



# Brown Advisory US Equity Value Fund

## January 2010

### Investment Strategy

The fund invests primarily in the common stock of domestic US companies with medium to large market capitalizations of generally no less than \$2 billion. The fund uses a bottom-up, research-intensive process with strong valuation discipline and “margin of safety” considerations to build a portfolio with lower-than-market valuation and better-than-market fundamentals. The fund seeks to invest in companies that are fundamentally solid, financially sound, that possess proprietary products and services—and have the ability to grow at above average rates for several years, often despite lower short-term projected earnings.

### Performance to January 31, 2010

	1 Month	3 Months	6 Months	9 Months	1 Year	YTD	3 Yr Cumulative	3 Yr Annualized	Since Inception*
Brown Advisory US Equity Value A USD <sup>1</sup>	-2.85	5.65	13.92	31.22	39.85	-2.85	-24.06	-8.76	-4.59
Brown Advisory US Equity Value A GBP <sup>2</sup>	-1.89	8.36	18.14	21.49	26.03	-1.89	-6.89	-2.35	-1.02
Brown Advisory US Equity Value B USD <sup>3</sup>	-2.86	5.73	14.27	31.58	40.56	-2.86	-	-	-11.66
Brown Advisory US Equity Value B GBP <sup>4</sup>	-1.86	8.51	18.41	21.98	26.71	-1.86	-	-	0.73
Brown Advisory US Equity Value Hedged B GBP <sup>5</sup>	-2.84	5.76	-	-	-	-2.84	-	-	5.97
Russell 1000 Value Index USD <sup>1</sup>	-2.81	4.48	10.70	26.23	31.44	-2.81	-27.59	-10.19	-5.04
S&P 500 Index USD <sup>1</sup>	-3.60	4.16	9.87	25.03	33.14	-3.60	-20.18	-7.23	-3.14

Inception Dates: <sup>1</sup>May 4, 2006; <sup>2</sup>February 9, 2006; <sup>3</sup>July 24, 2007; <sup>4</sup>May 9, 2008; <sup>5</sup>October 6, 2009

\*Annualized

Performance data above relates to the Brown Advisory US Equity Value Fund – a Dublin-based UCITS III fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance. The fund is a mirror of the Brown Advisory Equity Value strategy, a US-based product established in June 2000. **Long-term performance available upon request.** Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. A simplified and full prospectus are available by calling 020 7591 7084 or visiting the fund website.

### Details as of January 31, 2010

#### Characteristics\*

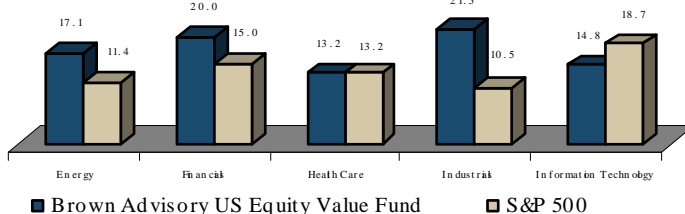
Estimated EPS Growth Rate	10.3%
FY2 P/E Ratio	11.3x
P/E-Growth Ratio	1.2x
Dividend Yield	2.29%
Weighted Avg. Market Cap	\$46.1 billion
<b>Asset Allocation</b>	
Equities	96.2%
Cash	3.8%
<b>Market Capitalization (%)</b>	
\$<10 billion	28.9
\$10-100 billion	56.2
\$>100 billion	15.0

#### Top Ten Holdings

Snap-On Inc.	4.5%
Total S.A. ADR	3.7%
Tidewater Inc.	3.7%
American Express Co.	3.6%
Medtronic Inc.	3.5%
The Chubb Corp.	3.5%
Merck & Co. Inc.	3.4%
Bank of New York Mellon Corp	3.4%
ACE Limited	3.3%
E.I. du Pont de Nemours & Co.	3.3%

**Top Ten Holdings as a % of Net Assets 35.9%**

#### Top Five Sectors of Portfolio ex. cash (% weight)



### Fund Profile

Name	Brown Advisory US Equity Value Fund
Manager	Richard M. Bernstein, CFA
No. of Holdings	35 - 45
Base Currency	Dollar
Annual Management Fee	1.25/1.00/0.75%
Minimum Investment	\$5,000 (A Shares) \$2.5 million (B Shares)
Administrator	Brown Brothers Harriman (Ireland) Ltd
Dealing Number	Tel: +(353) 1 603 6387 Fax: + (353) 1 603 6310
Structure	Ireland UCITS III (FSA recognised)
Listing	Irish Stock Exchange
Liquidity	Daily
Share Class	A USD/GBP/EURO and B USD/GBP/EURO
Dividends	UK distributor status
Settlement Terms	T+3

