

# FLEXIBLE EQUITY REVIEW AND OUTLOOK

Fourth Quarter 2023

2023 was an outstanding year for the S&P 500® Index, our benchmark, which surged 26.3% just shy of its all-time high. Remarkably, nearly half of this gain occurred in the fourth quarter, with the Index climbing 11.7%. Similarly, the Flexible Equity strategy had a phenomenal year, earning nearly 34.4% and 13.1%, net of fees for the year and the fourth quarter, respectively, outperforming its benchmark in both referenced periods. We are also pleased to report that the returns from Flexible Equity Strategy compare favorably to its benchmark, both in the short- and longer-term periods.

The gains experienced by the S&P 500 Index in 2023 were particularly notable given that we believe no economists had anticipated such robust gains at the beginning of the year. While it's conceivable that some economists did foresee this trend and we simply overlooked it, this oversight wouldn't be unusual for us, as we generally don't focus much on pundits' predictions about market performance over the next 12 months. This approach aligns with Warren Buffett's astute observation: "Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

The primary debate among economists at the beginning of the year was centered on the timing of an impending recession, rather than its likelihood. This was in the context of the Federal Reserve aggressively combating inflation by increasing interest rates at an unprecedented pace. We believe for many economists, it seemed almost inevitable that debt-laden businesses would need to cut costs, leading to rising unemployment, a decline in consumer confidence and spending, a subsequent recession, and a likely downturn in the markets. Contrary to these expectations the U.S. economy remained resilient, and consumer spending did not falter. In hindsight, it became clear that many businesses and consumers had secured long-term debt at lower interest rates, which mitigated the impact of the rising rates more than the headline figures suggested.

However, not all businesses were unaffected by the increasing interest rates; some did suffer. Notably, a few large regional banks collapsed due to mismatches in their assets and liabilities and liquidity concerns, which became evident when these institutions recorded paper losses on their securities due to the higher rates. Timely intervention by regulators prevented further bank runs, thereby stopping the spread of a financial contagion. The equity market experienced some volatility amid fears of potential contagion, but we believe once investors were reassured that a crisis had been averted, the markets

generally performed well and ended the year on a strong note.

Within the S&P 500 Index, the Information Technology and Communication Services sectors were the standout performers in 2023, recording impressive gains of 56.4% and 54.4%, respectively. This marked a meaningful turnaround from the substantial losses these sectors had suffered in 2022. On the other hand, Energy and Utilities were the only sectors within the S&P 500 Index to experience declines over the year. The Energy sector, which had surged by 59.1% in 2022, saw a decrease of 4.8% in 2023. Similarly, the Utilities sector, which had a modest decline of 1.4% in 2022, faced a more substantial downturn of 10.2% in 2023.

The two major highlights of 2023 were the "narrowness" of the market and the burgeoning excitement around Artificial Intelligence (AI). A group of large technology companies, often referred to as the "Magnificent Seven" (Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, Tesla), had an exceptional year, with an average total return exceeding 100%. These seven stocks alone contributed to over 60% of the S&P 500 Index's overall returns for the year. Our Flexible Equity strategy included meaningful investments in five of these companies – Microsoft, Alphabet, Meta, Amazon, and Apple. However, it's important to note that the combined allocation to the "Magnificent Seven" in our portfolio is less than their representation in the S&P 500 Index. Moreover, our individual holdings in these companies differ from their respective weights in the benchmark.

It is worthy to mention that we don't give much consideration to the relative weights of our investments versus the benchmark in our capital allocation decisions. Instead, the weighting of an investment in our portfolio is primarily the result of our active decisions to increase or decrease our position. This decision-making process is based on our evaluation of potential risks and rewards, as well as our confidence in various scenarios. The performance of a stock relative to others in the portfolio also influences its weight. A prime example is Microsoft, which has grown to be our largest holding (approximately 7.3%) from an average position size (around 2.0%) a few years ago. This increase is largely due to its strong performance relative to other holdings and our strategic additions over the last five years.

*(Continued on the following page)*

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The investor enthusiasm for the “Magnificent Seven” was also fueled by the groundbreaking advancements in Artificial Intelligence (AI) in 2023. This year, AI captured global attention due to its remarkable progress in natural language processing and machine learning. For the first time, AI demonstrated the capability to understand and generate human-like text, revolutionizing the way people interact with devices. The technology’s proficiency in rapidly and accurately analyzing vast datasets has opened the door to unprecedented insights and innovations.

