

# **BROWN ADVISORY GLOBAL FOCUS STRATEGY**

Q1 2021

*For institutional investors only*

# THE GLOBAL FOCUS STRATEGY OPPORTUNITY

The Global Focus strategy is a concentrated (10-15 companies) long-only equity strategy.

We believe that investing in a handful of companies with **dominant business models** and **improving economics** that are **undervalued on free cash flow** should generate **attractive returns** for our investors.

## Sources of Investment Edge:

- Perspective** > Long-term with a 5 year investment horizon and a business owner mind-set.
- People** > Experienced global investors supported by sector specific analysts.
- Process** > We employ distinct investment selection and capital allocation processes.
- Positioning** > A highly selective strategy with meaningful mid-cap exposure.

*Although not unique in isolation we feel that this combination is differentiated.*

# OUR KEY TENETS

## We believe in:

- Long-term focus > We have held >80% of our holdings since inception
- Concentration > We are highly selective with 12 investments currently
- Business owner mind-set > We approach investing as business owners and invest alongside our clients\*
- Free cash flow > Each company has a history of generating durable and improving free cash flow streams
- Self-improvement > We use data and analytics in conjunction with a 3<sup>rd</sup> party consultant to seek to minimise behavioural pitfalls

## We do not believe in:

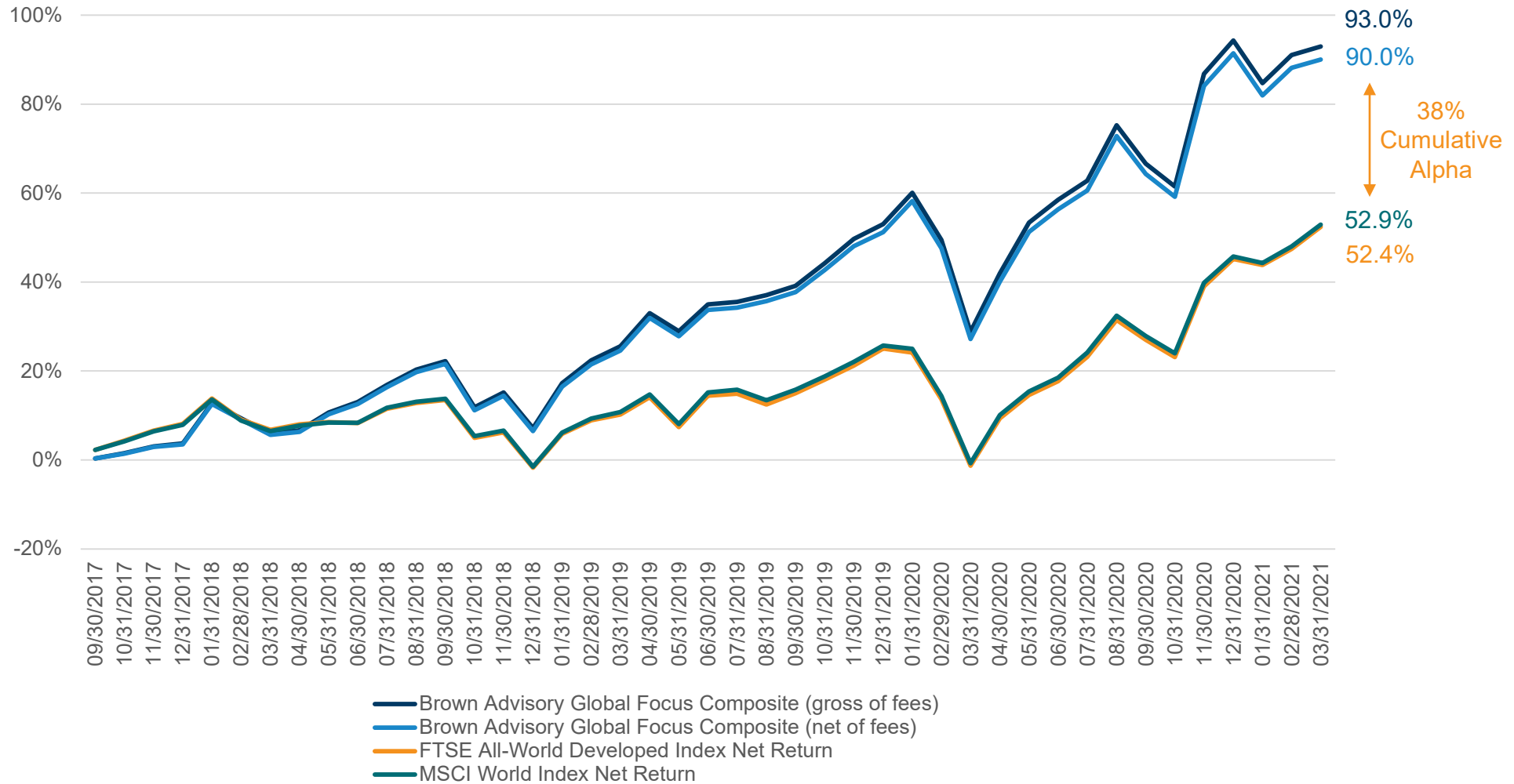
- Volatility as a measure of risk > Volatility is an opportunity and risk is permanent capital destruction
- Mirroring the benchmark > We currently invest in 4 of the 11 sectors in the benchmark
- Macro-thematic investing > We invest in businesses not macro factors
- Opaque business models > No companies that we think have impenetrable accounts or persistent profit-to-cash flow imbalances
- Relative valuation > We focus on cash flow and absolute value
- Excessive leverage > Leverage that is appropriate to cash flow volatility

\*All investments are voluntary and we do not track the level of investment by Portfolio Manager.  
Please see the end of this presentation for important disclosures.

# GLOBAL FOCUS CUMULATIVE PERFORMANCE

## Cumulative Performance as of March 31, 2021

Global Focus Composite vs FTSE All-World Developed Index and MSCI World Index (monthly)  
Since Inception (09/01/2017 – 03/31/2021)



Source: FactSet®. Past performance is not indicative of future results and you may not get back the amount invested. The primary benchmark is the FTSE All-World Developed Net Index. The MSCI World Index is for illustrative purposes only. The composite performance shown above reflects the Global Focus 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 Global Focus disclosure statement at the end of this presentation for a GIPS compliant presentation.

# GLOBAL FOCUS INVESTMENT TEAM

LONDON BASED		
<b>PORTFOLIO MANAGERS</b>	<b>FINANCIALS</b>	<b>TECHNOLOGY</b>
BERTIE THOMSON, CFA	PRIYANKA AGNIHOTRI, CFA	RAN CHANG
MICK DILLON, CFA	<b>BUSINESS SERVICES</b>	<b>INDUSTRIALS</b>
	THOMAS FITZALAN HOWARD	RODDY SEYMOUR-WILLIAMS
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<b>U.S. BASED</b>		
<b>CONSUMER</b>	<b>FINANCIALS</b>	<b>TECHNOLOGY</b>
DAN MOONEY, CFA	CAMERON MATHIS	JOHN CANNING, CFA
	<b>HEALTH CARE</b>	<b>INDUSTRIALS</b>
	SANJEEV JOSHI, CFA	JONATHAN CHOU, CFA

Colleague data is as of March 31, 2021.

# THE GLOBAL FOCUS INVESTMENT PROCESS

## Investment Selection

Idea Generation

Fundamental Analysis

Company Approved/Dismissed

## Capital Allocation

Payoff vs Probability

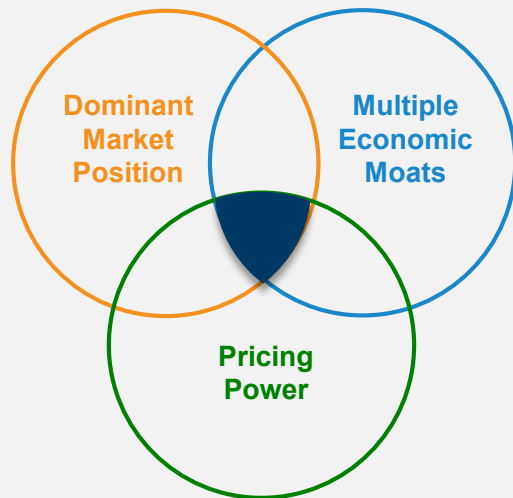
Risk Factor Analysis

Behavioural Analysis

# THE GLOBAL FOCUS STRATEGY INVESTMENT SELECTION PROCESS

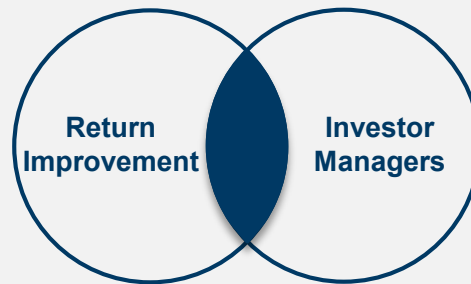
POTENTIAL GLOBAL FOCUS STRATEGY INVESTMENTS HAVE TO PASS EACH TEST

## 1. Dominant Business Models



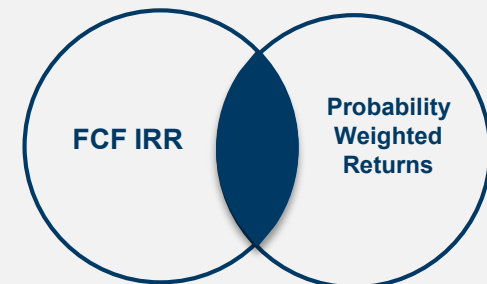
- Market position signifies competitive advantage.
- Moats provide new entrant protection.
- Pricing power provides inflation insulation.
- Most companies fail here.

