

# GLOBAL LEADERS REVIEW AND OUTLOOK

Third Quarter 2021

The Global Leaders strategy underperformed its benchmark, the FTSE All-World Index, by 0.41% in the third quarter of 2021.

The Global Leaders strategy is focused on delivering attractive long-term performance by investing in a concentrated portfolio of companies that can uniquely solve a problem for their customer and generate attractive economics for shareholders. Given its concentrated nature the Global Leaders strategy's performance is primarily an output of our stock-picking. Relative performance in the quarter benefitted from the consumer discretionary and materials sector while financials underperformed.

The third quarter offered a number of attractive investment opportunities. We initiated a new position in the Brazilian exchange B3, our first investment in Latin America. B3 is a unique piece of financial infrastructure. The company was established through the merger between the Sao Paulo Stock Exchange and the Brazilian Mercantile and Futures exchange in 2008 and the later merger with Cetip, Latin America's largest central depository in 2017, to form Brazil's leading exchange that operates a vertically integrated monopoly in trading of cash, equities, fixed income and listed derivatives. As an exchange we believe that B3 has some attractive features such as high barriers to entry in the form of powerful network effects, combined with high switching costs. These are combined with scale benefits which have the potential to drive strong cash flow generation and high incremental return on invested capital (ROIC). It further benefits from a number of secular growth trends such as the deepening of local capital markets and increased domestic investor participation in existing and new products such as OTC instruments, data analytics or ESG. Despite its prominence in equity trading, the majority of its revenues are derived from more stable and recurring post-trading activities.

From a sustainable opportunities perspective, B3 is an emerging market leader in many sustainability initiatives, such as being the first exchange in the world to adhere to the Global Compact in 2004 and the first exchange in emerging markets to adhere to the UN Principles for Responsible Investment in 2010. The company offers a range of ESG products and services which include indexes and over-the-counter products. These products seek to create an investment environment compatible with the demands for sustainable development and encourage companies to adopt best ESG practices in the Brazilian market. We started to build a position in B3 at a double digit internal rate of return (IRR) and by applying a 15% weighted average cost of capital (WACC) to address country and currency risk in the Brazilian market.

We conducted a drawdown review on Tencent in late June and added at several occasions during the third quarter. A drawdown review is designed to help us overcome loss aversion, a classical behavioral mistake. We therefore have a rule that when an investment falls 20% from purchase or underperforms by 20% vs. the benchmark over the trailing 12 months, we must buy more or sell completely.

Newsflow around the regulatory environment in China dominated market sentiment in July. We hold the view that data privacy, data security, anti-monopoly policies as well as fintech regulation have been in the pipeline for many years. Nevertheless, market participants seem to have been largely caught by surprise by the swiftness of policy announcements and the top-down rigour of implementation. While it was not uncommon in the past that the Chinese provinces would have some leeway when it related to the enforcement of new policies, the rhetoric has been different this time and strict implementation is expected to be much more closely monitored. There should not be any "grandfathering" of prior business practices going forward. We calibrated our assumptions based on the announcements and continue to see meaningful risk-adjusted potential for Tencent which operates one of the main digital tech platforms in China and is one of the most successful venture capital investors in the country. The company has a good track record in being rational when it comes to the interaction with governmental bodies and has been conservative when it comes to the monetization of its platform. Even after lowering our probabilities for reaching our base case scenario, Tencent presented itself with an attractive double-digit IRR on a 5 year investment horizon. We added on three occasions during July and August and have increased the position to 4.3% at the end of the quarter.

Our largest relative underperformance this year continues to come from the financials sector, a sector that has been the second best performer for the strategy since inception. It is worth highlighting that we have a differentiated positioning in financials, with high exposure to emerging market financials as well as essential financial infrastructure, such as stock exchanges. Our emerging market financials have been a relative detractor to performance this year as the market favoured interest-sensitive financials, where we have limited exposure. We have witnessed a similar dynamic before, in the fourth quarter of 2016.

