Brown ADVISORY
Thoughtful Investing.

2019 IMPACT REPORT

BROWN ADVISORY SUSTAINABLE BOND FUND

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Letter of Introduction from the Portfolio Managers

At Brown Advisory, we are deeply committed to sustainable investing, with the goal of helping clients generate attractive investment returns, align their investments with their values and make a positive impact on society with their capital. Our firm managed more than $6 billion* in client assets under various sustainable investment mandates for individuals, families and institutions, as of Dec. 31, 2019.

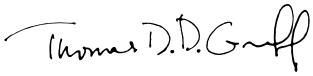
For a number of our sustainable investment strategies, we issue formal reports each year to keep clients informed about how those strategies are generating positive impact. Enclosed is our Impact Report for the Brown Advisory Sustainable Bond Fund. We seek to deliver attractive, risk-adjusted returns by incorporating environmental, social and governance (ESG) research that strengthens our bottom-up, credit-focused research while building a portfolio that aims to produce positive environmental and social impact.

This report includes a review of how we invest using innovative ESG and sustainability research, how we look for and identify impact across various fixed income sectors, and how the investments in our portfolio are creating positive environmental and social outcomes. We also discuss how we engage with issuers—sometimes for research and advocacy purposes, and other times in an advisory capacity with issuers seeking guidance on structuring their labeled bond offerings—as well as how we participate in the broader sustainable investing community.

We are pleased to report continued progress and advancement of our firm's sustainable investing platform in 2019. We expanded our ESG research team to five full-time analysts with the addition of Lisa Fillingame Abraham and Victoria Avara. As always, we thank our fundamental and ESG research teams, who work tirelessly to ensure that our investment decisions are informed by solid ESG data and clear viewpoints about how that data may affect a company's prospects. Additionally, we thank all of our colleagues across the firm for embracing sustainable investing principles so enthusiastically, and most importantly our clients for entrusting us with their capital.

We hope you find this report informative, and we welcome a continuing conversation with you about the work we are doing.

Sincerely,



Tom Graff, CFA
Portfolio Manager

Amy Hauter, CFA
Portfolio Manager

*Brown Advisory entities included are: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd. and Brown Advisory Trust Company of Delaware, LLC.

THE FUND'S INVESTMENT PHILOSOPHY AND PROCESS

Investment Philosophy & Research Approach

There is a growing belief that government and philanthropic sources of capital will likely fall far short of what is needed in the coming decades to solve the pressing social and environmental challenges of our time. Hence, many investors are increasingly eager to find ways to generate positive impact through their investments, motivated by not only a desire to align their investments with their values but also a pragmatic aspiration to make a tangible, measurable difference in society with their capital.

At Brown Advisory, we believe we can play a valuable role in helping our clients generate positive impact. In our security selection process, we integrate environmental/social/governance (ESG) research, fundamental credit research and careful examination of how bonds' proceeds will be used. This allows our clients to simultaneously pursue their long-term investment goals and their goals for driving meaningful changes in society.

We find that sustainable investing principles are especially well-suited for fixed income investing. From a performance standpoint, understanding downside risk is a primary goal of both ESG research and traditional credit research. Moreover, fixed income securities in similar sectors with similar durations and credit ratings tend to have a high return correlation—meaning that all else being equal, a labeled green bond, a labeled sustainability bond and a traditional bond offering minimal impact should produce the same financial results. And from an impact standpoint, bond issuers often offer investors a high degree of clarity regarding use of proceeds, so those investors can essentially lend money to an issuer and see with reasonable transparency what is being done with that money. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles, have further enhanced this transparency regarding use of proceeds.

Objectives & Investment Process

The Fund's return objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over a full market cycle. Our impact objective is not as easy to measure, but it is equally clear to us. **We seek to invest primarily in bonds that produce positive social and environmental impact through the specific use of the bond's proceeds as well as the general activities of the issuer.** Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our approach to sustainable investing can enhance our returns by steering us to responsible and forward-thinking issuers.

We conduct credit and ESG research within a single, unified due diligence process (see diagram on page 5), which ensures that impact and ESG considerations are a core part of our investment thesis. Our ESG research approach involves both quantitative and qualitative analysis, and is supported by a proprietary ESG rating framework we use to stratify issuer risk. When possible, our ESG research team incorporates third-party data into the analysis, though this remains just one component of the process. Because we often invest with fixed income issuers and asset classes that are not currently covered by ESG data providers, we rely heavily on our ESG research team's deep due diligence.

This process helps us identify bonds and issuers that are capitalizing on sustainable business opportunities, avoiding major ESG risks and managing those risks with prudence and focus. We have also found that this integrated approach has a positive influence on our investment decision-making. Our process gives us a better understanding of an issuer's ESG profile and its intended use of proceeds, and we believe this knowledge helps us allocate capital to bonds with a higher likelihood of producing desirable returns.