## 2. Return Improvement



- ROIC > ROIC.
- Growing FCF streams.
- Freedom from the capital treadmill.
- Investor managers are rare.

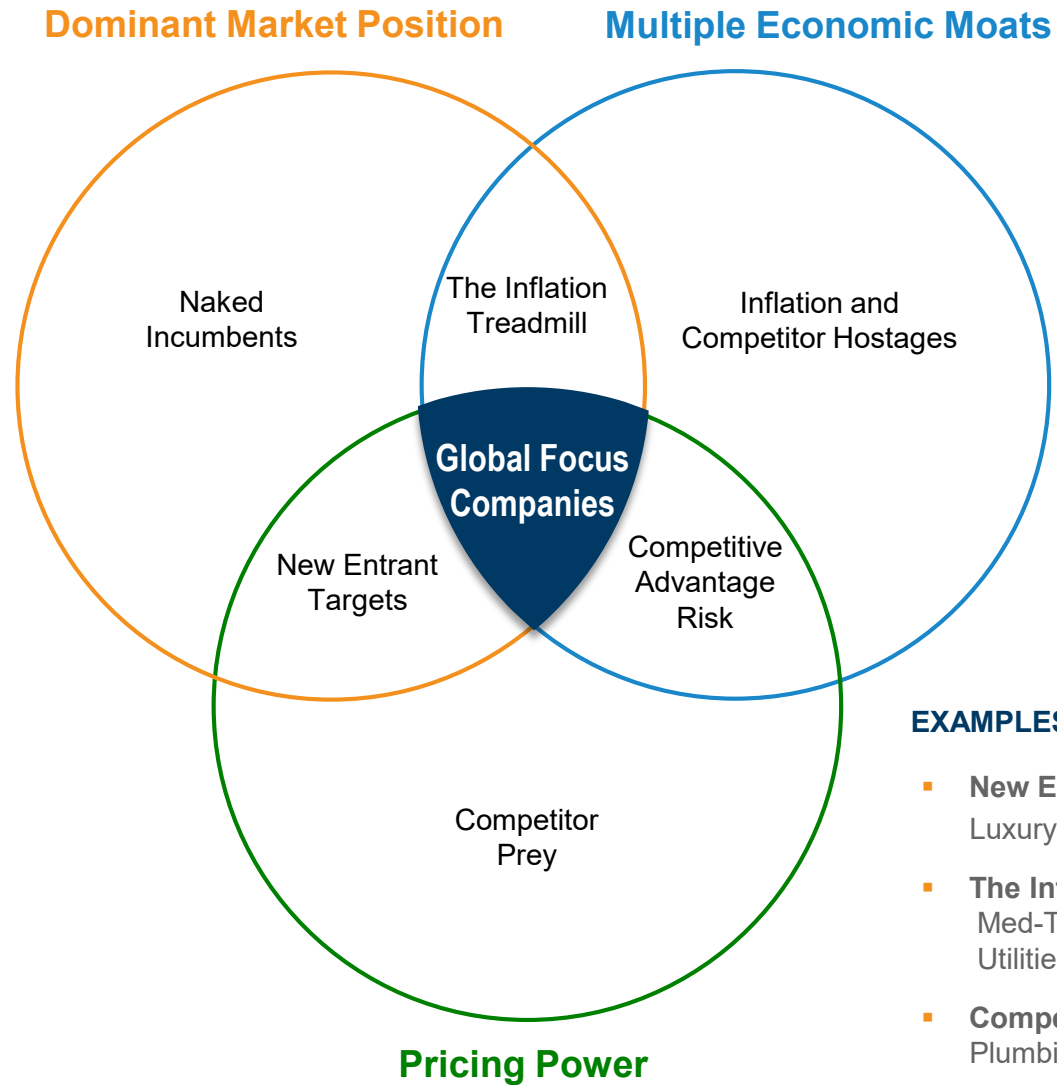
## 3. Cash Flow Based Payoff



- FCF over accounting profits.
- 5+ year investment horizon.
- Absolute over relative returns.
- Probability brings likelihood into the equation.

# DOMINANT BUSINESS MODELS

Most companies fail here



## EXAMPLES OF EXCLUDED INDUSTRIES:

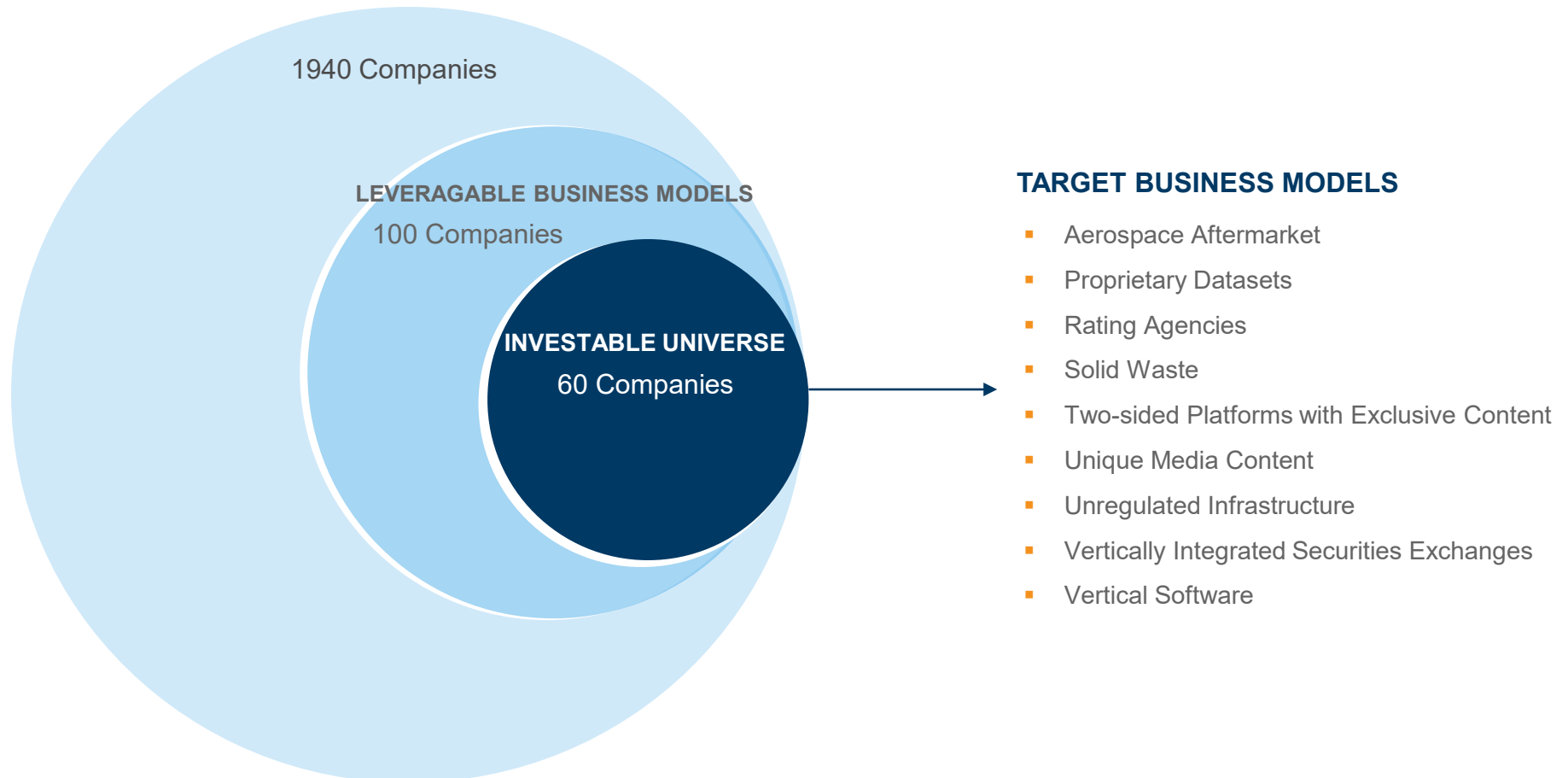
- **New Entrant Targets:**  
Luxury Goods.
- **The Inflation Treadmill:**  
Med-Tech, Food Retail, Regulated Utilities, Commodity Producers.
- **Competitive Advantage Risk:**  
Plumbing Suppliers.



# WE ARE HIGHLY SELECTIVE

## INVESTMENT UNIVERSE\*

>\$2bn Mkt Cap



\*FTSE All-World Developed Index. Please see the end of this presentation for important disclosures.

