

# GLOBAL LEADERS REVIEW AND OUTLOOK

The Global Leaders strategy outperformed its benchmark, the FTSE All-World Index, for the year in 2019 and was in line during in the fourth quarter.

Despite continued uncertainty from the U.S.-China trade war and Brexit, global equities rose 9.1% in the quarter. Global Leaders mildly underperformed its benchmark by 6 basis points during the quarter but outperformed by 10% for the year.

The Global Leaders strategy is focused on delivering attractive, long-term performance by investing in a concentrated portfolio of companies that uniquely satisfy their customers 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 was driven by our holdings in the communication services sector and no exposure to utilities. For the year, the biggest contributors were information technology and communication services.

We believe capital allocation is equally as important as stock selection. We are pleased to see five of our top 10 largest holdings were in our 10 biggest percentage gainers for the year, contributing significant alpha. In addition, our 10 bottom performers in percentage terms included five of our smallest 10 weights. This focus on getting big capital behind the big percentage winners and minimizing the impact of our losers is where we spend a lot of time. We are happy that the strategy outperformed its equal-weighted portfolio—an accomplishment we have achieved for three consecutive years.

One of the biggest detractors in the quarter was Unilever. It underperformed meaningfully at the end of the quarter after pre-announcing fourth-quarter results, which indicated revenue growth would come in below expectations. This was a shock to investors after a very constructive Capital Markets Day in November 2019. We are very mindful of the market share issues that have arisen over the last several quarters and are monitoring the company's progress on that front carefully. We expect to see tangible signs of reacceleration and a return to broad market share gains by mid-2020 as the company's strategy to address specific losses in hair care and across its food portfolio take hold.

Another significant detractor in the year was Charles Schwab. The performance was a tale of two halves. The first half of 2019 marked significant investor apathy for the company given the dramatic change in the interest rate outlook, in spite of solid fundamental trend. In contrast, the second half of the year saw significant investor excitement given the announcement of both the

TD Ameritrade and USAA acquisitions, and continued strong fundamental trends. We increased our investment twice in the early part of the second half of 2019.

In the second quarter, 3M and Cognizant were both eliminated from the portfolio. 3M has been reinvesting capital at an incrementally lower return on capital. Additionally, we worry about capital allocation through mergers and acquisitions, as the recent health care acquisition was both large and expensive. Our meetings with Cognizant management confirmed it has seen a worsening of its competitive position, with supply-side disruption leading to declining growth in the traditional business. Our biggest fear is always a company that is no longer uniquely serving its customers. Cognizant has been internally focused, and it is not clear how long a turnaround by the new CEO will take, so we decided to allocate elsewhere.

On the other hand, there was one addition during the fourth quarter, which was the first position added since August 2018 to the portfolio. Roche Holding AG is a Swiss health care company operating globally to develop pharmaceuticals and diagnostic products. Roche has had a return on invested capital (RoIC) in excess of 20% for a long time, and its historical strength in research and development (R&D) innovation continues via breakthrough drugs in both its traditional oncology franchise and new central nervous system medicines. We do see risk in biosimilar erosion on its patent-expiring cancer drugs, but we believe this is offset by new drug ramp and some protection from the 6.5% projected free cash flow (FCF) yield.

The Global Leaders team remains focused on executing on the investment process and scouring the globe for high-quality companies. We remain very active on the research front and maintain extensive ready-to-review and ready-to-buy lists. Patience is an underrated virtue in investing, and we remain disciplined on entry points for attractive assets. We feel that overpaying for good businesses is an ever-present risk for quality-focused investors.

# SECTOR DIVERSIFICATION

- Global Leaders is a concentrated global 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 located in that sector, such as Microsoft, Mastercard and Visa.