INTEGRATING FUNDAMENTAL AND SUSTAINABLE RESEARCH

Our investment process places equal emphasis on fundamental research and ESG research. When we are confident that a security meets and exceeds our requirements on both fronts, then and only then do we invest.

Issuer Analysis

- Investigate issuer and linked parties thoroughly
- Examine financial statements and related notes
- Review bond indentures and credit agreements

Financial Modeling

- Develop custom model for each issuer
- Emphasize worst-case scenarios
- Quantify free cash flow and its sustainability
- Develop upside targets, quantify downside risk

Macroeconomic Dynamics

- Understand competitive and economic factors
- Develop "through-the-cycle" analysis to test resiliency

ATTRACTIVE INVESTMENT

Proprietary ESG Assessment

- Analyze material ESG risk factors and issuers' ability to manage them
- Evaluate sustainable merits of issuers' operations and/or offerings
- Rate ESG risk and opportunity using proprietary framework

Engagement

- Probe quality and depth of sustainable initiatives
- Address controversies
- Assess intent and capability if issuer has attested to impactful use of proceeds

Use-of-Proceeds Assessment

- Evaluate proposed projects and analyze impact
- Review documentation for accuracy and compliance with ICMA Principles or other standards
- Examine issuer's track record of delivering on commitments in the past

PORTFOLIO-LEVEL IMPACT ANALYSIS: DIVERSIFICATION BY THEME, SOURCE AND SECTOR

A primary goal of the Fund is to provide a *diversified approach to impact.* We believe that this approach ensures balance across our portfolio and that the portfolio can deliver desired impact results to our shareholders, who collectively care about driving societal progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by impact themes illustrates the variety of issues and causes that our holdings are addressing through their use of proceeds and/or general business strategies and practices. As shown on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment, health and well-being, and economic development/social inclusion—each with several subcategories. (We also are invested in a small number of bonds that fund projects spanning many impact categories; we refer to these as "multisector" bonds.)

Categorizing each security's impact is not an exact science—our research is based on both objective data and subjective analysis, and many securities produce impact on multiple fronts.

DIVERSIFICATION BY IMPACT SOURCE

We also seek to diversify the Fund by "impact source"—by this, we mean the manner in which a given bond generates impact, whether from the projects funded by the bond's proceeds, the general activities of the issuer or a combination of both (see chart on page 8).

As we've discussed in this report, many of our bonds generate impact by deploying proceeds on specific social and environmental initiatives. A growing number of these bonds are being issued as "labeled" green, social or sustainability bonds, and follow the principles outlined formally by the ICMA that allow them to carry a clear label that attests to the bond's legitimacy and quality as an impact investment.

We also find through our research many bonds that aren't issued under the ICMA Principles but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabeled bonds as "targeted use of proceeds" bonds.

As of Dec. 31, 2019, 56% of the portfolio was invested in bonds—both labeled and unlabeled—whose proceeds are being deployed on projects and initiatives that produce positive environmental or social impacts.

The rest of the portfolio is primarily invested in bonds from "impactful issuers," or issuers that we believe are generating environmental or social impacts within their general operations or offerings.

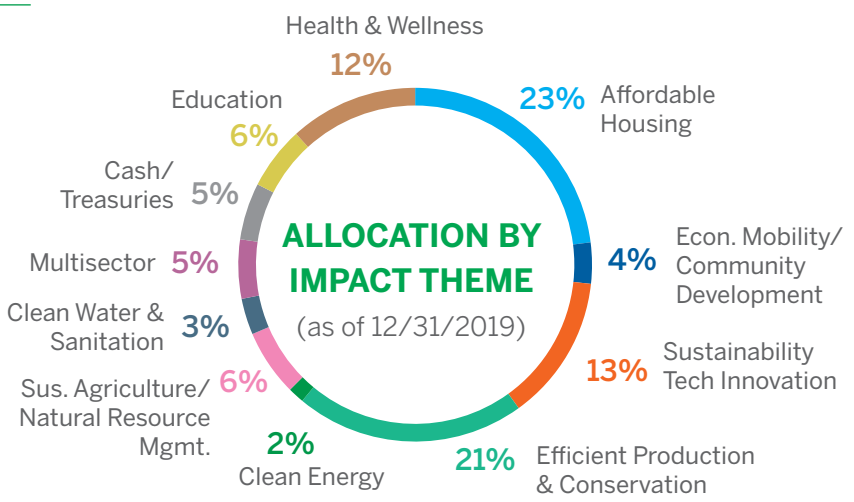
DIVERSIFICATION BY FIXED INCOME SECTOR

Finally, we seek to diversify the Fund's portfolio from a fundamental as well as an impact standpoint. As shown on page 9, we invest in a range of traditional fixed income sectors—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on our ongoing assessment of fixed income markets).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. The taxable municipal space alone offers a healthy mix of bonds that fund education, health care, clean energy, water, community development and other initiatives. Corporate bonds are being used more and more often to fund clean energy and green building projects, and the mortgage market is, in our view, an excellent source of bonds that support affordable housing. We are currently invested in a wide range of corporate bonds from companies we consider to be leaders in their industries with regard to ESG. In short, we find that our focus on general portfolio diversification naturally increases the range of issues and causes that the Fund addresses from an impact perspective.

