

Global Focus Strategy

INVESTMENT LETTER | September 2022



Global Focus Five Year Anniversary

Dear fellow investors, colleagues and friends,

I hope you are well and that you had an enjoyable summer. Amazingly the Global Focus strategy is now five years old, so first and foremost we wanted to thank you for all your support on our journey to date¹.

On 1st September 2017 we started with ten investments which we had increased to twelve by March 2018. True to our decade long investment horizon we still own nine out of the dozen companies in which we invested during our first year. As investors, we pride ourselves on 'inactivity' given our belief that there are a limited number of dominant business models that meet our 15% internal rate of return (IRR) threshold at any one time. Nevertheless, we firmly believe that equity markets are prone to bouts of inefficiency, in both directions, which we look to capitalise on for our investors. With this in mind, since inception we have welcomed five new companies into the fold and parted ways with four, leaving the strategy with eleven currently. We will touch on our companies in more depth shortly. Firstly, we wanted to provide an update on performance.

The strategy has generated an 11.0% annualised absolute return, net of fees, since inception². We think this compares favourably against the 7.9% annualised return for our stated benchmark, the MSCI World Index Net Return. At the risk of sounding petty, we would note that the strategy failed to meet our 15% underwriting target. Much of this is due to the pandemic and the recent sell-off – both of which we will touch on later. One could argue that relative outperformance serves as some consolation, but we must remind ourselves that our investors cannot spend relative performance.

The table below gives some insight into which of our investments have worked well and which have lagged. As you can see below, there is a fair amount of dispersion among the returns.

¹ Of course, five years is something of an artificial milestone with its *raison d'être* being that our mathematical system is based on fives and tens as humans have five fingers on each hand to count with. If three-toed sloths were the dominant species on the planet then perhaps a three- or six-year timeframe might be more appropriate.

² The Global Focus composite net of fees returned 11.0% annualised from 1st September 2017 to 31st August 2022

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Global Focus: Current Investments

From 1st September 2017 to 31st August 2022

Company Name	Market Position	Market Structure	Date Invested	Average Weight	Absolute Return (P.A.) %	Relative Return (P.A.) %
Microsoft	Enterprise software leader and cloud follower	Monopoly and oligopoly	1-Sep-2017	14.2%	30.1%	22.3%
Alphabet	Digital search leader	Monopoly	1-Sep-2017	10.5%	18.4%	10.6%
Visa	Global payment network leader	Duopoly	1-Sep-2017	10.0%	14.7%	6.9%
Safran	Narrowbody engine market leader	Duopoly	1-Sep-2017	9.1%	1.9%	-5.9%
Terminix	Pest control leader	Oligopoly	20-Feb-2022	8.5%	-1.0%	12.8%
Woodward	Niche aero engine part leader	Oligopoly	1-Sep-2017	7.3%	6.5%	-1.3%
Autodesk	Vertical AEC CAD software leader	Duopoly	22-Mar-2018	7.3%	10.1%	2.9%
Deutsche Boerse	Exchange and custody leader	Monopoly and duopoly	1-Sep-2017	6.7%	12.0%	4.2%
Intuit	Financial software leader	Monopoly and oligopoly	4-Mar-2022	6.4%	-6.8%	1.6%
CTS Eventim	European ticketing leader	Monopoly	1-Sep-2017	5.7%	4.8%	-3.0%
Wolters Kluwer	Niche publishing leader	Duopoly and oligopoly	2-Mar-2018	5.7%	18.7%	11.7%

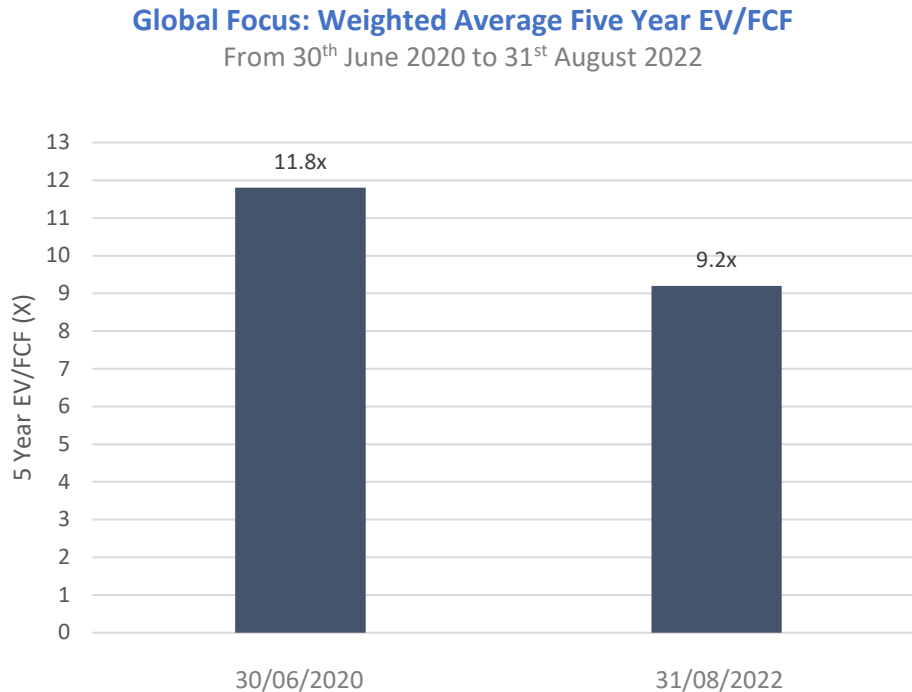
Source: Factset. Average weight, absolute and relative returns shown above are for each investment during the time it was held within the portfolio, from date invested to 31st August 2022. Information shown is based on a representative Global Focus account and provided as Supplemental Information.