SECTOR	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)		FTSE ALL- WORLD INDEX (%)	DIFFERENCE (%)	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)	
	Q4'19	Q4'19			Q3'19	Q4'18
Communication Services	14.33	8.83	5.49	14.26	13.32	
Consumer Discretionary	8.35	10.56	-2.21	8.22	7.39	
Consumer Staples	10.18	8.07	2.10	11.08	11.27	
Energy	--	5.30	-5.30	--	--	
Financials	20.31	16.90	3.41	19.46	20.38	
Health Care	3.91	11.74	-7.83	2.99	3.30	
Industrials	14.12	10.43	3.70	14.33	17.30	
Information Technology	24.11	16.93	7.18	24.58	22.31	
Materials	4.70	4.85	-0.15	5.08	4.73	
Real Estate	--	3.11	-3.11	--	--	
Utilities	--	3.27	-3.27	--	--	

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

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	14.29	11.27	8.89	8.61	-0.03	0.35	0.32
Consumer Discretionary	8.31	8.69	10.51	8.38	0.02	0.03	0.05
Consumer Staples	10.53	1.86	8.28	2.91	-0.14	-0.12	-0.27
Energy	--	--	5.33	6.15	0.16	--	0.16
Financials	19.57	8.53	17.00	8.97	0.00	-0.10	-0.10
Health Care	3.39	10.38	11.56	13.73	-0.36	-0.13	-0.50
Industrials	14.35	9.01	10.56	7.71	-0.04	0.19	0.14
Information Technology	24.57	13.04	16.55	14.51	0.41	-0.13	0.09
Materials	4.89	2.33	4.82	9.62	0.00	-0.35	-0.36
Real Estate	--	--	3.17	3.47	0.18	--	0.18
Utilities	--	--	3.31	2.72	0.22	--	0.22
<b>Total</b>	<b>100.00</b>	<b>9.08</b>	<b>100.00</b>	<b>9.14</b>	<b>0.40</b>	<b>-0.46</b>	<b>-0.06</b>

- Communication services was the top-performing sector over the quarter, driven by Alphabet, CTS Eventim and Tencent.
- We have had no investments in utilities since inception, and in the fourth quarter of 2019, this added 22 basis points. We would love to find an investment in the utilities sector because of the differentiation it would bring; however, it would have to pass all of our tests, including a 20% RoIC and a good payoff or return. We have not found anything yet.
- Health care was the largest detractor of relative performance during the quarter. Our underweight relative to the benchmark contributed to the underperformance, as it was the second top-performing sector in the benchmark. We intend to continue to look for future investments in this area.

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.

# YEAR-TO-DATE ATTRIBUTION DETAIL BY SECTOR

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	14.00	37.38	8.95	25.67	-0.02	1.49	1.46
Consumer Discretionary	8.16	29.01	10.48	28.19	0.03	0.24	0.27
Consumer Staples	10.38	35.31	8.35	21.96	-0.10	1.41	1.31
Energy	--	--	5.81	14.14	0.72	--	0.72
Financials	19.35	25.22	17.16	23.69	0.00	0.20	0.21
Health Care	3.08	58.48	11.50	23.43	0.44	0.92	1.35
Industrials	15.25	31.62	10.56	26.68	0.13	0.66	0.79
Information Technology	24.36	52.44	15.77	47.60	1.50	1.13	2.63
Materials	4.96	41.30	4.93	20.85	0.05	1.00	1.06
Real Estate	--	--	3.18	24.12	0.12	--	0.12
Utilities	--	--	3.31	22.57	0.20	--	0.20
<b>Total</b>	<b>100.00</b>	<b>37.32</b>	<b>100.00</b>	<b>27.21</b>	<b>3.07</b>	<b>7.04</b>	<b>10.11</b>

- Information technology was the top-performing sector over the year, driven by our investments in Microsoft, Visa, Mastercard and Taiwan Semiconductor.
- Our second-best sector was communications services driven by shares in our best-performing investment, CTS Eventim, which rose by 70%, and our large position in Alphabet.
- Unusually, all sectors contributed positively in 2019.