	ISIN	Sedol
Sterling A Class	IE00B0PVD972	B0PVD97
Sterling B Class	IE00B0PVD05	B0PVD00
Hedged Sterling B Class	IE00B4N31J92	B4N31J9
Dollar A Class	IE00B0PVD897	B0PVD89
Dollar B Class	IE00B0PVD12	B0PVD11
Euro A Class	IE00B2NN6787	B2NN678
Euro B Class	IE00B2NN6894	B2NN689



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## Activity

**Top 5 Contributors:** M&T Bank Corp., Assurant Inc., Kraft Foods Inc., Merck & Co Inc., Dover Corp.

**Bottom 5 Contributors:** Total S.A., Harris Corp., Canadian Natural Resources Ltd., Norfolk Southern Corp., American Express Co.

After a barn burning rally during the latter of half of 2009, returns for January 2010 have been modestly negative. Our performance has been roughly in line with the benchmarks. More importantly, we have continued to execute a plan to reduce both business and valuation risks as market expectations and valuations have risen considerably over the last six months. Under the category of valuation risk, we have continued to reduce our exposure to specific industrials. This month, we sold our remaining position in Illinois Tool Works as we believe its valuation already discounts a return to near peak operating conditions. We also meaningfully reduced our position in Dover for similar reasons. Nevertheless, we still retain a solid position in Dover as its restructuring potential remains a latent benefit that most other industrials have already realized. In the wake of the Cadbury saga, we elected to sell our position in Kraft, as we believe that the integration risk is real and that this controversial merger decision may have implications for the reliability of Kraft's organic growth and internal restructuring efforts. The proceeds of these sales funded two new investments (Transocean and Northrop Grumman), and meaningful additions to existing positions such as: ACE, Chubb, Harsco, Johnson & Johnson, and Procter & Gamble.

Transocean is the world leader in deepwater rigs, a market that has secular growth aspects and one with less volatile pricing. New leadership, with solid experience and credentials, has taken the helm and could steer the company with a greater nod to shareholder value (e.g. a meaningful and regular dividend). Downside risk protection is provided by a stock price that is at or below replacement cost, long term contracts, and a double digit free cash flow yield. Northrop Grumman is a leading defense company with broad and important positions in aerospace, electronics, information systems, and shipbuilding. Expectations for the industry, and for Northrop specifically, are very low due to concerns over the size, profitability, and the future growth of the defense budget. A new CEO with sensible plans to emphasize Northrop's operating performance and productivity versus growth should be able to achieve better results over the next several years. Problems in the key shipyard business are well known, but will take time to fix. A low absolute valuation, minimal expectations, and a high free cash flow yield provide solid downside risk protection.

## The Fund Manager

**Richard M. Bernstein, CFA** is a Partner of Brown Advisory and the lead manager of the Equity Value Fund. Mr. Bernstein also manages equity and balanced portfolios for institutional and high net worth clients. He has over twenty years of investment industry experience. Prior to joining Brown Advisory, Mr. Bernstein was Vice President and Director of Research at Mercantile Safe Deposit & Trust Company where he was responsible for equity fund management and research. He served as President of the Baltimore Security Analysts Society in 1990 and 1991. Mr. Bernstein received his B.A. from Johns Hopkins University in 1979 and his M.A. from Johns Hopkins University in 1983.

## About Brown Advisory

Brown Advisory has its roots in Alex Brown & Sons, America's oldest investment banking firm, founded in 1800. In 1998 Brown Advisory separated from Alex Brown to create an independent organization better positioned to serve its clients' interests. Brown Advisory is now an independent firm with over 200 partners and employees entrusted with US\$17 billion. Client assets are invested across a range of in-house US strategies.

## Further Information

Brown Advisory US Equity Value Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorized in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2003 as amended).

*The Fund is available to:*

(a) "Investment professionals" (including persons whose ordinary activities involve them in participating in collective investment schemes and other Authorized Persons); and

(b) "High net worth entities" (including (i) a body corporate with more than 20 members (or which is a subsidiary of a parent with more than 20 members) if it has a called-up share capital or net assets of at least £500,000 and (ii) other bodies corporate if they have a called-up share capital or net assets of at least £5 million, and (iii) unincorporated associations or partnerships with net assets of at least £5 million).

*\*Estimated EPS Growth Rate is the forecasted growth rate of a company's earnings per share. Forward P/E ratio is determined by dividing the price of the stock by the company's forecasted earnings per share. The P/E-Growth ratio is the company's harmonic average P/E divided by the weighted average earnings growth rate. Market cap is the value of the fund as determined by the market price of its issued and outstanding stock.*

For investment enquiries, please contact:

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Brown Advisory is the trade name of Brown Investment Advisory & Trust Company and Brown Advisory Securities, L.L.C.