

Introducing: Brown Advisory Global Value Select and International Value Select Strategies

By Nick Kirrage

Dear fellow investors, colleagues and friends,

When I joined Brown Advisory last year, I arrived having spent my entire career working in value investing at Schroders. Two decades is a long time to spend in any part of the market, let alone one that often feels unfashionable. But thankfully I am not alone. I am privileged to have been able to gather a talented new team around me, bringing deep, global value investment experience to Brown Advisory. Michael Heap has joined as Associate Portfolio Manager from Orbis, and we have two dedicated analysts, Haseem Shah from Mondrian and Valerio Dussizza from Lansdowne Partners, all of us based in London.

Despite being repeatedly out of favour, history tells us that periods of neglect usually create the richest opportunity set for disciplined value investors. We believe that we are entering a moment where patience, judgement and genuine long-term thinking will matter more than ever. At Brown Advisory, we have a compelling opportunity to build a new value platform within a firm that puts long term client outcomes first, and we are pleased to introduce the flagship strategies born from this new partnership:

Global Value Select and **International Value Select**.

These strategies share a common philosophy, process and objective. They are grounded in modern behavioural value investing, designed to uncover companies where market psychology has led to them trading at a discount to their intrinsic value. The Global Value Select strategy will scour worldwide markets for compelling investments. The International Value Select strategy will follow the same process but exclude the United States. In both approaches, we aim to generate absolute annualized double-digit net of fees returns over the long term, as well as long-term returns in excess of respective benchmarks, consistent with the excess return potential we believe disciplined value investing can deliver over time.¹

Why Brown Advisory

After having spent many years inside a large public asset manager, joining Brown Advisory was a very deliberate choice. The idea of working within an independent, privately held partnership was appealing to me on several levels.

Independence matters. A privately held partnership allows for genuinely long-term thinking – free from the pressures of quarterly earnings or shifting corporate priorities. It creates the conditions for patience, alignment, and consistency, all of which are essential for value investors.

Brown Advisory is large enough to provide deep research resources and global reach, yet small enough to maintain flexibility, accountability, and a collaborative culture. Good ideas move quickly here. Decision making is direct. The environment encourages exactly what value investing requires: challenge, debate, and the willingness to stand apart from prevailing sentiment.

Alignment is also structural. Every colleague has an equity interest in the firm, and many – including portfolio managers – invest meaningfully alongside our clients; Michael and I will join them.² This independent ownership structure ensures the firm's interests and our clients' interests remain tightly aligned, especially during periods when conviction and patience matter most.

Importantly, Brown Advisory has a proven track record of building investment strategies from the ground up – such as Global Leaders, now more than a decade old, or the rapidly growing global fixed income platform. This experience reinforces our confidence that we are building these strategies on a stable, well supported, and proven foundation.

Why Value, Why Now

Value investing works over time because human nature does not change. Fear, loss aversion and extrapolation have shaped markets for more than a century. When investors crowd into fashionable areas of the market or shy away from companies facing uncertainty, opportunities arise for those willing and able to take a different perspective. The cheapest parts of the market are typically the ones that feel the most uncomfortable to own. To us, that discomfort is often the source of the meaningful long-term returns we aspire to achieve.

Today's opportunity is unusually broad. After more than a decade dominated by narrow leadership and a preference for growth at any price, we see a wide gap between the most expensive and the cheapest stocks in global markets. We also increasingly observe that our universe contains many companies with attractive business models that not long ago the market believed you should pay a premium to own, some examples included in the health care sector. Importantly, many of these attractively valued companies now generate prodigious cash flows and return significant capital to shareholders, effectively paying us to wait while lowering the risk to our returns.

For value investors, the combination of valuation dispersion, behavioural dislocation and narrow market leadership creates fertile ground. But taking advantage of it requires more than simply buying what is optically cheap. It demands a process that is thoughtful, consistent and honest about risk.

The Advantage of a Clean Slate

One of the most liberating aspects of setting up these strategies is the opportunity to build the investment process from first principles without the organizational friction that comes from undoing legacy decisions. This is a particularly powerful moment to be doing this given recent technology advances have meaningfully enhanced our ability to gather information, reduce noise and focus our judgment where it adds the most value.

Beginning anew gives us the chance to design our team, research workflow and portfolio construction framework from scratch – incorporating the lessons learned over our time in the markets and integrating modern technology tools that are relevant to our investment process. Drawing on decades of combined experience and the extensive behavioural research behind modern value investing to design a process with clarity, discipline and accountability, with technology embedded where it adds genuine value. This framework shapes how we generate ideas, assess risk and reward, size positions and review decisions over time.

Starting afresh also enables genuine diversity of thought. We have built a team with varied backgrounds and perspectives, and the structure of our process ensures that the best ideas rise through debate, not hierarchy. Every investor contributes to both stock analysis and portfolio construction, encouraging early challenge and helping guard against collective bias.

How We Invest: A Process Built for Behavioural Advantage

Our investment process reflects a clear belief: value investing is not about being cleverer than the market, it is about being more consistent. Markets are emotional. Investors chase good news and flee bad news even when long term fundamentals tell a different story. Our job is to approach each decision with discipline, guard against our own biases and build portfolios that benefit from these behavioural patterns. However, discipline alone is not enough. We recognize that classic value investing has well-known pitfalls and that value traps can catch out even experienced investors. At every stage of our process, we seek to identify the risks that cause value investments to disappoint, improving our odds, reducing exposure to value traps, and enhancing risk-adjusted returns for our clients.