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# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Representative Global Leaders Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MSFT	Microsoft Corporation	Develops, manufactures, licenses, supports and sells computer software, electronics, personal computers and other related services	8.02	13.82	1.09
ATCO-A	Atlas Copco AB Class C	Provides industrial productivity solutions	3.51	29.39	0.96
2230	Taiwan Semiconductor Manufacturing Co.	Manufactures, distributes and tests integrated circuits, silicon wafers, diodes and related semiconductor components	3.80	25.70	0.92
JPM	JPMorgan Chase & Co.	Provides investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity	3.70	19.40	0.69
V	Visa Inc. Class A	Operates as a global payments technology	5.93	9.42	0.57

- Momentum across Microsoft's business continued, with hypergrowth in the cloud portfolio supported by another strong quarter of growth in hybrid server and Windows PC products.
- Atlas Copco performed relatively strongly over the quarter, driven by resilient secular tailwinds toward energy-efficient air compressors as well as early indications of a trough of demand in semiconductor memory, a significant end market for their vacuum pumps division.
- Taiwan Semiconductor's shares rose in the quarter on increasing investor optimism around 5G and data, indicating strong 2020 demand for TSM's 7nm and 5nm nodes.
- JPMorgan continues to perform well, with the share price rising in the fourth quarter from both strong third-quarter earnings and an easing of trade tensions.
- Visa outperformed the broader market in the fourth quarter following a strong earnings release that was accompanied by bullish management commentary. At one point, Al Kelly suggested that he "can't recall a time in Visa's history with so much opportunity ahead." The company also announced that 2020 earnings would be negatively impacted by "an unprecedented level of renewal activity," which investors responded to positively given the implication on longer-term business fundamentals.

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# YEAR-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Representative Global Leaders Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MSFT	Microsoft Corporation	Develops, manufacture and distributes software products	7.54	57.57	3.86
V	Visa Inc. Class A	Operates as a global payments technology	6.03	43.32	2.49
MA	Mastercard Incorporated Class A	Offers payment solutions	4.14	59.16	2.21
EL	Estee Lauder Companies Inc. Class A	Offers skincare, makeup, fragrance and hair care products	3.69	60.33	2.07
EVD	CTS Eventim AG & Co. KGaA	Engages in ticketing and live entertainment event management	3.19	71.26	1.91

- Microsoft continues to outperform expectations across all facets of its business. There is significant revenue growth across the entire product portfolio. Gross margin is up despite increasing cloud mix, and operating expenses continue to grow more slowly than revenues. Taken together, Microsoft is driving significant earnings and cash flow growth at scale.
- Visa outperformed the broader market in 2019. The company was able to post full-year earnings that topped analyst expectations despite macroeconomic challenges. Throughout the year, renewal activity was about 50% higher than average; new relationship activity was robust, and the company launched commercial products to target large addressable markets in new payment flows (i.e., business-to-business payments). Solid execution within new and existing markets, coupled with bullish commentary around Visa's ability to monetize new payment flows, helped propel the stock higher throughout the year.
- Mastercard shares performed quite well this year due to continued positive tailwinds supporting the broader payments industry and continued strong business performance. Importantly, alongside the strong operating performance, the company continues to invest in new initiatives to support and enhance future growth.
- Estee Lauder (EL) put up a remarkable share price performance in 2019 on the back of much stronger-than-expected performance in China. EL has been growing its China business >20% as it accelerates penetration into lower-tier cities in partnership with Alibaba's Tmall. The strength in China has enabled EL to offset softer growth in the U.S., where the cosmetics market has slowed after many years of robust gains. We believe that the company's growth in China will remain robust in 2020, and we expect meaningful improvement in its U.S. business over the course of this year.
- CTS Eventim underperformed in 2018 due to some short-term volatility of the earnings, which we believe led to an exaggerated negative overreaction by the market. This gave us an opportunity to buy more as we could look through these transient issues. In 2019, the volumes returned, and we saw a reacceleration of the top line, especially in the highly profitable ticketing segment. This drove margin expansion, and the stock rebounded with the multiple re-rating significantly.

# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Representative Global Leaders Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ULVR	Unilever PLC	Transactional consumer goods company	4.28	-3.62	-0.16
HSX	Hiscox Ltd	Engages in insurance and reinsurance businesses	2.33	-7.78	-0.12
ELC	Ecolab Inc.	Global provider of water, hygiene and energy technologies and services to the food, energy, health care, industrial and hospitality markets	2.17	-2.30	-0.07
SAF	Safran S.A.	Designs, manufactures and markets aircraft, defense and communication equipment	2.99	-1.88	-0.04
WKL	Wolters Kluwer NV	Global information services company	2.92	-0.05	-0.01

- Unilever PLC underperformed meaningfully at the very end of the quarter due to the company's pre-announcement of fourth-quarter results, indicating that revenue growth would come in below expectations. The company cited weaker-than-expected macroeconomic conditions in India (Unilever's largest emerging market exposure) and West Africa (where sudden and unexpected destocking resulted in a severe slowdown) as key drivers of the miss. We believe Unilever's top-line performance softening is due to fundamental mistakes that have resulted in weaker market share performance and due to prolonged softness in emerging markets. We view the EM weakness as transitory/cyclical, and therefore, while disappointing, we are willing to sit tight through this latest disappointment. We expect to see tangible signs of reacceleration and a return to broad market share gains.
- Hiscox sold off sharply in the second half of the year due to several factors: 2019 saw higher-than-expected claims with the third consecutive year of elevated natural catastrophe losses, which impacted the reinsurance business and higher attritional losses in the London market business. These coincided with restructuring of its U.S. retail business, which has been a key growth engine in the last few years. Improving pricing and premium growth in the London market and certain parts of the reinsurance business have been overshadowed by concerns on slowing growth in the U.S. and higher claims across the board.
- After a strong run in the stock earlier this year, Ecolab reported slowing top-line growth in the third quarter, which led to underperformance of ECL shares in the fourth quarter.
- After a strong run year to date, Safran shares were relatively flat in the fourth quarter, underperforming a strong move in the benchmark as continued struggles with Boeing's 737 MAX program (a key Safran customer) have created uncertainty on near-term cash flows for the company. At this point, we believe Boeing's issues will be resolved, and Safran's LEAP product continues to take share at Airbus.
- Wolters Kluwer performed very well through 2018 and early 2019. The multiple had expanded on good organic growth, yet in the fourth quarter, the stock went sideways as it grew into this valuation. Earnings were very solid and in line with our thesis, but given the stock's strong run, the reaction was muted.

# YEAR-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Global Leaders Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
SCHW	Charles Schwab Corporation	Provides securities brokerage and other financial services	2.10	16.36	0.47
ROG	Roche Holdings AG	Multinational health care company that operates under pharmaceuticals and diagnostics	0.13	5.14	0.08
CTSH	Cognizant Technology Solutions Corporation	Provides information technology services	0.83	-1.20	-0.01
HSX	Hiscox Ltd	Diversified international insurance group	2.48	-6.64	-0.14
MMM	3M Company	Manufactures and distributes consumer products, such as papers, electronic gadgets and medical supplies	0.83	-10.28	-0.21

- Charles Schwab's performance was a tale of two halves. The first half of 2019 marked significant investor apathy for the company given the dramatic change in the interest rate outlook, in spite of solid fundamental trend. In contrast, the second half of the year saw significant investor excitement given the announcement of both the TD Ameritrade and USAA acquisitions, and continued strong fundamental trends. We added to our position in 2019.
- Roche Holdings AG has had over 20% RoIC for a long time, and its historical strength in R&D innovation continues via breakthrough drugs in both its traditional oncology franchise and new central nervous system medicines. We began investing into Roche near the end of the quarter, and while it has already generated a positive return, mathematically, it shows up for the bottom-five contributors of the year.
- Revenue growth-related issues at Cognizant were greater than we had expected. We exited the position midyear as a result.
- Hiscox sold off sharply in the second half of last year due to a confluence of several factors: 2019 saw higher-than-expected claims with the third consecutive year of elevated natural catastrophe losses, which impacted the reinsurance business and higher attritional losses in the London market business. These coincided with restructuring of its U.S. retail business, which has been a key growth engine in the last few years. Improving pricing and premium growth in the London market and certain parts of the reinsurance business have been overshadowed by concerns on slowing growth in the U.S. and higher claims across the board. We believe most of the factors impacting Hiscox's performance are temporary concerns that should subside over time as the U.S. market returns to growth and claims decline to more normalized levels. We added to our position in Hiscox during the fourth quarter.
- We exited 3M after a negative 20% drawdown review in June 2019. 3M has been reinvesting capital at an incrementally lower return on capital. Additionally, we worry about capital allocation through mergers and acquisitions, as the recent health care acquisition was both large and expensive.