# DOMINANT BUSINESS MODELS

Representative Global Focus Account as of 04/01/2021

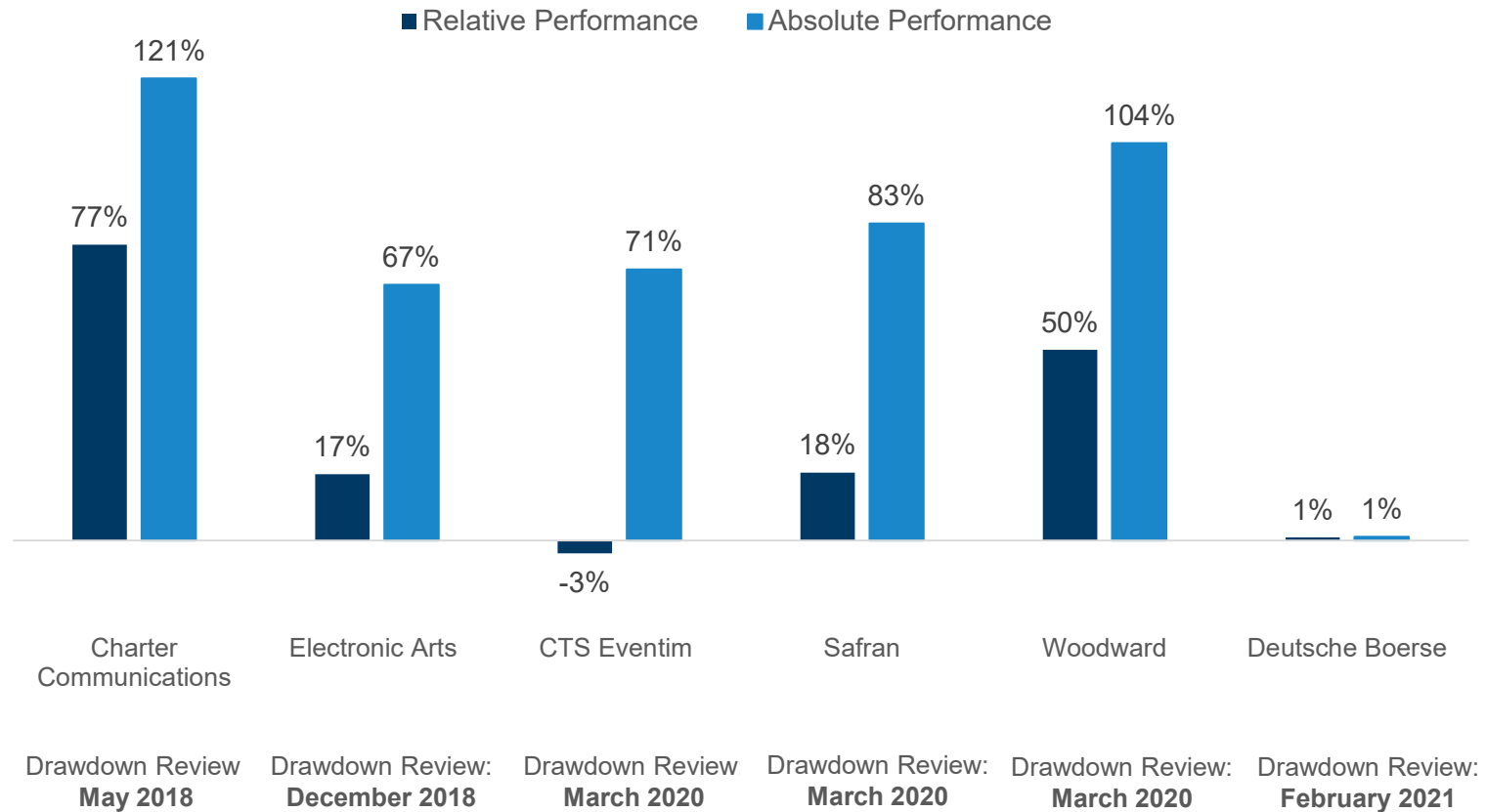
COMPANY	MARKET POSITION	MARKET STRUCTURE	% PORTFOLIO
Microsoft	Enterprise software leader and cloud follower	Monopoly and oligopoly	14.4
Visa	Global payment network leader	Duopoly	13.2
Safran	Narrow-body engine market leader	Duopoly	9.0
Charter	Local connectivity leader	Local monopoly	8.9
Deutsche Boerse	Exchange and custody leader	Monopoly and duopoly	8.5
Woodward	Niche aero engine part leader	Oligopoly	8.1
Alphabet	Digital search leader	Monopoly	7.9
Fair Isaac Corp.	US consumer credit score leader	Monopoly	7.4
Electronic Arts	Sports video game leader	Duopoly and oligopoly	6.9
Autodesk	Vertical AEC CAD software leader	Duopoly	6.6
Wolters Kluwer	Niche publishing leader	Duopoly and oligopoly	5.0
CTS Eventim	European ticketing leader	Monopoly	3.3

## The Focus strategy Invests in Industry Leaders in Attractive Market Structures

Source: FactSet®. Data as of April 1, 2021 due to cash inflows on March 31, 2021 which distorted the strategy weightings. 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. Numbers may not total due to rounding. Portfolio information is based on a representative Global Focus account, includes cash and is provided as supplemental information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions

# RESULTS FROM -20% DRAWDOWN REVIEWS

Performance since Drawdown Review to March 31, 2021



## Our drawdown review process adds value

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## PORTFOLIO ATTRIBUTES

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# IMPROVING ECONOMICS DRIVING FCF-BASED UPSIDE

As of 04/01/2021

COMPANY	FY21 FCF/EV Yield	FY26 FCF EV/Yield	LT FCF Growth (2027-31)
Microsoft	4.1%	12.0%	11%
Visa	3.3%	7.5%	10%
Safran	4.0%	9.2%	7%
Charter Communications	5.6%	10.4%	6%
Deutsche Boerse	5.5%	8.9%	7%
Woodward	4.8%	11.3%	8%
Alphabet	3.6%	10.1%	10%
Fair Isaac	2.9%	8.6%	12%
Electronic Arts	5.3%	10.3%	7%
Autodesk	3.4%	7.8%	12%
Wolters Kluwer	4.7%	8.3%	6%
CTS Eventim	10.0%	6.6%	7%
Global Focus Median	4.4%	9.1%	7.7%
<b>Global Focus Weighted Average</b>	<b>4.4%</b>	<b>9.4%</b>	<b>8.8%</b>

