

2025

Tax-Exempt Sustainable Fixed Income Strategy

REPORTING ON SUSTAINABILITY OUTCOMES

This report reflects our investment philosophy and our commitment to report on the sustainability outcomes of the Strategy.

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS



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Dear Fellow Investors,

This year brought new challenges to the market. Interest rates stayed elevated, policy direction remained unclear, and shifting expectations around inflation and growth added pressure across fixed income. In the municipal market, a record pace of new issuance, combined with macro uncertainty, contributed to weaker demand in the first half of the year. Conditions improved later as policy clarity returned, technical factors became more favorable, and long-end yields attracted renewed interest.

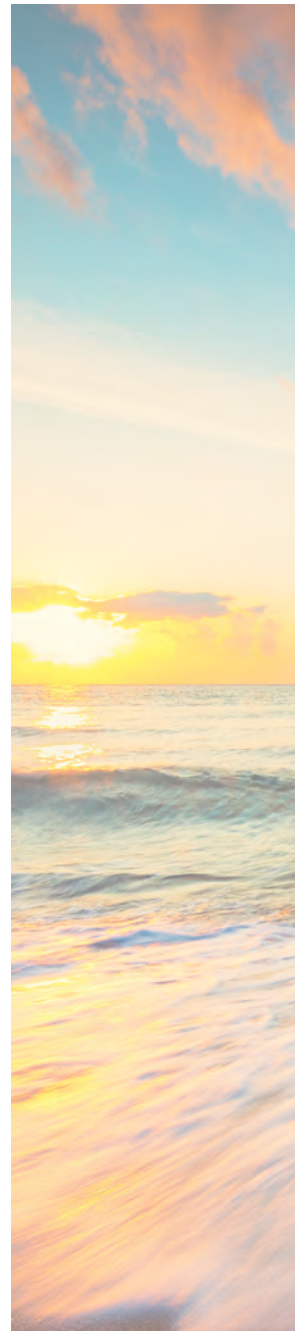
Throughout these shifts, municipal borrowers continued to finance projects tied to essential public services. We saw sustained activity across sectors such as housing, utility systems, healthcare, education, and transportation. These investments reflected both near-term operational needs and longer-term structural shifts, including demographic change, rising capital costs, and an increasing focus on the durability of public infrastructure.

We evaluate these developments through a credit lens. Our research emphasizes financial strength, balance sheet flexibility, and thoughtful long-term planning. We focus on how proceeds are used and whether the projects being financed support meaningful outcomes, such as affordable housing, access to clean water, stronger healthcare infrastructure, improved educational access, and energy-efficient infrastructure that benefits communities over time.

Our investment approach remains consistent. We continue to look for borrowers with the capacity to manage through changing conditions while maintaining their ability to deliver essential services. In our view, disciplined financial stewardship and a forward-looking mindset will remain key factors in identifying resilient borrowers in an environment shaped by rising costs and evolving infrastructure needs.

This report outlines how those priorities shape our research and the strategy and translate into measurable outcomes. We are grateful for your continued trust and look forward to ongoing conversations.

Katherine and Steve



SUSTAINABLE INVESTING AT BROWN ADVISORY

As investors, we will consider any data, factor, business tactic or strategy, economic or market condition – whether quantitative or qualitative – which might allow us to better understand the material challenges and opportunities facing a business or issuer. Every Brown Advisory investment strategy holds the fiduciary duty of delivering investment performance to clients as its highest obligation.