# QUARTER-TO-DATE ADDITIONS/DELETIONS

## Representative Global Leaders Account Portfolio Activity

- There was one addition during the fourth quarter. Roche Holding AG is a Swiss health care company operating globally to develop pharmaceuticals and diagnostic products. Roche has had in excess of 20% RoIC for a long time, and its historical strength in R&D innovation continues via breakthrough drugs in both its traditional oncology franchise and new central nervous system medicines. We do see risk in biosimilar erosion on its patent-expired cancer drugs, but this is offset by new drug ramp and some protection from the projected 6.5% FCF yield.
- There were no deletions during the fourth quarter.

SYMBOL	ADDITIONS	SECTOR
ROG	Roche Holding AG	Health Care

SYMBOL	DELETIONS	SECTOR
	None	

Fourth Quarter 2019

## YEAR-TO-DATE ADDITIONS/DELETIONS



Representative Global Leaders Account Portfolio Activity

ADDITIONS	SECTOR
ROG Roche Holding AG	Health Care

DELETIONS	SECTOR
MMM 3M Company	Industrials
CTSH Cognizant Technology Solutions Corporation Class A	Information Technology

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Fourth Quarter 2019

# PORTFOLIO CHARACTERISTICS

As of 12/31/2019



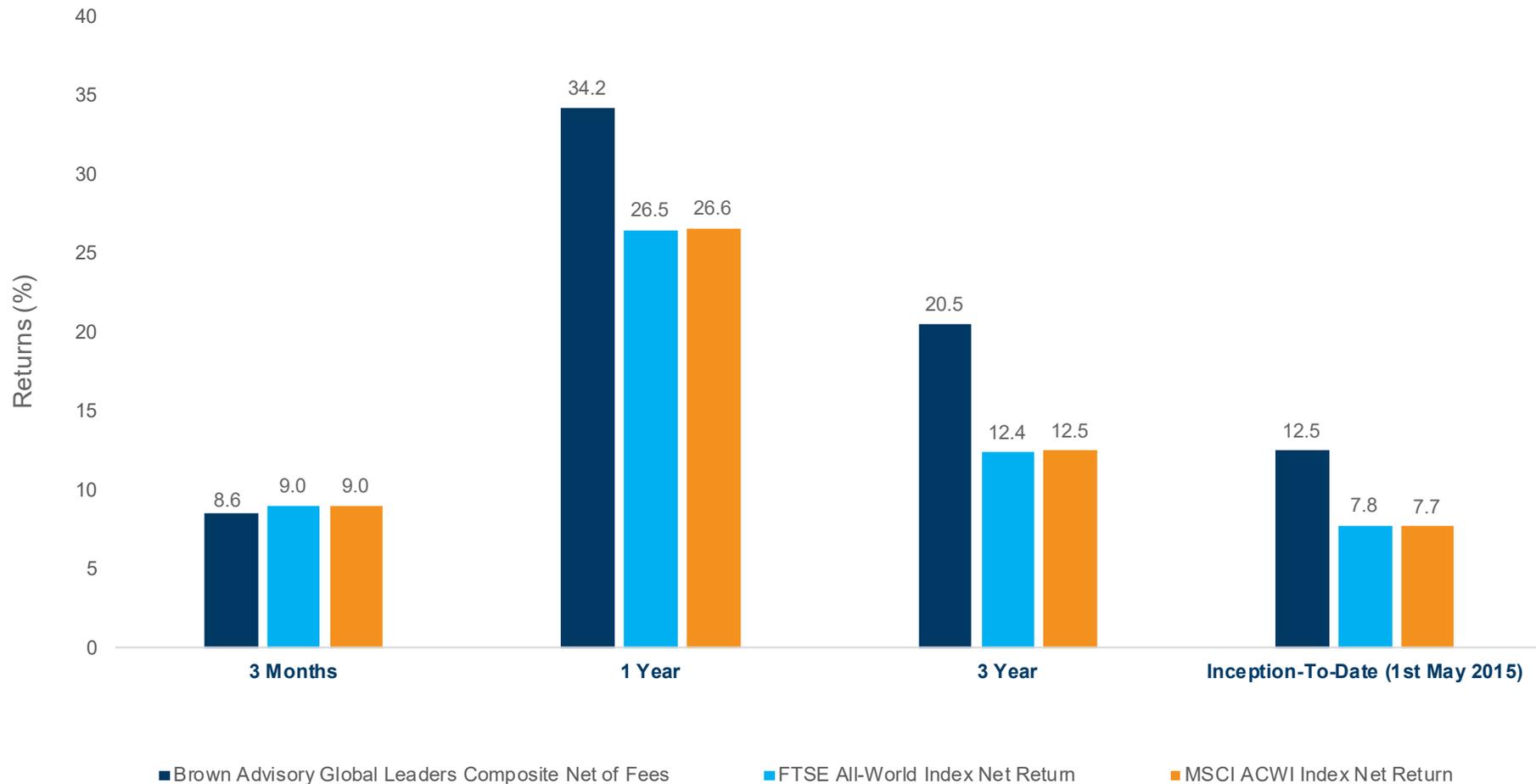
	GLOBAL LEADERS REPRESENTATIVE ACCOUNT	FTSE ALL WORLD NET INDEX
ROIC (LFY ex. financials) Median (%)	27.5	10.4
Sales Growth (% , 3 Year Median)	10.2	7.3
EV/NOPAT ex. financials (Weighted Average)*	21.3	18.2
FCF ex. financials (NTM Median) (%)	3.8	4.0
Volatility	11.7	11.8
Sharpe Ratio	1.0	0.6
Sortino Ratio	1.4	0.7
Beta	0.92	1.0
Alpha	4.9	-
Net Debt to EBITDA ex. Financials (Weighted Average)	0.1	1.3

Source: FactSet. \*Data as of 11/30/2019. 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.

Fourth Quarter 2019

# COMPOSITE PERFORMANCE

As of 12/31/2019



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.