*(Continued on the following page)*

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Within Financials, PT Bank Rakyat undertook a rights issue during the third quarter to fund the acquisitions of Pegadaian and PNM - two government-owned micro-lenders - to combine them with its current micro-finance operations. We have had a number of calls with the CFO over the past six months about the deals and we see enormous synergies as it relates to costs as well as in new potential revenue opportunities. The company should be able to lend to a wider array of even smaller entrepreneurs and businesses than Rakyat currently serves. We fully participated at the acquisition price of 1.8x price-to-book (P/B) for assets that we think can generate return on assets over 3% and compound at double-digits. Technically it looks like we bought and sold during 3Q, but this was merely a function of exercising our rights.

Information Technology continues to perform strongly. Three of the portfolio's best performers this quarter are Microsoft, Alphabet and Intuit. All three companies comfortably beat consensus expectations during the quarter. Intuit also announced the acquisition of the customer engagement and marketing platform Mailchimp during the quarter, a move that could strategically strengthen Intuit's position with small businesses by adding front office solutions. An important observation in this context is that we continue to see our highest conviction ideas driving performance which shows the power of compounding and conviction-based sizing in the portfolio.

During the quarter we added to one of our newer portfolio holdings, Fair Isaac Corporation (FICO). FICO is the leading credit score provider in the U.S. financials system. The company's shares underperformed in the quarter, possibly on regulatory concerns as it relates to the Federal Housing Finance Agency's (FHFA) ongoing evaluation process to allow a second credit score provider - VantageScore - for government-backed mortgages, an area where FICO today has a quasi-monopoly. At the time of inclusion in the portfolio in March 2021, we highlighted regulation as well as increased competition as our key risks to the investment case. We have engaged our investigative analyst team to speak to decision makers in banks to evaluate the actual threat to FICO's dominant positioning and believe that the network effect and the switching costs that protect FICO's competitive advantage are incredibly strong, making it difficult for a competitor to take meaningful market share. FICO scores also have the longest track record and therefore high value for customers, which we believe should protect its position as the core benchmark for lending decisions. We have used this opportunity to top up our position.

In August we exited Brown Forman, a portfolio holding since 2015. We continue to believe that Brown Forman has a strong franchise model with Jack Daniels,

excellent distribution capabilities and a high quality management team. Nevertheless, even at continuing high profitability levels and assuming expected growth and margin improvements would materialize, we only saw moderate upside to the current five-year IRR and therefore decided to allocate the capital into better ideas. We reallocated the capital into the initiation of B3 and the top up of Tencent.

During our management conversations this quarter we continued to hear about the ongoing cost inflation and the mitigating effects taken by our portfolio companies. We have written about our view on the importance of pricing power in inflationary as well as deflationary market environments in our most recent Global Leaders investment letter which you can find [here](#). In such an environment it is important to remember that it is part of our investment process to look for companies with pricing power when scouting our investable universe. It is key not only to the beneficial relationship between the customer and a company, where a growing customer surplus is shared between both, but it also protects cash flows from the eroding effect of inflation and therewith acts as an important tailwind for compounding. While we do not attempt to predict the macroeconomic environment, our investment philosophy and process leads us to hold a portfolio of companies with relative benefits in such an environment.

As we enter the homestretch of another exciting investment year, our team will be coming together at the Global Leaders annual offsite. We always strive for self-improvement and we use this dedicated time to take our investment process apart and reflect on areas of improvement. We are looking forward to updating our investors on the result of this year's session.

# SECTOR DIVERSIFICATION

Third Quarter 2021

- Global Leaders is a concentrated global equity strategy that focuses on investing in a small number of franchises that we believe deliver exceptional outcomes for their customers and outstanding economics for shareholders. Accordingly, sector and country diversification is an output of stock-picking with the team more focused on business models and end-market economics than in which sector a company is classified.
- At the same time, the strategy seeks differentiated exposures but will not compromise philosophically. The portfolio managers are happy to have no exposure in certain areas, such as energy, real estate or utilities, that do not satisfy their investment criteria.
- The strategy's overweight position in Information Technology—its largest—is a function of a number of attractive high-quality franchises, such as Microsoft, Alphabet and Intuit, located in that sector.
- The strategy's underweight position in Health Care is the result of many attractive companies currently not passing the strategy's valuation test.