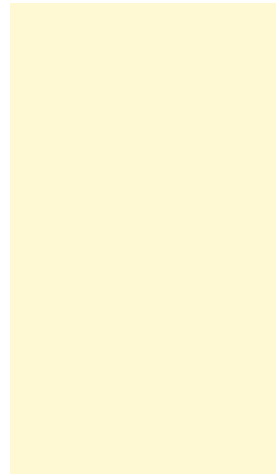
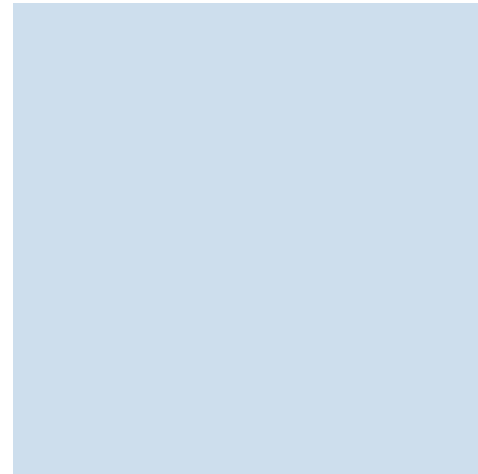
How we think about Sustainable Investing

Sustainable Investing strategies apply an active and documented investment decision-making framework that emphasizes the materiality of the risks and/or opportunities that arise from natural resource, social and economic, climate, and/or governance issues in their evaluation of an investment. No two Sustainable Investing strategies will be exactly alike and each strategy's approach will reflect the portfolio manager's autonomy to invest in the way they believe best generates long-term investment performance for clients.

Investment philosophy

We seek to deliver attractive after-tax investment returns. We firmly believe there does not have to be a trade-off between strong performance and investments that help address sustainability-related challenges. We find that a sustainable investment-oriented mindset is well-suited for fixed income investing—certainly as it relates to downside risk management, but also in the opportunities presented by the municipal bond market in particular. By incorporating sustainable investment research into our due diligence process, we aim to identify responsible and forward-thinking issuers to construct a portfolio that delivers attractive after-tax risk-adjusted returns.

The Brown Advisory Tax-Exempt Sustainable Fixed Income portfolio is made up primarily of bonds that have an identifiable 'sustainable driver', which we define as an investment that is deriving improved financial outcomes or a competitive advantage through sustainability-related activities. Through bottom-up primary research and stakeholder engagement, our sustainable investing strategists seek to understand levers that can drive financial results. The levers that our team identifies tend to fall into two broad categories, which we find transcend asset classes and sectors: Climate Conditions & Resource Access and Culture & Human Capital.



Investment process

We employ an active and dynamic approach to asset allocation, concentrated on our best ideas. We use sustainable investment research and bottom-up credit-focused research to provide a deeper holistic risk profile of the municipal sectors and issuers in our investment universe. Through this approach, we believe we can provide investors with both core stability and alpha.

- **Fundamental investment research:** bottom-up analysis to model cash flows, duration, valuations and an issuer's ability to pay. We also determine a project's feasibility and essentiality.
- **Sustainable investment research:** evaluation of sustainable investment risks and opportunities across municipal sectors, including specific use of proceeds and the issuer's ability to manage the project and risks.

It is at the intersection of these key elements where we find an attractive investment. Only when an issuer meets our exact standards will they be considered candidates for inclusion in our sustainable bond portfolios.

SUSTAINABLE INVESTING LEVERS

A primary goal is to provide a diversified portfolio of investments that delivers both attractive returns and positive outcomes. We believe that this approach helps our portfolio drive progress in many different social and environmental areas. By breaking the portfolio out by sustainable investing levers, we can better demonstrate that diversification.