Although it’s still early, we believe the gradual adoption of AI promises to significantly boost efficiency and foster creativity across a wide array of sectors, ranging from health care to education. Within our portfolio, we believe companies such as Alphabet, Microsoft, Amazon, Adobe, and Meta are leading the charge in AI innovation.

We believe the advantages of AI will extend beyond those companies that have been at the forefront of releasing AI models, such as Large Language Models. Firms with unique and proprietary datasets will also benefit. Over time, portfolio companies such as Apple, UnitedHealth, Intuit, Uber, and Progressive are expected to leverage their rich data resources to introduce new services or substantially enhance existing ones. This evolving landscape underscores the potential of AI to reshape various industries and create new opportunities for growth and innovation.

On the macroeconomic front, the discussion has shifted towards the possibility of a soft landing, and market pricing appears to reflect this sentiment. Inflation has significantly decreased, mainly due to the normalization of supply chains and a reduction in the money supply, a result of the Federal Reserve’s actions. Current trends suggest that the U.S. labor market is moving towards normalcy, with a decrease in job openings but without a meaningful rise in job losses.

Federal Reserve Chairman Jerome Powell has indicated that short-term interest rates may have reached their peak, signaling a potential shift in monetary policy. The Fed is prepared to consider lowering rates if economic data supports such a move. In anticipation of this potential policy change, the bond market has already begun pricing in rate cuts for the middle of the new year. This scenario reflects a cautiously optimistic outlook, with key economic indicators pointing towards stabilization and a potential easing of monetary policy in response to the evolving economic landscape.

As is often the case, predicting the course of macroeconomic conditions and equity markets for 2024 remains challenging. However, in our view the uncertainty surrounding the macroeconomic environment as we enter 2024 seems more favorable compared to the same period last year. Regarding equity returns, we are relishing the robust performance of 2023, as well as the double-digit returns achieved over the past three and five years.

Amidst such a strong market rally, concerns naturally arise about market valuations. By the end of Q4 2023, the S&P 500 Index was trading at a forward Price to Earnings (P/E) ratio of approximately 19.5x, which might seem high relative to its recent history. However, a more nuanced analysis reveals that the P/E ratio of the top 10 companies within the S&P 500 Index, which now represent nearly one-third of the Index’s weight, stands at around 27x. In contrast, the remaining 490 companies, accounting for two-thirds of the Index’s weight, are trading at a more reasonable average P/E ratio of approximately 17x. This distinction highlights a significant disparity in valuation within the index, suggesting a more complex picture than what surface-level figures may indicate.

We always close our commentaries with the following statement to remind our clients and ourselves what we do as investors and what to expect over time.

*The Flexible Equity team searches for investment bargains among long-term attractive businesses with shareholder-oriented managers – those with productive assets and productive managers. These businesses should have or develop competitive advantages that result in good business economics, managers who allocate capital well, capacity to adjust to changes in the world and the ability to grow business value over time. Bargains in these types of stocks can arise for various reasons, but are often due to short-term investor perceptions, temporary business challenges that will improve, company or industry changes for the better or as-yet-unrecognized potential for long-term growth and development. Despite the occasional investment that will go awry, and stretches when the general stock market, or our investment selection, is unrewarding, we are optimistic about the long-term outlook for equities of good businesses purchased at reasonable prices and our ability to find them.*

# SECTOR DIVERSIFICATION

Fourth Quarter 2023

- We base our investment approach on individual company selection and seek to incorporate a reasonable balance of sector exposure as part of our risk management process. We believe that companies in the same sectors can vary as greatly in their business economics and profiles as companies in completely different sectors.
- The Communications Services sector weighting increased in the quarter with Meta Platforms, Netflix and Pinterest among the best performers in the portfolio. We trimmed Meta in the quarter.
- We trimmed Booking Holdings decreasing the weighting of the consumer discretionary sector.
- The Energy weighting declined as the share prices of the two holdings, Baker Hughes and Suncor Energy, fell in the quarter.
- In Health Care, we added to Agilent Technologies and Align Technology and trimmed Merck.
- In Industrials, we added to Ferguson PLC and General Electric and we trimmed Carrier Global and United Rentals.
- Information Technology increased in the quarter due to the strong return of many of the holdings. We trimmed Adobe on price strength.
- Real Estate holding SBA Communications rose in the quarter increasing the sector weighting.

