

SUSTAINABLE SMALL-CAP CORE STRATEGY

Reporting on the impact of our investment decisions
2022

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

Brown Advisory has made a deep commitment to sustainable investing across a wide range of its equity and fixed income strategies. We firmly believe that there does not have to be a trade-off between strong performance and investments that seek to address society's environmental and social challenges.

This report for our Sustainable Small-Cap Core Strategy includes a review of our sustainable investment research and integration approach and examines how we use this to identify compelling long-term investments. We also discuss the positive environmental and social outcomes being created by our portfolio companies, and report on our engagement and proxy voting activity during the year.

We are pleased to report continued progress and advancement of our sustainable investment initiatives at the firm, particularly our work to develop new investment strategies for our clients. Most recently, we have brought together Brown Advisory's expertise in large-cap, value and sustainable investing to launch the Brown Advisory Large-Cap Sustainable Value strategy.

Further, we have continued to build our team and expertise internally, further integrating fundamental and sustainable investment analysis by adding several new research analysts across our equity and fixed income research teams that act as industry-sector specialists.

We thank our research team for its contribution to this report and our work in general. The team works tirelessly to ensure that our investment decisions are informed by solid data and clear insights about how that data may affect a company's prospects. We also thank our fundamental equity research colleagues and all of our colleagues across the firm for embracing sustainable investing principles so enthusiastically. Most importantly, we are deeply grateful to our clients, who trust us as stewards of their capital and serve as our partners as we learn, innovate and improve over time.

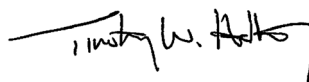
The year in review was filled with both sustainability hurdles and progress forward. Natural disasters that occurred in 2022 were among the costliest on record. Global conflict has impacted energy and commodity access and affordability. Mixed progress was made at COP27. Despite these events, we are encouraged by the passage of the historic Inflation Reduction Act, which we believe could provide opportunities for many companies of interest to the Sustainable Small-Cap Core Strategy.

We hope you find this report informative, and we welcome an ongoing conversation with you about our work and continuing evolution as investors.

Sincerely,



Emily Dwyer
Portfolio Manager



Tim Hathaway, CFA
Portfolio Manager;
CIO and Co-Head of U.S. Institutional Business

THE SUSTAINABLE SMALL-CAP CORE TEAM



Emily Dwyer
Portfolio Manager



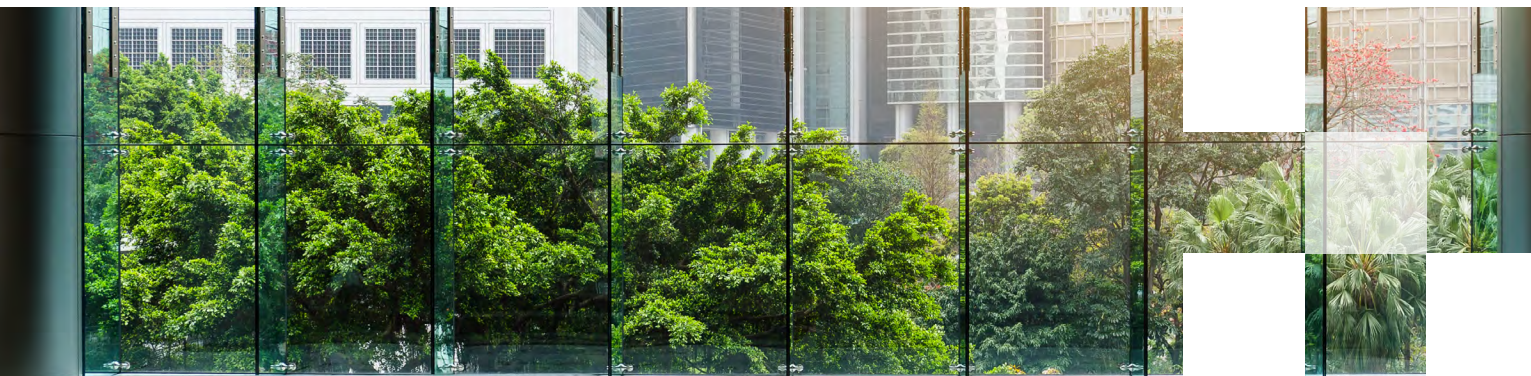
Tim Hathaway, CFA
*Portfolio Manager, CIO and Co-Head
of U.S. Institutional Business*

This strategy is supported by a collaborative team of experienced research analysts and equity portfolio managers.