Diversification by levers

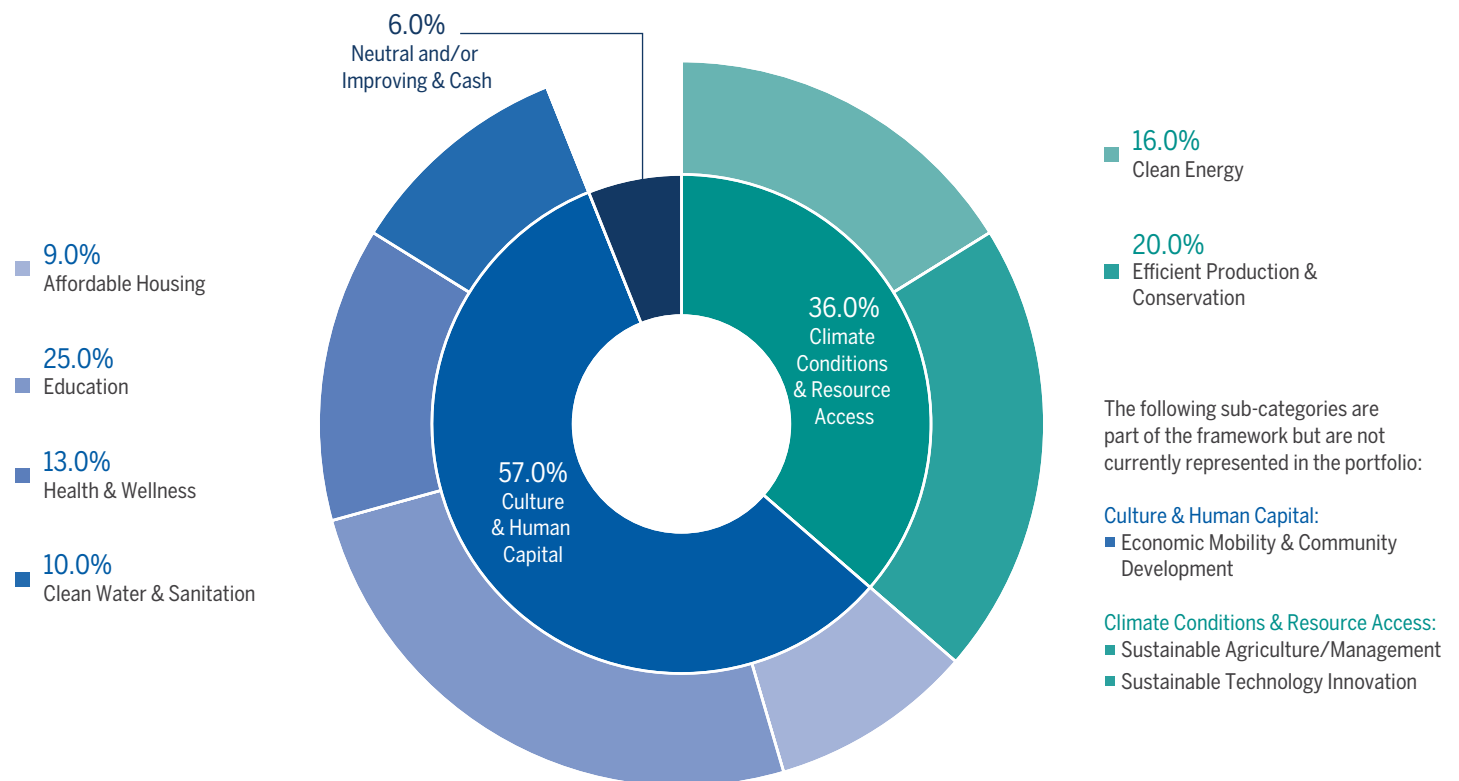
A “lever” refers to a sustainable investment-related driver that we believe may contribute to a company’s long-term value creation.

We do not target any particular lever or combination of levers as part of our investment process. However, through our bottom-up research, we assess how a company’s products, services, or business practices may be positioned to benefit from - or help address - natural resource, social, economic, climate, and/or governance outcomes.

We group these under two broad themes: Climate Conditions & Resource Access and Culture & Human Capital, with several more specific sub-levers beneath them. The levers are used for analytical and reporting purposes which help to illustrate potential sustainable investment-related outcomes associated with the companies we own.

