

# LARGE-CAP GROWTH REVIEW AND OUTLOOK

Optimism won the day as U.S. markets seemed to have all but ignored geopolitics, generating robust returns in 2019. Trade relations with China remain top of mind for investors, but historically low unemployment and a healthy U.S. consumer helped offset these concerns. Despite trailing the benchmark in the fourth quarter, the Large-Cap Growth strategy delivered another year of attractive performance in both absolute and relative terms, on the back of superior stock picking. There were no material fundamental issues with any of our holdings, and the underperformance in the quarter was primarily attributable to stocks taking a breather and not holding pace with the benchmark. Forward price-to-earnings multiples for the broad market indices expanded over the course of the year, as price appreciation was not matched with a corresponding increase in earnings expectations. The portfolio's multiple expanded as well, but not nearly to the same extent as the benchmark, given the portfolio benefited from fundamental support in the form of increased earnings expectations.

Despite trailing the benchmark on a relative basis for the fourth quarter, the portfolio's health care sector finished off the year on a strong note. During the quarter, investors migrated into lower-growth names, such as managed care, which had been underperforming year to date. Our confidence in the companies we own remains high. Be it the device companies that we hold or the best-in-class diagnostic distributors fueling medical research, these companies all offer a differentiated products and or services to their customers. Edwards Lifesciences and DexCom are examples of companies that are improving patient outcomes and pushing the overall cost curve lower at the same time. We view this as a win-win for patients and a health care system beleaguered by escalating costs.

While we believe our investment approach has withstood the test of time, there are episodic events that are very helpful in reinforcing specific aspects of our investment process. The performance of the technology sector in 2019 is precisely one of these periods. The

technology sector led the market last year and was the only outperforming sector in the benchmark. Our technology holdings performed quite well, up 44% for the year and 11.3% for the quarter. However mega-cap stocks, such as Apple, which as of year end comprised 8.5% of the index, drove a large percentage of the benchmark returns for the quarter and the year. The company does not meet the growth criteria for this strategy. Given its size, it created a material headwind, but not an insurmountable one. On the other hand, Microsoft, which has been a solid contributor to the portfolio, was also a drag on a relative basis, given its 7.8% benchmark weight. We maintain a 5% maximum position size limit, which can put the mega-cap names, even those that we quite like, at a structural underweight. We have no plans to relax the essential portfolio risk controls in order to match the benchmark weight for an individual stock. There are many other stocks in technology and otherwise that are making strong contributions to the portfolio's performance. The fact that the portfolio was able to outperform in a very narrow market environment reinforces our view that investors do not need to bear the excessive risk of an oversized position in a single business model in order to outperform.

Swap activity from existing names into new ones declined over the course of 2019 as compared to last year. This is consistent with historical patterns for the strategy. Our pipeline of above-average growth business models remains robust, and we are prepared to take action should we see dislocations in the marketplace. As always, we continue to optimize the capital within the portfolio into those stocks that we believe are offering the most favorable risk versus reward prospects.

# SECTOR DIVERSIFICATION

- We trimmed a number of technology holdings based on strength to fund a new position this quarter. Technology is the largest sector weight in the portfolio but remains the largest underweight relative to the benchmark. The technology sector in the Russell 1000® Growth Index gained more than 50% last year and is approaching 40% of the benchmark.
- We have also been actively trimming some of our health care holdings that performed well during the year. The sector remains the largest portfolio overweight, as we reallocated some of this capital into Illumina, which is a recent addition to the portfolio.

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	
	Q4'19	Q4'19		Q3'19	Q4'18
Communication Services	6.51	11.49	-4.98	6.44	6.72
Consumer Discretionary	11.63	13.92	-2.29	11.34	12.52
Consumer Staples	7.97	4.64	3.33	8.28	6.03
Energy	--	0.26	-0.26	--	--
Financials	--	3.12	-3.12	--	--
Health Care	22.75	14.71	8.03	22.45	21.91
Industrials	12.47	9.26	3.21	11.48	11.46
Information Technology	31.13	38.87	-7.74	32.04	34.18
Materials	3.65	1.36	2.28	3.73	3.48
Real Estate	3.90	2.36	1.53	4.24	3.70
Utilities	--	--	--	--	--