SECTOR	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)	FTSE ALL- WORLD INDEX (%)	DIFFERENCE (%)	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)	
	Q3'21	Q3'21	Q3'21	Q2'21	Q3'20
Communication Services	16.05	9.28	6.77	14.02	14.61
Consumer Discretionary	4.39	12.03	-7.64	4.19	4.57
Consumer Staples	5.32	6.76	-1.45	7.73	9.47
Energy	--	3.58	-3.58	--	--
Financials	15.28	14.59	0.69	13.62	13.98
Health Care	6.40	11.57	-5.17	6.57	6.53
Industrials	7.50	9.71	-2.21	7.78	7.89
Information Technology	40.67	22.35	18.32	41.58	37.74
Materials	4.39	4.77	-0.38	4.50	5.22
Real Estate	--	2.75	-2.75	--	--
Utilities	--	2.61	-2.61	--	--

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

Third Quarter 2021



SECTOR	REPRESENTATIVE GLOBAL LEADERS ACCOUNT		FTSE ALL-WORLD INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	14.90	-1.05	9.46	-3.44	-0.13	0.40	0.27
Consumer Discretionary	4.21	3.95	12.11	-4.57	0.28	0.34	0.62
Consumer Staples	6.45	-8.07	6.83	-1.98	0.00	-0.37	-0.37
Energy	0.00	0.00	3.25	2.81	-0.13	0.00	-0.13
Financials	13.80	-2.30	14.19	1.68	0.00	-0.51	-0.50
Health Care	6.64	3.02	11.63	0.17	-0.06	0.18	0.12
Industrials	7.70	-6.37	9.75	-1.91	0.02	-0.34	-0.33
Information Technology	41.74	-1.03	22.35	0.30	0.29	-0.51	-0.22
Materials	4.57	2.43	4.98	-4.41	0.01	0.31	0.32
Real Estate	--	--	2.79	-1.23	--	--	--
Utilities	--	--	2.65	-0.10	-0.03	--	-0.03
Unassigned	--	--	--	7.00	--	--	--
<b>Total</b>	<b>100.00</b>	<b>-1.31</b>	<b>100.00</b>	<b>-1.06</b>	<b>0.25</b>	<b>-0.49</b>	<b>-0.24</b>

- Consumer Discretionary and Materials were the strongest performers over the quarter driven by our investments in companies such as Booking, Sherwin-Williams and Ecolab.
- Financials was the largest detractor in the quarter. Our financials have some exposure to U.S. interest rates at Charles Schwab and very mildly at Deutsche Bourse with the rest of our financials in Emerging Markets such as micro-lending in Indonesia and life insurance in China.
- We have not had any investments in either Energy, Real Estate or Utilities since inception.

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. Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Past performance is not indicative of future results. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution excludes 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.

# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Third Quarter 2021 Representative Global Leaders Account Top Five Contributors

	Name	Description	Average Weight (%)	Return (%)	Contribution To Return (%)
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	9.75	4.27	0.44
588185	CTS Eventim AG & Co. KGaA	Engages in ticketing and live entertainment event management	1.96	20.50	0.36
INTU	Intuit Inc.	Provides software products for businesses	3.40	10.19	0.32
GOOG	Alphabet Inc. Class C	Operates as a holding company with interests in software, health care, transportation and other technologies	6.00	6.34	0.32
EW	Edwards Lifesciences Corporation	Designs, develops, manufactures and markets products to treat late-stage cardiovascular disease	3.30	9.31	0.29