DIVERSIFICATION BY IMPACT THEME

As of this report, the portfolio's investments are generating positive activity across the impact spectrum. While we do not target any particular impact mix, we have found ample opportunity in the areas of affordable housing, as well as investments that help to improve energy and resource efficiency.



EXPOSURE/IMPACT ON THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Our impact themes are broadly aligned with the U.N. Sustainable Development Goals. The mapping between our themes and the SDGs is depicted in the graphic to the right.

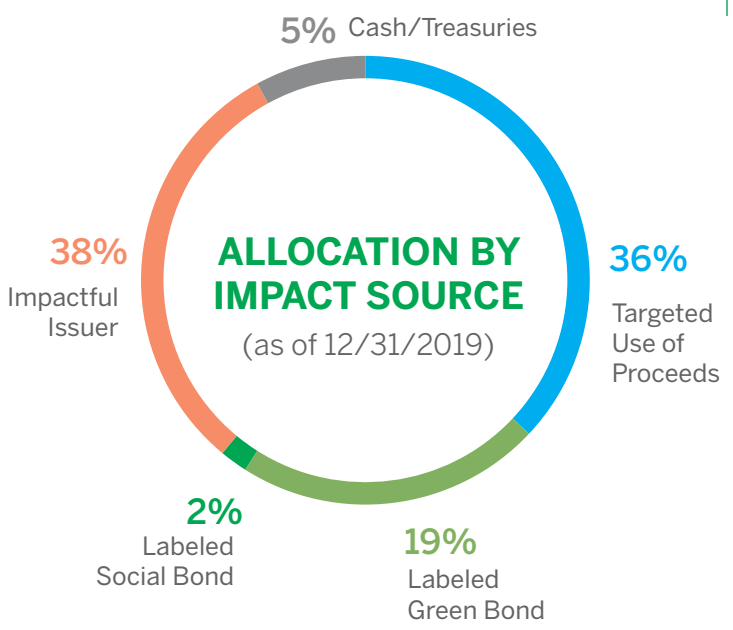
Source: U.S. Bank, Brown Advisory analysis. Numbers may not total to 100% due to rounding.

Economic Development & Social Inclusion	
Affordable housing	1 NO POVERTY; 11 SUSTAINABLE CITIES AND COMMUNITIES
Economic mobility & community development	1 NO POVERTY; 2 ZERO HUNGER; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Education	4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES
Diversity, inclusion, equality	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Health & Well-Being	
Health & wellness	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
Clean water & sanitation	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Environment	
Sustainable technology innovation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Efficient production & conservation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Clean energy	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
Sustainable agriculture/ natural resource management	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND

DIVERSIFICATION BY IMPACT SOURCE

The bonds in our portfolio generate impact in several different ways. Some create impact via the projects funded by those bonds, while others do so via the general conduct and activities of the issuer. As of Dec. 31, 2019, the portfolio's investments were fairly evenly split across these categories:

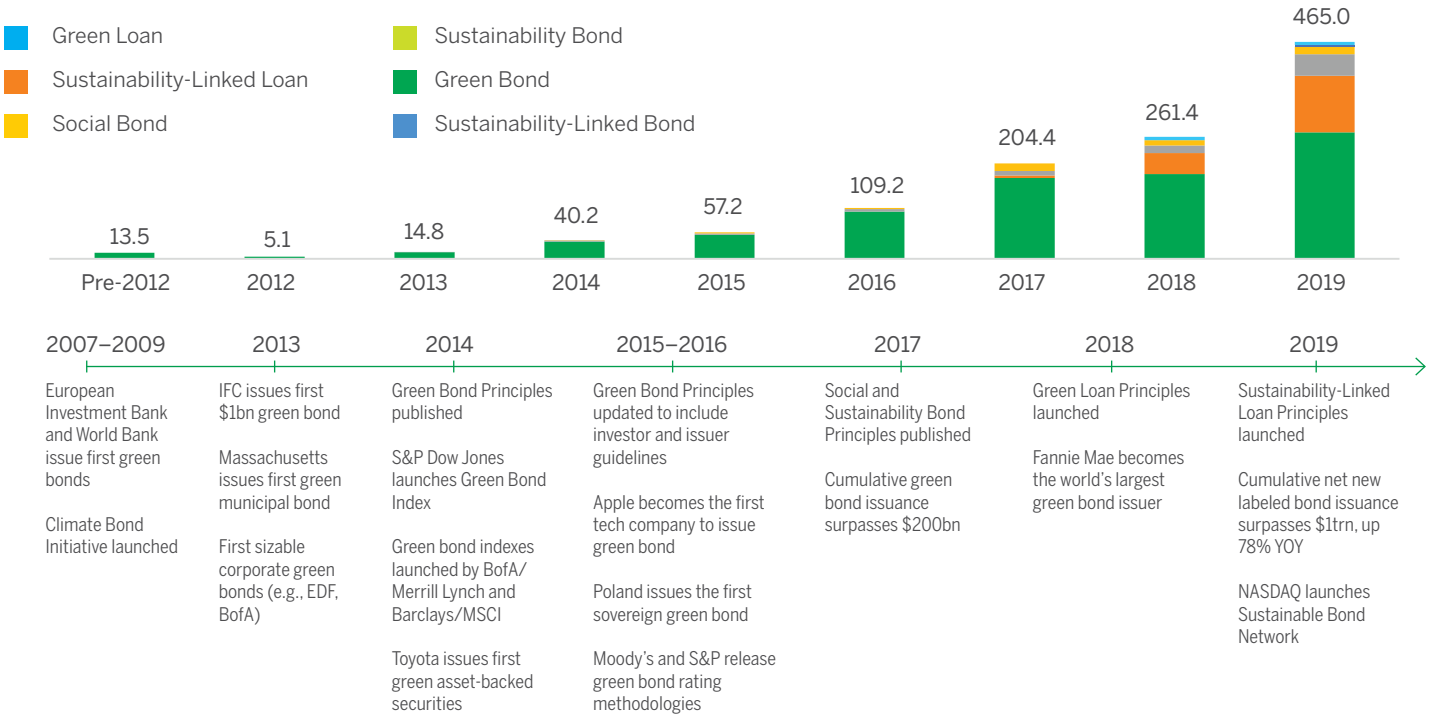
- Labeled green, social or sustainability bonds whose proceeds are funding specific environmental and/or social projects in adherence with the ICMA Principles
- "Targeted use of proceeds" bonds that are not officially labeled but are funding environmental or social projects that meet our criteria for investment
- Bonds from "impactful issuers" that we believe are generating environmental or social impacts through their products, services and business activities



Source: U.S. Bank, Brown Advisory analysis. Numbers may not total to 100% due to rounding.

A MATURING MARKET: THE EVOLUTION OF IMPACT BOND LABELING

Labeled green bonds have been around for more than a decade, and the market's growth has accelerated in recent years. As investor demand has grown, the market has evolved the concept of labeling to encompass a wider array of securities, from green bonds to sustainability and social bonds, and more recently to green loans and sustainability-linked loans.

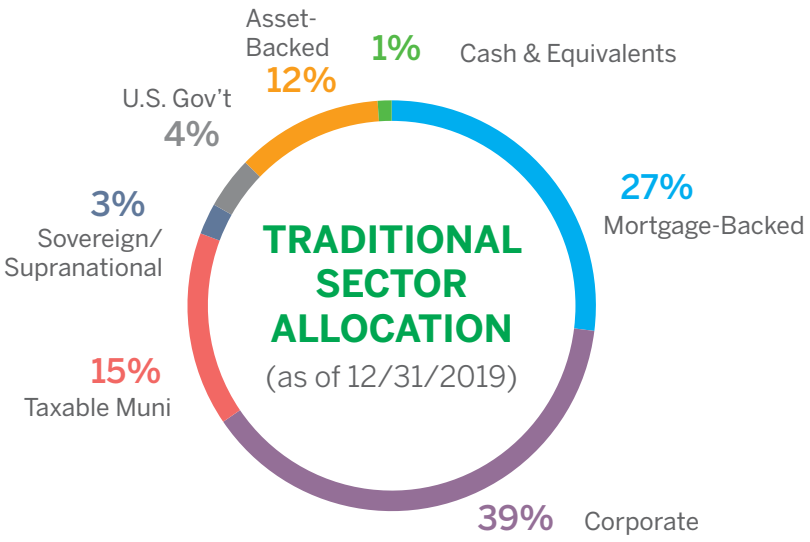


Source: Bloomberg New Energy Finance

DIVERSIFICATION BY FIXED INCOME SECTOR

We believe that a fundamentally diverse portfolio, spanning the full range of traditional bond sectors, naturally increases the range of issues and causes that the Fund targets. Taxable municipals offer a healthy mix of bonds that fund education, health care, clean energy, water, community development and other initiatives. Corporate bonds often fund clean energy and green building projects. We view the mortgage market as an excellent source of bonds that support affordable housing.

We increased our allocation to mortgage- and asset-backed securities in 2019; the securitized space offers a wide array of ideas that we deem attractive from both a return and impact perspective. We elaborate on these opportunities on page 13.



