

First Quarter 2019

### COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 1000® GROWTH INDEX
3 MOS.	20.05	19.98	16.10
1 YR.	18.40	18.00	12.75
3 YR.	18.32	17.88	16.53
5 YR.	13.54	13.10	13.50
10 YR.	18.69	18.23	17.52
ITD (05/31/1996)	10.05	9.48	8.32

The composite performance shown above reflects the Brown Advisory Large-Cap Growth Institutional Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS compliant presentation.



**KENNETH STUZIN, CFA**  
*Portfolio Manager*

## Review & Outlook

U.S. equity markets snapped back sharply in the first quarter of 2019, posting the first positive double-digit return for the benchmark Russell 1000® Growth Index since 2013. The Large-Cap Growth Strategy delivered a strong quarter as well, both in absolute and relative terms. The U.S. economy and corporate earnings have proven to be fairly resilient, and the market rebound comes on the back of one of the roughest quarters since 2011. This by no means is considered a “Goldilocks” scenario, but the U.S. does have a relatively stronger footing than most global economies, many of which have already started to experience some weakness. A bull market, as the old saying goes, will climb a wall of worry...

Health care continues to be a strong contributor to the strategy’s performance. However, the backdrop for the health care sector broadly remains somewhat cloudy as it was the worst performing sector in the benchmark for the quarter. Concerns over drug pricing and increasing regulation continues to weigh on biopharma stocks. The portfolio remains overweight to the sector, although this is not due to a top-down view. From a bottom-up perspective, we are quite sanguine about the underlying strength of the individual business models that we own. For example, **Danaher**, which has been a longtime portfolio holding, announced the acquisition of GE’s health care business, sending the stock higher. This was not necessarily considered a transformative acquisition. We believe that the company has done an extraordinary job over the last several years transforming the business by increasing both the recurring nature of its revenues and the profitability of the business, thus improving the overall quality of its multi-industry business model.

Technology was the leading sector behind the fierce market rebound this quarter. This was partially due to an archetypical rebound after being routed last quarter; however, fundamentals across much of the software and services segment continue to be quite robust. As companies in all areas of the economy look to invest in technology to modernize their operations and stave off disruption, “digital transformation” partners, such as **Salesforce.com**, **Adobe**, **Autodesk** and **Microsoft**, are experiencing robust, secular demand. This investment cycle remains early in the large enterprise segment, with today’s investments often focusing on front-office applications before moving to back-office applications and IT infrastructure in the future. In addition to these industrywide tailwinds, the portfolio benefited from several stock-specific drivers in companies like **Intuit**, **Autodesk** and **Genpact**.

We are pleased that the portfolio continues to outperform, especially in light of the strong market updraft this quarter. We were fortunate not to have any meaningful losing positions in the portfolio of which to speak. We believe it is impossible, nor do we even try, to predict the short-term market response or the precise quarterly cadence of our companies’ results. Our focus is geared toward finding companies with unique business models that we believe have the potential to grow at above-average rates over a full cycle. We have always been confident that the market will reward these types of companies over the long term. **B**

### REP. ACCOUNT CHARACTERISTICS

	LARGE-CAP GROWTH REP. ACCT.	RUSSELL 1000® GROWTH INDEX
Weighted Avg. Market Cap.	\$174.7B	\$290.6B
Weighted Median Market Cap.	\$64.8B	\$116.0B
Earnings Growth (3-5 Yr. Est.)	18.2%	14.7%
P/E Ratio (FY2 Est.)	25.6x	18.8x
PEG Ratio	1.4x	1.3x
Portfolio Turnover (3-Yr. Avg.)	32.4%	--

### REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Amazon.com, Inc.	4.4
Zoetis, Inc.	4.2
Visa, Inc.	4.2
Intuit, Inc.	4.1
PayPal Holdings, Inc	4.1
Roper Technologies, Inc.	3.8
Thermo Fisher Scientific, Inc.	3.8
Intuitive Surgical, Inc.	3.7
SBA Communications Corp.	3.7
Microsoft Corp.	3.6
<b>TOTAL</b>	<b>39.6</b>