- Microsoft continues to impress with its growth profile, reporting another strong quarter and beating consensus expectations across all business lines. Digital transformation demand remains robust, and the breadth of Microsoft's portfolio is allowing them to take wallet share across apps, business process, infrastructure and security.
- CTS Eventim started to show strong ticketing sales in anticipation of a recovery of the live entertainment market.
- Intuit impressed yet again with a strong earnings beat across all segments that came with a strong drop down to margins. The company announced the acquisition of the customer engagement and marketing platform Mailchimp during the quarter, strategically strengthening its position with small businesses by adding front office solutions.
- Alphabet, the parent company of Google, continues to show strong business momentum, comfortably beating already high consensus expectations. We continue to see commercial activity moving online, particularly as it relates to retail and commerce but also with early signs of recovery in the travel segment. The key drivers of the core business: Google search, You Tube and cloud continue to compound revenue growth and improve cash flow while investing in long-term opportunities.
- Edwards Lifesciences continued to benefit from the increase in surgical structural heart procedures that were able to be performed as hospital capacity opened up, following several quarters of Covid-related limitations. At the same time we continue to see a meaningful growth path for its innovative transcatheter aortic valve replacement procedure.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

Third Quarter 2021 Representative Global Leaders Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
BMMV2K	Tencent Holdings Ltd.	Operates investment holding company with interest in internet, mobile, and telecommunications value-added services	3.94	-20.70	-0.85
FICO	Fair Isaac Corporation	Provides enterprise decision management solutions	2.56	-20.84	-0.56
V	Visa Inc. Class A	Operates as a global payments technology	6.81	-4.60	-0.31
B058TZ	Safran S.A.	Designs, manufactures and markets aircraft, defense and communication equipment	3.42	-8.83	-0.27
TSM	Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Manufactures, distributes and tests integrated circuits, silicon wafers, diodes and related semiconductor components	3.76	-6.78	-0.27

- Tencent corrected meaningfully in the second quarter when new policies for data privacy, data security and anti-monopoly were announced.
- Fair Isaac's share price corrected during the quarter. The Federal Housing Finance Agency (FHFA) announced earlier this year that a competitor—VantageScore—was fulfilling minimum requirements to be considered as a secondary score in the evaluation of government-backed mortgages in the U.S. This announcement was part of the FHFA's multi-year process review of its mortgage lending process which is expected to come to a conclusion in the next couple of months.
- Visa's cross border transaction business continued to be the main driver of sentiment as Covid-related travel regulations continue to limit international travel.
- Safran's performance was subdued due to a slower than expected recovery of air traffic and lower engine maintenance requirements. We believe that Safran is well positioned to benefit from increasing budget spending for aircraft maintenance when air travel levels normalize.
- Taiwan Semiconductor Manufacturing has been a strong performer in the context of tightening supply chains. Its foundry model allowed it to be shielded from the supply chain pressures fabless semiconductor companies are facing while also maintaining a highly attractive margin profile. Ongoing news about Covid-related supply chain challenges, such as the closure of chip testing and packaging facilities in Asia have put pressure on the entire industry this quarter.

# QUARTER-TO-DATE ADDITIONS/DELETIONS

## Third Quarter 2021 Representative Global Leaders Account Portfolio Activity

- We initiated a new position in the Brazilian exchange B3, our first investment in Latin America. B3 is a unique piece of financial infrastructure. The company was established through the merger between the Sao Paulo Stock Exchange and the Brazilian Mercantile and Futures exchange in 2008 and the later merger with Cetip, Latin America's largest central depository in 2017, to form Brazil's leading exchange that operates a vertically integrated monopoly in trading of cash, equities, fixed income and listed derivatives. As an exchange we believe that B3 has some attractive features such as high barriers to entry in the form of powerful network effects, combined with high switching costs. These are combined with scale benefits should drive strong cash flow generation and high incremental ROIC. It further benefits from a number of secular growth trends such as the deepening of local capital markets and increased domestic investor participation in existing and new products such as OTC instruments, data analytics or ESG. Despite its prominence in equity trading, the majority of its revenues are derived from more stable and recurring post-trading activities.
- From a sustainable opportunities perspective, B3 is an emerging market leader in many sustainability initiatives, such as being the first exchange in the world to adhere to the Global Compact in 2004 and the first exchange in emerging markets to adhere to the UN Principles for Responsible Investment in 2010. The company offers a range of ESG products and services which include indexes and over-the-counter products. These products seek to create an investment environment compatible with the demands for sustainable development and encourage companies to adopt best ESG practices in the Brazilian market. We started to build a position in B3 at a double digit internal rate of return (IRR) and by applying a 15% weighted average cost of capital (WACC) to address country and currency risk in the Brazilian market.