A CLIENT-FOCUSED FRAMEWORK

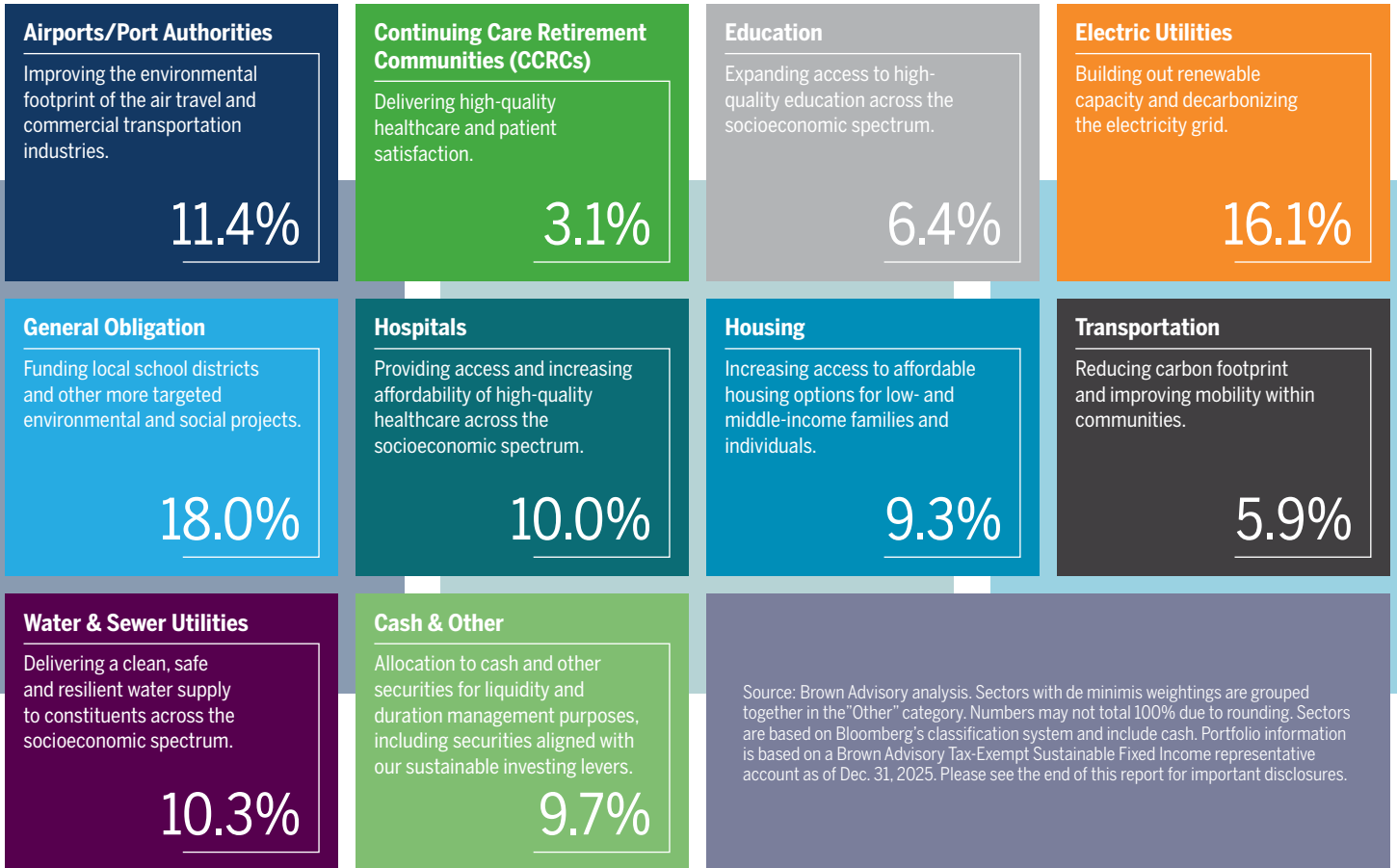
The levers presented in the Brown Advisory framework above, Climate Conditions & Resource Access and Culture & Human Capital, have been developed with the sole purpose of explaining the potential sustainable investment-related outcomes of our investments. We work closely with our clients to help them translate our levers against their own tools or other internationally recognized frameworks, such as the U.N. Sustainable Development Goals (SDGs), if that aligns with their investment philosophy or goals. Whilst we do not invest to achieve these goals, some clients have found it useful to show how our levers map against the SDGs to understand a strategy’s investment outcomes.



