

Brown Advisory Global Leaders Strategy

The strategy invests in 30 to 40 leading companies that we believe deliver exceptional customer outcomes. We perform fundamental analysis to identify global companies that have a high return on invested capital and are able to compound performance over long periods of time.

May 2020 Monthly Report

Performance Contributors

TOP FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
MRVL	Marvell Technology Group Ltd.	Information Technology	3.34	21.99	0.71
670909	PT Bank Rakyat Indonesia (Persero) Tbk Class B	Financials	2.33	10.02	0.70
V	Visa Inc. Class A	Information Technology	5.88	9.43	0.57
MA	Mastercard Incorporated Class A	Information Technology	4.68	9.43	0.46
EL	Estee Lauder Companies Inc. Class A	Consumer Staples	3.40	11.94	0.41

BOTTOM FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
B4TX8S	AIA Group Limited	Financials	2.70	-12.63	-0.38
TSM	Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Information Technology	3.94	-5.27	-0.22
JPM	JPMorgan Chase & Co.	Financials	1.57	-5.55	-0.16
SCHW	Charles Schwab Corporation	Financials	2.34	-4.31	-0.13
TCOM	Trip.com Group Ltd. Sponsored ADR	Consumer Discretionary	1.65	-7.61	-0.11

Monthly Portfolio Activity

NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
	None	

DELETION

TICKER	NAME	REASON FOR DECISION
JPM	JPMorgan Chase & Co.	Due to COVID-19, U.S. interest rates remaining low into the future and higher loan losses, we decided to swap our capital into more attractive businesses where we are seeing double digit IRRs.
TCOM	Trip.com Group Ltd. Sponsored ADR	Due to the outbreak of COVID-19, we realized we were unlikely to see ROIC around our 20% mark within our investment horizon so we fully exited our position in Trip.com after having already moved some capital into Autodesk earlier on.

Top 10 Equity Holdings (%)

Cash and equivalents: 5.4%

1. Microsoft Corp.	8.4	6. PT Bank Rakyat Indonesia (Persero) Tbk Class B	3.6
2. Visa, Inc.	5.4	7. Marvell Technology Group Ltd.	3.4
3. Alphabet, Inc. Cl C	4.5	8. Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.3
4. Mastercard, Inc.	4.3	9. Estee Lauder Companies, Inc. Cl A	3.3
5. Electronic Arts, Inc.	3.9	10. Wolters Kluwer	3.2



MICK DILLON, CFA
Portfolio Manager



BERTIE THOMSON, CFA
Portfolio Manager

INSIDE THE STRATEGY: FACTS & TYPICAL PORTFOLIO FIGURES

Inception: 05/01/2015	Top 10 Weight: approx. 40%
Benchmark: FTSE All-World® Net Index	Position Limits: 2.5% position size at initiation, maximum 5%; >40% non-U.S. positions
Portfolio: 30-40 Holdings	Cash Position: 10%

Portfolio Comments

The Brown Advisory Global Leaders Composite rose 5.5% (net of fees), outperforming the benchmark, the FTSE All-World Net Index, which returned 4.4% during the month of May.

In May, we sold out of two stocks, JPMorgan and Trip.com. JPMorgan is a leading global bank and the leading U.S. bank. The firm leverages its premier global brand, vast economies of scale and funding advantage to deliver a unique value proposition to their clients, generally in the form of higher prestige, lower prices and better services. The business outcomes are simple: superior loan growth, deposit growth, credit performance, expense structure and returns. However, JPMorgan began falling behind on one of our behavioral process checkpoints – the Vulnerable Position Nudge list – which helped us to reconsider our holding capital in JPMorgan. After recalibrating our model to a COVID-19 global pandemic base case with lower US interest rates and higher loan losses, we decided to trade out of JPMorgan in favor of Bank Rakyat in Indonesia, HDFC Bank in India and AIA Group in Hong Kong. We saw double digit IRRs in both Emerging Market banks and AIA but not in JPMorgan so we swapped our capital into the higher IRR names.

With respect to Trip.com, while the thesis delay on ROIC improvement back to 20% was triggered initially by Hong Kong protests in the fourth quarter of 2019, it was when COVID-19 hit that triggered the realization the stock is now unlikely to reach a 20% ROIC in our investment horizon. We always knew that Trip.com needed to improve as our specific thesis factored in the company reaching 20-30% operating profit margins, but it has now become apparent that it may never get to the 20% ROIC mark sustainably. Initially, we hoped that Trip.com could improve its ROIC to levels of 20% or greater within 5 years, but this has been pushed out due to various reasons beyond management's control. We still believe Trip.com could reach the ROIC target eventually, but the additional time it needs could require meaningfully increasing its debt load to twice gross sales to provide liquidity in the near-term as well as uncertainty around the widened dispersion of outcomes in a post COVID-19 world. We had already used some capital from Trip.com to fund our initial investment into Autodesk in March. **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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The security returns listed represent the period of when the security was held during the month. Top five and bottom five contributors exclude cash and cash equivalents. 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 for the reporting period. The top 10 equity holdings include cash and equivalents. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. This representative account may differ from specific client portfolios. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results. 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.

Brown Advisory 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)
2018	-2.2	-2.8	-9.6	11	10.5	2	N/A	303	30,529
2017	35.1	34	24.0	N/A	N/A	2	N/A	77	33,155
2016	-0.6	-1.4	8.0	N/A	N/A	2	N/A	38	30,417
2015**	1.2	0.7	-4.4	N/A	N/A	2	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, 2018. 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.

1. 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.
2. The Global Leaders 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.
3. This composite was created in 2015.

4. 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.
5. 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 12/31/2018 and is no longer published.
6. Composite dispersion 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.
7. 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 \$25 million; 0.70% on the next \$25 million; 0.65% on the next \$50 million; and 0.50% on the balance over \$100 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.
8. 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.
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
11. Past performance does not indicate future results.
12. 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.

Disclosures

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

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client. Please see composite disclosure statements above for additional information.

The FTSE All-World Index is a market-capitalisation weighted index representing the performance of the large and mid cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalisation. The index covers Developed and Emerging markets and is suitable as the basis for investment products, such as funds, derivatives and exchange-traded funds. FTSE® is a trade mark of LSEG and is used by FTSE under licence.

Terms and Definitions for Representative Account Calculations

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. Contribution to Return is calculated by multiplying a security's beginning portfolio weight by its daily return and geometrically linking the security's daily contribution to return over the entire reporting period.