Corporate

We are invested in the bonds of a variety of impactful corporate issuers that have clear and well-documented commitments to sustainable strategies and practices.

We also hold corporate credits whose proceeds are used specifically to generate impact—these largely support clean energy and efficient production/conservation initiatives.

Mortgage-Backed Securities (MBS)

Government Mortgage-Backed: In the traditional agency-backed MBS sector, we are invested in bonds focused on lower-income homeowners and/or loans in targeted neighborhoods. These are often underwritten by state and local housing authorities.

These loans are pooled and sold in the same manner as other agency-guaranteed MBS. They have the same liquidity and safety as any other Fannie Mae or Freddie Mac-backed bond.

Commercial Mortgage-Backed (CMBS): Investments in the CMBS space include affordable multifamily housing projects as well as commercial buildings with strong sustainability profiles.

Asset-Backed Securities (ABS)

The ABS we hold are backed by collateral that provides, in our view, a positive environmental or social impact. We seek strong alignment of interests with all parties involved, with careful consideration of consumer protection.

Taxable Municipal

Among the growing volume of labeled municipal bonds supporting impactful projects in the U.S., some are issued as taxable instruments and are thus appropriate for the Fund.

Our taxable muni allocation is fairly diverse. As of Dec. 31, 2019, our largest holding clusters were public education bonds and bonds from public utilities supporting clean energy and clean water/sanitation initiatives.

Sovereign/Supranational

We are invested in several sovereign/supranational bonds that fund an assortment of socially and environmentally impactful projects.

U.S. Government

Most of our U.S. Treasury investments are simply held for diversification and liquidity purposes. These are the only holdings in the portfolio that don't offer specific social/environmental impact.

Source: U.S. Bank, Brown Advisory analysis. Sectors are based on Bloomberg's classification system. Numbers may not total to 100% due to rounding.

IMPACT CASE STUDIES FROM THE PORTFOLIO

Trimble

IMPACT SOURCE:	SECTOR:	IMPACT THEME:
Impactful Issuer	Corporate	Sustainable Tech Innovation

Trimble's technology solutions help its customers increase productivity and reduce environmental impact. It serves a variety of industry verticals, including agriculture, construction and transportation.

- ***Agriculture:*** Trimble's mapping and monitoring systems help farmers reduce inputs by 10–20%, and its precision irrigation solutions can reduce water usage by up to 30%.
- ***Construction:*** The company's solutions range from sustainable design software to a wearable hard hat device that provides holographic access to information. Broadly, its solutions can reduce fuel consumption by 30% on job sites and reduce resource-intensive rework activity by up to 50%.
- ***Transportation:*** Trimble's fleet management and remote monitoring solutions help its customers improve fuel efficiency by up to 20% and increase fleet utilization by 30% (increased utilization translates to fewer vehicles in operation).

Recent initiatives have sought to enhance Trimble's internal sustainability management, including its first carbon intensity report to CDP in 2018 and its in-progress effort to set and achieve concrete sustainability targets.

30%
20%
50%

Trimble's technology enables an estimated 30% reduction in agricultural water usage, 20% increase in fuel efficiency within the transportation sector, and up to 50% less rework and resulting waste from construction.

Digital Realty Trust

IMPACT SOURCE:	SECTOR:	IMPACT THEME:
Labeled Green Bond	Corporate	Efficient Production & Conservation

Digital Realty is a real estate investment trust, or REIT, that owns and operates a global portfolio of more than 200 data centers. Running data centers is among the most carbon-intensive activities of the software industry, and Digital Realty has committed substantially to delivering industry-leading energy and resource efficiency.

Digital Realty's current standard data centers are delivering power-usage effectiveness (or PUE, a measure of how much consumed energy goes directly to computing power vs. other uses) in line with industry leaders such as Google. More than one-quarter of its properties have earned green certifications from LEED and other entities; more than 60% of its facilities constructed in 2017 earned such certifications. Digital Realty has invested heavily in renewable energy. According to the EPA, the company was the 16th largest user of renewable energy in the U.S. in 2017, and more than 25% of its energy consumption came from renewable sources that year.

In 2015, Digital Reality became the first data center REIT to issue a green bond. The proceeds from the $500 million bond issue have been allocated to nine projects—a mix of green building projects and renewable energy investments in the U.S., U.K., Ireland and Australia.

184 MW

As of May 2018, Digital Realty had 184 megawatts of renewable wind and solar power projects under contract in the U.S. alone. Worldwide, the company sources more than 25% of its electricity from renewable generation.

Source: Brown Advisory research, Trimble and Digital Reality Trust. Sectors are based on Bloomberg's classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients.