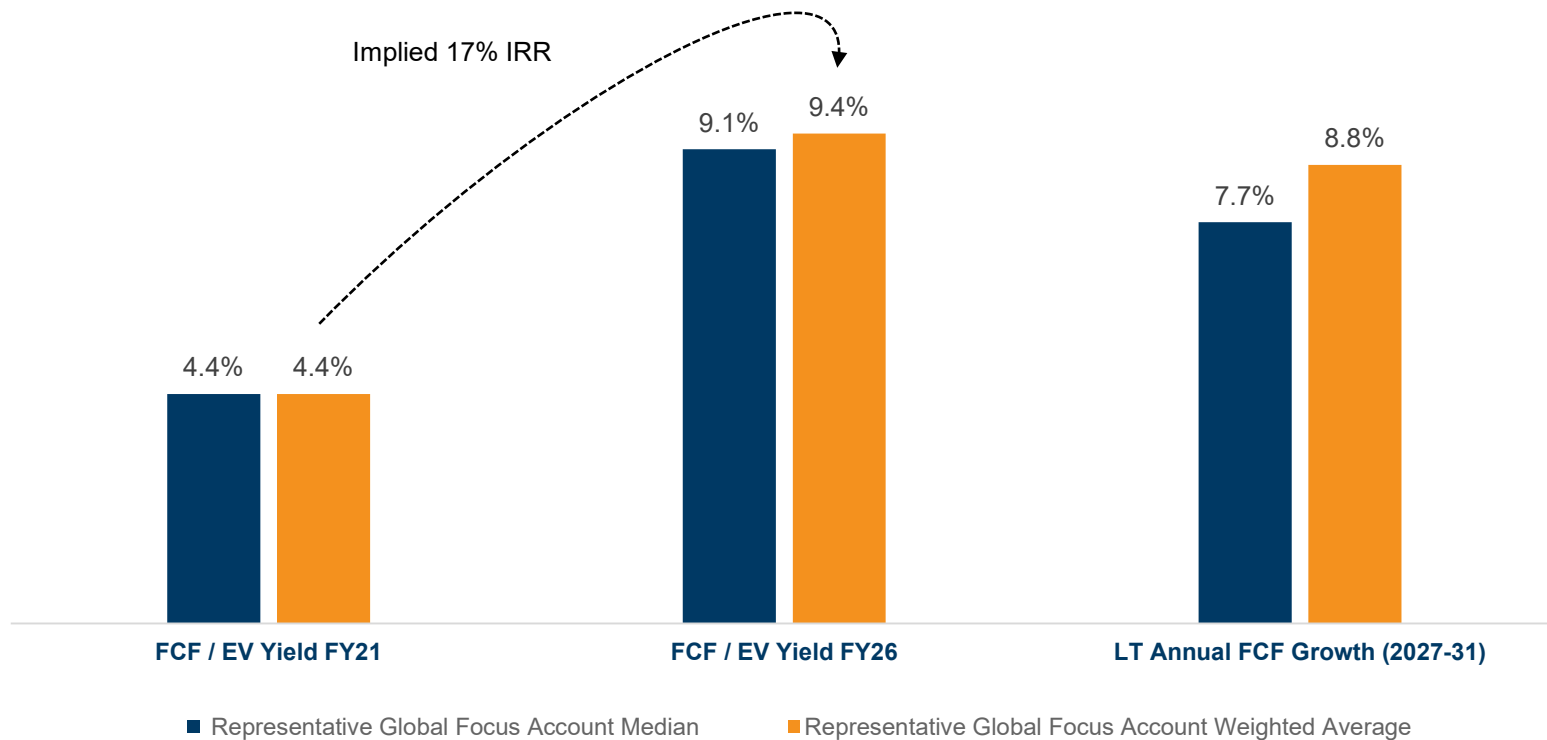


**We See Significant Upside Potential On Our Estimates**

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# IMPROVING ECONOMICS DRIVING FCF-BASED UPSIDE

Representative Global Focus Account as of 04/01/2021

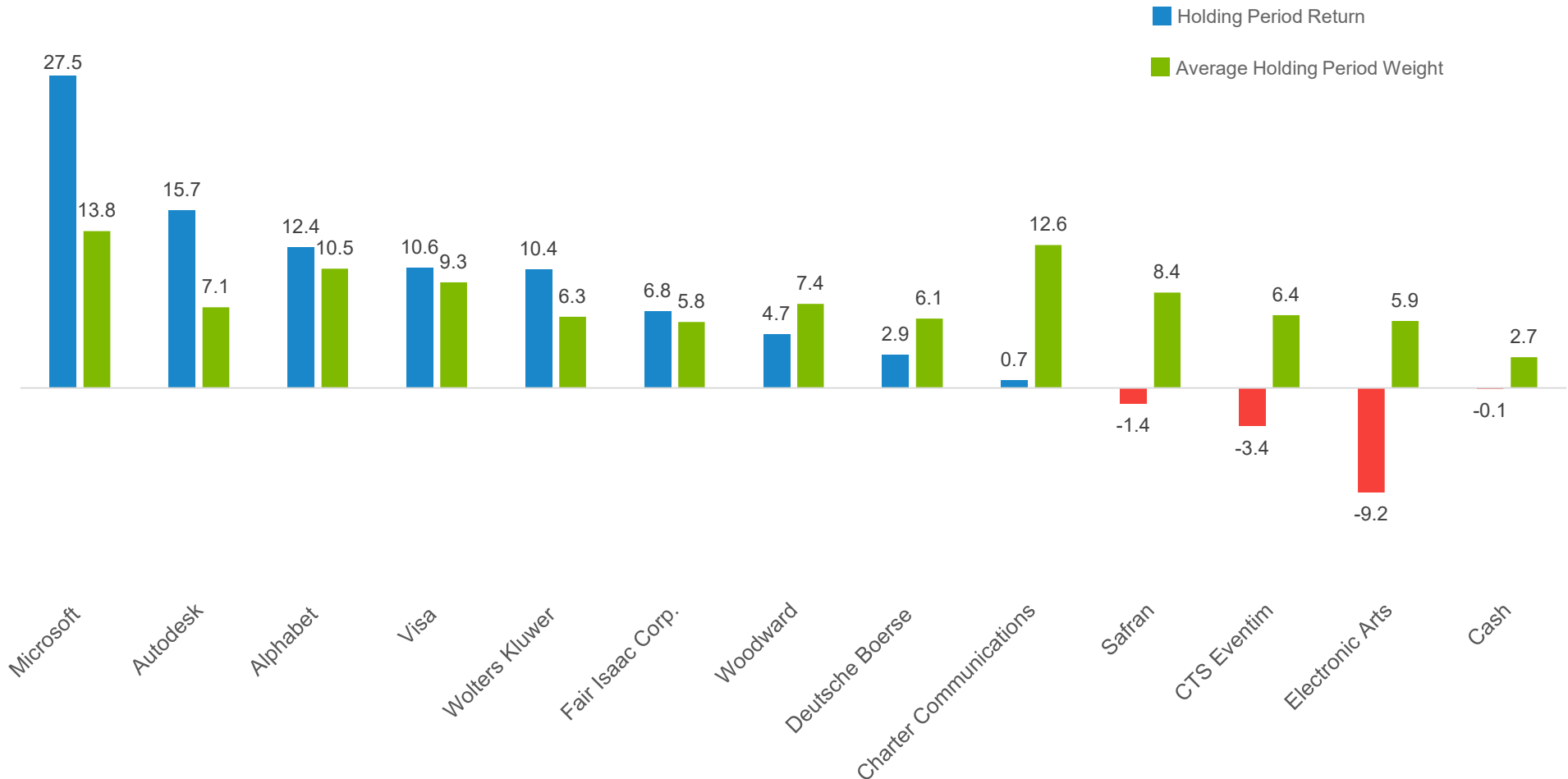


Source: FactSet® and Brown Advisory calculations. Past performance is not indicative of future results. Characteristics include cash. The implied 17% IRR is gross of fees. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Performance statistics are based on the Global Focus Composite net of fees since inception on 1<sup>st</sup> September 2017. Please see the Brown Advisory Global Focus Composite disclosure at the end of this presentation for additional information and for a complete list of terms and definitions.

# ANNUALISED RELATIVE INVESTMENT PERFORMANCE

## Inception-to-Date Annualised Relative Investment Performance as of March 31, 2021

Representative Global Focus Account (% relative performance gross of fees)

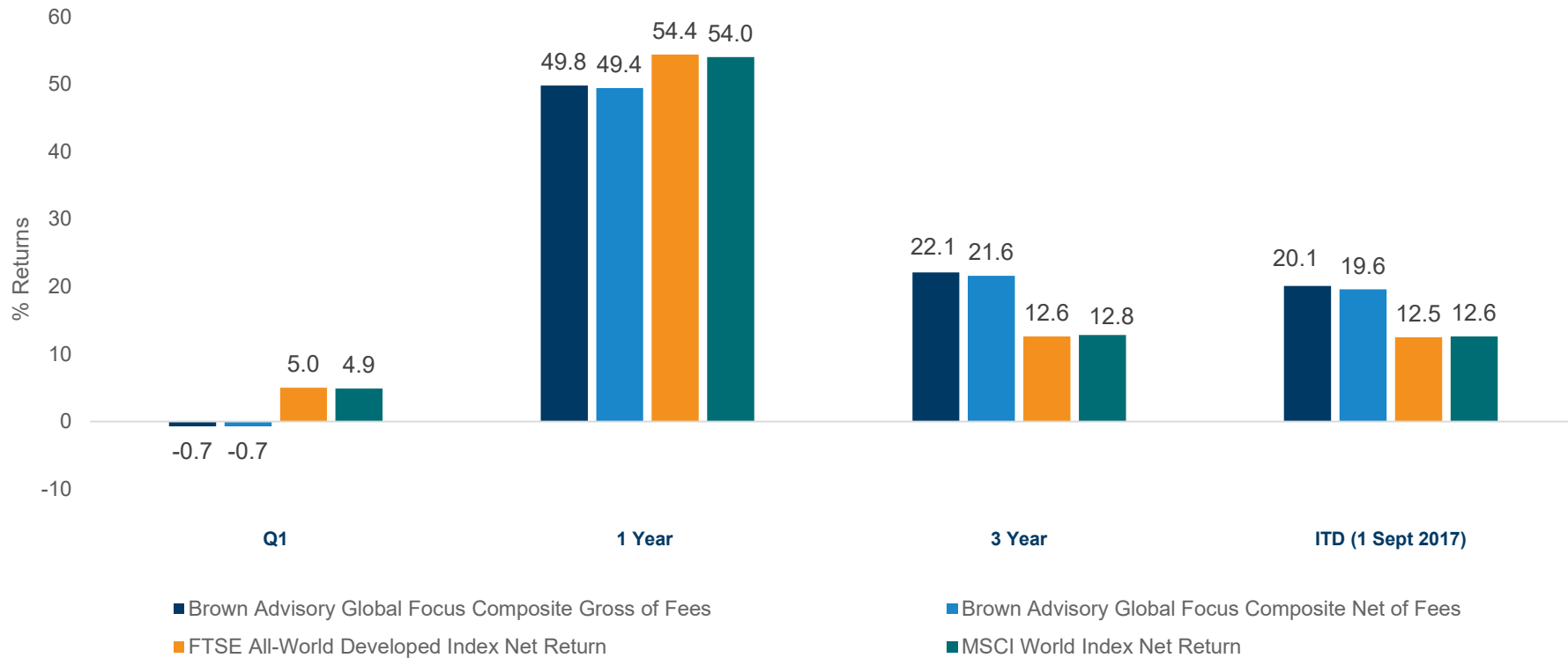


Source: FactSet®. Past performance is not indicative of future results and you may not get back the amount invested. The primary benchmark is the FTSE All-World Developed Net Index. The information provided in this material is not intended to be and should not be considered to be a recommendation or 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. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Annualised relative returns calculated using the FTSE All-World Developed Total Index and does not assume reinvestment of dividends and capital gains. Please see the end of this presentation for important disclosures.

# GLOBAL FOCUS PERFORMANCE

## Annualized Performance as of March 31, 2021

Global Focus Composite



Source: FactSet®. All returns greater than one year are annualized. Past performance is not indicative of future results and you may not get back the amount invested. The primary benchmark is the FTSE All-World Developed Net Index. The MSCI World Index is for illustrative purposes only. The composite performance shown above reflects the Global Focus 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 Global Focus disclosure statement at the end of this presentation for a GIPS compliant presentation.



## INVESTMENT EXAMPLE

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## ELECTRONIC ARTS (EA) PRICE: \$138, MKT CAP: \$40BN

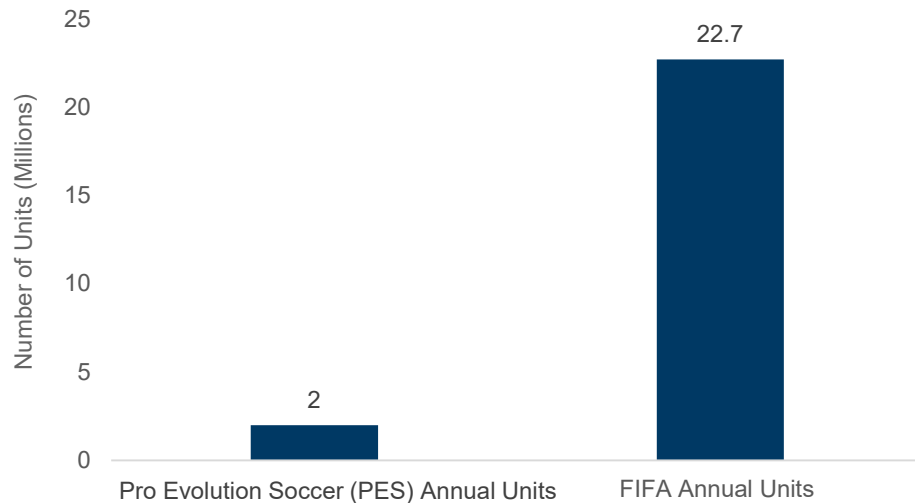
- EA is a video game publisher with an estimated >70% company free cash flow being derived from its sports franchises.
- FIFA (soccer) and Madden (football) are the two key titles - we estimate that FIFA has >90% market share of the soccer video game market.
- We view sports content as being unique and misunderstood by investors with annuity style consumption and high levels of engagement.
- EA Live Services (53% FY20 bookings) is the key monetisation mechanic with high margin Ultimate Team at its core.
- In addition to Live Services growth we see return improvement from the gradual shift from physical (51% full game sales) to digital downloads.
- We see EA's content as being materially undervalued by the investment community and see +60% base case upside by 2026\*.



