

# EQUITY INCOME REVIEW AND OUTLOOK

## First Quarter 2022

Following a strong year of performance in 2021, U.S. stocks fell during the first two months of 2022 before rebounding in March. Investor concerns over rising inflation and interest rates in the U.S. intensified during the period. While global anxiousness about the COVID-19 virus subsided somewhat, that concern was quickly replaced in many investors' minds by the war in Ukraine. For the quarter, the Equity Income strategy declined in line with its benchmark, the S&P 500® Index.

The health care sector was the largest contributor to relative performance during the period. In general, health care companies tend to be less sensitive to changing macroeconomic conditions and often serve as safe havens during periods of heightened investor uncertainty. In total, seven of the strategy's nine health care holdings rose in price during the period. Pharmaceutical developers AbbVie and Merck were standout performers for the strategy as both companies reported steady financial results.

The consumer discretionary sector was the largest detractor from relative performance during the period. Fears of slowing consumer spending negatively impacted the share prices of all five of the strategy's consumer discretionary holdings. In particular, home improvement retailers Home Depot and Lowe's Cos. fell amid concerns that a lack of new housing supply and rising mortgage rates in the U.S. could create headwinds for their near-term sales growth.

A meaningful jump in commodity prices during the quarter resulted in strong performance for the energy sector. In fact, energy and utilities were the only sectors in the Index to rise during the period. Meanwhile, the communication services sector declined during the quarter. In terms of relative performance, the strategy's underweight positioning to communication services largely offset similar underweight positions to both the energy and utilities sectors during the period.

There were no additions or deletions to the portfolio during the quarter. Notably, there were sizable dividend increases from several companies in the portfolio. In all, eight holdings announced dividend increases greater than 10% during the period, with the most meaningful increase being a 49% boost from parcel delivery company United Parcel Service.

We would be remiss to ignore the humanitarian crisis currently unfolding in Ukraine. Millions of lives have been disrupted and thousands of lives have already been lost. While we won't try to predict the course of this conflict, our team of analysts has been working diligently to stay informed about our investment exposures. None of the strategy's holdings generate more than 3% of total annual sales from Russia and Ukraine, though a few names such as Unilever, Accenture, and Novartis do have meaningful operations in European markets more broadly. For those Equity Income holdings with a small footprint in Russia, these companies are taking a humanitarian approach to the situation, supplying only essential goods and pivoting their focus to providing aid for the Ukrainian people.

Amidst a war overseas and rising interest rates and meaningful inflation at home, it is important for investors to retain a mindset geared toward the long-term. We believe focusing on fundamentally strong businesses with demonstrated pricing power that are committed to paying dividends to shareholders remains an attractive strategy for income-oriented investors during this volatile period. The Equity Income strategy remains committed to its ultimate goal of constructing the best possible portfolio of investments that offer above-average yields with a strong potential for future growth at reasonable valuations.

# SECTOR DIVERSIFICATION

First Quarter 2022

- The strategy is underweight communication services. That sector is dominated by a few large media and internet-related companies that do not currently pay dividends.
- Our consumer discretionary weighting changed to underweight from overweight in previous periods because of stock price depreciation during the first quarter.
- The strategy is overweight health care, and the weighting meaningfully increased during the period because of stock price appreciation.

SECTOR	REPRESENTATIVE EQUITY INCOME ACCOUNT (%)	S&P 500® INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE EQUITY INCOME ACCOUNT (%)	
	Q1 '22	Q1 '22	Q1 '22	Q4 '21	Q1 '21
Communication Services	1.95	9.37	-7.42	1.99	2.57
Consumer Discretionary	11.78	12.03	-0.25	13.22	14.28
Consumer Staples	5.45	6.08	-0.64	5.66	6.74
Energy	2.07	3.75	-1.67	1.65	2.08
Financials	18.32	11.12	7.20	18.53	18.83
Health Care	19.48	13.63	5.84	17.78	16.68
Industrials	6.18	7.96	-1.78	5.89	5.52
Information Technology	24.14	27.97	-3.83	24.93	22.49
Materials	4.46	2.62	1.85	4.29	4.41
Real Estate	3.95	2.73	1.22	4.12	4.14
Utilities	2.22	2.74	-0.52	1.95	2.27

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 Equity Income account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# ATTRIBUTION DETAIL BY SECTOR