SECTOR	REPRESENTATIVE FLEXIBLE EQUITY ACCOUNT (%)	S&P 500® INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE FLEXIBLE EQUITY ACCOUNT (%)	
	Q4'23	Q4'23	Q4'23	Q3'23	Q4'22
Communication Services	13.62	8.58	5.04	13.46	11.12
Consumer Discretionary	10.81	10.85	-0.04	11.20	10.77
Consumer Staples	1.23	6.16	-4.92	1.24	1.58
Energy	3.05	3.89	-0.83	3.61	4.07
Financials	26.88	12.97	13.91	27.04	29.83
Health Care	13.14	12.62	0.52	13.12	15.72
Industrials	8.85	8.81	0.04	8.88	6.54
Information Technology	21.17	28.86	-7.69	20.37	18.89
Materials	--	2.41	-2.41	--	--
Real Estate	1.23	2.52	-1.29	1.09	1.48
Utilities	--	2.34	-2.34	--	--

Source: FactSet®. 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The portfolio information provided is based on a representative Flexible Equity account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Commentary regarding an investment's contribution to return and relative performance has been assessed on a gross performance basis. Sectors are based on the Global Industry Classification Standard (GICS ®) classification system. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

Fourth Quarter 2023 Representative Flexible Equity Account

	REPRESENTATIVE FLEXIBLE EQUITY ACCOUNT	S&P 500® INDEX	ATTRIBUTION ANALYSIS		
SECTOR	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	13.64	8.78	-0.03	0.42	0.39
Consumer Discretionary	10.68	10.71	-0.02	0.09	0.06
Consumer Staples	1.21	6.35	0.32	0.08	0.40
Energy	3.32	4.29	0.19	0.10	0.29
Financials	27.01	12.79	0.34	-0.16	0.19
Health Care	13.01	12.90	0.01	0.30	0.31
Industrials	8.64	8.37	0.00	0.53	0.53
Information Technology	21.32	28.60	-0.37	0.06	-0.30
Materials	--	2.41	0.05	--	0.05
Real Estate	1.16	2.40	-0.09	0.08	--
Utilities	--	2.40	0.08	--	0.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.49</b>	<b>1.5</b>	<b>1.98</b>

- Attribution is a tool that calculates the effect of sector allocation and stock selection relative to market and sector benchmarks of performance. This tool does not reflect how we manage investments, and we believe it has meaningful limitations. However, it is frequently requested, so we share it for that reason.
- The portfolio outperformed the S&P 500® Index in the quarter, on a net basis. Stock selection effects contributed the most to the outperformance, while sector allocation effects were also positive.
- Communication Services, Consumer Staples and Industrials contributed the most to relative return. These sectors had a higher return than the Index.
- Information Technology was the biggest detractor to the results as compared to the Index. While the return was strongly positive and slightly higher than the Index, the weighting was lower than the Index.

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# CALENDAR YEAR ATTRIBUTION DETAIL BY SECTOR

Representative Flexible Equity Account as of 12/31/2023

SECTOR	REPRESENTATIVE FLEXIBLE EQUITY ACCOUNT	S&P 500® INDEX	ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	12.92	8.42	1.16	2.07	3.22
Consumer Discretionary	11.44	10.36	0.27	0.68	0.95
Consumer Staples	1.44	6.83	1.62	-0.04	1.59
Energy	3.53	4.50	0.29	0.55	0.84
Financials	27.37	13.09	-1.64	4.31	2.67
Health Care	13.70	13.75	0.02	0.40	0.43
Industrials	7.72	8.52	0.18	2.08	2.26
Information Technology	20.65	26.77	-1.63	-1.59	-3.23
Materials	--	2.54	0.39	--	0.39
Real Estate	1.24	2.55	0.22	-0.35	-0.13
Utilities	--	2.66	1.09	--	1.09
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>1.97</b>	<b>8.11</b>	<b>10.08</b>

- The portfolio outperformed the S&P 500® Index for the calendar year, on a net basis. Stock selection effects contributed the most to the outperformance, while sector allocation effects were also positive.
- Communication Services, Financials and Industrials contributed the most to relative return. Communication Services and Financials had both a higher return and a higher weighting than the Index. Industrial holdings had a lower weighting than the Index but a higher return.
- Information Technology was the biggest detractor to the results as compared to the Index. While the return was strongly positive, both the return and weighting were lower than the Index.