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THE STRATEGY'S INVESTMENT PHILOSOPHY AND PROCESS



INVESTMENT PHILOSOPHY & RESEARCH APPROACH

The purpose of this report is to talk about the positive environmental and social outcomes being generated by our portfolio companies. Sustainable research is wholly integrated with fundamental due diligence in our process, and we believe this approach gives us an informational edge that helps us identify compelling investment opportunities. This is especially true in the small-cap segment, where sustainability data on companies is often lacking and primary research is critical.

Our portfolio companies are selected on their investment merits—including the sustainable drivers that we believe propel their business models—and they also generate positive social and environmental outcomes in many cases through their responsible business practices, the examples they set for their peers and the positive outcomes that result from their business activities.

Our firm and this strategy's investment team have many years of experience investing in small-cap stocks and integrating sustainable investment considerations, all of which is invaluable in supporting our research-intensive approach.

OBJECTIVES & INVESTMENT PROCESS

Our objective is to outperform the Russell 2000® Index over a full market cycle. To pursue this goal, we combine our firm's small-cap and sustainable investment research methods within an integrated research process.

The process seeks out companies with: 1) fundamental business strengths, 2) compelling valuations, and 3) what we refer to as **sustainable drivers**, defined as sustainability characteristics or strategies that drive meaningful results for the company in terms of revenue, profit, market share or other key financial metrics. Our analysts are organized by sector, with specialists focusing on sustainable investment risks and opportunities within their respective sectors. The overall process involves several individuals on our research team looking at a company from their unique perspectives and then combining their views to offer a comprehensive evaluation. In this way, our deep integration of sustainability related investment risks and opportunities is simply an expansion of our bottom-up approach to investing.

OUR RESEARCH APPROACH: FINDING SYNERGY BETWEEN SUSTAINABLE INVESTMENT AND FUNDAMENTAL RESEARCH

Sampling of Criteria That May Be Considered During Research:



SELECTION CRITERIA

- Attractive fundamentals and valuation profile
- Strong or improving sustainable drivers
- Appropriate risk management systems in place

SOURCES

- Company filings and reports
- Interviews with management
- Interviews with suppliers, customers and industry experts
- Public/private databases, business publications, opinion leaders
- Brown Advisory's network

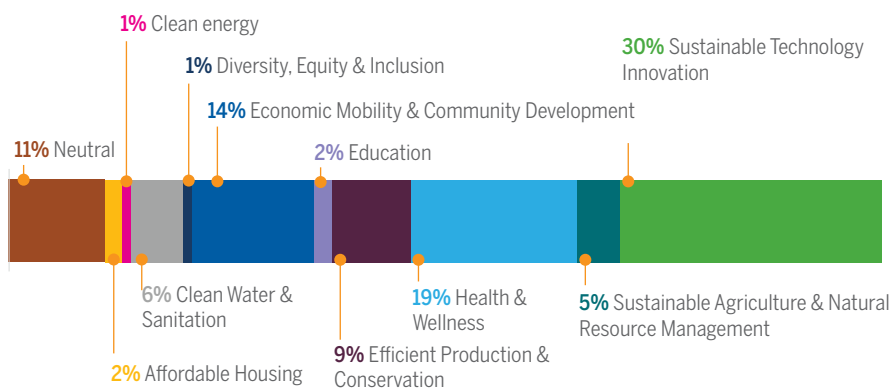
IMPACT REVIEW: THEMATIC DIVERSIFICATION

While our focus is on the long-term performance of our strategy, the investment process supports favorable social and environmental outcomes. Our analysts assign impact themes to describe these outcomes. We categorize our holdings according to a series of impact themes to illustrate the variety of challenges and opportunities that our portfolio seeks to address. We do not target any particular impact mix, and we have found ample opportunity to invest in companies that address a wide range of social and environmental issues.