As a gross generalisation, our technology-centric network effect businesses have generated the highest level of return – in keeping with their largely non-deferrable demand profiles and high levels of free cash flow per share growth over the last five years. Indeed, we have been pleasantly surprised with the operating performances of Microsoft, Wolters Kluwer, Alphabet and Visa. As another gross generalisation, the handful of companies that have been most impacted by the pandemic produced the lowest returns. We will touch on this trio later.

In spite of the recent sell-off, we remain excited about the latent value in the strategy and see five-year mid-teens or better internal rates of return (IRR) for the majority of our investments today. As you can see below, the five-year enterprise value to free cash flow (EV/FCF) multiple

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has materially contracted since the onset of the pandemic, due to price action and free cash flow growth. It is now at one of the lowest levels since we started tracking it. If we are vaguely correct on our long-term free cash flow estimates we believe our investors will be handsomely rewarded for waiting.



Source: Factset and Brown Advisory estimates. Information shown is based on a representative Global Focus account and provided as Supplemental Information.

I Really Wish I Could Freeze Time

At various points over the last five years we have questioned our approach to underwriting – not least in 2020 and 2021 – as investors became enamoured with nascent technology companies that promised great optionality tomorrow to compensate for a lack of free cash flow today. The concept of ‘unit economics’ captured the investment zeitgeist as a means of justifying investing in cash-burning companies. Like many things in investing we are naturally sceptical of old ideas dressed up in new-fangled clothing – unit economics is a derivative of one of the most foundational concepts in business analysis. Operating leverage is a measure of how much a company’s revenue growth translates into profit growth and is impacted by the level of fixed cost. Unit economics is the same idea but expressed as a unit of volume such as a food delivery order or an Uber ride. Whether expressed at the unit or aggregate level the importance of the

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cost blocks is the same. Below are a handful of popular new business concepts that have their roots in much older ideas. I am sure there are many more³.

New Business Concept	Old Business Concept
ESG	Stewardship
Buy-Now-Pay-Later	Installment Lending
Serviceable Addressable Market (SAM)	Company revenue pool
Unit Economics	Operating Leverage
Lifetime Value/Customer Acquisition Cost	Return on Marketing Spend
Enterprise Value-to-Sales (X)	Price-to-Sales (X)

As we look into the final quarter of the year I feel that 2022 has been more instructive than any CFA class on equity valuation. Rising inflation has resulted in central bank tightening – a phenomenon that many investors haven’t experienced. Interest rates are the benchmarks on which companies borrow money with the cost of debt being one of the key inputs in any weighted average cost of capital (WACC) calculation, which itself drives present value through the time value of money. Edward Chancellor makes the point in his recent book, *The Price of Time: The Real Story of Interest*, that natural interest rates should reflect society’s time preference and have a material impact on value:

‘Capital value and interest are inversely related: a high discount rate or ‘capitalisation rate’ produces a low capital value and vice versa. An anonymous pamphlet, published in 1621, claimed that ‘land and money are ever in balance against the other; and when money is dear, land is cheap and where land is cheap money is dear’⁴.

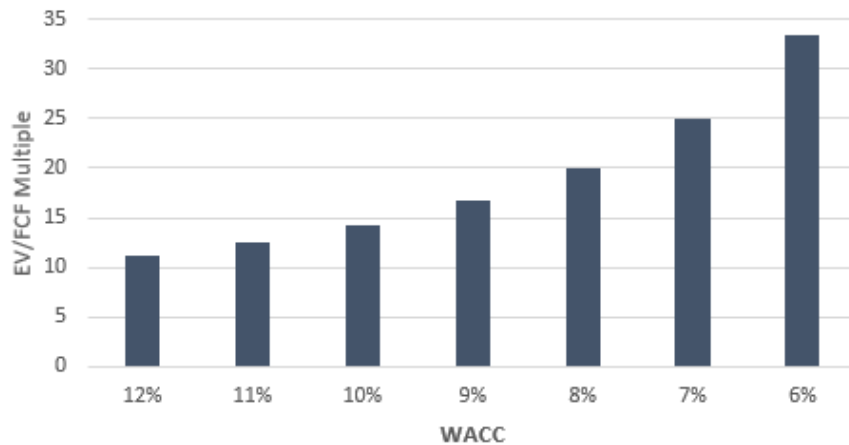
If interest rates are the price of time then, given historically low interest rates, time has been cheap for Global Focus’s first five years of existence. As you can see below, different costs of capital (WACC) can have a material impact on the fair value multiple that a company’s equity should trade on⁵. Just as in Chancellor’s example from 1621, the lower the cost of capital the higher the fair value multiple, conversely the higher the cost of capital the lower the fair value multiple.

³ Please let me know if any spring to mind! – bthomson@brownadvisory.com

⁴ Source: *The Price of Time: The Real Story of Interest* by Edward Chancellor.

⁵ Although we have used an EV/FCF multiple in our example the theory is the same for price-to-earnings (P/E) multiples.

Theoretical Fair Value EV/FCF Multiple for 3% Terminal Growth



Source: Brown Advisory estimates.