Idea generation begins with simple valuation screens that highlight where sentiment may have pushed prices below a realistic view of long-term economics. We focus on the cheapest third of our investment universe, to which we apply our experience and judgement in a process we call pain mapping – evaluating the investment ecosystem and narrowing it down to the most promising opportunities. AI tools are at the heart of this process and allow us to rapidly gather the information required to apply human judgement, making screening a much more sophisticated tool than in years gone by.

Stock analysis centres on two questions: what is the business worth on a normalized five-year view and are we being properly compensated for the risks. We define risk as the possibility of permanent loss of capital. Each company receives a formal risk score and a normalized estimate of profits or cash flow under mid cycle conditions. Applying a valuation multiple that reflects quality and durability allows us to calculate prospective returns and compare opportunities consistently.

Portfolio construction blends judgement and discipline. A portfolio is not a collection of standalone ideas. It is a balanced set of intentional risks, sized thoughtfully and diversified across drivers. Positions are sized according to conviction, prospective return, balance sheet strength and portfolio level exposure. Our aim is to hold between 35 and 65 stocks, allowing diversification without diluting our best ideas. We recognize that portfolio construction remains one of the most overlooked areas of investing, and one where we believe a significant amount of stock-level alpha can be given back.

To address this, our process integrates deep stock work with behavioural triggers and enhanced risk management – across themes, correlations, and sources of return. Proprietary behavioural disciplines, such as upside capture reviews, are designed to address well-known weaknesses of a value approach – most notably the tendency to sell winning investments too early – and to prevent performance leakage at the portfolio level.

Our enhanced risk mindset, allows us to deliver high-conviction portfolios focused on doing what others don't, won't, or can't. We set a high bar for returns, looking to deliver double digit internal rate of returns (IRR) over time.³ However, our strategy is differentiated which we believe ensures these returns will typically have a different profile to many other investments our clients may hold in a balanced portfolio. We review decisions continuously using structured feedback loops, decision logs and after-action reviews. Continuous learning is part of our culture. Small improvements in judgement compound over time and can meaningfully improve client outcomes.

Looking Ahead

We are excited about the opportunity ahead. The combination of valuation dispersion, behavioural dislocation and narrow market leadership sets the stage for active, disciplined value investing to add meaningful value. The chance to build these strategies within Brown Advisory, supported by a strong research platform and a culture that supports our philosophy, represents a rare and compelling foundation for delivering differentiated outcomes for our clients.

We look forward to partnering with you and working to deliver strong, risk adjusted returns over the years ahead. Value investing requires patience, conviction and clarity of process. By following the evidence, embracing debate, remaining anchored and avoiding classic value pitfalls we believe we can deliver the outstanding outcomes our clients expect.

Thank you for your interest and we look forward to talking to many of you in more detail soon.

Nick Kirrage

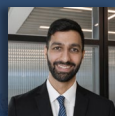
Global & International Value Select Team



NICK KIRRAGE, CFA

Partner and Portfolio Manager – London

Nick is a seasoned institutional investor with over two decades of experience at Schroder Investment Management in London. As Co-Head of the Global Value Team, he led 13 senior investors managing more than £13 billion in assets, doubling investment resources and launching innovative products including the Value ESG franchise.



HASEEM SHAH, CFA

Equity Research Analyst – London

Haseem brings experience in international value investing and fundamental stock research. He was a European generalist at Mondrian Investment Partners for 6 years, more recently as a portfolio manager, and previously worked at Goldman Sachs in Private Wealth Management. Haseem is a CFA Charter holder and holds a BA in Economics and Management from the University of Oxford.



MICHAEL HEAP, CFA

Partner and Associate Portfolio Manager – London

Mike is an experienced value investor previously at Orbis Investments where he spent 12 years as an investment analyst. He spent his first decade at Orbis as a European generalist, before moving to a Global remit.



VALERIO DUSSIZZA

Equity Research Analyst – London

Valerio contributes to fundamental research across global equities. He previously worked at Lansdowne Partners as a generalist analyst, conducting deep primary research and developing long-term investment theses, and earlier gained experience at Fidelity International as an equity research intern. Valerio holds a Masters in Financial Analysis from London Business School and an LLB from King's College London.

1. The targeted low double digit annualized return is a hypothetical objective, not an indication of actual or future results. It reflects portfolio management team's view that global equities may deliver approximately 8% nominal annualized returns over the long term, and that a disciplined, high quality value approach may provide 2–3% of annualized outperformance, net of fees. Further information about the calculation of hypothetical performance and the risks associated with making investment decisions based on it are available upon request.
2. Many colleagues across the firm, including the portfolio managers, invest in the company's investment products, and the portfolio managers have a significant proportion of their personal wealth invested in their Strategies. However, all investments in the investment products are voluntary, and as such we cannot determine the frequency and amount of the contributions.
3. IRR represents the discount rate that equates all investment cash flows to a net present value of zero. It is used to express long-term return objectives for investments with irregular cash-flow timing. It is a hypothetical objective only and not an indication of actual or future results.

Disclosures:

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.

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Terms and Definitions:

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.

Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment based on its expected future cash flows. These cash flows are projected and then discounted back to their present value using a discount rate that reflects the investment's risk and opportunity cost of capital. The DCF method helps determine whether an investment is likely to generate sufficient returns relative to its cost.