First Quarter 2022

SECTOR	REPRESENTATIVE EQUITY INCOME ACCOUNT		S&P 500® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	2.01	-6.49	9.73	-11.92	0.60	0.11	0.71
Consumer Discretionary	12.72	-14.94	12.00	-9.03	--	-0.82	-0.81
Consumer Staples	5.66	-7.87	6.13	-1.01	--	-0.39	-0.38
Energy	1.93	21.12	3.54	39.03	-0.48	-0.27	-0.75
Financials	18.70	-5.47	11.44	-1.48	0.27	-0.76	-0.49
Health Care	18.89	5.23	13.33	-2.58	0.14	1.34	1.47
Industrials	6.21	0.35	8.01	-2.29	-0.04	0.16	0.12
Information Technology	23.63	-7.79	28.01	-8.39	0.17	0.12	0.29
Materials	4.30	-0.48	2.57	-2.37	0.04	0.09	0.12
Real Estate	3.84	-8.15	2.67	-6.22	-0.02	-0.08	-0.10
Utilities	2.10	8.16	2.58	4.75	-0.04	0.05	0.02
<b>Total</b>	<b>100.00</b>	<b>-4.40</b>	<b>100.00</b>	<b>-4.60</b>	<b>0.63</b>	<b>-0.44</b>	<b>0.20</b>

- Health care was the largest contributor to relative performance during the quarter because of favorable stock selection. Currently, health care is the second-largest sector exposure for the strategy, trailing only information technology which also contributed positively to relative performance during the period.
- Consumer discretionary was the largest detractor from relative performance due to unfavorable stock selection. Financials also detracted from relative performance during the period.
- Energy was the best performing sector for the Index during the quarter. The sector detracted from relative performance because of the strategy's under-weight positioning and unfavorable stock selection.
- Communication services was the worst performing sector for the Index during the quarter. The strategy's under-weight positioning contributed to relative performance.

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# TOP FIVE CONTRIBUTORS TO RETURN

## First Quarter 2022 Representative Equity Income Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ABBV	AbbVie, Inc.	Operates as a research-based pharmaceutical company	3.00	20.89	0.60
KMI	Kinder Morgan Inc Class P	Provides pipeline transportation of natural gas	1.93	21.12	0.34
CB	Chubb Limited	Operates as a holding company for a family of property and casualty insurance companies	2.53	11.09	0.27
MRK	Merck & Co., Inc.	Discovers, develops and markets human and animal health products	3.30	7.98	0.24
DOW	Dow, Inc.	Develops chemicals and specialty materials	1.59	13.63	0.20

- Drugmaker AbbVie rose after reporting quarterly financial results that were in line with analysts' expectations. In particular, the company noted strength in its portfolio of popular consumer aesthetics products such as Botox and Juvederm. Also during the quarter, AbbVie increased its dividend by 8%.
- Natural gas pipeline operator Kinder Morgan rose after reporting quarterly financial results that were in line with expectations. U.S. natural gas infrastructure providers such as Kinder Morgan could see some incremental near-term demand for exports, especially to Europe in light of Russia's invasion of Ukraine.
- Diversified insurer Chubb Ltd gained after reporting quarterly financial results that were ahead of expectations. The company benefitted from strong pricing power for its policies, which helped to boost margins during the period.
- Drugmaker Merck gained after reporting quarterly financial results that were ahead of expectations. In particular, the company recorded strong global sales of its Gardasil medication during the period and good results from its animal health business.
- Chemical company Dow Inc. rose after reporting quarterly results that were ahead of expectations. The company pointed to strong pricing for its products during the period and forecasted that the pricing environment is expected to remain favorable for the coming quarters.

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# BOTTOM FIVE CONTRIBUTORS TO RETURN

## First Quarter 2022 Representative Equity Income Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
HD	Home Depot, Inc.	Retails and rents an assortment of building materials and home improvement products	2.77	-27.44	-0.88
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	6.81	-8.20	-0.53
ACN	Accenture Plc Class A	Operates as an investment holding company with interest in providing management consulting, technology and outsourcing services	2.21	-18.41	-0.47
LOW	Lowe's Companies, Inc.	Engages in the retail sale of home improvement products	2.03	-21.55	-0.46
CSCO	Cisco Systems, Inc.	Designs, manufactures, and sells Internet protocol based networking products and services related to the communications and information technology industry	3.61	-11.42	-0.45