Source: Bloomberg and Brown Advisory Analysis. Data as of March 31, 2020 and reflects the most recently available data. Market Cap and Price Source: Bloomberg as of March 31, 2021 and reflects the most recently available data. \*Base case upside is based on 5% Free Cash Flow-to-Enterprise Value Yield. The information provided is not intended to 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. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.

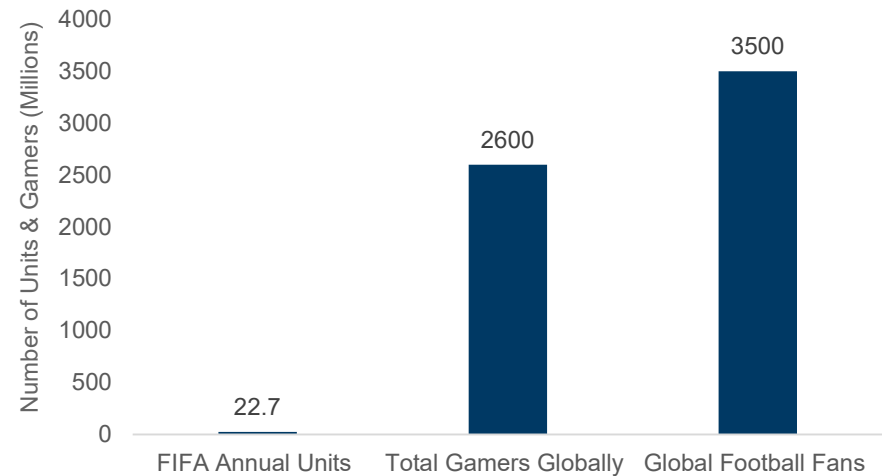
# ELECTRONIC ARTS (EA) PRICE: \$138, MKT CAP: \$40BN

### Estimated PES vs FIFA Annual Units Sales LFY



Source: Company Reports. Data as of December 31, 2019.

### The FIFA Streaming Opportunity



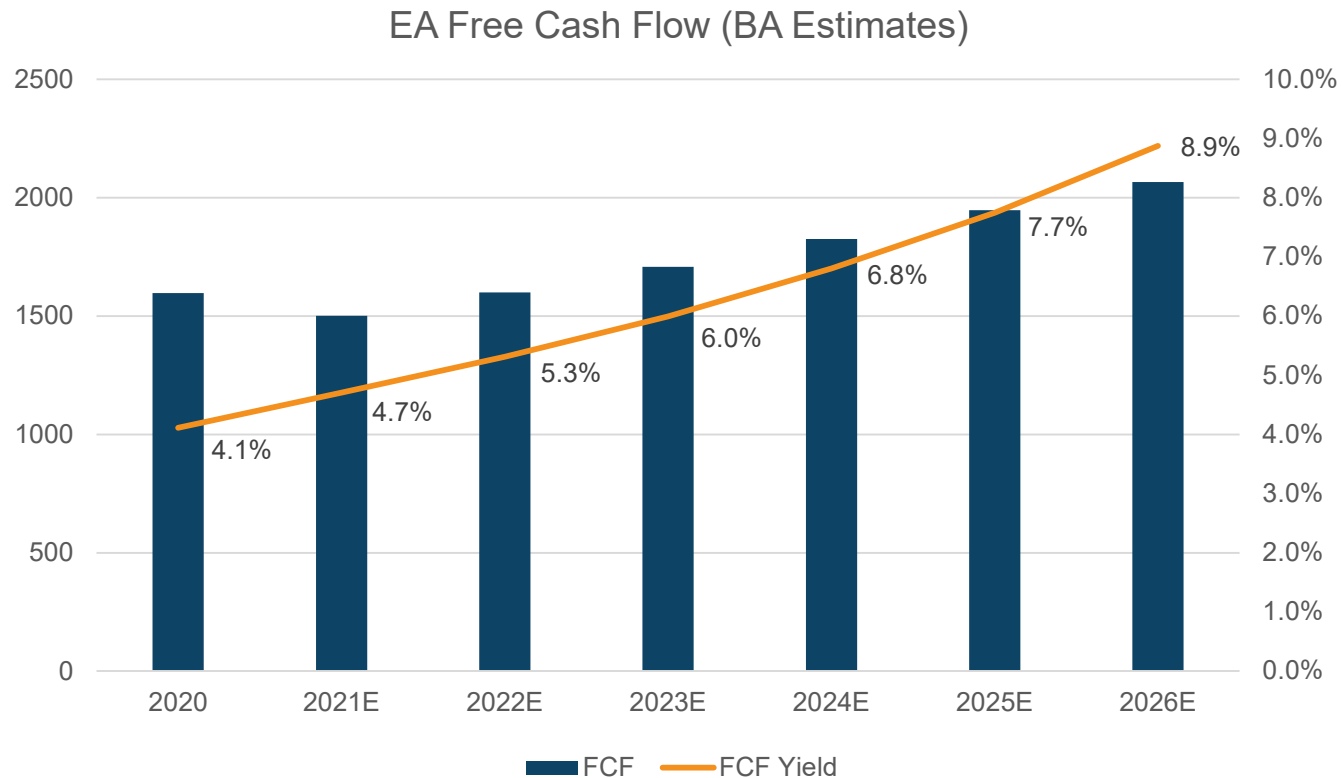
Source: Company Reports and Sanford Bernstein. Data as of December 31, 2019.

*‘The only game you can see where its peaks cut into Fortnite playtime is FIFA. It’s another game for everybody, wildly popular around the world’.*

*Epic Games CEO Tim Sweeney (03/19)*

Source: Company Reports and Sanford Bernstein. Data as of December 31, 2019 and reflects the most recently available data. Market Cap and Price Source: Bloomberg as of March 31, 2021 and reflects the most recently available data. The information provided is not intended to 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. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.

# ELECTRONIC ARTS (EA) CASH FLOW BASED UPSIDE



Live Services and digital booking growth drives margin based upside.

Source: Brown Advisory Analysis. Data as of March 31, 2021. The information provided is not intended to 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. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.

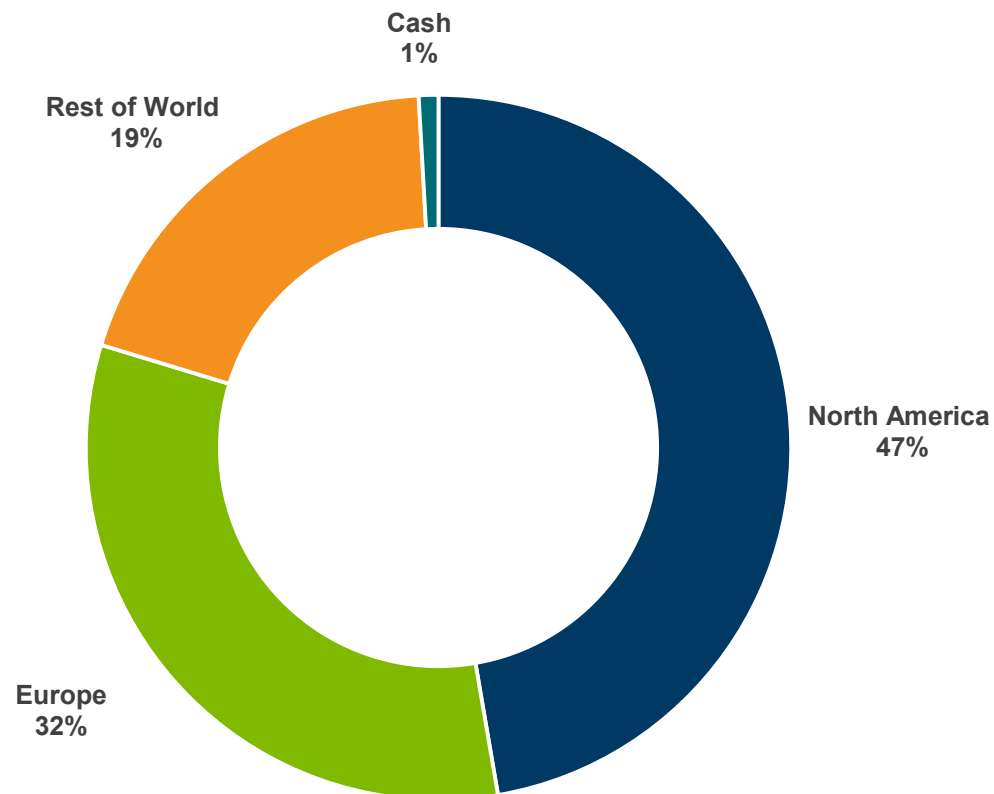
## APPENDIX

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# GEOGRAPHIC BREAKDOWN

Representative Global Focus Account as of 04/04/2021

## Geographic Composition by Country of Revenue



Source: Brown Brothers Harriman and Brown Advisory calculations. Data as of April 4, 2021 due to cash inflows on March 31, 2021 which distorted strategy weightings. Portfolio information includes cash. Individual company percentage of revenue by country reflects information available in 04/04/2021 public filings. 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. Numbers may not total 100% due to rounding. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.