SYMBOL	ADDITIONS	SECTOR
BG36ZK	B3 SA - Brasil, Bolsa, Balcao	Financials

SYMBOL	DELETION	SECTOR
BF.B	Brown-Forman Corporation Class B	Consumer Staples

SYMBOL	ADD & DELETES	SECTOR
BPCXPR	PT Bank Rakyat Indonesia (Persero) Tbk Rights 2021-23.09.21	Financials

- In August we exited Brown Forman, a portfolio holding since 2015. We continue to believe that Brown Forman has a strong franchise model with Jack Daniels, excellent distribution capabilities and a high quality management team. Nevertheless, even at continuing high profitability levels and assuming expected growth and margin improvements would materialize, we only saw moderate upside to the current five-year IRR and therefore decided to allocate the capital into better ideas. We reallocated the capital into the initiation of B3 and the top up of Tencent.
- PT Bank Rakyat undertook a rights issue during the third quarter to fund the acquisitions of Pegadaian and PNM - two government-owned micro-lenders - to combine them with its current micro-finance operations. We have had a number of calls with the CFO over the past six months about the deals and we see enormous synergies as it relates to costs as well as in new potential revenue opportunities. The company should be able to lend to a wider array of even smaller entrepreneurs and businesses than Rakyat currently serves. We fully participated at the acquisition price of 1.8x P/B for assets that we think can generate return on assets over 3% and compound at double-digits. Technically it looks like we bought and sold during 3Q, but this was merely a function of exercising our rights.

# PORTFOLIO CHARACTERISTICS

Third Quarter 2021 Global Leaders Representative Account as of 09/30/2021

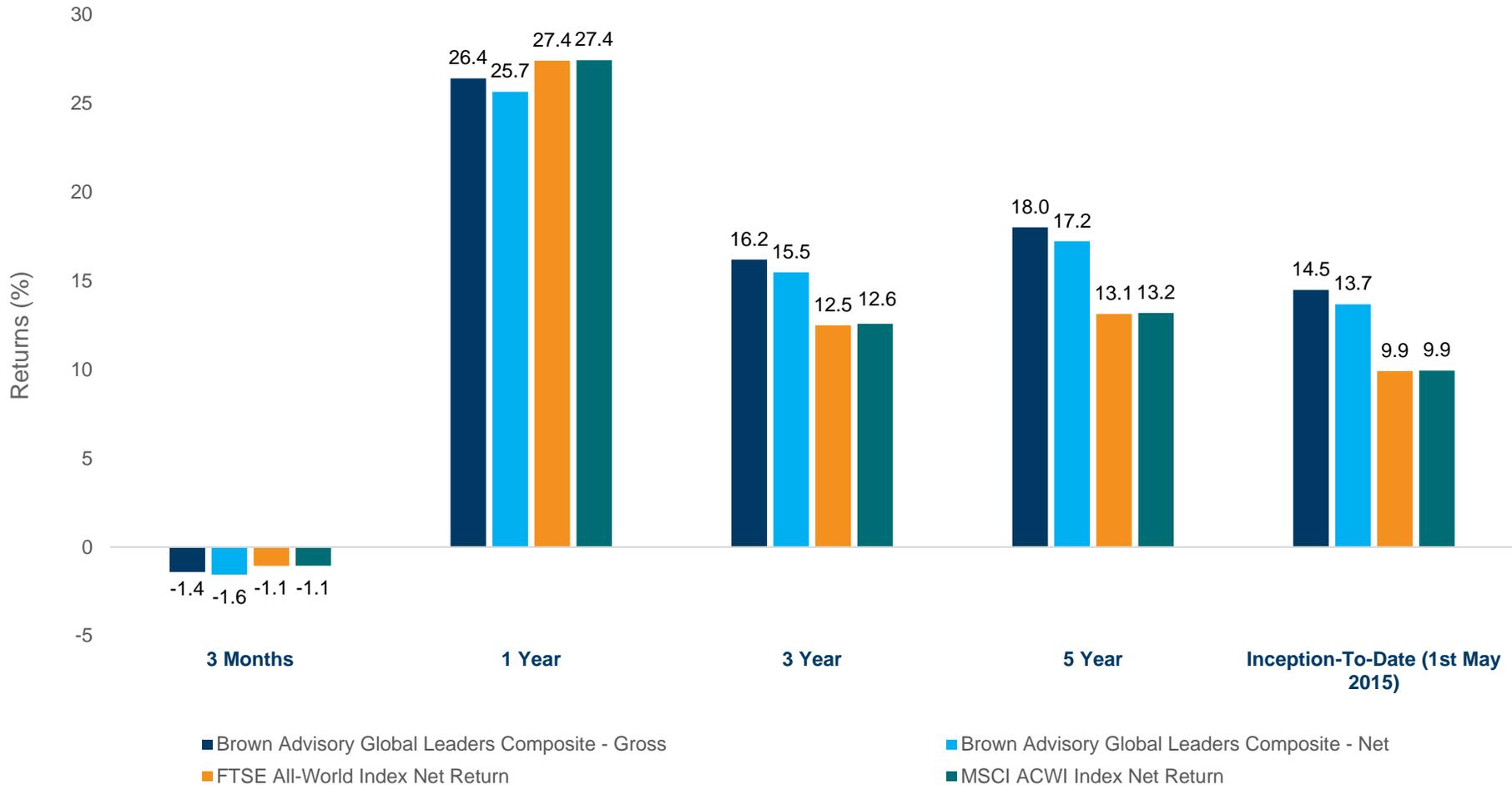
	GLOBAL LEADERS REPRESENTATIVE ACCOUNT	FTSE ALL WORLD NET INDEX
ROIC (LFY ex. financials) Median (%)	26.8	7.5
Sales Growth (%), 3 Year Median)	6.8	4.5
FCF Yield ex. financials (NTM Median) (%)	3.2	4.0
Volatility	14.5	14.4
Sharpe Ratio	0.9	0.6
Sortino Ratio	1.27	0.8
Beta	1.0	1.0
Alpha	3.9%	--
Net Debt to EBITDA ex. Financials (Weighted Average)*	0.0	1.4

