

Global Focus Strategy

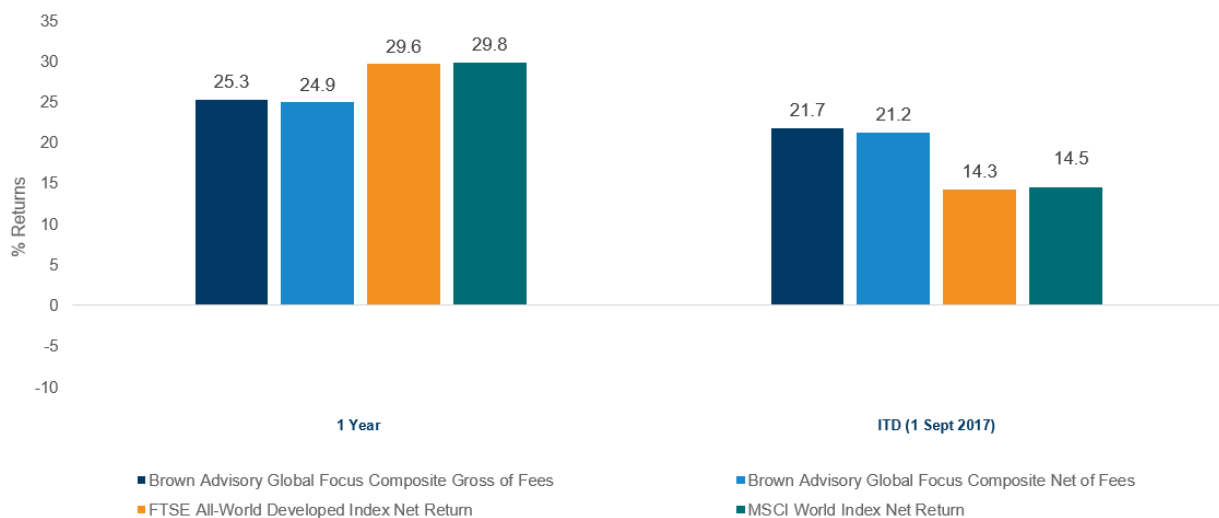
INVESTMENT LETTER | October 2021

Dear fellow investors, colleagues and friends,

Pain is Weakness Leaving the Body

As human beings we can literally be our own worst enemies. If we really don't want to do something we ultimately won't. As investors, we are big believers in trying to understand our own behaviour and how it can manifest itself in our analysis and decision making. This is why we have developed a number of rules to help limit the damaging impact of our own behaviour on our investors' capital. Perhaps the most powerful driver of incentives is the avoidance of pain. How often have you put off making a difficult phone call? How often have you crossed a street or room to avoid a person you felt uncomfortable talking to? Pain avoidance is part of loss aversion—where we feel pain at least twice as much as we do pleasure. At the single investment level this manifests itself in losers¹ and this is why we have a defined re-underwriting process for dealing with underperforming companies. For most investors this same bias also manifests itself at the portfolio level during periods of underperformance. This year² Global Focus underperformed its benchmark³ on a relative basis (-4.7%) by returning 24.9% net of fees vs 29.6% for the index. This relative underperformance comes against a backdrop where we succeeded in achieving our absolute return objectives, >15% annualised internal rate of return (IRR), on both short- and longer-term timeframes after having generated a 21% annualised return net of fees since inception.

Annualized Performance as of August 31, 2021
Global Focus Composite



Source: Factset. Past performance may not be a reliable guide to future performance and investors may not get back the amount invested.

Despite longer-term relative outperformance (approx. 7% per annum as of August 31, 2021) this short-term underperformance could be viewed as a source of pain. A delayed flight, your favourite sports team losing and short-term underperformance can all prompt the same negative reaction. Such is our hardwiring to avoid pain that any perceived setback, however fleeting, is viewed negatively. This is one of the main reasons why there is a Pavlovian⁴ association in our industry between short-term performance and long-term incompetence. For us this automatic reaction needs to be balanced against long-term

¹ A loser is when one of our company's shares either falls in value or materially underperforms for an extended period of time.

² Ending August 31st 2021. Past performance is not indicative of future results.

