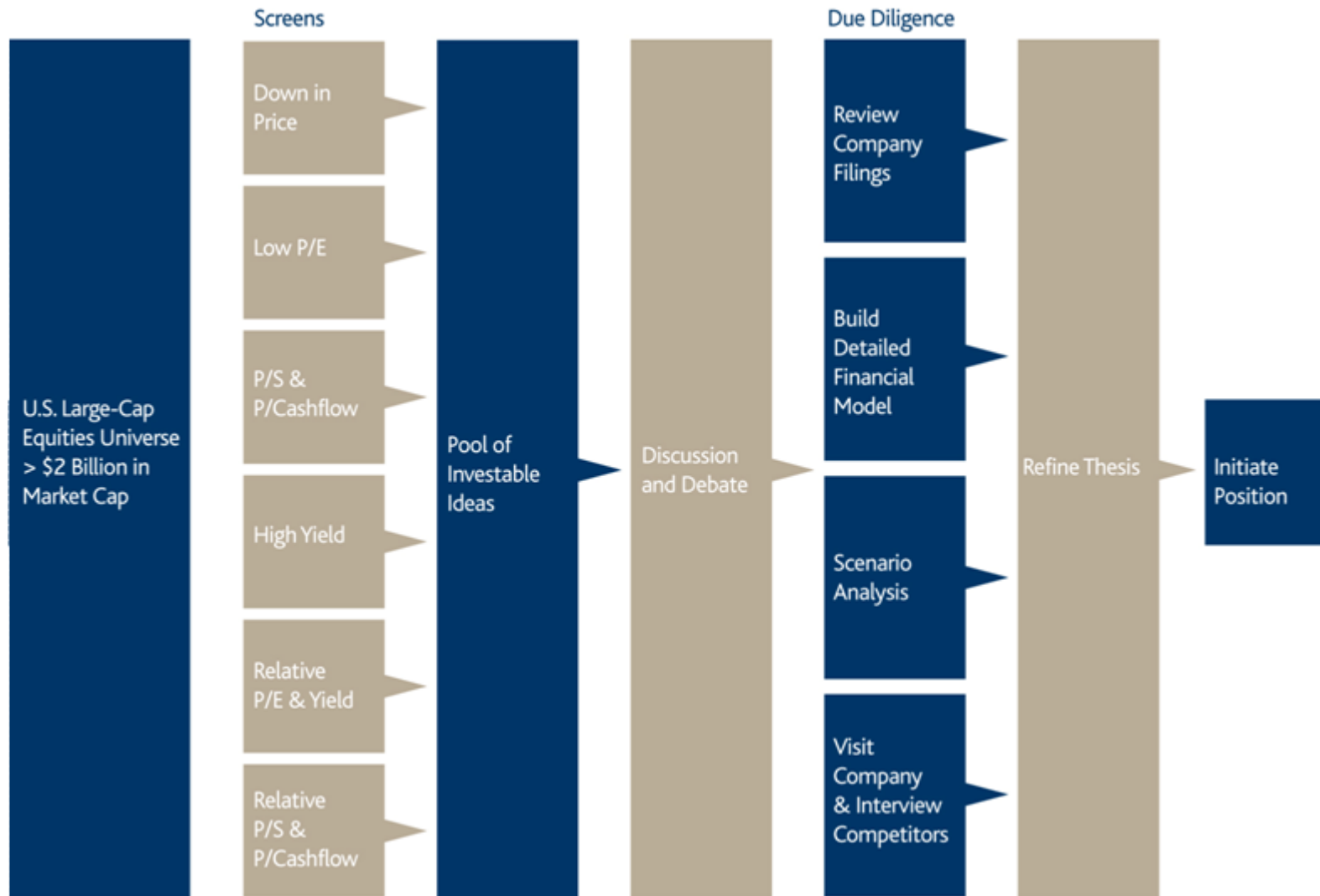
*We believe that a diversified portfolio of **materially undervalued stocks of fundamentally strong companies** will produce superior returns with a high margin of safety.*

- Stocks are priced, based on expectations. Companies are valued, based on underlying business fundamentals.
- Market volatility is not a risk, but creates investment opportunity.
- Contrarian thinking
  - We are willing to search for value in the midst of emotional fear and investor skepticism.
- Patience, decisiveness, price-sensitivity and discipline are key to long-term investment success.
- Measure the risk-reward profile of each individual investment
  - We focus on what could go wrong as much as what could go right.
- Result: Superior Returns & Margin of Safety

### INTERSECTION OF OPPORTUNITY



# NEW IDEA GENERATION



# FUNDAMENTAL SCENARIO ANALYSIS

## *Setting upside and downside targets by modeling fundamental earnings outcomes:*

### ▶ *How does it work?*

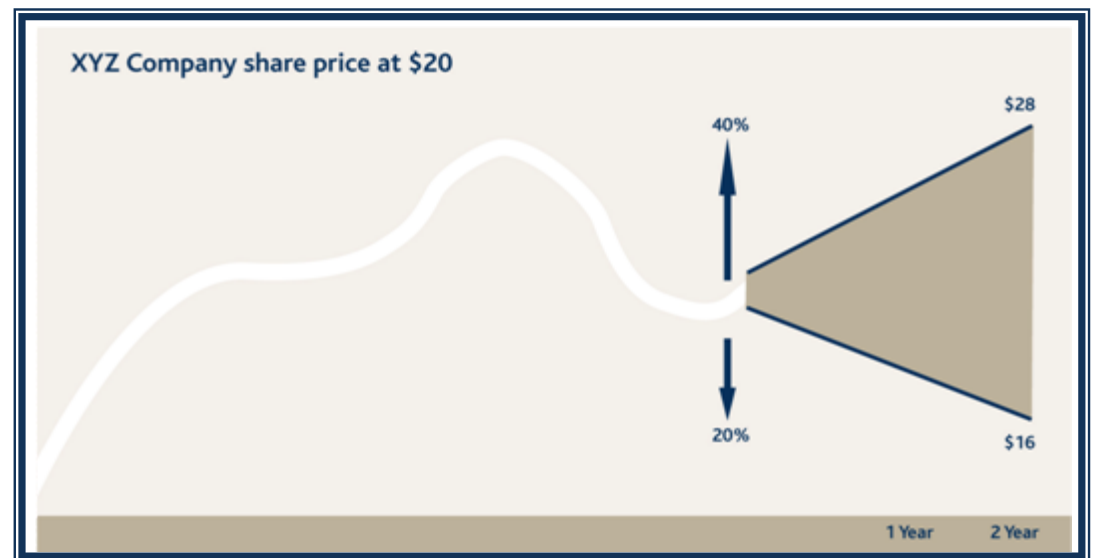
- Create a band of value
- Establish no more than 20% downside
- Risk Reward 2:1

### ▶ *Why is it important?*

- Entry and exit decisions
- Weighting of positions
- Eliminates emotion in investing

### ▶ *Results?*

- Risk control
- Maximize upside and minimize downside



## We generally sell stocks for three reasons:

### ***1. Fundamentals – the underlying investment thesis is violated:***

- ▶ Growth rate is impeded by competition or poor execution
- ▶ Change in strategy
- ▶ Compromise in management ability

### ***2. Market Expectations:***

- ▶ A stock reaches its upside price target and we believe valuation considerably overstates the fundamentals and is a “headwind” to total return

### ***3. Alternative Opportunities:***

- ▶ In concentrated portfolios, limited membership creates competition for capital