Fourth Quarter 2019

# TOP 10 PORTFOLIO HOLDINGS

Global Leaders Representative Account As of 12/31/2019

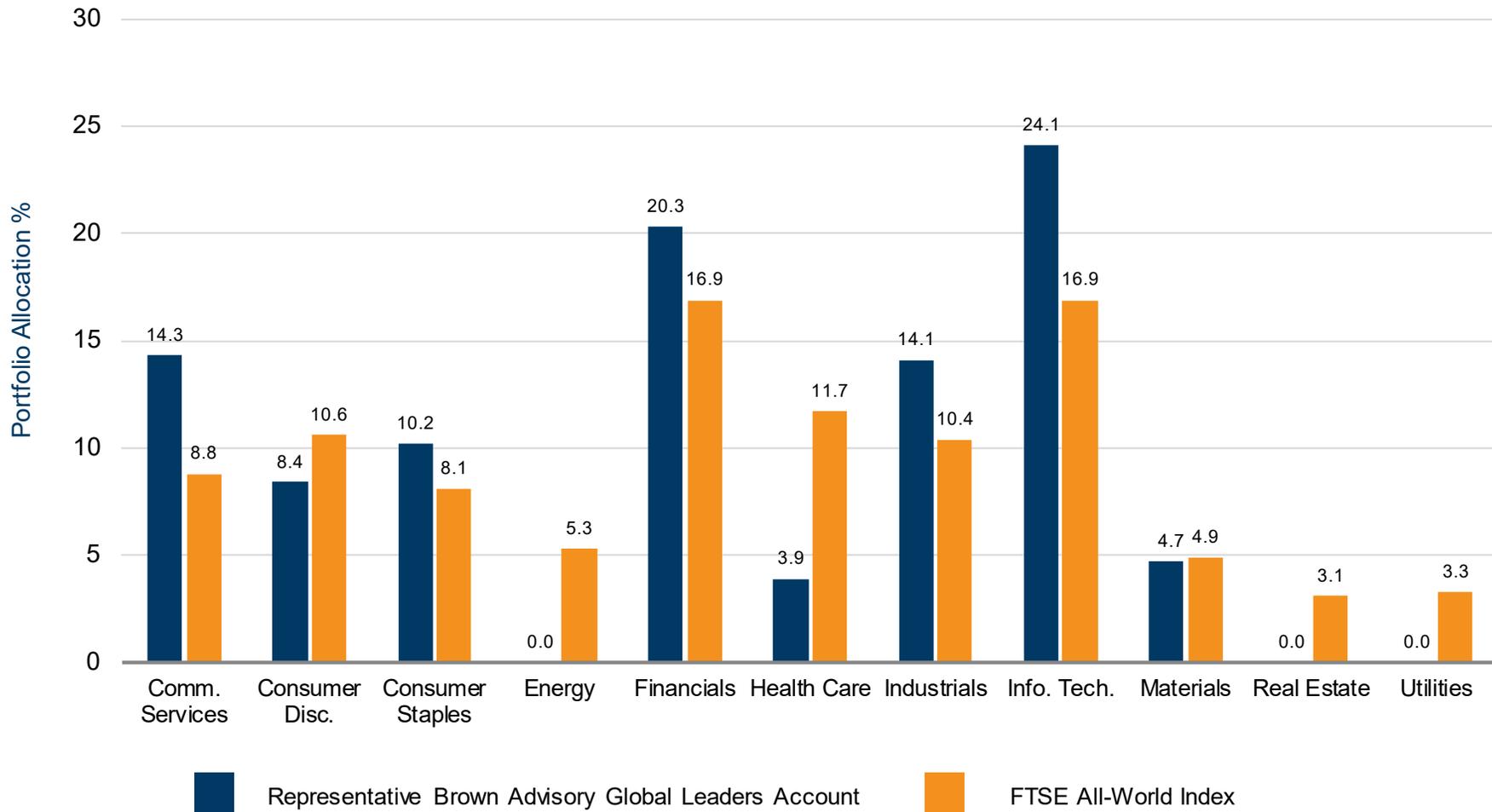


TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corporation	8.0
Alphabet Inc. Class C	5.2
Visa Inc. Class A	5.1
Mastercard Incorporated Class A	4.2
Unilever PLC	4.0
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.9
JPMorgan Chase & Co.	3.7
Atlas Copco AB Class B	3.6
Booking Holdings Inc.	3.6
Estee Lauder Companies Inc. Class A	3.3
<b>Total</b>	<b>44.6%</b>

Source: FactSet. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a 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

Global Industry Classification Standard (GICS) as of 12/31/2019



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# DISCLOSURES, TERMS & DEFINITIONS

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. 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.

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

**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.

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  $(EBIT + \text{Operating Leases Due } 1\text{-Yr}) \times (1 - \text{Cash Tax Rate})$  and IC (invested capital) is  $\text{Total Debt} + \text{Total Equity} + \text{Total Unfunded Pension} + (\text{Operating Leases Due } 1\text{-Yr} \times 8) - \text{Excess Cash}$ . 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 LFY and exclude financial services.

**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	11.0	10.5	2	N/A	303	30,529
2017	35.1	34.0	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**	1.23	0.68	-4.4	N/A	N/A	2	N/A	24	43,746

\*\*Return is for period 5/1/2015 through 12/31/2015

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.

- \*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 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.
- This composite was created in 2015.
- The benchmark is the FTSE All-World Net Index. This index is a freefloat 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 12/31/2018 and is no longer published.
- 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.
- 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 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, 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.