³ The FTSE All-World Developed Index Net Return.

⁴ A phrase first coined by Nicholas Sleep, 2004 Nomad Investment Partnership letter.

realities and below are some of the responses that we believe play through most investors' minds when faced with underperformance:

Automatic Reactions to Short-Term Underperformance	Long-Term Realities
Equity markets must be right	Equity markets are inefficient short-term
Volatility means something	Long-term free cash flow is everything
Focus on the recent past	A year is 10% of a 10-year investment horizon
Change investment approach	Process optimisation should be evergreen
Recycle investments that aren't 'working'	>90% of a company's value lies outside year 1 & 2

If we are happy that our companies retain their dominant market positions and provide attractive long-term IRRs for our partners then relative short-term underperformance shouldn't really be construed as pain. Here's why:

1. Our underwriting process is absolute and we believe that forecasting the short-term vicissitudes of the equity markets is a fool's errand. We look to invest in dominant businesses where we see at least a 15% annualised base case IRR with a tight range of probabilities. Over short time periods, such as the last year, equity markets may return more than 15% and over others, like 2018, they may return less. Our ambition is primarily to deliver absolute returns for our investors which can end up beating the performance of equities over the long term⁵.
2. We are highly concentrated (10-15 companies) investors looking for outstanding long-term returns which means that, for periods of time, short-term underperformance is inevitable. One year is 20% of our minimum 5 year and 10% of our preferred 10-year investment timeframe. If we are right on our expectations for the long-term cash flows of our businesses then short-term underperformance should also be transferred to future periods of outperformance.

Our automatic response to pain is to avoid it at all costs. During periods of underperformance the natural reaction for investors is to make wholesale changes to their investments and, in some cases, the way they invest—frequently encouraged by their clients who are often in the same emotional boat. To me reappraising investments and processes is a Sisyphean⁶ task—it should not be prompted by short-term performance, positive or negative, at the portfolio level. Both our investment selection and capital allocation processes are designed to serve our partners—they help us remain focused on the long-term realities in the above table regardless of what is happening in the equity markets. Next week we have our fifth annual offsite where we pull apart each of our processes and look at ourselves as investors. One legitimate question for these sessions is—*given you have defined processes for dealing with underperformance at the company level why don't you have a process for underperformance at the portfolio level?* We believe the obvious answer is that long-term performance is a summation of our investment selection and capital allocation processes executed by our team of energised investors. Reappraising these inputs is also reappraising the key ingredients of long-term performance. In addition, being lucky enough to work at Brown Advisory, a far-sighted partnership that gives us a high degree of autonomy, provides the ideal environment for focusing on these inputs and the long-term compounding qualities of our companies with as little distraction as possible. When I ran my first marathon years ago I heard the old U.S. Marine Corps phrase: *'pain is weakness leaving the body'*. Perhaps it also applies to investing the next time you feel uncomfortable with short-term underperformance.

Holding the (Multi-) Bag

Nothing quite captures human imagination like the opportunity for untold riches. Indeed, every speculative bubble, from tulips in Amsterdam to railways in Victorian Britain and the dot-com exuberance in 2000, is built on greed. On a more cerebral level the hunt for outsized gains seems to have captured

⁵ Our benchmark, the FTSE All-World Developed Net Return, generated a 9.3% annualised return 2003-2021.

⁶ In Greek mythology Sisyphus, the King of Ephyra, was punished by the gods and forced to repeatedly push a boulder up a hill only for it to roll down every time he neared the top. Like process evolution, Sisyphus's task was never-ending and it continued for eternity.