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Sustainable investing levers with de minimis weightings are grouped together in the “Neutral and/or Improving” category. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of Dec. 31 2025, and includes cash. Please see the end of this report for important disclosures.

Diversification by municipal sector

The portfolio typically spans the full range of municipal bond sectors. Revenue bonds offer a greater degree of transparency with regard to the projects they are funding, making them an ideal instrument for sustainable investors. We also invest in general obligation bonds, such as those that are financing school districts or other environmental or social projects. This sector diversification allows us to naturally address many different sustainable investing levers.



Labeled bonds

Labeled bonds, such as green, social, sustainability, or sustainability-linked bonds are a tool used to finance specific environmental and/or social projects and objectives. Labeled bond issuance in 2025 surpassed \$1.6 trillion¹, with global green bond and loan issuance reaching a record \$947 billion—accounting for nearly 60% of all sustainable debt issuance¹.

While appealing, bond labels are no shortcut for the prudent investor due to a lack of standardization and independent verification. When assessing a labeled bond, it is important to understand how the labeled bond fits into an issuer's overarching sustainability strategy, including evaluating the use of proceeds and mechanisms for accountability. In particular, we examine how well these bonds align and adhere to the voluntary guidelines issued by ICMA and will support those that we believe are committed to delivering on positive sustainability outcomes.

We do not target a specific portion of the portfolio to be invested in labeled bonds, however we generally maintain some exposure.

Percentage of Portfolio in labeled bonds

19.9%

Source: Brown Advisory analysis based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of Dec. 31, 2025 and includes cash. Please see the end of this report for important disclosures.

¹ Bloomberg, BNEF <https://www.bloomberg.com/news/articles/2025-12-25/green-debt-sales-hit-record-levels-despite-climate-backlash>

Case studies



SAN JOAQUIN VALLEY CLEAN ENERGY AUTHORITY (GREEN BOND)

ISSUER SUMMARY:

The San Joaquin Valley Clean Energy Authority finances the delivery of renewable and low-carbon electricity

through a prepaid power structure supported by green bond issuance. Bond proceeds are used to prepay electricity delivered over approximately 30 years from renewable and low-carbon sources, supporting California’s clean energy and decarbonization objectives. The transaction aligns its use of proceeds with recognized Green Bond Principles and is designed to secure access to clean electricity over an extended period. This structure demonstrates how municipal issuers can incorporate climate considerations into the delivery of essential electric services through clean energy procurement.

Source: <https://emma.msrb.org/P21891856-P21446864-P21893880.pdf>



FIELD MUSEUM OF NATURAL HISTORY

ISSUER SUMMARY:

The Field Museum of Natural History supports sustainability through its role in climate science, biodiversity conservation, and public education.

Through its scientific research and conservation initiatives, including work led by its Keller Science Action Center, the Museum has contributed to government actions protecting more than 30 million acres of ecologically significant land globally. These efforts focus on preserving biodiversity, supporting climate resilience, and advancing conservation outcomes through collaboration with public agencies and local partners. In addition, the Museum’s education and public engagement programs expand access to environmental science and climate-related knowledge. Together, these activities demonstrate how mission-driven institutions can deliver measurable environmental and community benefits aligned with long-term institutional stewardship.

Source: <https://emma.msrb.org/P21953928-P21491694-P21943452.pdf>



Climate conditions and carbon emissions

The immense challenge of decarbonization will likely require trillions of dollars of annual investment over the coming decades, and we believe the fixed income markets, and the municipal bond market in particular, are poised to play an essential role in financing that effort.