Atlanta Development Authority

IMPACT SOURCE:	SECTOR:	IMPACT THEME:
Targeted Use of Proceeds	Taxable Municipal	Economic Mobility/ Community Development

Rebranded as Invest Atlanta in 2012, the Atlanta Development Authority (ADA) consists of several development and finance entities that foster job creation, neighborhood revitalization and overall economic growth in the city of Atlanta. The city is in the midst of a comprehensive strategic plan to fight homelessness, with ambitious goals to end chronic, youth and family homeless; the bond we hold (as of Dec. 31, 2019) was issued in 2017 as a part of that umbrella initiative.

The $26 million bond issue is supporting acquisition and rehabilitation of emergency shelters for 250 people, offering short-term bridge housing for those in need. Additionally, the bond is supporting development of more than 500 *permanent supportive housing units*—this housing model includes ongoing housing assistance and intensive support services to address trauma and other issues created by chronic homelessness.

Between 2017 and 2019, Atlanta's homeless population decreased by 10%. The total homeless population actually grew slightly between 2018 and 2019, but there was nonetheless a 3% decrease in unsheltered homelessness during that year, providing evidence that the investments in low-barrier and permanent supportive housing are having an impact.

10% Reduction

Between 2017 and 2019, the total estimated homeless population in Atlanta fell by 10%.

Lineage Logistics (2019 Securitization)

IMPACT SOURCE:	SECTOR:	IMPACT THEME:
Targeted Use of Proceeds	Mortgage-Backed	Efficient Production & Conservation

About 90% of the food Americans consume requires refrigeration at some point during transport, an incredibly energy-intensive process. In handling 40 billion pounds of food annually, Lineage Logistics expends as much energy per year as 50,000 U.S. households, so it has been working diligently to improve energy efficiency through technology innovation as well as improved operational effectiveness.

From 2014 to 2017, the company reduced its energy intensity by 34% by installing thousands of internet-connected temperature sensors in its warehouses, using artificial intelligence to regulate refrigeration throughout the day and implementing "densification" programs that have allowed Lineage to pack an extra 800,000 square feet of product into its 162 facilities. The company's efforts have generated more than $4 million in annual savings, and cut energy consumption by the equivalent of what 240,000 home refrigerators use per year.

The 2019 securitization in which we invested is backed by 64 of Lineage Logistics' temperature-controlled warehouse and distribution facilities.

240,000 Fridges

By reducing energy intensity by 34% between 2014 and 2017, Lineage Logistics cut its electricity consumption by the equivalent of what 240,000 home refrigerators use each year.

Source: Brown Advisory research, Atlanta Development Authority and Lineage Logistics. Sectors are based on Bloomberg's classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients.

SPOTLIGHT ON SECURITIZED ESG INVESTMENTS

Securitized bonds are not a sector that comes readily to mind when investors think of sustainable investing. However, the securitized sector—which includes government (MBS) and commercial (CMBS) mortgage-backed securities as well as asset-backed securities (ABS)—offers impact-oriented investors a number of interesting opportunities.

Our investments in this sector are generating impact in a wide variety of thematic areas, from affordable housing and community development to green building and energy efficiency.

Affordable Multifamily Housing

We are invested in both government-guaranteed and nonguaranteed multifamily housing projects that support housing with rents that are affordable for the majority of low- to middle-income households in a geographic area. Sometimes called "workforce housing," these projects allow teachers and other civil servants to live in the communities where they work. Freddie Mac in particular has also recently started highlighting the environmental attributes of these buildings.

Community Development Financial Institution ABS

We review a number of investments that provide capital to consumers struggling to access affordable and responsibly issued credit. Many lenders to lower-income borrowers are bad actors but are sometimes the only option for underserved communities. To date, we have only invested in ABS issued by Oportun, a certified community development financial institution (CDFI) that works with the U.S. Treasury and the state of California to provide inclusive, affordable financial services to underserved communities.

Targeted Single-Family MBS

State housing finance agencies (HFAs) help meet the affordable housing needs of their states' residents. The Community Reinvestment Act (CRA) ensures that banks serve the needs of low- and moderate-income neighborhoods in which they do business. Both programs are crucial to providing homeownership opportunities for millions of Americans. These bonds are typically bundled by government agencies and thus have robust liquidity and safety, and they fund loans with positive community impact.

Green MBS and CMBS

Fannie Mae is the largest issuer of green bonds under its Green Financing business. Properties accessing financing through this program must either possess a recognized Green Building Certification or demonstrate improvements aimed at reducing energy or water use. Owners receiving this form of financing also must report the property's annual Energy Star score to track energy performance over the life of the loan.

Equipment & Automotive ABS

A variety of ABS deploy funds on impactful projects, regardless of whether they are labeled bonds. For example, we invested in Hewlett Packard Enterprise's (HPE) equipment lease trust, a bond backed by leased IT infrastructure equipment. HPE Technology Renewal Centers refurbish or recycle the vast majority of HP equipment upon lease termination; under other circumstances, much of that equipment may have ended up in a landfill.