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# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Fourth Quarter 2023 Representative Flexible Equity Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	7.63
KKR	KKR & Co Inc	Provides alternative asset management, capital market, retirement and life insurance services	3.11
AMZN	Amazon.com, Inc.	Provides online retail shopping services	3.50
V	Visa Inc. Class A	Operates as a global payments technology	5.09
META	Meta Platforms Inc. Class A	Operates as a social networking service and website	3.91

- Microsoft (MSFT) reported healthy Q4 results, accelerating revenue at scale, prior to benefits from AI-related Copilot revenue next year and beyond. Revenue growth flowed through to operating profit, leading to 24% EBIT growth and 26% EPS growth (in constant currency).
- In their Strategic Update in the quarter, KKR & Co (KKR) announced the acquisition of the remaining stake in Global Atlantic for \$2.7bn in cash, increasing ownership from 63% to 100%, the creation of a new Strategic Holdings segment and a modification of compensation ratios to be more performance-based. These initiatives were well received by investors. Overall, our estimates increased ~15% in the quarter from the combination of strong earnings and the Strategic Update.
- Amazon's (AMZN) sales were better than consensus expectations in retail and Amazon Web Services (AWS). Even more impressive, in our view, was the much stronger profitability across core retail and AWS as well.
- Visa (V) stock outperformed following a strong quarterly earnings release coupled with strong spend trends worldwide to finish out the year.
- Meta Platforms (META) has accelerated revenue growth, with advertising revenue growing 24% year over year in the quarter. We believe this is impressive for a company of this size and it is the fastest rate of growth since the Q4 2021 pandemic advertising boom. The company also guided operating expenses and capex below analysts' expectations. Free cash flow (FCF) was almost \$14 billion in the quarter, and we expect that to go higher.

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# CALENDAR YEAR TOP FIVE CONTRIBUTORS TO RETURN

Representative Flexible Equity Account Top Five Contributors as of 12/31/2023

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	7.18
META	Meta Platforms Inc. Class A	Operates as a social networking service and website	3.41
AMZN	Amazon.com, Inc.	Provides online retail shopping services	3.22
AAPL	Apple Inc.	Designs, manufactures and markets mobile communication, media devices, personal computers, and portable digital music players	4.11
KKR	KKR & Co Inc	Provides alternative asset management, capital market, retirement and life insurance services	2.90

- Microsoft (MSFT) established themselves as the leader in AI-related cloud infrastructure through their partnership with Open AI and rapid innovation. Monetization remains early, but Gen AI-services appear to be an opportunity for incremental revenue growth and share gains for Microsoft.
- We saw an opportunity for Meta (META) to generate substantially higher free cash flow from right-sizing their cost base and re-accelerating revenue after a period of headwinds. Since then, Meta has made good on the year of efficiency by executing a massive restructuring and slowing any new hiring. They have also lapped Apple identifier for advertisers (IDFA) headwinds and Reels is now becoming a tailwind to growth from a headwind previously. We believe Meta can earn \$20 of EPS next year if trends continue.
- Greater profitability flowed through in North America. International ecommerce segments in 2023 drove results as Amazon (AMZN) optimized and focused on harvesting following years of massive investment. We believe the most telling metric is free cash flow (FCF) as trailing twelve month (TTM) FCF is over \$41B higher than the prior TTM period due to better operating performance plus \$10B lower C=capital expenditure (CapEx). Amazon Web Services (AWS) started off weak but stabilized toward the end of the year.
- Apple Inc. (AAPL) traded up with mega cap technology stocks in 2023 after a soft end to 2022 on renewed investor optimism on iPhone outlook.
- While the capital markets suffered one of its' worst years in recent history, KKR & Co (KKR) was able to outperform. Gross inflows into the business totaled almost \$40bn for 9 months in 2023, which provided the foundation for high single digit fee related earnings growth during that time. We believe the company continues to remain constructive regarding their flagship fundraising cycle, which is expected to commence in 2024.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Fourth Quarter 2023 Representative Flexible Equity Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
SU	Suncor Energy Inc.	Explores and refines oil and gas	2.02
ALGN	Align Technology, Inc.	Designs, manufactures and markets the invisalign system for treating malocclusion	1.13
BKR	Baker Hughes Company Class A	Engages in oilfield services, manufacturing of turbo machinery and oilfield equipment & provides digital solutions	1.31
CARR	Carrier Global Corp.	Manufactures, sells and installs HVAC, refrigeration, fire and security solutions	1.41
MRK	Merck & Co., Inc.	Discovers, develops and markets human and animal health products	1.02