Source: FactSet. Past performance is not indicative of future results. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. Portfolio characteristics include 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.

\*Net Debt to EBITDA ex. Financials (Weighted Average) data as of 03/31/2021.

# COMPOSITE PERFORMANCE

Third Quarter 2021 as of 09/30/2021



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 Net Index. The MSCI ACWI Index is for illustrative purposes only. The composite performance shown above reflects the Global Leaders 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 Leaders disclosure statement at the end of this presentation for a GIPS compliant presentation.

# TOP 10 PORTFOLIO HOLDINGS

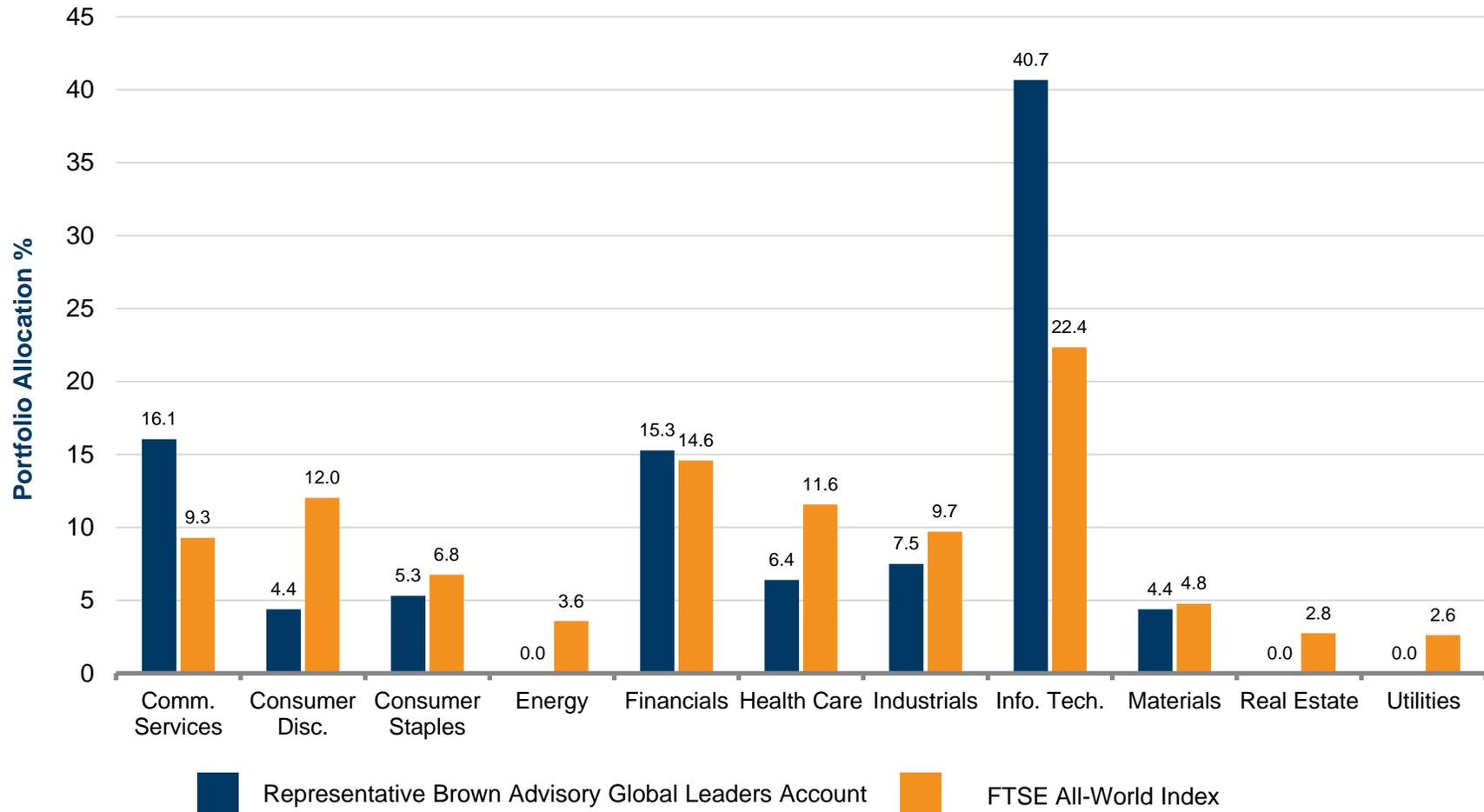
Global Leaders Representative Account as of 09/30/2021

TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	9.7
Alphabet, Inc. Cl C	6.2
Visa, Inc.	6.2
Mastercard, Inc.	5.1
Tencent Holdings Ltd	4.5
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.8
Electronic Arts, Inc.	3.6
Marvell Technology, Inc.	3.5
Deutsche Boerse Ag	3.5
Intuit, Inc.	3.4
<b>Total</b>	<b>49.5%</b>

Source: FactSet. Top 10 holdings includes cash and cash equivalents. 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 Global Leaders Representative account and is provided as supplemental information. Please see disclosure statement at the end of this presentation for additional information. Figures in chart may not total due to rounding.

# SECTOR DIVERSIFICATION

Third Quarter 2021 Global Industry Classification Standard (GICS) as of 09/30/2021



Source: FactSet. The portfolio information provided is based on a representative Global Leaders 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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Past performance may not be a reliable guide to future performance and investors may not get back the amount invested. All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned.

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The **FTSE All-World Index** is a free float market cap weighted index representing the performance of the large-and-mid-cap stocks from the FTSE Global Equity Index Series. The Index covers Developed and Emerging Markets FTSE® and other service marks and trademarks related to the FTSE indexes are trademarks of the London Stock Exchange Group Companies. One cannot invest directly in an index. Figures shown on sector diversification and quarterly attribution by detail slides may not total due to rounding.

The **MSCI ACWI® Index** captures large and mid cap representation across 23 Developed Markets (DM) countries and 23 Emerging Markets (EM) countries. With 2,758 constituents, the index covers approximately 85% of the global investable equity opportunity set. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.