- Home improvement retailer Home Depot fell on worries that rising mortgage rates and housing prices will slow consumer spending on housing-related purchases. Despite these worries, the company reported strong financial results during the quarter and raised its dividend by 15%.
- Business and consumer software, Microsoft, fell during the quarter. Despite reporting financial results that were ahead of expectations, some investors fear that the company's very large and fast-growing Azure cloud computing business could begin to slow in future quarters.
- Information technology consultant Accenture dropped despite reporting better than expected quarterly financial results. The company also raised its sales growth guidance for the full year because of continued strong customer demand for Accenture's cloud and digital offerings for businesses.
- Fellow home improvement retailer Lowe's Cos. also declined during the quarter for similar reasons as Home Depot, despite reporting quarterly financial results that were ahead of expectations.
- Networking equipment provider Cisco Systems dropped despite reporting quarterly financial results that were ahead of expectations. The company noted healthy order growth for its products during the quarter in the face of widespread supply chain shortages and disruptions impacting the industry.

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# ADDITIONS/DELETIONS

## First Quarter 2022 Representative Equity Income Account Portfolio Activity

- There were no additions or deletions during the first quarter.

symbol	Additions	Sector
	None	

symbol	Deletions	Sector
	None	

# PORTFOLIO CHARACTERISTICS

First Quarter 2022



	REPRESENTATIVE EQUITY INCOME ACCOUNT	S&P 500 INDEX
Number of Holdings	42	504
Dividend Yield (%)	2.2	1.4
P/E Ratio FY2 Est. (x)	16.1	18.5
Top 10 Equity Holdings (%)	40.9	29.5
Active Share (%)	73.3	--
Market Capitalization (\$ B)		
Weighted Average	500.4	647.8
Maximum	2853.3	2853.3
Minimum	1.7	5.4
Three-Year Annualized Portfolio Turnover (%)	18.2	--

Source: FactSet. The portfolio information provided is based on a representative Equity Income account and is provided as Supplemental Information. Portfolio statistics and characteristics exclude cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# COMPOSITE PERFORMANCE

First Quarter 2022 as of 03/31/2022



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 Equity Income 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 Equity Income Composite disclosure statement at the end of this presentation for a GIPS compliant presentation.