- Suncor Energy (SU) continued to focus on improving its operational execution throughout 2023 which also included the appointment of a new CEO, Rich Kruger. Commodity prices fell in the fourth quarter and Suncor's stock traded down along with them.
- Align Technology (ALGN) underperformed following a sharp decline in its stock price post its Q3 results that missed consensus expectations and the company's Q4 guidance was below street expectations.
- Commodity prices fell in the fourth quarter amid concerns about slower economic growth and strong production growth from North America and offshore negatively impacting Baker Hughes' (BKR) share price.
- Carrier Global (CARR) was weak largely on continued macro fears for European heat pumps demand, which we believe will impact Viessmann (acquisition expected to close in early January '24). While we believe the short-term outlook for European heat pumps is negative, especially against difficult first half 2024 comparisons, the long-term outlook remains strong given the secular shift towards electrification.
- In our view, while Merck & Co. (MRK) had a strong quarter fundamentally, with Q3 results ahead of consensus expectations and further steps to solidify a late-stage pipeline via a new collaboration with a proven platform in a relatively novel area of oncology therapies, the biopharma sector continued to be a source of funds for investors in Q4, and Merck was no exception.

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# CALENDAR YEAR BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Flexible Equity Account Bottom Five Contributors as of 31<sup>st</sup> December 2022

NAME		DESCRIPTION	AVERAGE WEIGHT (%)
SCHW	Charles Schwab Corp	Provides securities brokerage and other financial services	0.82
ELV	Elevance Health, Inc.	Provides life, hospital and medical insurance plans	2.36
SBAC	SBA Communications Corp. Class A	Functions as real estate investment trust	1.24
UNH	UnitedHealth Group Incorporated	Provides hospital and medical service plans	3.84
BAC	Bank of America Corp	Operates as a bank holding company whose subsidiaries provides banking and non-bank financial services	2.14

- Charles Schwab (SCHW) underperformed this year due to a handful of concerns but mostly because of their balance sheet management. The company has mismanaged their balance sheet from an asset-liability duration perspective sacrificing material earnings over the following few years.
- Despite a solid year fundamentally, both managed care holdings, UnitedHealth Group (UNH) and Elevance (ELV), saw sentiment and valuation deteriorate due to lower than expected Centers for Medicare and Medicaid (CMS) reimbursement for Medicare members, and a higher than expected health care utilization trend particularly from the Medicare outpatient and behavioral health segments.
- SBA Communications (SBAC) was weak in 2023 as growth slowed on a flattening of the U.S. 5G build, as well as investor fears of higher costs driven by interest rate increases and sentiment. The stock price recovered in the fourth quarter as investors began to assume a decline in interest rates in 2024.
- Overall, Bank of America (BAC) reported solid results with updates to Credit, Expenses, Capital, and Returns all incrementally positive. However, Bank of America net interest margin remains hamstrung by the duration extension in their securities portfolio, which now stands at over 6 years.

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# QUARTER-TO-DATE ADDITIONS/DELETIONS

## Fourth Quarter 2023 Representative Flexible Equity Account Portfolio Activity

- During the quarter, there were no new holdings added to the portfolio and no deletions.

SYMBOL	ADDITIONS	SECTOR
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SYMBOL	DELETIONS	SECTOR
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# CALENDAR YEAR ADDITIONS/DELETIONS

Representative Flexible Equity Account Portfolio Activity as of 12/31/2023

SYMBOL	ADDITIONS	SECTOR
FERG	Ferguson Plc	Industrials
GE	General Electric Company	Industrials
PGR	Progressive Corporation	Financials
UBER	Uber Technologies, Inc.	Industrials

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SYMBOL	DELETIONS	SECTOR
SCHW	Charles Schwab Corp	Financials
OTIS	Otis Worldwide Corporation	Industrials