# PORTFOLIO HOLDINGS

Representative Global Focus Account as of 04/01/2021

SECURITY	SECTOR	COUNTRY	MARKET CAP	% PORTFOLIO
1 Microsoft Corporation	Information Technology	U.S.	\$1,828.8bn	14.4
2 Visa Inc. Class A	Information Technology	U.S.	\$463.6bn	13.2
3 Safran S.A.	Industrials	France	\$60.1bn	9.0
4 Charter Communications, Inc. Class A	Communication Services	U.S.	\$117.9bn	8.9
5 Deutsche Boerse AG	Financials	Germany	\$30.9bn	8.5
6 Woodward, Inc.	Industrials	U.S.	\$7.7bn	8.1
7 Alphabet Inc. Class C	Communication Services	U.S.	\$1,345.5bn	7.9
8 Fair Isaac Corporation	Information Technology	U.S.	\$14.6bn	7.4
9 Electronic Arts Inc.	Communication Services	U.S.	\$39.7bn	6.9
10 Autodesk, Inc.	Information Technology	U.S.	\$62.3bn	6.6
11 Wolters Kluwer NV	Information Technology	Netherlands	\$23.1bn	5.0
12 CTS Eventim AG & Co. KGaA	Communication Services	Germany	\$5.9bn	3.3
13 Cash & Equivalents	--	--	--	0.9

Source: FactSet®. Data as of April 1, 2021 due to cash inflows on March 31, 2021 which distorted the strategy weightings. 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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.

# COMPETITION INSULATION: MULTIPLE ECONOMIC MOATS

Representative Global Focus Account as of 03/31/2020

Global Focus Strategy investments have multiple economic moats – the average is three

BRAND / IP		11 COMPANIES	COST		11 COMPANIES	EFFICIENT SCALE		0 COMPANIES
Alphabet Inc.	Microsoft		Alphabet Inc.	Microsoft				
Autodesk	Safran		Autodesk	Safran				
CTS Eventim AG	Visa		Charter Communications	Visa				
Deutsche Boerse	Wolters Kluwer		Deutsche Boerse	Wolters Kluwer				
Electronic Arts	Woodward		Electronic Arts	Woodward				
Fair Isaac Corp.			Fair Isaac Corp.					
SWITCHING COST		10 COMPANIES	NETWORK EFFECTS		10 COMPANIES			
Alphabet Inc.	Fair Isaac Corp.		Alphabet Inc.	Electronic Arts				
Autodesk	Microsoft		Autodesk	Fair Isaac Corp.				
CTS Eventim AG	Safran		Charter Communications	Microsoft				
Deutsche Boerse	Wolters Kluwer		CTS Eventim AG	Safran				
Electronic Arts	Woodward		Deutsche Boerse	Visa				

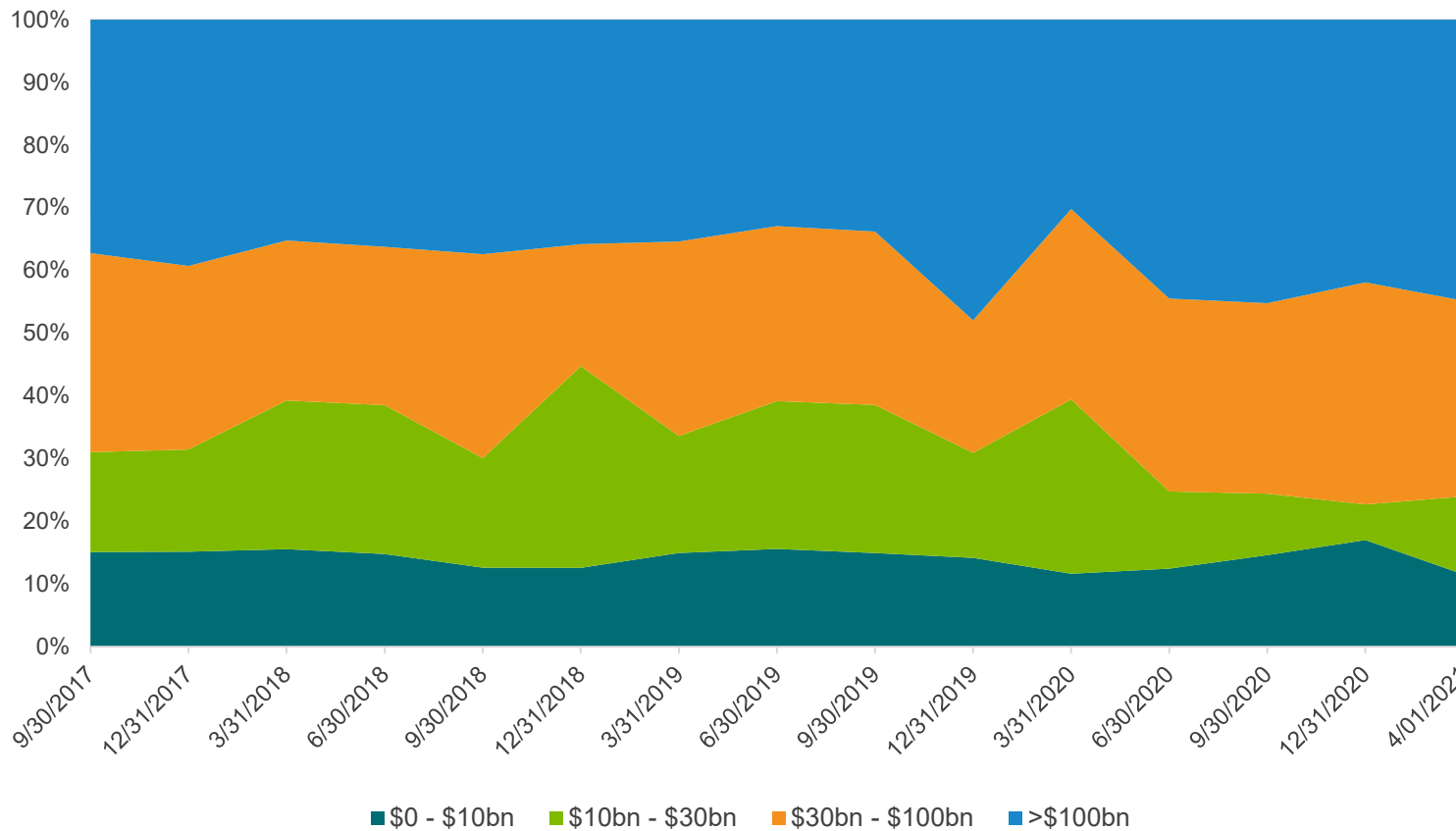
Source: Brown Advisory Calculations. The categories above are not based on GICS sectors, but on the 'source of competitive advantage', as determined by Brown Advisory. The views expressed are those of Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. 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. Past performance is not a guarantee of future performance. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Please see the end of this presentation for important disclosures and a complete list of terms and definitions.



# MID-CAP EXPOSURE HAS DELIVERED DIFFERENTIATED PERFORMANCE

Representative Global Focus Account as of 04/01/2021

Exposure & Contribution by Market Capitalization Since Inception  
09/30/2017 - 04/01/2021