These themes align well with the U.N. Sustainable Development Goals (SDGs), a widely used framework for categorizing impact. Our impact themes are broadly aligned with these SDGs, but our categorization helps us better distinguish between different kinds of impact (for example, companies within four of our thematic categories are, in our view, positively impacting SDG 13, “Climate Action”).

IMPACT THEME ANALYSIS

Sustainable Small-Cap Core Holdings as of Dec. 31, 2022



Source: Brown Advisory analysis. Numbers may not total 100% due to rounding. Impact theme information is based on a Brown Advisory Sustainable Small-Cap Core representative account as of Dec. 31, 2022.

Case Study: *Cable One, Inc.*

IMPACT THEME: Economic Mobility & Community Development

PRIMARY SDGs:



The U.S. Federal Communications Commission conservatively estimates that approximately 19 million Americans (~6% of the population) lack access to fixed broadband service at acceptable speeds. This digital divide disproportionately impacts rural and lower-income populations, including households, hospitals, schools, small businesses and other important community buildings. As a leading rural broadband communications provider, Cable One helps to level the playing field for many markets

where access to quality broadband is often lacking. In fact, over two thirds of Cable One's footprint represent geographies that lack other high-speed data providers, and thus, Cable One is not only bringing broadband access to these historically unserved/underserved rural markets, but also high-quality broadband access that did not otherwise exist.

Case Study: *Karuna Therapeutics*

EMERGING IMPACT THEME: Health and Wellness

PRIMARY SDGs:



Karuna is a clinical-stage biopharmaceutical company; we believe that Karuna's phase three schizophrenia drug, KarXT, has a high likelihood of success and could alter the treatment paradigm for this disease that affects nearly three million Americans. Individuals with schizophrenia have an increased risk of premature mortality, and direct and indirect financial costs associated with schizophrenia are disproportionately high relative to other chronic mental and physical health conditions; yet, a very small

percentage of the patient population is considered “well controlled” given a lack of effective therapies. Because KarXT has not yet received regulatory approval, and thus, has not been commercialized, we take a conservative approach and do not assign an impact theme at this stage in the company's lifecycle; however, we believe the company's future impact on this patient population through reduced mortality and improved quality of life has the potential to be significant.

Source: Brown Advisory research, Cable One, Inc. and Karuna Therapeutics. 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. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account as of December 31, 2022.

Case Study: *Power Integrations, Inc.*

IMPACT THEME: Sustainable Technology Innovation

PRIMARY SDGs:

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



Power Integrations is a power semiconductor company with a long heritage in silicon-based charging and power conversion. The company is expanding its capabilities with Gallium Nitride power technology, also known as GaN, which is opening new markets and gaining significant adoption due to its ability to charge devices faster and convert power more efficiently, all with better thermal characteristics compared to competing technologies. These GaN-based solutions are uniquely capable of meeting stringent energy efficiency mandates, and this focus on energy efficiency isn't new—this is something the company has been focused on for over

20 years. We think Power Integrations is well positioned to address secular themes such as rapid charging, energy efficiency, and electrification across both consumer and industrial markets. For example, each year, Power Integration's EcoSmart technology saves enough electricity to power more than a million and a half homes, and their GaN technology will help to save even more power in the future as it replaces older silicon technologies. Additionally, the company's gate-drivers are used in solar and wind power generation and transmission, enabling faster and more efficient adoption.