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. The portfolio information provided is based on a representative Large-Cap Growth 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	6.48	9.79	11.57	10.78	-0.02	-0.07	-0.08
Consumer Discretionary	11.51	10.08	14.08	6.14	0.12	0.44	0.56
Consumer Staples	8.11	4.79	4.77	3.62	-0.23	0.09	-0.14
Energy	--	--	0.26	6.35	0.01	--	0.01
Financials	--	--	3.14	8.90	0.05	--	0.05
Health Care	22.52	12.92	14.52	16.21	0.43	-0.71	-0.28
Industrials	12.11	3.51	9.63	2.65	-0.18	0.09	-0.10
Information Technology	31.46	11.29	38.21	14.41	-0.25	-0.94	-1.18
Materials	3.77	6.33	1.41	2.02	-0.21	0.18	-0.03
Real Estate	4.05	0.09	2.42	0.89	-0.18	-0.01	-0.19
Utilities	--	--	--	--	--	--	--
<b>Total</b>	<b>100.00</b>	<b>9.24</b>	<b>100.00</b>	<b>10.62</b>	<b>-0.45</b>	<b>-0.93</b>	<b>-1.38</b>

- Consumer discretionary was the top contributor on a relative basis, primarily due to Alibaba, which rebounded this quarter. Despite posting attractive results, Alibaba had been trading at a discount to its historical valuation multiple as investors remain wary about the Chinese economy.
- Technology was the biggest drag on relative performance for the fourth quarter. For the most part, the portfolio holdings did quite well. However, Apple and a number of the large weights in the Index's technology sector were up significantly.

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. The portfolio information provided is based on a representative Large-Cap Growth 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

Representative Large-Cap Growth Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
DXCM	Dexcom Inc.	Manufactures and markets medical devices and glucose monitoring systems	3.20	46.63	1.29
ADSK	Autodesk Inc.	Designs and develops multimedia software products	3.28	24.21	0.75
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	4.78	13.83	0.65
BABA	Alibaba Group Holding Ltd. Sponsored ADR	Operates as an online and mobile commerce company	1.97	26.83	0.49
TMO	Thermo Fisher Scientific Inc.	Develops, manufactures and markets analytical and environment monitoring instruments	3.88	11.68	0.45

- DexCom reported the strongest quarterly results in the history of the company. DexCom turned in 53% revenue growth in the U.S., which handily beat expectations.
- Autodesk reported a strong quarter, and the stock moved higher as fears of a global manufacturing slowdown proved to be overblown.
- Microsoft continues to execute at a high level, with revenue growth for the most recent quarter running at 15% constant currency and profit margins exceeding expectations.
- Alibaba continues to produce robust results despite a sluggish Chinese economy and unrest in Hong Kong.
- Thermo Fisher beat expectations due in part to China, which continues to grow organically in the low teens. We believe that its technological leadership in life science solutions place the company at a significant advantage over its competitors.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Large-Cap Growth Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
INTU	Intuit Inc.	Provides software products for businesses	3.14	-1.31	-0.05
ROP	Roper Technologies Inc.	Provides engineering products and solutions for global niche markets	3.56	-0.53	-0.04
LHX	L3Harris Technologies Inc.	Develops aerospace and defense technologies	0.89	-2.34	-0.04
SBAC	SBA Communications Corp. Class A	Functions as real estate investment trust	4.05	0.09	-0.01
CTAS	Cintas Corporation	Provides rental and servicing of uniforms and other garments	3.04	1.36	0.03

- Intuit pulled back modestly on the heels of a big first half of the year. Fundamentally, we believe the company is executing well; however, the stock took a bit of breather in the fourth quarter.
- Roper took a breather as well after a very strong first-half run. The company experienced a bit of weakness in some segments that are short cycle in nature.
- We initiated a new position in L3Harris this quarter as the stock drifted lower.
- SBA Communications' run cooled a bit during the quarter as investors await the outcome of the Sprint/T-Mobile merger trial.
- Cintas reported results late in the quarter. The results were good, but the stock response was muted.

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# QUARTER-TO-DATE ADDITIONS/DELETIONS

## Representative Large-Cap Growth Account Portfolio Activity

- We initiated a new position in L3Harris this quarter. A merger of equals between Harris and L3 spawned the sixth largest defense contractor. We believe this complementary merger should result in both cost and revenue synergies as the company scales up its product platforms in both defense and commercial end markets. The combined company offers leading-edge technology in electronic warfare, communication systems, space and avionics. The combination should also enable the company to capture a greater share of contracts going forward.

