

# Equity Income

## STRATEGY FACT SHEET

Second Quarter 2023

### WHY INVEST IN BROWN ADVISORY EQUITY INCOME?

#### Above-average dividend yield and growth potential can add stability to a core portfolio.

Manager Brian Graney seeks to produce a dividend yield higher than the S&P 500® Index, and initiate positions only in stocks that yield at least as much as the Index. We emphasize firms that are likely to raise dividends in the future and companies with growth that have the potential to compound overtime. This combination of above-average yield and growth can help to potentially lower a portfolio's overall volatility over a full market cycle.

**Our process.** The strategy uses a bottom up approach to security selection. Initial screens filter for the following traits; dividend yield, payout ratio and growth, earnings growth, stock valuation, capital structure and return on equity (ROE). Then, the manager performs fundamental analysis and assess management. The portfolio typically holds 35-45 securities and strives for low turnover.

Portfolio Manager: Brian Graney, CFA

Benchmark: S&P500® Index

### STRATEGY PROFILE AS OF 06/30/2023

#### BENCHMARK INDEX

S&P 500® Index

#### STRATEGY ASSETS

\$319.4 million

#### VEHICLES AVAILABLE

Separately Managed Account (SMA)

Model Only

Mutual Fund

### PERFORMANCE (% AS OF 06/30/2023)

|   | 3 MOS. | YTD   | 1 YR. | 3 YR. | 5 YR. | 10 YR. | ITD (09/30/2010) |
|---|--------|-------|-------|-------|-------|--------|------------------|
| Equity Income Composite (Gross of Fees) | 3.62   | 6.31  | 11.79 | 12.18 | 10.24 | 10.10  | 11.53            |
| Equity Income Composite (Net of Fees)   | 3.42   | 5.89  | 10.91 | 11.29 | 9.37  | 9.22   | 10.65            |
| S&P 500® Index                          | 8.74   | 16.89 | 19.59 | 14.60 | 12.31 | 12.86  | 13.47            |

### TOP 10 PORTFOLIO HOLDINGS (%)

|                                 |     |
|---------------------------------|-----|
| Microsoft Corp.                 | 7.0 |
| Apple, Inc.                     | 6.8 |
| Merck & Co, Inc.                | 4.2 |
| Ameriprise Financial, Inc.      | 3.8 |
| Linde PLC                       | 3.3 |
| McDonald's Corp.                | 3.1 |
| Automatic Data Processing, Inc. | 3.1 |
| Procter & Gamble Co.            | 2.8 |
| AbbVie, Inc.                    | 2.7 |
| JPMorgan Chase & Co.            | 2.5 |

### SECTOR BREAKDOWN (%)

|                        | REP. ACCT | INDEX |
|------------------------|-----------|-------|
| Communication Services | 3.6       | 8.4   |
| Consumer Discretionary | 9.3       | 10.7  |
| Consumer Staples       | 7.4       | 6.7   |
| Energy                 | 3.6       | 4.0   |
| Financials             | 16.3      | 12.4  |
| Health Care            | 19.7      | 13.4  |
| Industrials            | 9.1       | 8.5   |
| Information Technology | 21.3      | 28.3  |
| Materials              | 4.6       | 2.5   |
| Real Estate            | 3.2       | 2.5   |
| Utilities              | 2.0       | 2.6   |

### CHARACTERISTICS AS OF 06/30/2023

|                                  | EQUITY INCOME REP. ACCT. | S&P 500 INDEX |
|----------------------------------|--------------------------|---------------|
| Weighted Avg. Market Cap.        | \$536.2B                 | \$681.6B      |
| P/E Ratio (FY2 Est.)             | 15.4x                    | 18.4x         |
| Active Share                     | 72.7%                    | --            |
| Dividend Yield                   | 2.6%                     | 1.5%          |
| Portfolio Beta (Since Inception) | 0.8                      | 1.0           |
| Return on Equity (ROE)           | 28.0%                    | 24.7%         |

### PORTFOLIO MANAGER PROFILE

#### BRIAN E. GRANEY, CFA

Brian Graney is an equity research analyst and portfolio manager for the Equity Income strategy. Prior to joining Brown Advisory in 2008, he was a portfolio manager for Alex. Brown Investment Management as well as a writer/analyst at The Motley Fool. Brian earned his BA degree from George Washington University.