the current investment zeitgeist with a fixation around multi-baggers⁷—investments where it is possible to return multiples of the initial investment. Like King Midas's desire for gold and Dorian Gray's obsession with the elixir of youth there has, quite understandably, been significant energy exerted on the ingredients needed for companies to be multi-bagger investments. We share this fascination—not least as we look to invest our clients' capital into dominant businesses where we see at least 15% multi-year IRRs. We deliberately seek investments with tight probability ranges where we believe we can double our clients' capital over five years and triple it over eight years. Indeed, since the inception of Global Focus on 1st September 2017, five of our investments have become multi-baggers by more than doubling over four years. Microsoft, Autodesk, Alphabet, Wolters Kluwer and Charter Communications aren't quite hundred baggers for us yet, but they contributed to the 115% net return of Global Focus since inception.⁸ To me one of the main attractions of investing, and the reason I get out of bed in the morning, is that the activity is an ongoing learning process. Accordingly, I have enjoyed reading all the literature on the topic of multi-baggers but I think it is important to recognise the limitations of work that is the investing equivalent of catnip—much of which appeals to my intellectual curiosity and desire to make outstanding long-term returns for our partners. I would make the following observations about studies of multi-baggers.

1. The Clarity of History

'You can't connect the dots looking forward; you can only connect them looking backward'⁹.

Although interesting it is worth remembering that historical studies of anything are, well based on history. Our natural system 1¹⁰ response to such information is to assume that the same set of conditions could exist in the future. Thomas Phelps's 1972 book *'100-to-1 in the Stock Market'* is revered as the original study of hundred baggers and although it includes lots of wisdom, it is important to remember that this work is based on U.S. equities between 1932 and 1971—interesting, but a very different set of economic conditions that the global investor has to contend with in 2021¹¹. These studies also expose us to psychological phenomenon that can convince us that the outcome of historical events was entirely predictable—hindsight bias. Indeed, if you read enough literature it is possible to convince yourself that Amazon's dominance in retail was inevitable when it listed as a public company in 1997 or that the Google search engine was still going to be the dominant gatekeeper to the internet 17 years after its IPO. As we have written about before (*in this [2020 Letter](#)*) considering alternative histories is crucial in analysing any event—the warm glow of hindsight bias melts away other outcomes and the role of luck in what actually transpired.

2. Russian Roulette Champions

'\$10 million earned playing Russian Roulette does not have the same value as \$10 million earned through the diligent and artful practice of dentistry. One's dependence on randomness is greater'¹².

Finding companies that generate outsized returns is incredibly hard. Arizona State University's Professor Hendrick Bessembinder's lauded work suggests that a handful of companies, approximately 4% in U.S.¹³

⁷ Multi-bagger is a term first coined by Peter Lynch in his 1988 book *'One Up on Wall Street'*. It is derived from baseball where players 'bag' bases.

⁸ 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. Past performance is not indicative of future results. Please see the end of this letter for important disclosures.

⁹ Steve Jobs, 2004 Stanford University Commencement Address.

¹⁰ Daniel Kahneman's research suggests that the human brain is divided into two operating systems. System 1 is automatic, unconscious and fast. System 2 is deliberate, conscious and slow.

¹¹ Phelps's study actually started in the Great Depression – a historic low point for the US economy.

¹² Nassim Nicholas Taleb, *'Fooled by Randomness'*

¹³ Hendrik Bessembinder, *'Do Stocks Outperform Treasury Bills?'*

and 1% internationally¹⁴, created all the value¹⁵ in equity markets between 1926-2016 and 1990-2018 respectively. The difficulty with looking solely at the qualities of these right tail investments is that any analysis is devoid of probabilistic thinking—it ignores the distribution of outcomes and only focuses on what happened. This association is heavily influenced by the aforementioned hindsight bias and, if not properly recognised, it is easy for studies of multi-baggers to result in investors taking on unappreciated risk as they swing for the fences. A return on its own tells you nothing about the probability that went into generating that return. I love the above quote from Taleb—it is important to consider more than the \$10 million.