Where relevant, we consider an issuer’s overall carbon footprint as a part of our investment due diligence to assess the risks and opportunities their efforts toward progress present. From an investment perspective, this is beneficial as lower emissions can reduce the cost of operating expenses when paired with efficiency gains, mitigate certain regulatory risks, and signal stronger long-term resilience in an increasingly turbulent ecosystem. However, there are several data challenges unique to the municipal sector, both in terms of methodology and availability of data. Nonetheless, many issuers are acknowledging and reporting on their climate-related risks and opportunities.

Alongside partners such as the Carbon Disclosure Project (CDP) and other industry organizations, we work on multiyear projects to encourage issuers to develop stronger disclosure, reporting standardization, emission reduction and other improvements.

Source: Brown Advisory Research. 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 issuers mentioned. It should not be assumed that investments in such issuers have been or will be profitable. To the extent specific issuers are mentioned, they have been selected by the author on an objective basis to illustrate the sustainable investment philosophy of the strategy, and do not represent all of the issuers purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of Dec. 31, 2025. Please see the end of this report for important disclosures.

ENGAGEMENT

Creditors and bondholders play a key role in the capital structure of issuers. Therefore, as investors we seek to use engagement when possible and material to an investment decision to communicate our thinking and to gather information that informs our investment decisions, and we find that many issuers are open to discussions with investors from whom they may seek additional debt funding in the future. Engaging with issuers in asset classes that tend to have lower levels of available data, which is often the case in the municipal market, is important to our due diligence process, as it may help us uncover lesser-known risks or opportunities. In particular, increasing climate-related disclosures in the municipal bond market has been an area of focus for us.

Notable engagements



HIGHER EDUCATION INDUSTRY FORUM

GOAL:

Assess long-term sustainability across higher education issuers

PRIORITY:

Governance; Human Capital & Culture

ACTIVITY:

Higher education institutions face ongoing pressures related to enrollment trends, affordability, and rising operating costs, all of which can affect their long-term sustainability. In response, Brown Advisory directly engaged with university leadership in late 2024 to better understand how institutions are adapting their academic, financial, and governance approaches. Conversations with presidents and chief financial officers focused on enrollment management, program differentiation, capital planning, and the role of financial transparency during periods of enrollment pressure. These exchanges provided insight into how management teams are addressing structural challenges and how governance practices may influence institutional resilience across the higher education sector.



STATEWIDE ECONOMIC DEVELOPMENT ENGAGEMENT

GOAL:

Understand climate-aligned economic development initiatives

PRIORITY:

Community & Economic Development; Climate Conditions

ACTIVITY:

State and local governments play an important role in advancing economic development initiatives that incorporate clean energy, infrastructure, and workforce investment, often implemented at the regional level. To better understand how these efforts are being carried out, in late 2024 Brown Advisory engaged with policymakers, regional economic development leaders, and other stakeholders involved in project development and financing. Discussions focused on financing approaches, policy considerations, and the role of public-private collaboration in supporting climate-aligned projects and local economic activity. These conversations informed our assessment of how regional economic initiatives may influence the long-term outlook for municipal issuers participating in climate-related development efforts.

Please note, for the purpose of our public reporting, and in keeping with the spirit of trust and collaborative dialogue with the companies or issuers in our portfolio, we feel that it is important to anonymize the companies with which we engage on key sustainable investing issues.

Source: Brown Advisory Research. Engagement activity information is based on engagements related to the Brown Advisory Tax-Exempt Sustainable Fixed Income strategy during 2024. Engagement activities are conducted solely for the purpose of enhancing long-term shareholder value and do not constitute acting as a group or seeking to influence control of any issuer within the meaning of Sections 13(d) or 13(g) of the Securities Exchange Act. Overall portfolio engagements data is focused on capturing conversations where the majority of the interaction was centered around these particular topics. We may not engage with every company or issuer on sustainable investment-related topics. We only engage when we believe engagement will be material to our investment decision-making. Sectors identified for each company are based on the GICS sector classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the issuers mentioned. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of Dec. 31, 2025. Please see the end of this report for important disclosures.

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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. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

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