Source: FactSet®. The portfolio information provided is based on a representative Brown Advisory Equity Income account as of 06/30/2023 and is provided as Supplemental Information. Sector breakdown and portfolio characteristics exclude cash and equivalents; top 10 holdings include cash and equivalents which was 4.5% as of 06/30/2023 and is provided as Supplemental Information. 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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Composite performance is based on the Brown Advisory Equity Income Composite and was obtained through FactSet. Returns greater than one year are annualized. Past performance is not indicative of future results. Numbers may not total due to rounding. The composite performance shown above reflects the Equity Income composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the Brown Advisory Equity Income Composite GIPS Report on the reverse side for additional information and a complete list of terms and definitions.

# About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients. We are committed to delivering a combination of first-class performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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# Brown Advisory Equity Income

| 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 | -11.0                             | -11.7                           | -18.1                 | 19.3   | 20.9   | 30                                     | 0.2                      | 169                                | 58,575                             |
| 2021 | 27.8                              | 26.8                            | 28.7                  | 16.5   | 17.2   | 30                                     | 0.2                      | 196                                | 79,715                             |
| 2020 | 7.5                               | 6.6                             | 18.4                  | 16.9   | 18.5   | 26                                     | 0.1                      | 173                                | 59,683                             |
| 2019 | 31.6                              | 30.6                            | 31.5                  | 10.6   | 11.9   | 33                                     | 0.3                      | 219                                | 42,426                             |
| 2018 | -5.0                              | -5.7                            | -4.4                  | 9.4  | 10.8   | 28                                     | 0.2                      | 171                                | 30,529                             |
| 2017 | 21.5                              | 20.5                            | 21.8                  | 8.7  | 9.9  | 49                                     | 0.3                      | 289                                | 33,155                             |
| 2016 | 10.5                              | 9.7                             | 12.0                  | 9.7  | 10.6   | 44                                     | 0.2                      | 252                                | 30,417                             |
| 2015 | -4.4                              | -5.2                            | 1.4                   | 10.1   | 10.5   | 53                                     | 0.2                      | 331                                | 43,746                             |
| 2014 | 11.3                              | 10.4                            | 13.7                  | 8.3  | 9.0  | 72                                     | 0.3                      | 446                                | 44,772                             |
| 2013 | 29.2                              | 28.2                            | 32.4                  | 8.6  | 11.9   | 84                                     | 0.3                      | 450                                | 40,739                             |

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- \*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 Equity Income Composite (the Composite) includes all discretionary portfolios invested in the Equity Income Strategy. The strategy invests primarily in U.S. equities that exhibit above-average dividend yields, dividend growth and return on equity. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite was created in 2010. The Composite inception date is October 1, 2010.
- 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. 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-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: 0.80% on the first \$10 million; 0.65% on the next \$15 million; 0.50% on the next \$25 million; and 0.40% on the balance over \$50 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 Equity Income Fund (the Fund), which is included in the Composite, is 0.60%, 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 0.91%. 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. The three-year annualized standard deviation is not presented as of December 31, 2010, 2011 and 2012 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 is not indicative of future results.
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## Terms and Definitions For Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)," "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's. The **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. **Weighted Average Market Capitalization** of a portfolio equals 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). **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. **Beta** is a measure of the volatility of a security or a portfolio of securities in comparison to a benchmark or the market as a whole. A beta less than 1 means that the security will be less volatile than the market, while a beta greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it is theoretically 20% more volatile than the market. **Portfolio Beta** is calculated by comparing the series of monthly returns of the portfolio to the monthly returns of the benchmark, for the period of time specified. **Active Share** measures the percentage of holdings in a manager's portfolio that differ from those in the benchmark index. An active share of 0% means that the portfolio is identical to the benchmark, while an active share of 100% means that the portfolio has no common holdings with the benchmark. **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. **Return on equity (ROE)** is equal to a company's net income for a full fiscal year, divided by total shareholder equity.