Despite occasionally feeling curmudgeonly we have stuck to our valuation knitting by using a 10% cost of capital⁶ which we feel is a fairer reflection of through cycle normality. Against this backdrop of rising interest rates, we still think 10% provides a margin of safety to our investors⁷. In a recent car journey my son surprised me by saying: ‘*I really wish I could freeze time*⁸’ which made me laugh. Although Max Thomson wasn’t pondering the finer points of equity valuation the reality is that by plugging abnormally low interest rates into a valuation model, either via unsustainably high multiples or flattering discounted cash flows (DCF), freezing time is exactly what some euphoric investors have done during the last couple of years⁹. The unfreezing process has been particularly violent for some in 2022. We will continue to review the price of time that we are using in our valuation framework to provide margin of safety for our investors and feel that the thawing effects of higher interest rates should continue to throw-up opportunities for long-sighted investors.

⁶ A 10% WACC and a 15% IRR hurdle-rate implies we typically look to buy companies at a discount to their net present value (NPV).

⁷ Our estimation is that most developed market investors are using approximately 8% cost of capital currently.

⁸ I later found out that Max’s desire to freeze time was in order to play pranks on his friends.

⁹ Chancellor makes the point that ‘*During manias, speculators are said to engage in ‘hyperbolic discounting’*’. Source: *The Price of Time* by Edward Chancellor.

Companies

Selling companies is never easy¹⁰ – it's even harder for the companies that we feel have the attributes that we are looking for in the Global Focus strategy. In our experience dominant business models with improving returns and mid-teens IRRs do not grow on trees. We have a number of behavioural rules that we believe help us make unemotional decisions about investments where we think the original thesis has shifted¹¹ or where we can allocate our clients' precious capital better elsewhere.

Global Focus: Exited Investments Since Inception

From 1st September 2017 to 31st August 2022

Company Name	Market Position	Market Structure	Date Invested	Date Exited	Average Weight	Absolute Return (P.A.) %	Relative Return (P.A.) %	Reason for Sale
Electronic Arts	Sports video game leader	Duopoly and oligopoly	1-Sep-2017	22-Sep-2021	4.8%	3.2%	-10.4%	Opportunity cost and lower probability of mobile success
Charter Communications	Local connectivity leader	Local monopoly	1-Sep-2017	22-Apr-2022	10.9%	5.9%	-4.6%	Competition and waning infrastructure advantage
Waste Connections	US solid waste leader	Monopoly and oligopoly	1-Sep-2017	27-Nov-2020	4.0%	15.6%	4.7%	Opportunity cost and declining IRR
Fair Isaac	US consumer credit score leader	Monopoly	4-Mar-2021	3-Nov-2021	6.8%	-11.1%	-31.0%	Regulatory risk

Source: Factset. Average weight, absolute and relative returns shown above are for each investment during the time it was held within the portfolio, from date invested to date exited. Information shown is based on a representative Global Focus account and provided as Supplemental Information.

With this in mind we sold Waste Connections and Electronic Arts largely for opportunity cost reasons. Our disposal of Fair Isaac, uncharacteristically after less than a year, was prompted by concerns about regulatory risk which we touched on in our [2021 Investment Review](#) and we will discuss Charter Communications later. Waste Connections is perhaps the only company we have sold that we wish still had the IRR that we require for our investors. The company operates loosely regulated local monopoly and oligopoly assets with route density benefits, pricing power,

¹⁰ Further evidence can be found in Akepanidaworn, Di Mascio, Imas and Schmidt's paper '*Selling Fast and Buying Slow: Heuristics and Trading Performance of Institutional Investors*'.

¹¹ The most powerful of these is our drawdown review rule that triggers when the share price of one of our companies falls 20% below purchase or underperforms by 20% over a rolling twelve-month basis.

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a history of adding value through bolt-on M&A and is run by a management team who we believe are fluent in the lingua franca of value creation – ROIC and free cash flow per share (FCFPS). We continue to keep an eye on Waste Connections and will wait patiently to see if the value stars align again.

The Temporary vs Permanent Puzzle

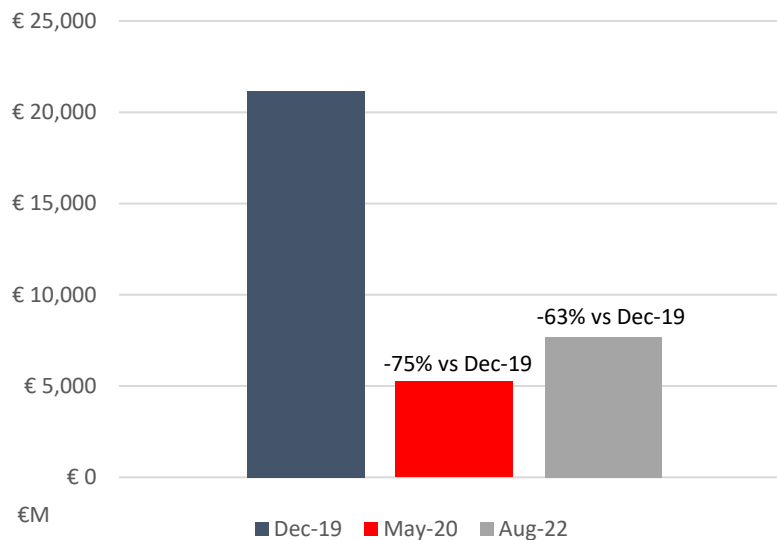
Differentiating between what is temporary and what is permanent is one of the hardest parts of being an investor. Human beings are averse to pain, place too much emphasis on the recent past (recency bias) and extrapolate current trends into the future in a linear fashion. Without doubt the hardest temporary vs permanent puzzle in Global Focus's five years of existence was the COVID-19 pandemic. Typically, we view demand side issues as being temporary and competitive (supply-side) disruption and regulation as more permanent. The pandemic was a different kettle of fish. Although we resisted the temptation to be armchair epidemiologists, we felt that the human desire to see and experience the world would be undiminished and create pent up demand when restrictions lifted. We just didn't know when. Calibrating our bull, base and bear free cash flow expectations is a Sisyphean task – it never ends. Below you can see our expectations for Safran's cumulative five-year free cash flow between 2020-24 since the pandemic took hold in 2020. Between December 2019 and May 2020, we conservatively cut our base case estimates for cumulative FCF by 75% and today our latest estimates are 63% lower than our December 2019 projection. Given Safran's razor-razorblade¹² business model we were confident that the majority of the reduction in free cash flow would not be lost forever, it is largely deferred, and should return at some point. We also felt that the impact on net present value, the present-day value of all future cash flows, was materially less than our 75% and 63% reductions in five-year cumulative cash flow – especially as the engines that Safran sells can last for up to twenty-five, not five, years and the company had multiple years' worth of sales in its new engine orderbook. This long-term reality didn't stop Safran's share price dropping 58% over a two-month period from February 2020. As always equity markets shoot first and ask questions second.