Annualised Excess Return

1 Year ITD

-2.4% 14.1%

19.1% 1.0%

-18.3% 9.0%

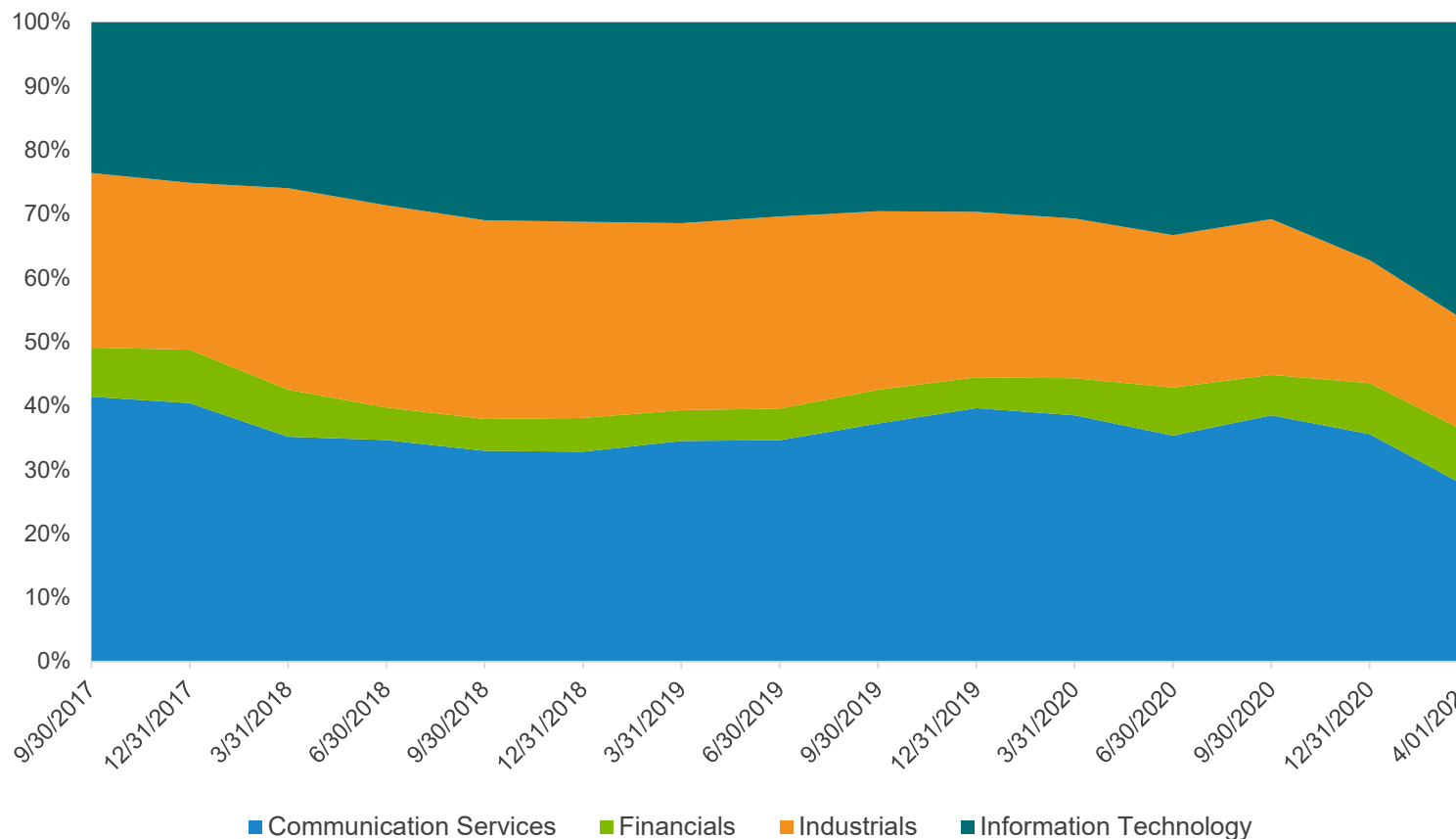
25.7% 4.9%

Source: FactSet®. Data as of April 1, 2021 due to cash inflows on March 31, 2021 which distorted the strategy weightings. Inception date is September 1, 2017. 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. Portfolio information is based on a representative Global Focus account, excludes cash and is provided as supplemental information. Annualised excess returns calculated using the FTSE All-World Developed Total Index and does not assume reinvestment of dividends and capital gains. Please see the Brown Advisory Global Focus Composite disclosure at the end of this presentation.

# DEEP DOMAIN EXPERIENCE IN TARGETED INDUSTRIES

Representative Global Focus Account as of 04/01/2021

Exposure & Contribution by Sector Since Inception  
09/30/2017 - 04/01/2021



**Annualised Excess Return**

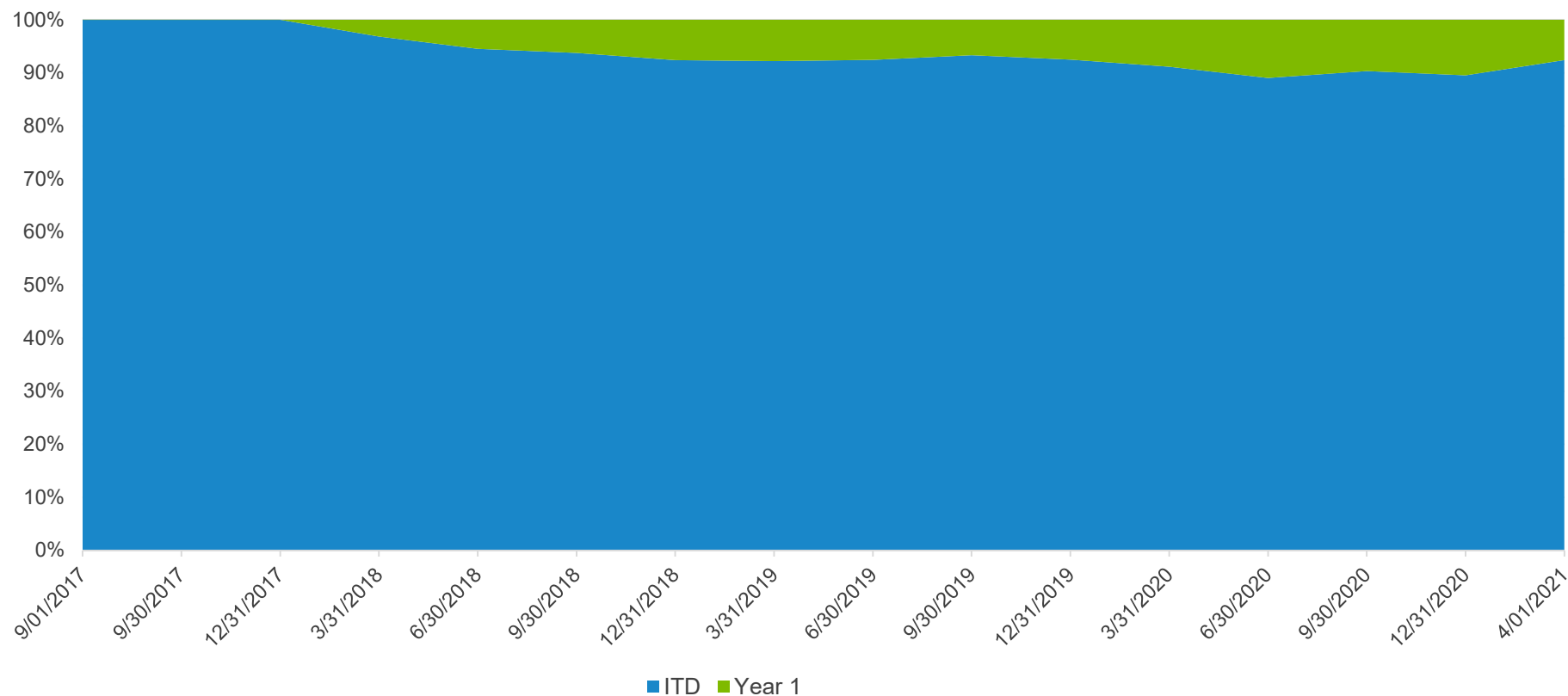
	1 Year	ITD
Information Technology	1.9%	20.6%
Industrials	34.2%	5.0%
Financials	-32.7%	2.8%
Communication Services	-4.9%	3.6%

Source: FactSet®. Data as of April 1, 2021 due to cash inflows on March 31, 2021 which distorted the strategy weightings. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Numbers may not total due to rounding. Inception date is 1 September, 2017. 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. Portfolio information is based on a representative Global Focus account, excludes cash and is provided as supplemental information. Annualised excess returns calculated using the FTSE All-World Developed Total Index and does not assume reinvestment of dividends and capital gains. Please see the Brown Advisory Global Focus Composite disclosure at the end of this presentation.

# WE ARE LONG-TERM INVESTORS

Representative Global Focus Account as of 04/01/2021

Percentage of Holdings from Purchase  
09/01/2017 - 04/01/2021



Source: FactSet®. Data as of April 1, 2021 due to cash inflows on March 31, 2021 which distorted the strategy weightings. The two stocks purchased during Q1 2018 were Autodesk which was a 2.9% position as of 03/31/2018, and Wolters Kluwer which was a 7.2% position as of 03/31/2018. Numbers may not total due to rounding. 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. Portfolio information is based on a representative Global Focus account and is provided as supplemental information. Please see the Brown Advisory Global Focus Composite disclosure at the end of this presentation.

# LESSONS LEARNED BY THE INVESTMENT MANAGERS

## 1. Sun Pharmaceutical Industries

### ■ Key Lessons Learned

- a. Durable economic moats (e.g. regulation) are essential for insulating our companies from supply-side disruption.
- b. Pricing power can be temporary and illusory.
- c. We should decisively exit when faced with supply-side disruption.

## 2. Novozymes

### ■ Key Lessons Learned

- a. Pricing power aids compounding.
- b. Valuation support is essential in investment.
- c. We should decisively exit on a drawdown review – legging out doesn't work for us.

## 3. Aurelius

### ■ Key Lessons Learned

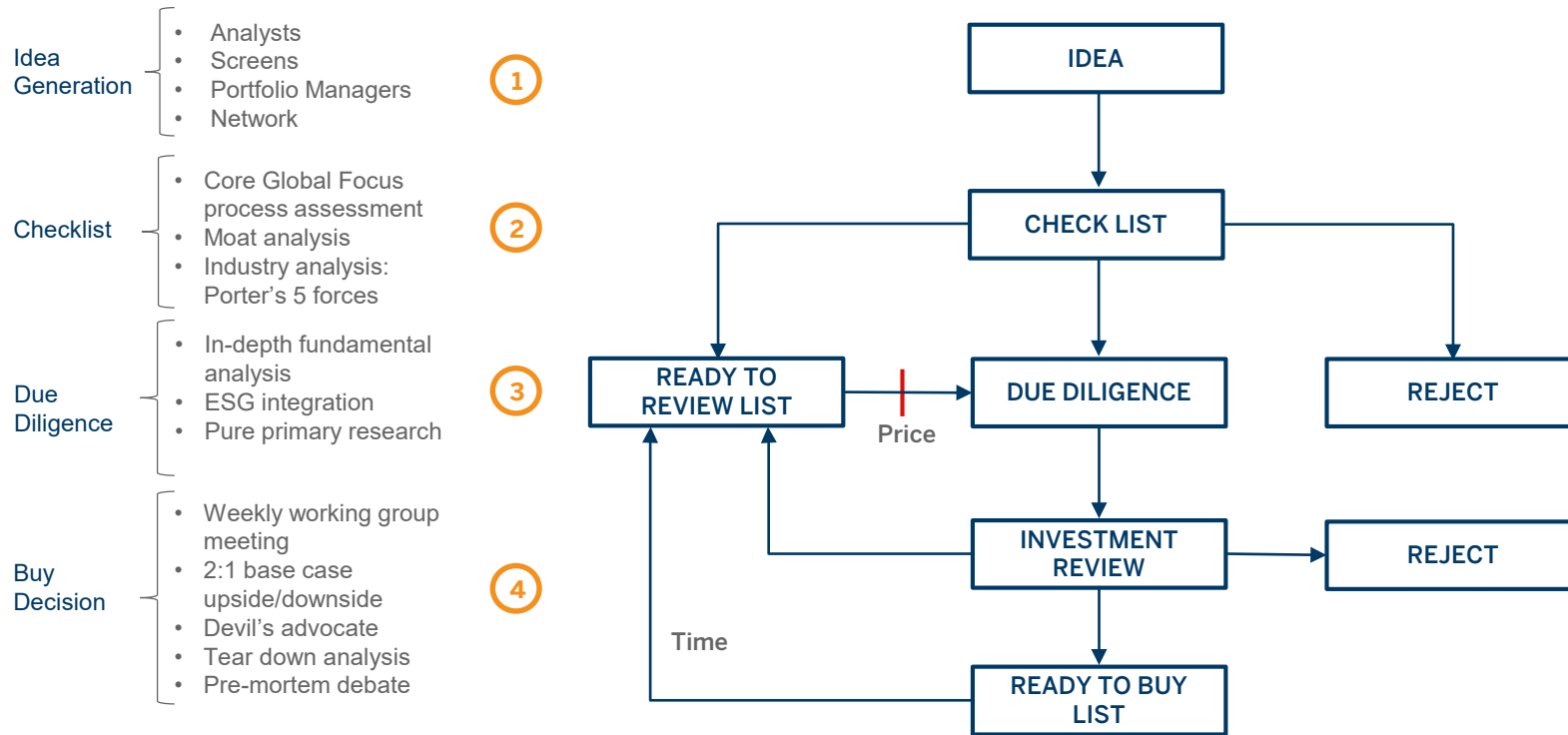
- a. Opaque business models create uncertainty.
- b. Management integrity question marks cloud our decision-making.
- c. Durable free cash flow streams underpin value.