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

## Sector Diversification

- The portfolio remains broadly diversified across economic sectors, and more importantly across a wide variety of end markets.
- We trimmed several health care holdings on recent strength, reallocating the capital primarily to the consumer staples sector with a new addition to the portfolio.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT (%)		RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)		LARGE-CAP GROWTH REP. ACCOUNT (%)	
	Q1 '19	Q1 '19	Q1 '19	Q4 '18	Q1 '18	Q4 '18	Q1 '18
Communication Services	6.68	12.06	-5.39	6.72	12.31		
Consumer Discretionary	12.08	15.08	-2.99	12.52	13.33		
Consumer Staples	7.44	5.75	1.69	6.03	6.46		
Energy	--	0.74	-0.74	--	--		
Financials	--	4.27	-4.27	--	--		
Health Care	20.71	13.18	7.53	21.91	19.32		
Industrials	11.92	11.76	0.16	11.46	13.29		
Information Technology	34.25	32.96	1.29	34.18	29.25		
Materials	3.14	1.81	1.34	3.48	2.55		
Real Estate	3.77	2.39	1.38	3.70	3.47		
Utilities	--	--	--	--	--		

## Quarterly Attribution Detail by Sector

- Health care continues to be a fruitful sector for the strategy. Our companies have generally executed well within a volatile sector. Several of our health care holdings sell into life sciences and biopharma end markets, which continue to see growth around the globe.
- Technology rebounded this quarter after dragging the market lower at the end of 2018. Both the portfolio and the Index technology stocks performed well.
- The materials sector was the only relative detractor for the quarter. Our lone holding, **Sherwin Williams**, which was up nearly 10%, still underperformed the sector and the benchmark as a result of weather-related softness last year.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	6.78	20.14	12.24	16.69	-0.04	0.24	0.20
Consumer Discretionary	12.38	16.91	15.07	15.39	0.03	0.24	0.27
Consumer Staples	6.93	21.13	5.70	10.92	0.03	0.68	0.72
Energy	--	--	0.77	14.43	0.03	--	0.03
Financials	--	--	4.40	13.25	0.13	--	0.13
Health Care	20.94	18.98	13.80	7.43	-0.56	2.26	1.71
Industrials	11.78	25.40	12.04	16.30	0.01	0.97	0.97
Information Technology	34.22	22.05	31.85	21.36	0.13	0.32	0.45
Materials	3.28	9.75	1.82	14.91	--	-0.15	-0.15
Real Estate	3.68	23.33	2.32	18.86	0.04	0.18	0.22
Utilities	--	--	--	--	--	--	--
<b>Total</b>	<b>100.00</b>	<b>20.65</b>	<b>100.00</b>	<b>16.10</b>	<b>-0.18</b>	<b>4.73</b>	<b>4.55</b>

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## Quarterly Contribution to Return

- Intuit's results are tracking ahead of expectations. The company's small-business software business is performing much better than expected, and early indications for this year's tax season are positive.
- **Roper** posted a strong quarter with 9% organic growth and profit margins that exceeded expectations. The new management team continues to deliver stellar results.
- **PayPal** overcame a somewhat noisy quarter in terms of its most recent results as investors focus more on the long-term opportunity in digital payments, which we believe remains very much intact.
- **Amazon** continues to become more profitable despite decelerating top-line growth. Investors have started to grow more accustomed to the trade-off between profitability and growth.
- **Electronic Arts** has dealt with several execution issues over the course of the past year, but the stock rebounded this quarter. The sports franchise is generally performing well, and the company quietly launched a new game that competes with the popular Fortnite franchise. The new game has enjoyed early success with the user base growing to 50 million within the first month.
- **FleetCor** has performed better than expectations despite the volatility in fuel prices; however, the stock, which is our smallest position, was among the smallest contributors.
- Sherwin-Williams' results were a bit weak due to poor weather in many regions, negatively impacting paint sales during the fourth quarter. The company has already started to see a rebound, which has helped the stock begin to recover.
- We started building a new position in **Brown-Forman** on weakness due in part to the impact of tariffs.
- Dexcom gave back gains from early in the quarter after two short reports came out claiming that the market for continuous glucose monitoring devices is further penetrated than current consensus believes and that Abbott's next release will take some market share from Dexcom. We continue to maintain our position in Dexcom, as the technology has been successful attracting new diabetes patients and fending off competitors before.
- **Booking Holdings** reduced its guidance for next quarter, as it has started to experience some softness in Europe given the sluggish economic backdrop in what is otherwise a very healthy business.