¹² The razor-razorblade model is a business model in which one good is sold at a discount or loss and a companion consumable good at a premium to generate profits.

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Brown Advisory Estimates: Safran Cumulative FCF 2020-2024

Date range: 2019-2022



Source: Brown Advisory estimates.

Looking back, we erred on the side of caution and so far, have been pleasantly surprised with the pace of recovery in air travel which drives the lucrative spare parts businesses for both Safran and Woodward. With winter approaching it is too early to declare that COVID-19 has been completely vanquished. Nevertheless, we wanted to update you on the operating performance of the three existing portfolio companies that were most impacted by the pandemic:

1. **Safran (11.5% NAV¹³)** – As mentioned, air travel continues to recover with narrowbody available seat kilometres at 81% of 2019 levels in the second quarter of 2022 (see below). Flight cycles for Safran’s key product, the CFM-56, were at 87% and flat relative to 2019 levels for Europe and the rest of the world ex-China respectively in the same period. Through the summer season, air travel has continued to recover with the latest traffic data in the U.S. flat and in Europe only marginally down relative to 2019. Narrowbody traffic, where Safran excels, has recovered faster. Ongoing travel restrictions in Asia mean that the region continues to lag the rest of the world with the all-important China domestic volume running at approximately 60% of 2019 levels at the end of August. Against this backdrop, Safran delivered some encouraging results for the second quarter and increased their expectations for 2022 helped by currency and defence prepayments.

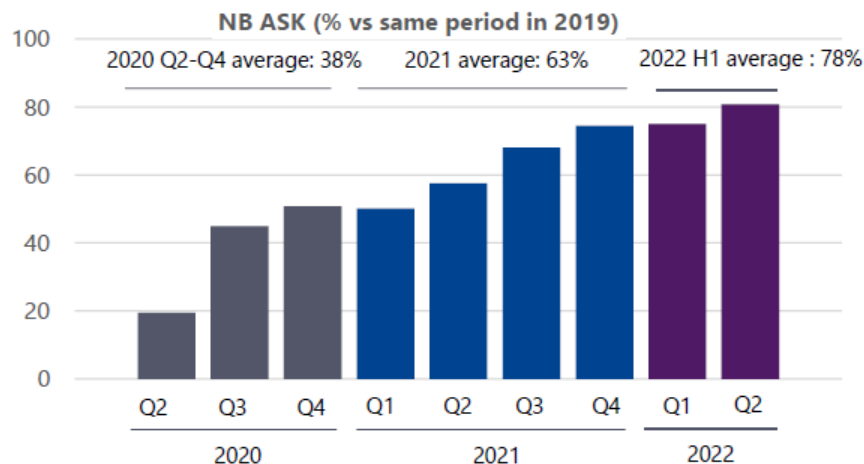
¹³ Source: Factset, as of 31st August 2022

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The company continues to navigate supply chain and cost inflation with the latter helped by robust pricing power in its lucrative spare parts business¹⁴. In addition to end market recovery we expect Safran to benefit from the dramatic weakness of the Euro year-to-date which should provide a tailwind to profits from 2026 due to the company's rolling hedging programme. Interestingly, this timeframe coincides with an aftermarket harvest period when we expect CFM56 engine shop visits to peak. We feel that this combination could easily push group margins above their 16-18% medium term target range by 2026. Longer term, we expect 4% global traffic growth to be supplemented by pricing and operating leverage to give double digit free cash flow growth for Safran shareholders. We expect this economic engine to deliver a 14% five-year IRR on what we feel are conservative estimates as the air travel recovery continues.¹⁵

Global Narrowbody Available Seat Kilometres (NB ASK)

As of 30th June 2022



Source: Safran company reports.

2. **CTS Eventim (6.4% NAV¹⁶)** – The COVID-19 pandemic created an earthquake for the live entertainment industry and CTS Eventim was at the epicentre with company revenue dropping by 82% in 2020. The management team's belief in balance sheet strength and government support prevented permanent capital destruction for equity investors. We

¹⁴ Our understanding is that Safran has increased spares prices by +6% in the recent past and plans to increase prices by a higher amount in the latter half of 2022.