3. Size Matters

Part of the reason that probability is so important is that for extreme returns investors typically have to start small. In Christopher Mayer's follow-up to Phelps's book, '*100 Baggers*¹⁶', he found that the companies that became hundred baggers between 1962-2014 generated starting median sales of only \$170m and had a median market capitalisation of \$500m. Even adjusting for inflation this is hardly surprising as the mathematics is pretty startling. To generate a hundred bagger, you need to compound capital at 20% for just over 25 years and given the profit pools in most end markets, this is a lot harder to do if you start with a large base. The issue with investing in a company with only \$170m sales is that typically its economics are concentrated in either a single product, buyer, channel or geography and the journey to multi-baggerdom is a function of it replicating the initial success with different products and buyers or in new channels and geographies. Small companies that successfully enter this replication phase frequently create economic moats which foster sales and cash flow growth that ultimately lowers risk. Of course, this doesn't mean that you can't make attractive returns in large companies—especially in today's digital world where companies can scale and benefit from operating leverage. Our largest investment over the last four years, Microsoft, has been a triple-bagger and it generated \$90bn sales and had an equity value of \$586bn when we invested in 2017.¹⁷ The only word of caution is that we believe it is easy to sleep walk into high levels of economic concentration and ergo lower probabilities in the hunt for hundred baggers. The law of small numbers and compounding can attract the unwitting investor to fragile small companies like a moth to a flame.

4. Odysseus Ear Plugs

Although finding multi-baggers is difficult, holding onto them is even harder. The temptation when looking at the best performing investments is to assume that the pathway is completely linear. The reality is often very different and, in my opinion, it takes the patience of a saint and a cast-iron stomach lining. Today's investing world is largely focused on ridiculously short time periods. Many investors are preoccupied with the quarterly results pantomime and whether a certain company '*beats*' or '*misses*' the earnings estimates provided by investment banks—a focus that we think is largely irrelevant for long-term compounding. Time is an important raw material for multi-baggers—at our minimum annualised return of 15% it takes approximately five years to double, eight years to triple and 10 years to quadruple your initial investment. Looking back to our linear view of the world, companies don't typically grow in a linear fashion. In a recent study by Alliance Bernstein¹⁸ of 6000 U.S. companies between 1980-2020, only 71 (1.2%) were able to grow their revenue by 10% or more each and every year for a consecutive 10 year stretch. Compound returns were more common with 23% of U.S. companies having generated more than 10% average compound revenue growth for 15 years. The important point is that trajectories are not linear and to see the fruits of compounding you need to live through periods where growth slows and inevitably economic engines get called into question¹⁹. Perhaps nowhere in the Global Focus strategy has

¹⁴ Hendrik Bessembinder, '*Do Global Stocks Outperform US Treasury Bills?*'

¹⁵ As measured by outperformance vs US treasury bills.

¹⁶ Three of Global Focus's US companies feature in Mayer's study – Autodesk, Microsoft and Electronic Arts.

¹⁷ Ibid, page 3, footnote 8

¹⁸ Toni Sacconaghi, Alliance Bernstein, '*How Hard is It for US Tech Companies to Grow 15% per Year?*'.

¹⁹ These periods of doubt inevitably result in share price volatility. One of the multi-bagger community's favourite examples, Monster Beverage, is a case in point. The company was the best performing US equity 1995-2015 but its shares traded >30% below their previous 2-year highs 44% of the time. Investors needed long-term vision and strong stomachs to hold on.

this been more acute than in our investment in Charter Communications. During our four-year ownership we have experienced significant handwringing by investors on topics such as quarterly broadband subscriber growth, cord-cutting, overbuilding, capital allocation and regulation. You could argue that by mentioning Charter I am also succumbing to hindsight bias, a legitimate criticism, but what the data behind multi-baggers doesn't show is that investors looking to harness compounding need to deploy Odysseus's earplugs and ignore the siren songs of the equity markets. The capacity to suffer and ignore the crowd is easily overlooked.²⁰