Case Study: *Zurn Elkay Water Solutions Corporation*

IMPACT THEME: Clean Water & Sanitation

PRIMARY SDGs:

3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Zurn Elkay Water Solutions, an under-appreciated water asset that was recently spun out of Rexnord, is a stand-alone pure-play water management business whose products and services improve access to clean water and enhance the efficiency of water systems. Zurn Elkay has meaningful exposure to secular drivers of climate change, water scarcity and hygiene. The company designs its products for ease of installation, reduced weight (making products easier to transport), and offers products that aid in building water control (valves, sensors, etc.) that help with monitoring, managing, and reducing water consumption and improving water safety (e.g., backflow preventers). Sustainable solutions are at the heart of Zurn Elkay, with the company estimating that the

majority of revenues were generated from products with sustainable attributes, such as water efficiency, in 2022. For example, it is estimated that over 10 million American children go to schools where lead is likely to be found in drinking water. Many school administrators have turned to the company's filtered bottle-filling stations and filtered faucets to put safer, healthier water in schools and reduce the harmful exposure to lead. Zurn Elkay also has a number of products that improve water efficiency, resulting in 32 billion gallons of water saved in 2022 and avoiding the use of an estimated 67 billion single use plastic water bottles since 2012.

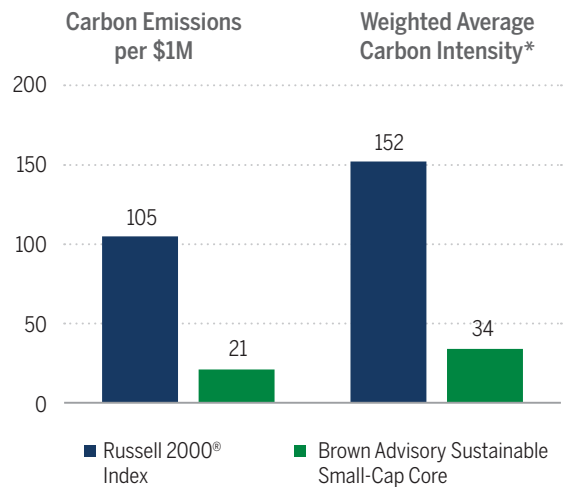
Source: Brown Advisory research, Power Integrations, Inc. and Zurn Elkay Water Solutions Corporation. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make 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. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account as of December 31, 2023.

IMPACT REVIEW: CARBON AND CLIMATE

As noted throughout this report, our investment approach is fundamentally driven; we do not seek to meet a set of top-down screens or quantitative targets. That being said, the investment process historically has led to a portfolio with minimal exposure to many practices and business activities that are common targets of social and environmental screens. Notably, it has also **led to a portfolio characterized by lower carbon emissions than its benchmark** (see below).

CARBON EMISSIONS DATA

Sustainable Small-Cap Core Holdings as of Dec. 31, 2022



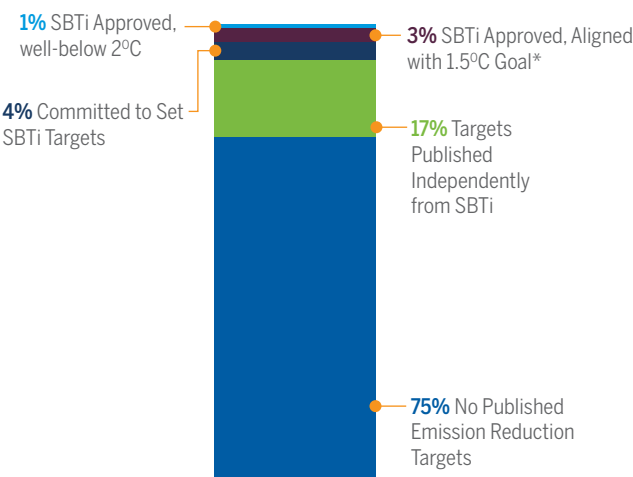
Source: MSCI ESG Manager. *Tons CO₂e/\$M revenue of portfolio holdings, adjusted based on relative weighting of each holding. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account.

To ensure financially material climate risks are managed over time, the strategy seeks to encourage companies to adopt long-term solutions to reduce their emissions.

Science-based targets, which commit companies to reduce their emissions over time in line with the Paris Agreement, have been gaining traction. While adoption was initially most prominent among larger companies, we have been encouraged to see an uptick in commitments from smaller companies. In 2022, a number of companies in our portfolio set their first emissions reduction targets, generally doing so independently of the Science Based Targets initiative (SBTi). We are pleased to see that holdings with no published targets decreased by roughly 11 percentage points during the year.