Single-Asset Mortgage Loans

These securities are backed by a variety of commercial real estate holdings, ranging from energy-efficient cold-storage warehouses to life sciences office buildings. The securities we own are backed by properties driving positive impact in areas such as affordable health care, rehabilitation, affordable housing, workforce housing, education/childcare, environmental sustainability and neighborhood revitalization.

ENGAGEMENT

Creditors and bondholders play a key role in the capital structure of corporations, and as investors we can make our voice heard. Unlike equity shareowners, who can vote their proxies and/or speak out at annual corporate meetings, we have no formal public engagement venue, so we emphasize engagement as a core component of our due diligence and investment process. We use engagement to communicate our thinking to issuers and gather information for our own investment decisions, and we find that many investors are open to discussions with investors from whom they will seek additional debt funding in the future.

Research & Advocacy Engagement

As part of our initial and ongoing due diligence efforts, we frequently engage issuers in discussions about the sustainability risks they face, how they are managing those risks and what we perceive as opportunities for them to improve their ESG profiles.

We have several goals with these discussions. First, we want to uncover new information—this is particularly important in our efforts to understand private-company issuers that have disclosed little or no public information. Second, we want to track progress that issuers may be making over time; we find these conversations to be revealing when we are looking at a company actively seeking an improved ESG reputation. Finally, we want to promote positive sustainability practices and ensure that issuers know that investors care about these issues.

Beyond short conversations with issuers that occur almost daily, we had 47 substantial engagements of this nature with issuers in 2019.

Engagement Example: Mauser Packaging Solutions

Background: This company was established in 2018 through a merger of four entities, with a stated goal of becoming a leader in sustainable packaging solutions throughout the complete packaging life cycle. As a private company, it had disclosed very little about its goals or plans to fulfill its ambitious sustainability mission.

Goal of Engagement: Better understand the business, its sustainability vision and its specific plans to achieve that vision.

Results: During discussions, Mauser revealed its plans to expand its reconditioning capabilities (in other words, redeployment of existing packaging vs. virgin manufacturing). A higher mix of reconditioned product would reduce raw material use and environmental impacts, and potentially act as a growth and profit driver going forward.

We are investors in Mauser's business and in its efforts to become more sustainable, and active ongoing engagement (we continue to track its progress through periodic discussions) helps us to hold it accountable to its goals.

Advisory Engagement

Our team has been an early and active participant in the green bond market during its formative years. Given our experience in evaluating new labeled bond issues, we are periodically approached by issuers who seek our feedback on how best to structure new impact-oriented deals.

We are always grateful for these opportunities; beyond the obvious gratitude we feel when our views are solicited, we see these situations as a chance to help promote the development of the sustainable fixed income market and to some extent help to shape the parameters of that market, from the disclosure of ESG risks to the methods used for impact reporting.

We had 10 engagements of this type in 2019.

Engagement Example: Federal Home Loan Mortgage Corp. (Freddie Mac)

Background: Freddie Mac's workforce housing deals create positive social impact by providing affordable housing options for teachers, firefighters and other public employees to live in the communities in which they work. It is also generating positive environmental impact through its Green Advantage program, and when it wanted to begin to highlight its environmental programs, it asked us to offer our feedback on its plans to issue its first green bond.

Goal of Engagement: Enhance our understanding of Freddie Mac's programs, and share our insights into the market for labeled green bonds and on Freddie Mac's options for bringing a new issue to market.

Results: Freddie Mac issued its first green CMBS deal in June 2019. Since then, we have continued our engagement, including an onsite meeting in December 2019, in an effort to grow its pipeline of sustainable investment offerings.

COLLABORATION/INDUSTRY CONTRIBUTION

Our work does not happen inside of a silo. We rely on support from and collaboration with a broad range of Brown Advisory colleagues and industry partners who help us build and manage our portfolio.

Our ESG research team develops and maintains ESG research and analysis spanning our firm's entire equity and fixed income coverage universe. Its members integrate and partner in various ways with the working groups and management teams that drive the investment decisions in individual Brown Advisory investment strategies. Their work is further informed by many other contributors, including collaborative work with our firm's fundamental research teams as well as input and insight from our Sustainable Investing Advisory Board. Our sustainable investing initiative is strongly supported by our CEO and senior executive staff, who are deeply engaged in driving sustainable principles throughout the firm's investment offerings.

We benefit greatly from our ability to participate in broader industry efforts sponsored by leading nonprofits, and we try to do our part to contribute our thinking back to the sustainable investing community.