5. The Price of Everything

I enjoy discussions with hyper-growth investors—especially those who view the standard canons of valuation as being irrelevant to investing in the 21st century. It makes me think about our free cash flow-based approach. Indeed, Professor Bessembinder's studies have inspired many new growth investors to throw caution to the wind and look for the handful of right tail investments. I would contend that appraising value is not completely irrelevant even for companies that compound their cash flow at high rates for extended periods of time. Let's assume that two hypothetical, identical, debt-free, non-dividend paying companies can both compound their free cash flow at 10% for 10 years. Company A trades on a starting projected 10% free cash flow yield (10x EV/FCF) and company B trades on a 5% free cash flow yield (20x EV/FCF yield). Using the same exit free cash flow yield of 5% (20x EV/FCF) at year 10 the returns for both investments are attractive but they are different - company A has a superior IRR²¹ of 21% relative to 13% for Company B. Valuation matters. What is equally as important is to think about the ingredients that drive free cash flow and are embedded in short-hand valuation multiples. Ultimately the long-term growth of any business is a function of their prevailing return on incremental invested capital and the amount of capital, known as their reinvestment rate, that they can put to work. In part this is why most multi-baggers skew towards smaller companies who have significant reinvestment opportunities to drive long-term free cash flow growth. Both return on incremental capital and reinvestment rate are also embedded in multiples. The FCF/EV yield we just used should equal a company's cost of capital (or WACC) less its free cash flow growth. This growth is a function of the cash return on incremental invested capital multiplied by the company's reinvestment rate. The higher return on incremental capital and reinvestment rate then the higher the growth and ergo the higher the warranted FCF/EV multiple (or the lower the FCF/EV yield) for the same cost of capital. To me this point frequently gets overlooked in studies of multi-baggers—valuation is not only important it needs to be justified by incremental returns on capital and reinvestment opportunities which ultimately drive long-term free cash flow growth.

Knowing Where You are Going to Die

The promise of multi-baggers is alluring and it is unsurprising that the concept continues to attract investor attention. Our ambition is to compound our partners' capital at a mid-teens rate or more for multiple years—we are implicitly looking for multi-baggers and this pursuit is why I love this activity. I do however think it is important to be cognisant of hindsight bias, probability, the law of small numbers, patience and valuation when looking at the data. We seek to embed each of these elements in our investing process—through our behavioural work, by using probability and looking for companies with returns on incremental invested capital that can exceed the prevailing return on capital. We actively appraise companies over a decade and by only looking for 10-15 investments our approach is designed for patient investing that embraces the idea that there are only ever a handful of outstanding investment ideas at any one time - a recurrent feature when one looks at any multi-bagger analysis. In addition, we deliberately look to invest in mid-cap companies—a third of the strategy's NAV since inception being allocated to companies with market capitalisations below \$30bn and the average starting median sales of this group was \$3.4bn at inception.²² This isn't the \$500m that Christopher Mayer mentions but we feel that companies of this size have de-risked their business models whilst still having ample room to benefit from the law of small numbers. We also have strict capacity limits for Global Focus which will enable us to keep investing in mid-caps irrespective of the size of the strategy. Multi-bagger literature is

²⁰ Ibid, page 3, footnote 8

²¹ Assuming both companies accumulate their cash balances and receive no interest.

²² Data as of August 31, 2021

attention grabbing and it sells lots of books. As a downside-focused investor, I think the world would benefit from a book on the 100 worst investments of all time. Companies of a certain size where equity investors were wiped out. I expect such a work wouldn't sell many copies—not least as the maximum loss of any investment is 100% vs unlimited gains from multi-baggers. Despite the same issue of hindsight bias, investors could no doubt benefit from looking at these companies. Human nature doesn't change and many of these disasters aren't celebrated for obvious reasons. Most of us are familiar with Valeant, Wirecard, Enron and Lehman Brothers but there are many more out there. It might be something that I revisit if I ever retire. As the original multi-bagger aficionado Thomas Phelps quipped in '*100 to 1 in the Stock Market*':

'Sure and I wish I knew where I was going to die. I'd never go near the place'.²³