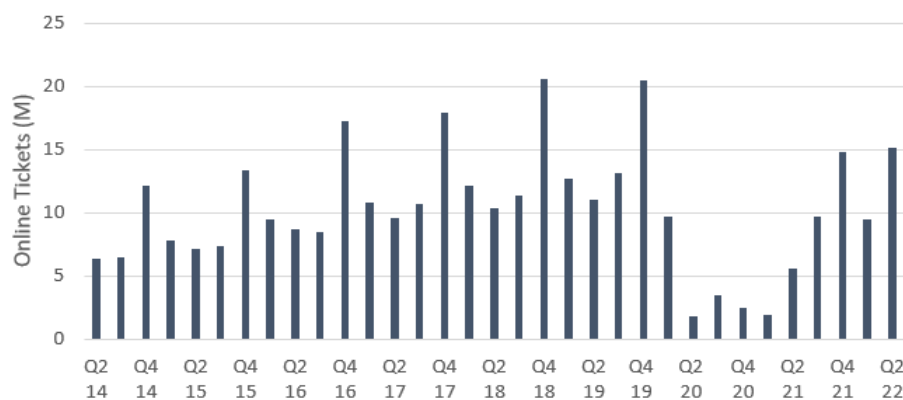
¹⁵ Company data included is sourced from Safran company reports.

¹⁶ Source: Factset, as of 31st August 2022

always felt that that live entertainment would be one of the last industries to recover but when it did we would see significant pent up demand. We expected heightened demand from fans due to the *'let out of jail'* phenomenon to be matched by a heightened supply of content as artists, who had been starved of the largest source of their pre-pandemic earnings, resumed touring. As with air travel we just didn't know when the recovery was going to take hold. With the recent release of CTS Eventim's second quarter results, there is clear evidence that this combination of resurgent demand and content supply is in full effect. The company reported online ticket volumes for the second quarter of 2022 that were 37% above the same period in 2019. The second quarter has historically been a lower sales period than the all important fourth quarter, as you can see below.

CTS Eventim: Online Ticket Volumes (Million)

As of 30th June 2022



Source: CTS Eventim company reports.

Elsewhere CTS Eventim's live entertainment business also reported record second quarter revenue buoyed by the return of the flagship Rock am Ring and Rock im Park festivals. The higher demand has been met with higher pricing as artists look to recoup lost earnings from the pandemic. US peer LiveNation reported 15% growth in ticket prices in the first half of 2022 and we estimate that CTS Eventim's ticket prices rose by a similar level – above the historic 3% annual price inflation. Against this backdrop we expect online ticket volumes to be higher than the 57 million they sold in 2019 this year with upside as we believe digital ticketing has grown as a percentage of total tickets sold. Like the growth of tap-to-pay in payments and the decline of cash, digital ticketing¹⁷ has

¹⁷ Digital tickets are materially more valuable for CTS Eventim than offline tickets.

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benefitted from the pandemic. Although there are looming economic clouds on the horizon in Europe from rising energy prices we view live entertainment as an affordable luxury – a form of escapism that is more resilient than other consumer products. This perspective is evidenced by CTS Eventim’s performance in 2008/09 when company revenue grew through the recession. We see a 15% base case 5-year IRR for CTS Eventim investors on conservative assumptions.¹⁸

3. **Woodward (5.1% NAV¹⁹)** – Aerospace and industrial parts specialist Woodward is benefiting from a similar end market recovery to Safran. The company reported 44% and 37% growth in civil aftermarket and civil original equipment sales respectively in their latest quarterly results. Unfortunately, after a robust operating performance during the pandemic, where due to cost control Woodward actually grew free cash flow in 2020 and 2021, supply chain and labour disruption mean that the company is finding ramping back up difficult. Accordingly, Woodward management expects 15% and 10% margins in the aerospace and industrial divisions for 2022, which are below their long-term targets of 20% and 16%, and they also reduced their expectations for full year free cash flow. Despite the recovery in air travel COVID-19 disruption continues to chastise the company. Longer term we still see the Woodward thesis that we presented at the [MOI Global Wide Moat Investing Summit](#) in 2021 to be intact. The company should benefit from a meaningful civil aerospace aftermarket harvest period from 2026 which is similar to the one we expect at Safran, albeit turbocharged by the increased content Woodward has on the newer A320NEO and 737MAX aircraft. We have engaged with new CEO Chip Blankenship on the pathway to delivering on the company’s long-term potential. We remain cautiously optimistic but we have reduced our Woodward position to reflect the likelihood of more supply chain induced turbulence near term. Lastly, we see the intellectual property and free cash flow potential at Woodward as being highly attractive to outside parties which provides added downside protection to the investment case.²⁰

Charter Communications: Monopoly Metamorphosis

Earlier this year we disposed of one of our original ten investments: Charter Communications (“Charter”). We were attracted to the company due to its owning local broadband monopolies with advantaged infrastructure in 65% of its U.S. footprint – a market where data consumption per household is expected to grow by >20% for the foreseeable future. We touched on the

¹⁸ Company data included is sourced from CTS Eventim company reports.

¹⁹ Source: Factset, as of 31st August 2022

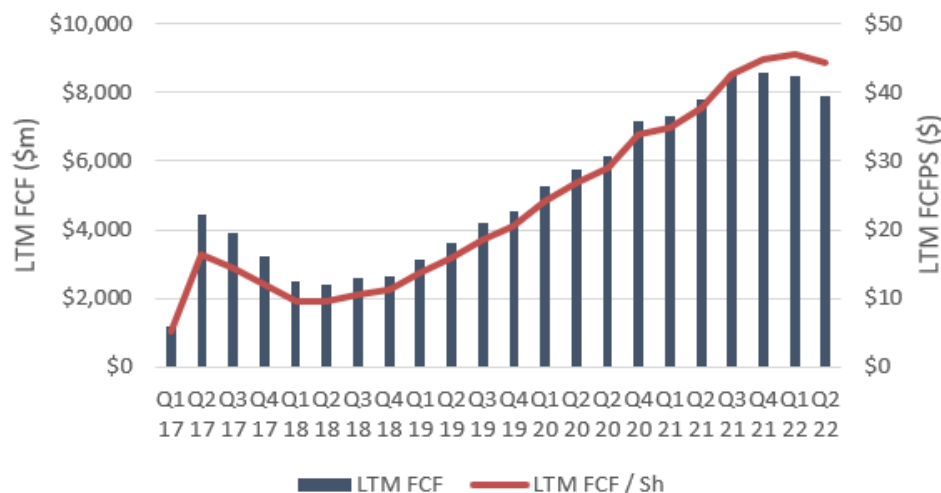
²⁰ Company data included is sourced from Woodward company reports.