ADOPTION OF SCIENCE-BASED TARGETS

Sustainable Small-Cap Core Holdings as of Dec. 31, 2022



Source: MSCI ESG Manager. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account.



ENGAGEMENT

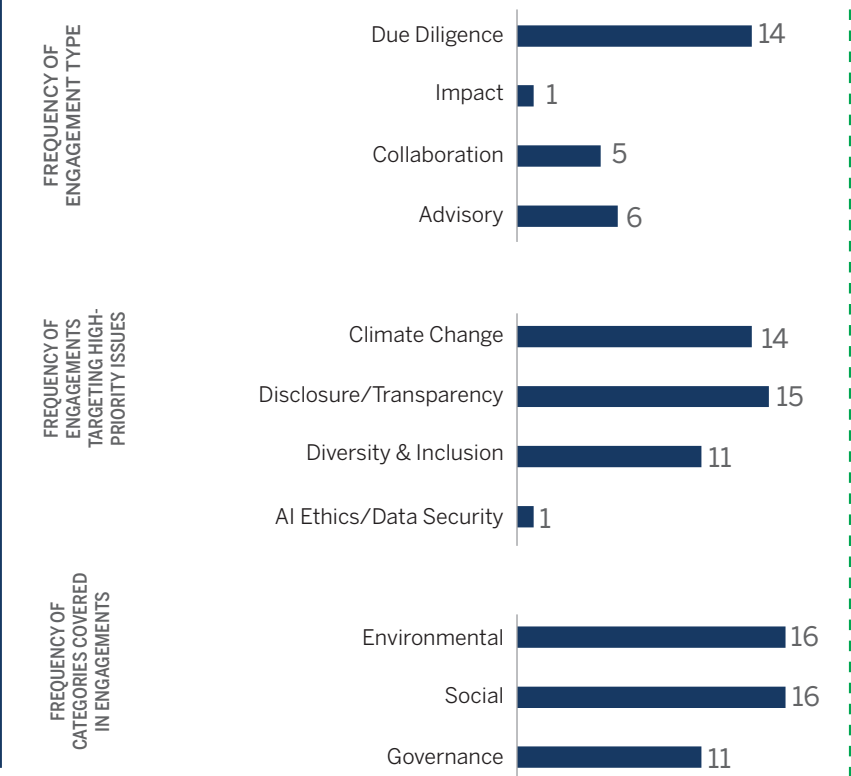
Engagement is an important element of our work. We engage with various portfolio companies and their various stakeholders; sometimes, our goal is to support the investment due diligence, while other times, our goal is to encourage action that we believe will enhance the company's performance or reduce risk.

We made progress in 2022 on several fronts related to engagement. We started or continued partnerships with a number of engagement initiatives that focus on topics we believe to be material to the companies in the portfolio. For example, we continued our partnership with CDP's Non-Disclosure Campaign, encouraging certain companies to enhance their disclosure on environmental risks and opportunities. Our research analysts continue to enhance the due diligence process by participating in various industry working groups such as those hosted by Ceres, UN PRI and FAIRR. For example, the knowledge and resources gained

from our participation in Ceres' Paris Aligned Working Group was an important input in establishing our approach to evaluating corporate transition plans in an effort to minimize climate risks in the portfolio.

Note that many of these collaborative initiatives tend to focus on larger companies, at least at the outset; over time, we expect to see the industry's engagement outreach to the small-cap space continue to intensify. In our view, the benefit of engaging with small-cap companies is that management teams are eager to listen, learn and collaborate with large, long term investors like Brown Advisory, which offers a number of sustainable investment strategies. Further, we often find that companies will "turn the tables" on us in an engagement conversation; many are rapidly realizing the importance of addressing sustainability related challenges in their business, and have proactively sought out information or advice to help accelerate their progress.