Electronic Arts²⁴

After the end of the period on 16th September we sold one of the original Global Focus investments—video games publisher Electronic Arts (EA). We had held the company since the inception of the strategy on 1st September 2017 and it has been our worst performing investment during that period—this is especially noteworthy when accounting for the handful of our companies (Safran, Woodward and CTS Eventim) where we feel compounding has been temporarily interrupted by COVID-19²⁵. Our investment in EA generated an annualised return of 5% which is below our targeted underwriting level of a base case IRR of >15%. Many of the main attractions of the original EA investment thesis remain today. The company has a unique position in video game sports content with effective monopoly positions in football (soccer) and American football through its key FIFA and Madden titles. We believe that the economic moats around this content remain robust—FIFA's position is protected by a web of over 17k player licences and 700 club agreements. Engagement in this content remains healthy with the company reporting a 48% increase in online FIFA matches in their lucrative Ultimate Team mechanic at the latest results. Ultimate Team, of which FIFA Ultimate Team is the largest part, represented 29% of 2021 revenue but considerably more of profits due to its superior margin profile. Indeed, we estimate that the combined sports content generates >60% of EA's free cash flow. Despite success with battle royale title Apex Legends, EA failed to materially accelerate free cash flow growth with either new content or delivery mechanisms and business models, such as mobile and subscriptions, during our ownership. Based on our numbers, which include adjustments for stock-based compensation, we expect EA to have grown free cash flow at a 7% compound rate between 2017-22. This growth rate combined with a derating of the equity from a 4.7% FCF/EV Yield (21x) to 5.7% (17x) resulted in the lacklustre return. Looking out we feel that an attractive IRR for EA investors rests on success in mobile gaming—a notoriously difficult market in which the company themselves have struggled in the past. Recent acquisitions Glu, Metalhead and Playdemic give EA much-needed expertise but there are undeniably lower probabilities attached to mobile gaming cash flow than their core sports content. We felt that we had better probability-weighted long-term IRRs in other investments (such as Autodesk and Safran) that had experienced share price weakness in 2021. Our investment in EA highlights a number of the points I touched on with multi-baggers above—especially on the importance of probability and valuation as ingredients for compounding.

And Finally...

Global Focus passed its four-year anniversary on 31st August 2021. What a journey it has been so far but, in many ways, we are just getting going. Following the sale of Electronic Arts, we have eleven investments and we feel excited about the prevailing value within the strategy. On our estimates Global Focus trades on a weighted average FCF/EV yield of 8.9% in 2026 which if, a big if!, the 2021 valuation of 4.1x holds, the strategy has an implied five year IRR of 17%. We also think that paying 8.9% FCF/EV yield (or 11x 2026 EV/FCF) is great value for the dominant business with long runways for compounding that we invest in - especially in a world where there are pockets of irrational exuberance emerging. We are also excited about the companies on our subsbench, our ready-to-buy list, and those in our research pipeline. We are lucky

²³ Thomas Phelps, '*100 to 1 in the stock market*'. The same phrase has been also been adopted by Charlie Munger.

²⁴ Ibid, page 3, footnote 8

²⁵ Social distancing and shelter in place protocols meant that COVID-19 was actually a tailwind for EA.

to work with a team of motivated and talented investors who remain hyper-focused on both our existing investments and finding new companies that could benefit our partners. We are incredibly grateful for their contribution to the Global Focus journey so far. Many thanks for reading our 2021 annual letter and for all the conversation and support over the years. I look forward to catching up with you soon, hopefully in person!, as the strategy enters its fifth year.

Bertie Thomson



Bertie Thomson, CFA
Portfolio Manager



Mick Dillon, CFA
Portfolio Manager

Disclosures

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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.

ROIIC is calculated by dividing a company's constant rate incremental operating income (plus depreciation and amortization) by the constant rate-weighted average-adjusted investment capital. The ratio is expressed as a percentage.

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.

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.

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.

Earnings before interest and taxes (EBIT) is an indicator of a company's profitability. EBIT can be calculated as revenue minus expenses excluding tax and interest. EBIT is also referred to as operating earnings, operating profit, and profit before interest and taxes.

EBITDA, or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is used as an alternative to net income in some circumstances.

Compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.

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)*
2020	27.0	26.6	16.1	19.6	18.3	Five or fewer	N/A	32	59,683
2019	42.7	42.1	27.3	N/A	N/A	Five or fewer	N/A	12	42,426
2018	3.4	2.9	-9.1	N/A	N/A	Five or fewer	N/A	4	30,529
YTD 2017**	3.7	3.5	8.1	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, 2020. 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.

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- 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.
- The Composite creation date is June 1, 2020. The Composite inception date is September 1, 2017.
- The benchmark is the FTSE All-World Developed Index. This index is a market-capitalization weighted index representing the performance of large and mid cap companies in developed markets. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization. "FTSE®", "Russell®", "MTS®", "FTSE TMX®" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks 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.
- 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.
- 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.
- 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).
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance does not indicate future results.
- 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.
- 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, 2020):