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investment case in the [2021 Investment Review](#) and from an economic perspective the company continues to fire on all cylinders as you can see in the free cash flow per share chart below.

Charter: LTM FCF & FCF/Share

Q1 2017 to Q2 2022



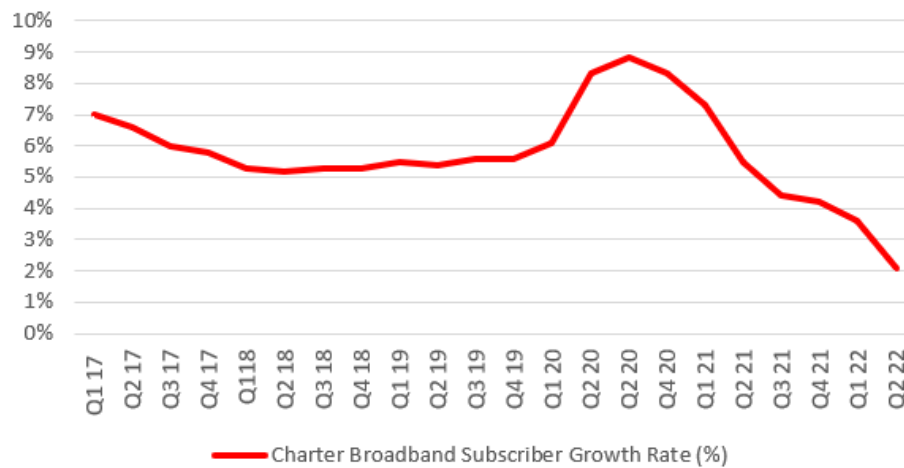
Source: Charter company reports.

The main reason we liquidated the investment in Charter was due to our concerns about the changing shape of some of its monopoly markets. Much ink has been spilt by cable observers on the technological drawbacks of fixed wireless access (FWA) broadband as a substitute for cable. The two main providers Verizon and T-Mobile now have 2.3 million FWA subscribers after having added 1.9 million in the last year alone. Verizon has a target of 4-5 million subscribers in 2025 and T-Mobile 7-8 million in 2025 which implies another 8.7-10.7 million subscribers by 2025 in a broadband market that has historically been growing by 2-3 million net subscribers a year. It's hard to refute the hypothesis that fixed wireless access, in combination with low move activity, isn't having an impact on Charter's broadband subscriber growth rate as you can see below.

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Charter: Broadband Subscriber Growth Rate (%)

Q1 2017 to Q2 2022



Source: Charter company reports.

Despite these near-term headwinds, we still view fixed wireless broadband access as an inferior technology and an inefficient use of Verizon and T-Mobile's spectrum. Our conversation with numerous fibre overbuilders gave us more longer-term concerns about the strength of Charter's moats in certain markets. A meeting with previously bankrupt Frontier Communications was particularly insightful. The company has come back from the dead and emerged from bankruptcy with a plan to convert 10 million of its 15 million, largely copper served, homes passed footprint to fibre by 2025. At the margin, we believe that fibre is a superior technology to cable's DOCSIS and Frontier are targeting 45% penetration of their homes passed with aggressive pricing and higher speeds. Superior technology, promotional pricing and improved customer service have seen Frontier's net promotor score (NPS) dramatically improve. Better products, better value and improving customer satisfaction are competitive red flags to us. As mentioned earlier, in our experience supply side disruption is normally permanent. Specifically, in the case of Frontier, we estimate that 60% of their 15 million homes passed footprint overlaps with Charter's 55 million broadband homes passed. Discussions with Frontier and other overbuilders lead us to the conclusion that a number of Charter's local monopolies are likely to turn into local duopolies and that long-term broadband growth could slow as the U.S. market becomes increasingly saturated. Our expectation is that Charter's infrastructure advantage will drop from 65% to <50% of their footprint over the next five years. As we have written about before, we still remain positive on the convergence opportunity with Charter's Spectrum Mobile service offering meaningful value to multi-line customers. Unfortunately, despite rapid growth, Charter's mobile business is small and currently generates only 5.5% of company revenue and is loss-making. We conducted a

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drawdown review of Charter towards the end of the first quarter of 2022 and started liquidating our investment. The important takeaway from our investment in Charter is about moat trajectory. We seek companies with a fortress of economic moats but crucially those moats need to be expanding to provide protection and a higher probability of value creation for our investors. As we hunt for more dominant business models, Charter serves as a reminder of the importance of expanding moats.²¹

Half-Time Oranges

Playing football growing up I vividly remember the half time team talk that was typically accompanied by a bag of oranges that had been cut into quarters. Five years is halfway towards our decade-long investment horizon and although it has been a good first half, and there are no orange quarters to accompany this letter!, I am excited about the outlook for the second half and beyond. This enthusiasm stems from:

1. Our investments in a selection of dominant business models that produce meaningful consumer surpluses for their customers and that we believe are protected by a fortress of economic moats.
2. The latent value within the portfolio with an 18% implied 5-year IRR and one of the lowest 5-year EV/FCF multiples since we started the strategy. We feel there is material embedded value for long-sighted investors that have the fortitude to wait.
3. Significant new investment opportunities – from salvage yard operators to medical tool manufacturers and integrated data providers, our ready-to-buy list is populated with a smorgasbord of dominant business models. Many of these companies are in the mid-cap space and we expect to get more opportunities if interest rate-induced share price weakness persists.
4. An outstanding team – we are lucky to work with an intellectually curious team of investors that are experts in their domains. They continue to ask tough questions on foundational topics such as willingness to pay and moat evolution.
5. Support from a unique firm – Brown Advisory's focus on investment excellence and long-term thinking allow us to focus on what really matters – reading, thinking and analysing dominant business models.
6. An energising network of current and prospective investors – over the last five years we have had so many brilliant conversations with investors that are interested in Global Focus and our investing journey. It has been a privilege to spend time with all of you.

²¹ Company data included is sourced from Charter company reports.

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Many thanks for your interest in the Global Focus strategy and I hope you share some of my enthusiasm for the future. As always please feel free to get in touch (globalfocus@brownadvisory.com) if you'd like to discuss the strategy, any of the companies or anything else. We look forward to updating you on our progress as Global Focus enters the second half of its first decade.

Best,

Bertie Thomson

Company	FY22 FCF/EV Yield	FY27 FCF EV/Yield	LT FCF Growth (2028-32)
Microsoft	4.4%	11.8%	11%
Visa	4.2%	9.1%	10%
Safran	5.5%	11.4%	8%
Deutsche Boerse	5.5%	12.8%	8%
Terminix	4.1%	8.9%	10%
Alphabet	6.0%	20.1%	10%
Intuit	2.9%	8.0%	14%
CTS Eventim	7.0%	12.4%	7%
Autodesk	2.8%	9.2%	10%
Woodward	7.6%	8.6%	8%
Wolters Kluwer	4.5%	7.2%	7%
Global Focus Median	4.5%	9.2%	10.0%
Global Focus Weighted Average	4.7%	10.9%	9.3%
Global Focus Weighted Average EV/FCF	21.3x	9.2x	

Source: Factset and Brown Advisory Estimates as of 31st August 2022. Information shown is based on a representative Global Focus account and provided as Supplemental Information.



Bertie Thomson, CFA
Portfolio Manager

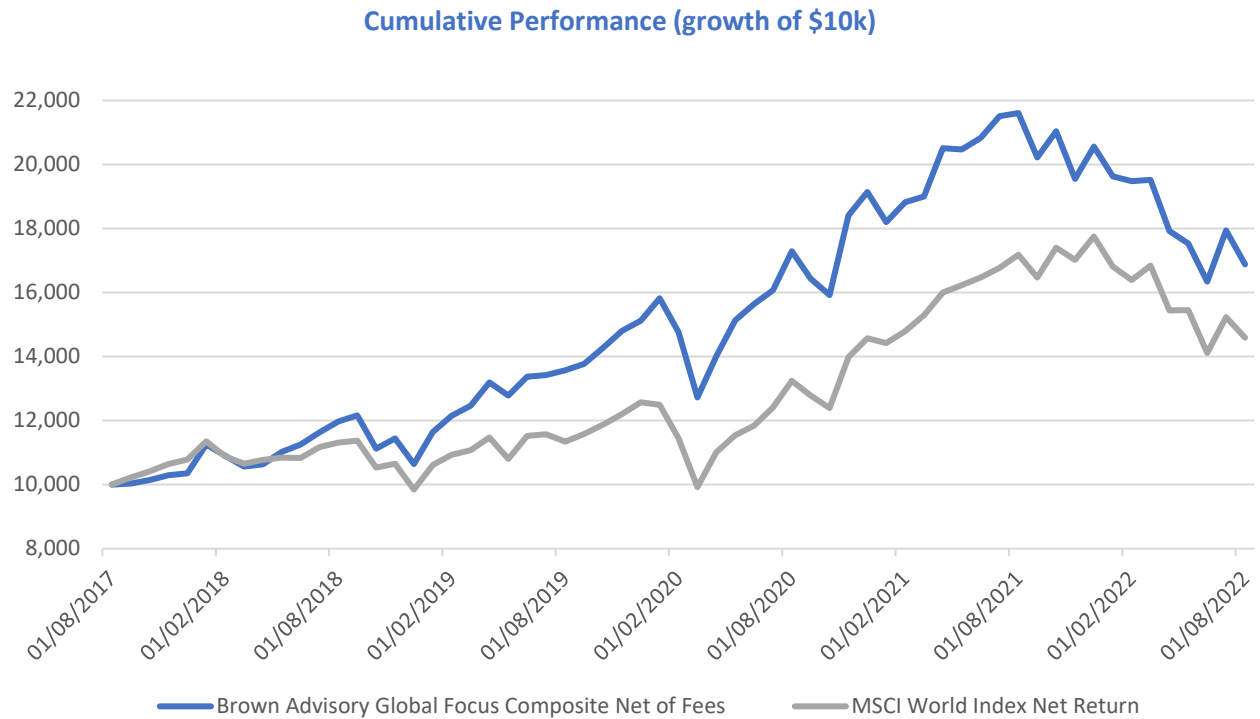


Mick Dillon, CFA
Portfolio Manager

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Performance Summary

Global Focus Composite, as of 31st August 2022



Source: Factset. Past performance is not indicative of future results and you may not get back the amount invested. Performance reflects the Brown Advisory Global Focus Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Please see the end of this letter for important disclosures and a GIPS compliant presentation.