# TOP 10 PORTFOLIO HOLDINGS

Representative Equity Income Account as of 03/31/2022

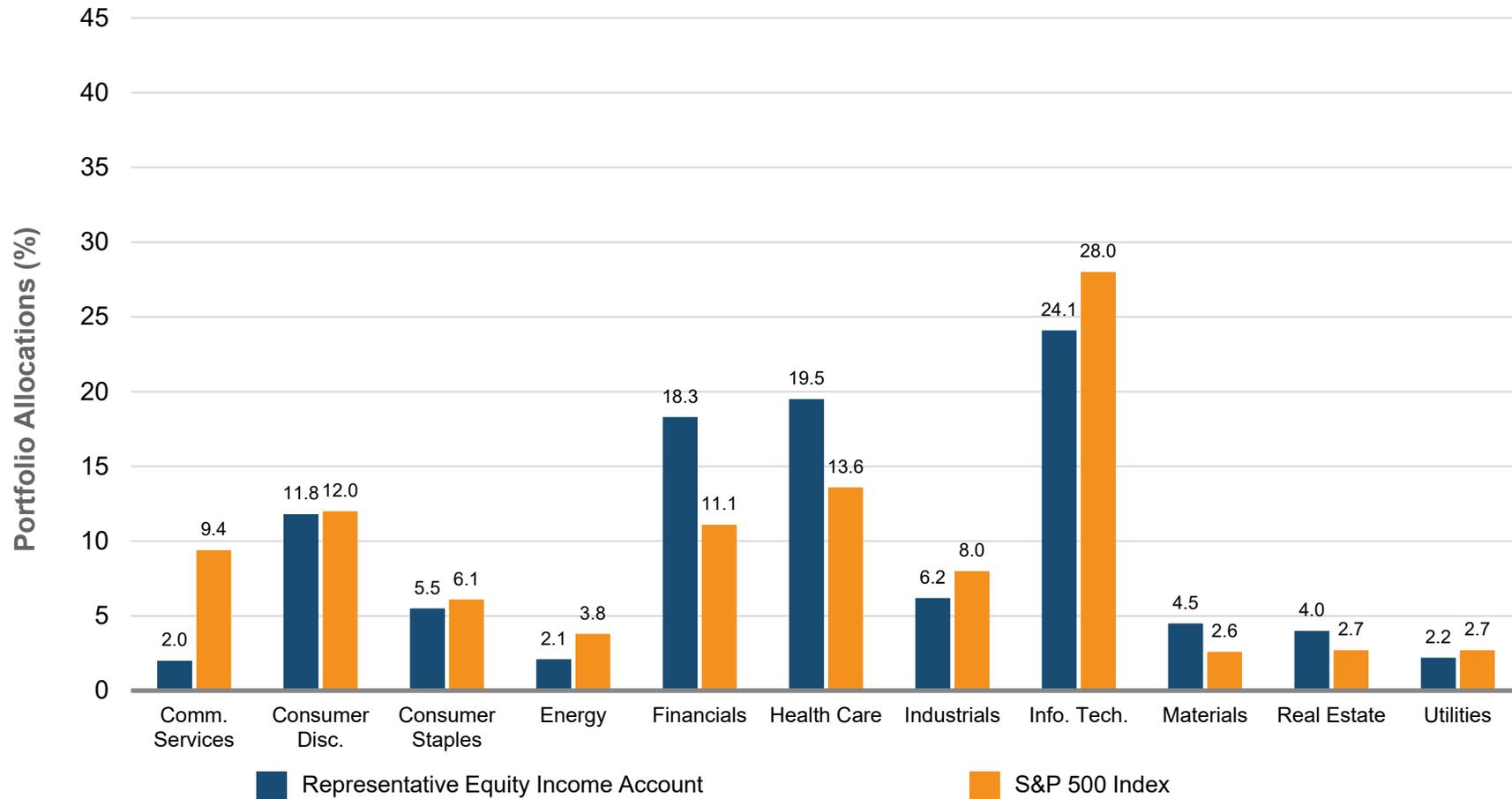
## Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	7.0
Apple, Inc.	6.8
Ameriprise Financial, Inc.	3.7
Blackstone Inc.	3.6
Automatic Data Processing, Inc.	3.5
Cisco Systems, Inc.	3.5
Merck & Co, Inc.	3.4
AbbVie, Inc.	3.3
Target Corp.	3.1
Procter & Gamble Co.	2.9
<b>Total</b>	<b>40.9%</b>

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. Portfolio information is based on a representative Equity Income account and is provided as Supplemental Information. Please see disclosure statement at the end of this presentation for additional information. Top 10 portfolio holdings exclude cash and equivalents which was 3.7% as of 03/31/2022 and is provided as a Supplemental Information. Figures in chart may not total due to rounding.

# SECTOR DIVERSIFICATION

First Quarter 2022 Global Industry Classification Standard (GICS) as of 03/31/2022



Source: FactSet. The portfolio information provided is based on a representative Equity Income account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

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

# TERMS AND DEFINITIONS

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.

The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash.

**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.

**Contribution To Return** is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.

**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.

**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.

**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.

**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); Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

**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.

**Weighted Average** (Weighted Mean) refers to when data points in a sample contribute more to the final mean than others.

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

Brown Advisory  
**EQUITY INCOME COMPOSITE**



Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)*	GIPS Firm Assets (\$USD Millions)*
2020	7.5	7.1	18.4	16.9	18.5	26	0.1	173	59,683
2019	31.6	31.0	31.5	10.6	11.9	33	0.3	219	42,426
2018	-5.0	-5.5	-4.4	9.4	10.8	28	0.2	171	30,529
2017	21.5	20.8	21.8	8.7	9.9	49	0.3	289	33,155
2016	10.5	9.9	12.0	9.7	10.6	44	0.2	252	30,417
2015	-4.4	-5.0	1.4	10.1	10.5	53	0.2	331	43,746
2014	11.3	10.7	13.7	8.3	9.0	72	0.3	446	44,772
2013	29.2	28.5	32.4	8.6	11.9	84	0.3	450	40,739
2012	12.8	12.0	16.0	N/A	N/A	67	0.2	350	26,794
2011	11.6	11.0	2.1	N/A	N/A	43	0.2	120	19,962

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 March 31, 2020. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- \*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. Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Certain accounts in the Composite pay asset-based custody fees that include commissions. For these accounts, gross and net 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 II A of the firm's form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- 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, 2020) was 0.95%. 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 March 31. The three-year annualized standard deviation is not presented as of March 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.
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