***We are a summation of our experiences – learning from negative outcomes is an integral part of our evolution.***

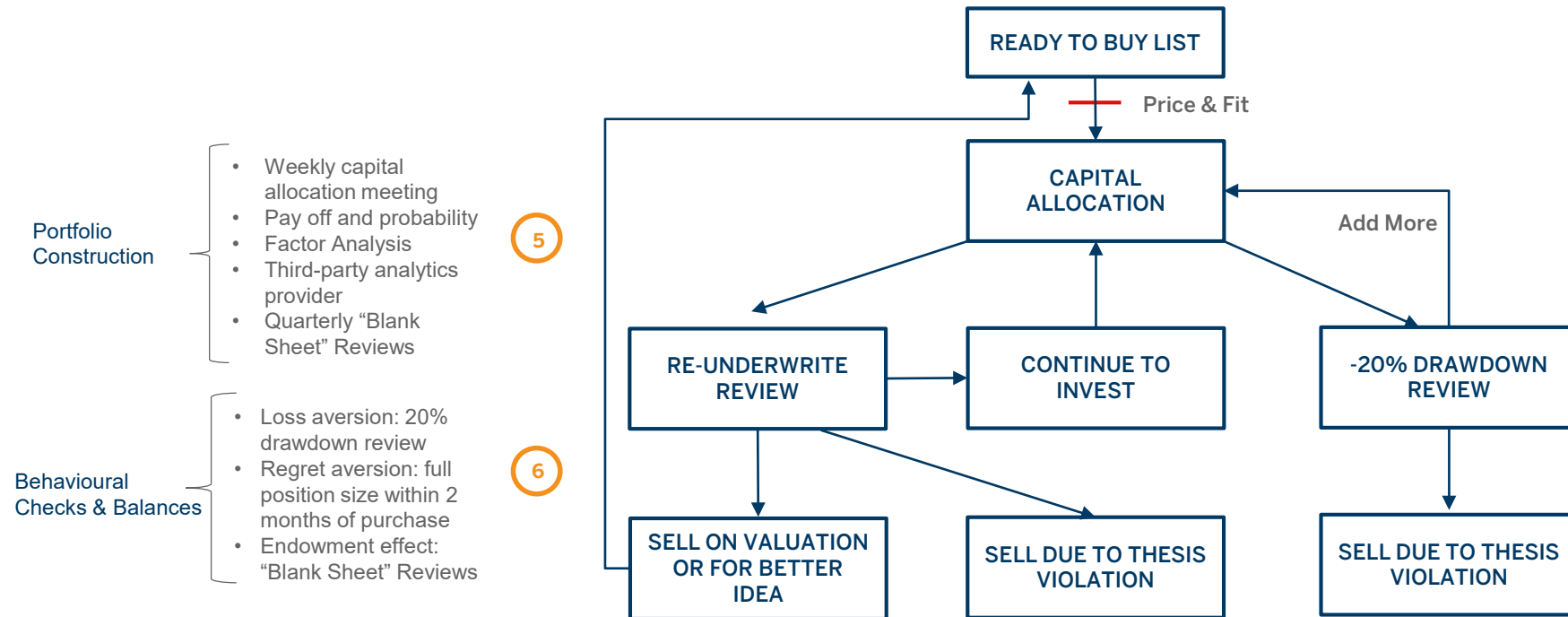
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# INVESTMENT SELECTION

## Fundamental Research Factor Inputs



## Ongoing Monitoring & Continuous Learning



## DIVERSIFICATION ≠ RISK REDUCTION

*‘Statistics say that owning just two stocks eliminates 46% of the non-market risk of owning just one stock. This type of risk is supposedly reduced by 72% with a four stock portfolio, by 81% with eight stocks, 93% with 16 stocks, 96% with 32 stocks and 99% with 500 stocks. Without quibbling over the accuracy, two things should be remembered:*

- 1) After purchasing six or eight stocks in different industries, the benefits of adding more stocks to your portfolio in an effort to decrease risk is small.*
- 2) Overall market risk will not be eliminated merely by adding more stocks to your portfolio’\*.*

*\* Joel Greenblatt*

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)*
2019	42.7	42.1	27.3	N/A	N/A	Five or fewer	N/A	12	42,426
2018	3.4	2.9	-9.1	N/A	N/A	Five or fewer	N/A	4	30,529
YTD 2017**	3.7	3.5	8.1	N/A	N/A	Five or fewer	N/A	2	33,155

\*\*Return is for period September 1, 2017 through December 31, 2017.

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, 2019. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

- \*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 Global Focus Composite (the Composite) includes all discretionary portfolios invested in the Global Focus Strategy. The Global Focus Strategy seeks to invest in a small number of quality franchises the manager believes have the ability to materially improve their cash flows over the long-term. In choosing securities, the strategy seeks to invest in companies with one or more of the following characteristics: an entrenched competitive position, durable economic moats, and/or is priced at a discount to intrinsic value due to investor misconceptions. The minimum account market value required for inclusion in the Composite is \$500,000.
- The Composite creation date is June 1, 2020. The Composite inception date is September 1, 2017.
- The benchmark is the FTSE All-World Developed Index. This index is a market-capitalization weighted index representing the performance of large and mid cap companies in developed markets. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization. "FTSE®", "Russell®", "MTS®", "FTSE TMX®" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- The composite dispersion presented is an equal-weighted standard deviation of portfolio 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-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on all assets with a minimum account size of \$50 million. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- 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 3 year annualized standard deviation is not presented as of December 31, 2017, December 31, 2018 and December 31, 2019 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, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Past performance does not indicate future results.
- This piece is provided for informational purposes only and should not be construed as a research report, 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, including any mutual fund managed by Brown Advisory.



Past performance is not a guarantee of future performance and you may not get back the amount invested.

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As of March 31, 2021, Brown Advisory had approximately \$114.5 billion in client assets for the following entities: Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware LLC, Brown Advisory Investment Solutions Group LLC, Meritage Capital LLC, NextGen Venture Partners, LLC and Signature Financial Management, Inc.

Total strategy assets include accounts that are excluded from the composite. These assets include (1) single strategy assets of balanced accounts, (2) accounts that do not meet the composite minimum market value requirement and (3) accounts with restrictive guidelines.

FTSE Russell® calculates a series of net-of-tax total return indexes where withholding tax is deducted at either the maximum rate (the rate that applies if a non-resident investor is unable to take advantage of any double taxation treaties), or the rates that apply in the presence of applicable double taxation treaties. The latter depend on the type of investors as well as on their tax residence. FTSE Russell® currently calculates standard net-of-tax indexes for two such investor types: a US Regulated Investment Company (RIC) and a UK pension fund. The **FTSE All-World Developed Index** is a market-capitalization weighted index representing the performance of large and mid cap companies in Developed markets. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization. FTSE® is a trade mark of LSEG and is used by FTSE under licence.

The **MSCI World Index** captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,632 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.

An investor cannot invest directly into an index.

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**ROIC** is a measure of determining a company's financial performance. It is calculated as NOPAT/IC; where NOPAT (net operating profit after tax) is  $(EBIT + \text{Operating Leases Due 1-Yr}) \times (1 - \text{Cash Tax Rate})$  and IC (invested capital) is  $\text{Total Debt} + \text{Total Equity} + \text{Total Unfunded Pension} + (\text{Operating Leases Due 1-Yr} \times 8) - \text{Excess Cash}$ . ROIC calculations presented use LFY (last fiscal year) and exclude financial services.

**ROIC** is calculated by dividing a company's constant rate incremental operating income (plus depreciation and amortization) by the constant rate-weighted average-adjusted investment capital. The ratio is expressed as a percentage.

**FCF yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use LFY and exclude financial services.

**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.

**Enterprise Value to Free Cash Flow (FCF/EV)** compares the total valuation of the company with its ability to generate cashflow. It is the inverse of the Free Cash Flow Yield.

**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.

**Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a portfolio and compares its risk-adjusted performance to a benchmark index.

The **internal rate of return (IRR)** is a measure of an investment's rate of return. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. It is also called the discounted cash flow rate of return.