Recent Articles:

Climate Change Reckoning for the Municipal Bond Market

Amy Hauter/Lisa Fillingame Abraham

Rising emphasis on climate risk for municipal issuers and ratings agencies

Sustainable Perspectives

Mick Dillon/Bertie Thomson

How sustainable principles contribute to decision-making in Brown Advisory's Global Leaders strategy

Sustainable Investing: Then vs. Now

Amy Hauter (published by FactSet®)

A look at how sustainable investment research and portfolio management has evolved in recent decades

Healthy Returns

Karina Funk/David Powell

Sustainable return drivers in health care equities

The Other 95%

Brigid Peterson

A mission-aligned investing framework for endowments and foundations

Highlighted Events/Speaking Engagements:

Ceres Conference 2019
Panel: *"Building Climate-Resilient Cities"*
Amy Hauter

Morningstar 28th Annual Investment Conference
Panel: *"Approaches to Sustainable Investing"*
Karina Funk

United Nations Sustainable Investing Conference
Panel: "*ESG Data in Fixed Income Investing"*
Amy Hauter

Green Bonds Americas Conference
Panel: *"Investing in Green, Social and Sustainability Bonds"*
Tom Graff

High Water Women Investing for Impact 2019
Panel: *"Avoiding Impact/ESG-Washing"*
Emily Dwyer

Rivel Investor Relations Consultant Conference
Panel: *"How Fundamental Analysts Use ESG"*
James Davie

Industry Initiatives/Memberships

Brown Advisory has been a signatory to the PRI (Principles for Responsible Investment) since 2014; PRI is a global network of investors representing more than $86 trillion as of June 30, 2019. Each year, PRI signatories complete a rigorous disclosure of sustainable investing practices; these disclosures, and the PRI organization's assessment of those disclosures, are widely followed by investment decision-makers around the world.

Our 2019 PRI Scorecard is provided at right. We are honored to have received "A" grades and pleased that we met or exceeded industry median scores in nearly every category. We are especially gratified to have received the highest attainable score in the Strategy and Governance category; we see this as a strong external validation of our firm's and our senior leadership's commitment to sustainable investing.

Our full 2019 PRI Transparency Report: www.unpri.org/signatory-directory/brown-advisory/978.article.

Module Name	Our 2019 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership Modules	
10. Listed Equity - Incorporation	A
11. Listed Equity - Active Ownership	B
12. Fixed Income - SSA	A
13. Fixed Income - Corporate Financial	A
14. Fixed Income - Corporate Non-Financial	A
15. Fixed Income - Securitized	A

Source: PRI. For assessment methodology visit www.unpri.org/signatories/about-pri-assessment.

Long-term signatory and supporter. Assisted in several 2019 CDP initiatives, including issuer workshops focused on labeled bond issuance, and a program seeking improved municipal disclosure of climate risks.

Early signatory to the ICMA-guided Green Bond Principles; ongoing contributor to the "Principles" framework, which now covers labeling for green, social and sustainability bonds.

(WISE: Women Investing for a Sustainable Economy)

Members of the Boston, NYC and Washington, D.C. chapters; hosted 3 WISE events in 2019.

Signatory to this five-year, investor-led initiative to persuade the world's largest corporate greenhouse gas emitters to take action on climate change.

Long-term member and supporter. Brown Advisory partner Steven Hoch sits on Ceres' President's Council.

Founding member. Brown Advisory partner Erika Pagel serves on steering committee.

Long-term member, supporter and event co-host/sponsor.

Long-term conference participant; advisor on conference agenda committee for several past conferences.

New member in 2019.

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Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information in the summary or statutory prospectus may be obtained by calling 1-800-540-6807 or visiting the Fund's website, www.brownadvisoryfunds.com. Please read the prospectus carefully before you invest.

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Diversification does not assure a profit, nor does it protect against a loss in a declining market. It is not possible to invest directly in an index. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Free cash flow is defined as the cash a company generates from operations and other activities, minus any cash outflows to support operations and maintain its capital assets.

As of December 31, 2019, the Fund's top ten holdings are as follows: United States Treasury Note/Bond, 1.63% Due 11/15/2022 (2.8% of portfolio); Northwell Healthcare Inc, 4.26% Due 11/01/2047 (2.1% of portfolio); Santa Clara Valley Water District, 3.82% Due 06/01/2039 (2.0% of portfolio); Bank of America Corp, 2.46% Due 10/22/2025 (2.0% of portfolio); California Health Facilities Financing Authority, 3.03% Due 06/01/2034 (1.9%); Oregon Health & Science University, 3.00% Due 07/01/2032 (1.8% of portfolio); Korea Development Bank/The, 2.77% Due 07/06/2022 (1.7% of portfolio); Conservation Fund A Nonprofit Corp/The, 3.47% Due 12/15/2029 (1.7% of portfolio); Keysight Technologies Inc, 4.60% Due 04/06/2027 (1.6% of portfolio); Marvell Technology Group Ltd, 4.88% Due 06/22/2028 (1.6% of portfolio).

The **Bloomberg Barclays US Aggregate Bond Index**, which until August 24, 2016 was called the Barclays Capital Aggregate Bond Index, and which until November 3, 2008 was called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Bloomberg L.P. since August 24, 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond index.