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# PORTFOLIO CHARACTERISTICS

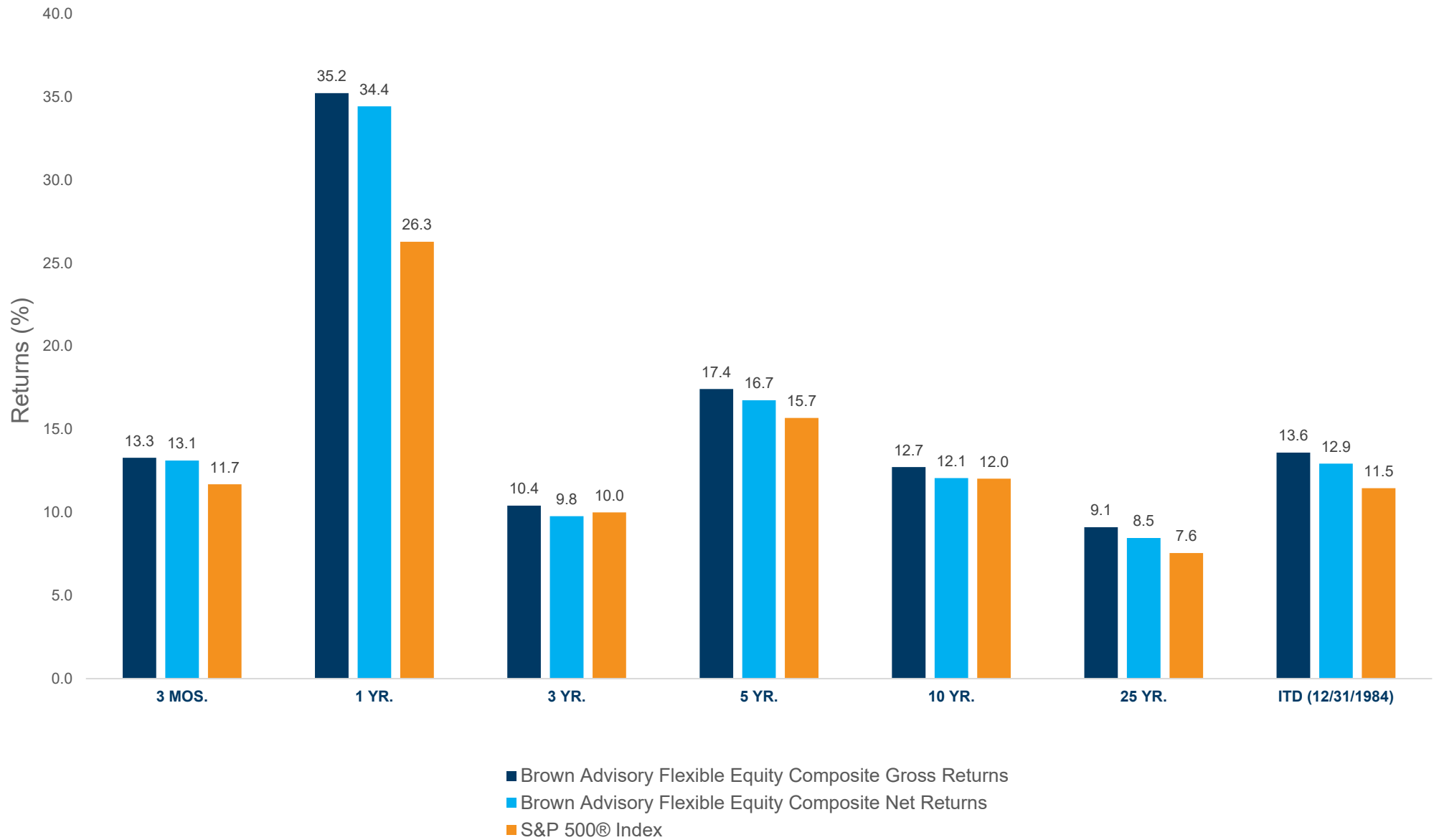
Fourth Quarter 2023

	REPRESENTATIVE FLEXIBLE EQUITY ACCOUNT	S&P 500 INDEX
Number of Holdings	46	503
Market Capitalization (\$ B)		
Weighted Average	692.9	721.7
Weighted Median	220.0	205.1
Maximum	2993.9	2993.9
Minimum	2.8	6.5
P/E Ratio FY1 Est. (x)	22.9	21.4
P/E Ratio FY2 Est. (x)	19.8	19.3
Earnings Growth 3-5 Yr. Consensus Est. (%)	14.6	13.1
Dividend Yield (%)	0.8	1.5
Top 10 Equity Holdings (%)	42.4	30.9
Three-Year Annualized Portfolio Turnover (%)	11.5	--

Source: FactSet. The portfolio information provided is based on a representative Flexible Equity account and is provided as Supplemental Information. Portfolio characteristics exclude cash and cash equivalents with the exception of Top 10 portfolio holdings. Top 10 portfolio holdings include cash and equivalents which was 3.7% as of 12/31/2023. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions. Holdings exclude cash and cash equivalents.

# COMPOSITE PERFORMANCE

Fourth Quarter 2023 as of 12/31/2023



Source FactSet. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Institutional Flexible Equity Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Please see the Brown Advisory Institutional Flexible Equity Composite GIPS Report at the end of this presentation.