2022 ENGAGEMENT ACTIVITY BY THE NUMBERS:
SUSTAINABLE SMALL-CAP CORE



21 engagements in 2022 with portfolio companies, portfolio candidates and relevant stakeholders

Engagement activity information is based on engagements related to the Brown Advisory Sustainable Small-Cap Core strategy during 2022. We do not engage with every issuer; we engage only when we believe engagement will be material to our investment decision making.

ENGAGEMENT EXAMPLES

SOFTWARE INTELLIGENCE PLATFORM

ISSUE: Climate Change; Disclosure

TYPE: Collaboration; Impact

We engage with various companies in the portfolio to encourage them to enhance their climate related disclosures. In all cases, we believe that enhancing the specific type of disclosures we are seeking will enable us to better evaluate the risks and/or sustainable drivers at that company. In 2022, we participated in CDP's Non-Disclosure Campaign. Through this campaign, we were able to join with other investors to request that a particular software company in our portfolio report to the CDP. We were pleased to see that following engagement from us and other investors, the company chose to report to the CDP for the first time. We view the initial report as a positive foundation for future discussions and hope to have the opportunity to help the company think through how they want to evolve their disclosure and climate strategy.

GLOBAL COMMERCE PLATFORM

ISSUE: Climate Change; Disclosure

TYPE: Due Diligence; Advisory

We engaged with a global payments company following the release of their latest 'ESG Report 2021' and hoped to further our due diligence of the company's sustainable opportunities. We noted that this new report was significantly improved from prior years, and the report indicated that the company's focus on the electric vehicle (EV) transition was perhaps a greater opportunity for the company than we had anticipated. On the call, we were able to further understand the company's strategy behind their products that should enable fleet managers to incorporate EVs into their fleet without losing any of the capabilities (e.g. reporting, productivity, optimization) that they enjoy today. We gained conviction that the company is investing extensively in this capability and, being early in the development of the services. We believe the solution could contribute to revenue growth in the coming years. As an outcome of what was learned on this call, we upgraded our internal sustainable opportunity rating of the company.

Source: Brown Advisory. Engagement case studies are based on engagements related to the Brown Advisory Sustainable Small-Cap Core strategy during 2022.

PROXY VOTING

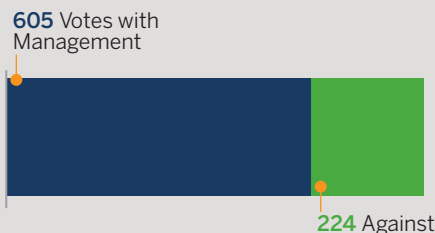
Brown Advisory continues to take our responsibility to vote proxies on behalf of our clients seriously. Our process is now more collaborative than ever, with analysts focused on fundamental and sustainable investment considerations coming together to evaluate proposals. We have enhanced our processes for delivering voting recommendations and research to our portfolio managers. Our proxy voting committee also established policies and procedures for identifying "significant votes" in order to serve a growing client need for such reporting in certain regions of the world.

Below, we report on our voting record in 2022 compared to the recommendations of company management. Shareholder proposal activity in the small-cap universe is still in an embryonic state; in 2022, only one shareholder proposal was filed across our entire portfolio.

2022 PROXY VOTING BY THE NUMBERS

Sustainable Small-Cap Core Holdings, 2022 Calendar Year

PROPOSALS FROM MANAGEMENT



PROPOSALS FILED BY SHAREHOLDERS



In 2022, the strategy's holdings received only one shareholder proposal, which requested that Denny's Corporation report on the feasibility of increasing tipped workers' wages. We engaged with the company as part of our due diligence on this proposal. Based on this engagement, and our overall due diligence on the matter, we opted to vote with management and against this proposal, believing that management was best placed to make these decisions, especially given the regulatory requirements of the various jurisdictions in which the franchises operate that limit the wage influence Denny's can have over the majority of its locations.

Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

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. Past performance is not a guarantee of future performance and you may not get back the amount invested.

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.

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.

Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Strategy seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, the Strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The Strategy may also invest in companies that would otherwise be excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.

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. Holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The benchmark is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 2000® Index and FTSE Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.

Sectors are based on the Global Industry Classification Standard (GICS) classification systems. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)," "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.