LARGE-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
INTU	Intuit Inc.	4.09	33.10	1.28
ROP	Roper Technologies, Inc.	3.72	28.53	1.00
PYPL	PayPal Holdings Inc	4.11	23.49	0.95
EA	Electronic Arts Inc.	3.16	28.79	0.92
AMZN	Amazon.com, Inc.	4.53	18.56	0.88
LARGE-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
FLT	FleetCor Technologies, Inc.	1.39	32.78	0.42
SHW	Sherwin-Williams Company	3.28	9.75	0.34
BF.B	Brown-Forman Corporation Class B	1.61	14.95	0.26
DXCM	Dexcom, Inc.	3.18	-0.58	0.23
BKNG	Booking Holdings Inc.	2.86	1.31	0.07

## Portfolio Activity

- We initiated one new position this quarter, consumer staples company Brown-Forman. Brown-Forman owns a leading portfolio of super-premium spirits brands and maintains an exceptional position in the key growth categories of American whiskey and tequila, in our view. The stock underperformed its peer group and the broader market over last year, creating an opportunity to build our position at a compelling valuation.

LARGE-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
BF.B	Brown-Forman Corporation Class B	Consumer Staples
DELETIONS		SECTOR
	None	

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## Large-Cap Growth Institutional 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)
2017	31.7	31.2	30.2	11.5	10.5	119	0.3	10,005	33,155
2016	-2.3	-2.7	7.1	11.2	11.2	148	0.1	9,786	30,417
2015	7.8	7.4	5.7	10.2	10.7	168	0.3	12,583	43,746
2014	7.1	6.6	13.1	11.0	9.6	181	0.2	14,674	44,772
2013	30.3	29.7	33.5	15.5	12.2	212	0.3	15,740	40,739
2012	16.7	16.2	15.3	18.7	15.7	148	0.4	8,525	26,794
2011	0.4	0.0	2.6	19.7	17.8	102	0.3	5,622	19,962
2010	25.7	25.3	16.7	22.5	22.1	65	0.5	3,936	16,859
2009	53.3	53.0	37.2	20.0	19.7	41	0.6	1,191	11,058
2008	-35.7	-36.3	-38.4	16.5	16.4	32	0.3	120	8,547
2007	12.1	11.8	11.8	8.9	8.5	30	0.3	160	7,385

Brown Advisory claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory has been independently verified for the periods from January 1, 1993 through December 31, 2017. 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 Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. This composite has been examined for the periods from January 1, 2006 through December 31, 2009. The examination reports are available upon request. The minimum account market value required for composite inclusion is \$1.5 million.
- Through 2009, cash was allocated to carve-outs based on a strategic asset allocation percentage. For calendar year end 2006-2009, the percent of the composite composed of carve-outs was 85%, 38%, 33% and 5% respectively
- This composite was created in 1997.
- The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns.
- The benchmark is the Russell 1000® Growth Index. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index and Russell® are trademarks/service marks 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.
- 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 \$10 million; 0.65% on the next \$15 million; 0.50% on the next \$25 million; and 0.40% on the balance over \$50 million. Further information regarding investment advisory fees is described in Part II A of the firm's Form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
- For calendar year end 2006-2009 the percent of the composite composed of carve-outs was 69%, 62%, 56% and 23% respectively.
- 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.
- 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.

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Composite performance is based on the Brown Advisory Large-Cap Growth Composite and was obtained through FactSet®. All information and returns shown are as of 3/31/2019 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Large-Cap Growth account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Total portfolio return figures provided 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding. Please see composite disclosure statements above for additional information.

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## Terms and Definitions for Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: **Weighted Average**: equals 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. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, calculated according to each broker's methodology. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **P/E / Growth Ratio, or PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. **Three-Year Annualized Portfolio Turnover** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. Portfolio turnover is provided for a three-year trailing period. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **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.