# TOP 10 EQUITY HOLDINGS

Representative Flexible Equity Account as of 12/31/2023

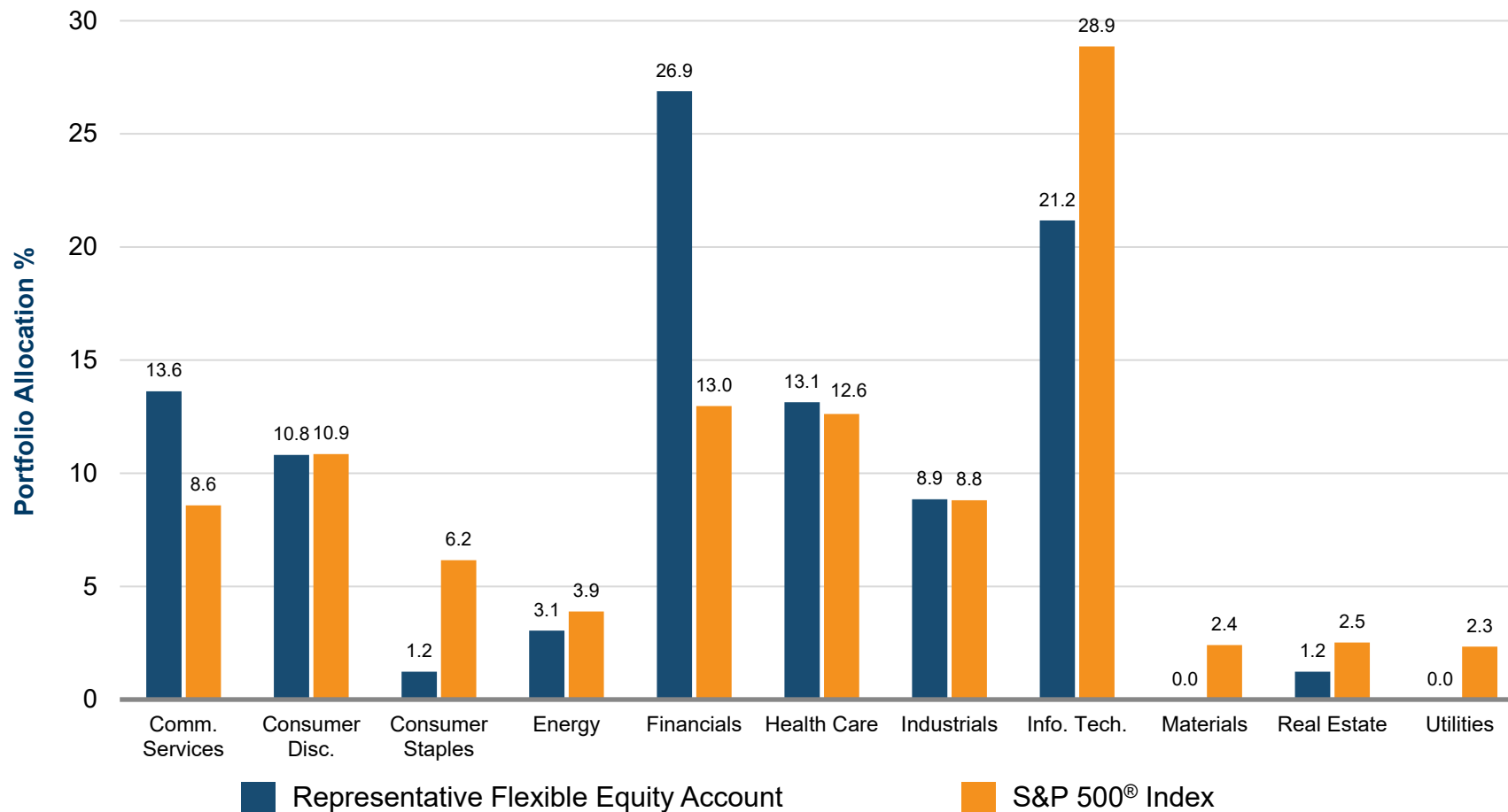
## Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	7.3
Alphabet, Inc. Cl A & C*	6.0
Visa, Inc.	4.8
Mastercard, Inc.	4.7
Berkshire Hathaway, Inc. Cl B	3.9
Apple, Inc.	3.9
Meta Platforms, Inc.	3.8
KKR & Co., Inc	3.4
Amazon.com, Inc.	3.4
UnitedHealth Group, Inc.	3.4
<b>Total</b>	<b>44.6</b>