Disclosures

Past performance may not be a reliable guide to future performance and investors may not get back the amount invested. All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned. If you are a private investor you should not act or rely on this document and should consult with your financial adviser.

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. 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. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

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The MSCI World Index captures large and mid-cap representation across 23 Developed Markets (DM) countries*. With 1,516 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. (*DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US.) All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.

An investor cannot invest directly into an index.

ROIC is a measure of determining a company's financial performance. It is calculated as NOPAT/IC; where NOPAT (net operating profit after tax) is $(EBIT + \text{Operating Leases Due 1-Yr}) \times (1 - \text{Cash Tax Rate})$ and IC (invested capital) is $\text{Total Debt} + \text{Total Equity} + \text{Total Unfunded Pension} + (\text{Operating Leases Due 1-Yr} \times 8) - \text{Excess Cash}$. ROIC calculations presented use LFY (last fiscal year) and exclude financial services.

The internal rate of return (IRR) is a measure of an investment's rate of return. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. It is also called the discounted cash flow rate of return.

Free cash flow (FCF) yield is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use LFY and exclude financial services.

Free cash flow represents the cash a company generates after cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital.

Free cash flow per share is a measure of a company's financial flexibility that is determined by dividing free cash flow by the total number of shares outstanding.

Enterprise Value to Free Cash Flow (FCF/EV) compares the total valuation of the company with its ability to generate cash flow. It is the inverse of the Free Cash Flow Yield.

Total return is the amount of value an investor earns from a security over a specific period, typically one year, when all distributions are reinvested.

Weighted average cost of capital (WACC) represents a firm's average after-tax cost of capital from all sources, including common stock, preferred stock, bonds, and other forms of debt. WACC is the average rate that a company expects to pay to finance its assets.

Absolute return is the return that an asset achieves over a specified period. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period.

Relative return is the return an asset achieves over a period of time compared to a benchmark. The relative return is the difference between the asset's return and the return of the benchmark. Relative return can also be known as alpha in the context of active portfolio management.

Global Focus Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)*	GIPS Firm Assets (\$USD Millions)*
2021	7.7	7.4	21.8	19.3	17.1	Five or fewer	N/A	143	79,715
2020	27.0	26.6	15.9	19.6	18.3	Five or fewer	N/A	32	59,683
2019	42.7	42.1	27.7	N/A	N/A	Five or fewer	N/A	12	42,426
2018	3.4	2.9	-8.7	N/A	N/A	Five or fewer	N/A	4	30,529
YTD 2017**	3.7	3.5	7.9	N/A	N/A	Five or fewer	N/A	2	33,155

**Return is for period September 1, 2017 through December 31, 2017

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2021. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

1. *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
2. The Global Focus Composite (the Composite) includes all discretionary portfolios invested in the Global Focus Strategy. The Global Focus Strategy seeks to invest in a small number of quality franchises the manager believes have the ability to materially improve their cash flows over the long-term. In choosing securities, the strategy seeks to invest in companies with one or more of the following characteristics: an entrenched competitive position, durable economic moats, and/or is priced at a discount to intrinsic value due to investor misconceptions. The minimum account market value required for inclusion in the Composite is \$500,000.
3. The Composite creation date is June 1, 2020. The Composite inception date is September 1, 2017.

4. The benchmark is the MSCI World Net Index. The MSCI World Net Index captures large and mid cap representation across Developed Markets (DM) countries. The Index covers approximately 85% of the free float-adjusted market capitalization in each country. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
5. As of September 1, 2022, the Composite benchmark was changed from the FTSE All-World Developed Index to the MSCI World Net Index. The change was applied retroactively from the Composite inception date. The Advisor determined that MSCI indices are more widely used for global products, and thereby provide more relevant data to shareholders and prospects as well as comparisons to competitors.
6. The composite dispersion presented is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
7. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule for separate accounts is as follows: 1.00% on all assets with a minimum account size of \$50 million. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
8. The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2017, December 31, 2018 and December 31, 2019 because 36 month returns for the Composite were not available (N/A).
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
11. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
12. Past performance does not indicate future results.
13. This piece is provided for informational purposes only and should not be construed as a research report, 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, including any mutual fund managed by Brown Advisory.
14. The following exhibit reflects the management fees, performance fees, and total expense ratios of the Brown Advisory Global Focus Onshore Fund, L.P. and Brown Advisory Global Focus Offshore Fund, LTD, which are included in the Composite, as of the most recent fiscal year end (December 31, 2021):

BROWN ADVISORY GLOBAL FOCUS ONSHORE FUND, L.P.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Series A	1.00%	0.00%	0.25%	N/A	N/A
Series B	0.60%	10.00%	0.25%	N/A	N/A
Series C	0.30%	20.00%	0.25%	N/A	N/A
Series F	0.50%	0.00%	0.25%	0.74%	N/A
Series Z	0.00%	0.00%	0.25%	0.23%	0.38%
BROWN ADVISORY GLOBAL FOCUS OFFSHORE FUND, LTD.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Class A	1.00%	0.00%	0.25%	1.03%	N/A
Class B	0.60%	10.00%	0.25%	N/A	N/A
Class C	0.30%	20.00%	0.25%	N/A	N/A
Class Z	0.00%	0.00%	0.25%	0.22%	0.25%
Class F	0.50%	0.00%	0.25%	0.73%	0.76%
Class FD	0.50%	0.00%	0.15%	N/A	N/A
Class FDE	0.50%	0.00%	0.15%	0.22%	N/A