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

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# TERMS AND DEFINITIONS

**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.

**Beta** is a measure of portfolio volatility. It is equal to the ratio of a portfolio's volatility relative to its benchmark index's volatility over time. It is equal to the excess return of a portfolio over a risk-free investment, minus that portfolio's expected return given its volatility relative to its benchmark index.

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.

Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period.

**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.

**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 + Operating Leases Due 1-Yr)\*(1-Cash Tax Rate) and IC (invested capital) is Total Debt + Total Equity + Total Unfunded Pension + (Operating Leases Due 1-Yr \* 8) – Excess Cash. ROIC calculations presented use LFY (last fiscal year) and exclude financial services.

**Free Cash Flow (FCF) yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use the median NTM (Next Twelve Months) and exclude financial services.

**IRR (internal rate of return)** is a measurement used to estimate the profitability of a project or investment. It is used when companies need to decide between different ways of using their money. The **IRR** of the investment is determined by anticipating the profit a project will produce in the future and finding out its value today.

**Sales growth rate** is based on reported company revenue for the past three years at the end of the current quarter, provided as a historical average.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index.

**Sharpe Ratio** is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Subtracting the risk-free rate from the mean return, the performance associated with risk-taking activities can be isolated. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

**Sortino Ratio** measures the risk-adjusted return of an investment asset, portfolio, or strategy. It is a modification of the Sharpe ratio but penalizes only those returns falling below a user-specified target or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally.

**Net debt-to-EBITDA** (earnings before interest depreciation and amortization) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The calculation presented excludes financial services.

**Weighted Average Cost of Capital (WACC)** is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds and any other long-term debt, are included in a WACC calculation.

**Price-to-Book (P/B) Ratio** compares a firm's market capitalization to its book value. It's calculated by dividing a company's stock price per share by its book value per share (BVPS). An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

# GLOBAL LEADERS 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	21.0	20.2	16.0	16.9	18.1	Five or fewer	N/A	2,428	59,683
2019	35.1	34.2	26.5	11.6	11.2	Five or fewer	N/A	731	42,426
2018	-2.2	-2.8	-9.6	11.0	10.5	Five or fewer	N/A	303	30,529
2017	35.1	34.0	24.0	N/A	N/A	Five or fewer	N/A	77	33,155
2016	-0.6	-1.4	8.0	N/A	N/A	Five or fewer	N/A	38	30,417
2015**	1.2	0.7	-4.4	N/A	N/A	Five or fewer	N/A	24	43,746

\*\*Return is for period May 1, 2015 through December 31, 2015

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, 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 Global Leaders Composite (the Composite) aims to achieve capital appreciation by investing primarily in global equities. The strategy will invest in equity securities of companies that the portfolio manager believes are leaders within their industry or country, as demonstrated by an ability to deliver high relative return on invested capital over time. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite creation date is August 26, 2015. The Composite inception date is May 1, 2015.
- The benchmark is the FTSE All-World Net Index. This index is a free float market cap weighted index representing the performance of the large & mid cap stocks from the FTSE Global Equity Index Series. The Index covers Developed & Emerging Markets. Base Value 100 as at December 31, 1986. "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.
- As of January 1, 2019, the Composite benchmark was changed from Russell Global Large-Cap Net Index to the FTSE All-World Net Index. The change was applied retroactively from the Composite inception date. The Russell Global Large-Cap Net Index was decommissioned as of December 31, 2018 and is no longer published.
- Composite dispersion 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-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: 0.80% on the first \$50 million; 0.55% on the next \$50 million; 0.45% on the next \$50 million; and 0.40% on the balance over \$150 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 Global Leaders Fund (the Fund), which is included in the Composite, is 0.65%, 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 0.90%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Sterling Class B Acc Shares of the Brown Advisory Global Leaders Fund (the UCITS), which is included in the composite, is 0.75%. The total expense ratio for the Sterling Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2020) was 0.92%. 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 3 year annualized standard deviation is not presented as of December 31, 2015, December 31, 2016 and December 31, 2017 because 36 month returns for the Composite were not available (N/A) and the Composite did not exist.
- 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 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.