Source: FactSet. \*Alphabet Inc. represents a 2.6% holding position in class A and 3.5% in class C shares of the stock. 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a representative Flexible Equity account and is provided as Supplemental Information. Figures in chart may not total due to rounding. Holdings include cash and cash equivalents which was 3.7% as of 12/31/2023. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# SECTOR DIVERSIFICATION

Fourth Quarter 2023 Global Industry Classification Standard (GICS) as of 12/31/2023





# 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. 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.

The **S&P 500® Index** represents the large-cap segment of the U.S. equity markets and consists of approximately 500 leading companies in leading industries of the U.S. economy. Criteria evaluated include market capitalization, financial viability, liquidity, public float, sector representation and corporate structure. An index constituent must also be considered a U.S. company. Standard & Poor's, S&P, and S&P 500® are trademarks/service marks of MSCI and Standard & Poor's.

An investor cannot invest directly into an index.

Global Industry Classification Standard (GICS®) and "GICS" are service makers/trademarks of MSCI and Standard & Poor's.

FactSet® is a registered trademark of FactSet Research Systems, Inc.

Figures shown on sector diversification, contribution and attribution by detail slides may not total due to rounding.

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted.

The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio.

**Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark.

**Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed).

**Total Effect** reflects the combination of allocation, selection and interaction effects. Totals may not equal due to rounding.

**Capital expenditure (CapEx)** is the payment with either cash or credit to purchase long-term physical or fixed assets used in a business's operations.

**Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: Weighted Average: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); Weighted Median: the value at which half the portfolio's market capitalization weight falls above and half falls below; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

**Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. Calculated as a weighted harmonic average.

**Earnings Growth 3-5 Year Est.** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokerage firms, calculated according to each broker's methodology. Calculated as weighted average.

**Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price. Calculated as weighted average.

**Portfolio Turnover** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. Portfolio turnover is provided for a three-year trailing period.

**Free cash flow (FCF)** 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.

All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average.

# INSTITUTIONAL FLEXIBLE EQUITY 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)*
2022	-20.8	-21.3	-18.1	22.1	20.9	40	0.2	2,476	58,575
2021	25.7	25.0	28.7	18.8	17.2	41	0.3	3,198	79,715
2020	20.8	20.1	18.4	20.1	18.5	41	0.3	2,550	59,683
2019	37.3	36.5	31.5	12.8	11.9	42	0.4	2,196	42,426
2018	-3.3	-3.9	-4.4	12.3	10.8	41	0.3	2,263	30,529
2017	25.1	24.3	21.8	11.4	9.9	50	0.3	2,912	33,155
2016	9.9	9.4	12.0	12.1	10.6	52	0.2	2,883	30,417
2015	-2.0	-2.6	1.4	11.1	10.5	56	0.2	2,686	43,746
2014	14.0	13.3	13.7	9.2	9.0	49	0.2	3,195	44,772
2013	37.5	36.7	32.4	11.9	11.9	44	0.4	2,247	40,739

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, 2022. 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.

- \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Institutional Flexible Equity Composite (the Composite) includes all actual, discretionary, institutional accounts with a flexible value equity objective of 100%. The strategy seeks bargains in "value" as well as "growth" stocks and invests primarily in the common stock of domestic companies with market capitalizations greater than \$2 billion at the time of purchase. As of January 1, 2013, the minimum account market value required for Composite inclusion is \$1.5 million.
- 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 Flexible Equity Strategy ("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 strategies 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.
- The Composite was created in 1985. The Composite inception date is January 1, 1985.
- The benchmark is the S&P 500® Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks that is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Standard & Poor's, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc.
- 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.
- 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-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite may pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: For accounts below \$150 million, 0.60% on the first \$25 million; 0.50% on the next \$25 million; and 0.45% on the next \$25 million, and 0.35% on the next \$50 million. For accounts over \$150 million, 0.45% on the first \$150 million; 0.275% on the next \$100 million; 0.25% on the next \$250 million; and 0.20% on the balance over \$500 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- The investment management fee for the Investor Shares of the Brown Advisory Flexible Equity Fund (the Fund), which is included in the composite, is 0.43%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2022) was 0.68%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Dollar Class B Acc Shares of the Brown Advisory US Flexible Equity Fund (the UCITS), which is included in the composite, is 0.75%. The total expense ratio for the Dollar Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2022) was 0.89%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- 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.
- 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 is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
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