SYMBOL	ADDITIONS	SECTOR
LHX	L3Harris Technologies Inc.	Industrials
SYMBOL	DELETIONS	SECTOR
	None	

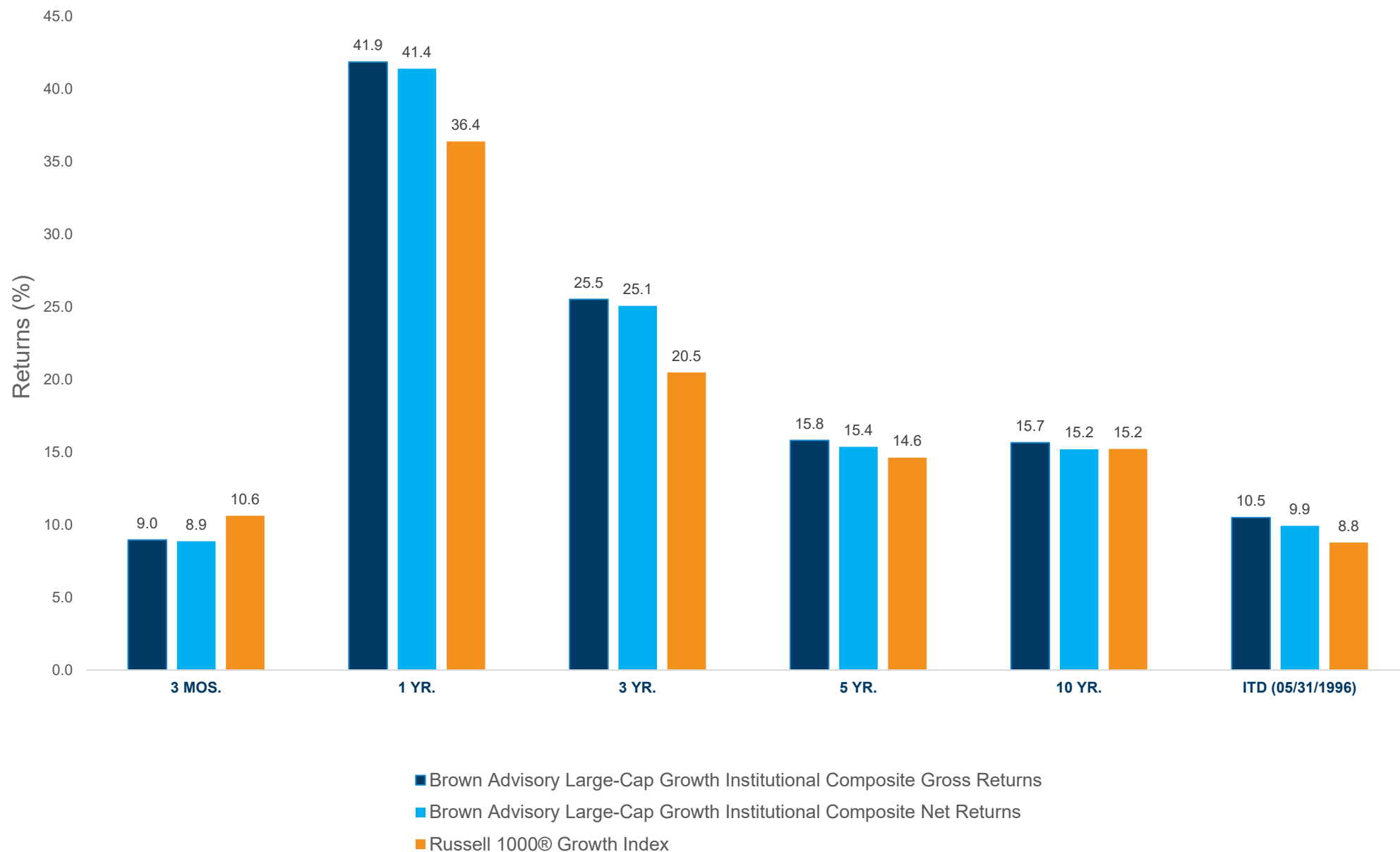
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# PORTFOLIO CHARACTERISTICS

	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT	RUSSELL 1000® GROWTH INDEX
Number of Holdings	33	530
Market Capitalization (\$ B)		
Weighted Average	206.7	394.2
Weighted Median	68.2	141.8
Maximum	1,203.9	1,304.8
Minimum	5.9	1.2
P/E Ratio FY2 Est.	28.8	22.4
Earnings Growth 3-5 Yr. Consensus Est. (%)	15.8	14.3
PEG Ratio	1.8x	1.6x
Dividend Yield (%)	0.5	1.1
Top 10 Equity Holdings (%)	39.6	36.9
Three-Year Annualized Portfolio Turnover (%)	25.8	--

Source: FactSet. The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Portfolio characteristics exclude 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.

# Composite Performance Update



Source FactSet. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Large-Cap Growth Institutional 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 Large-Cap Growth Institutional disclosure statement at the end of this presentation for a GIPS compliant presentation.

# TOP 10 PORTFOLIO HOLDINGS

## Representative Large-Cap Growth Account

As of 12/31/2019

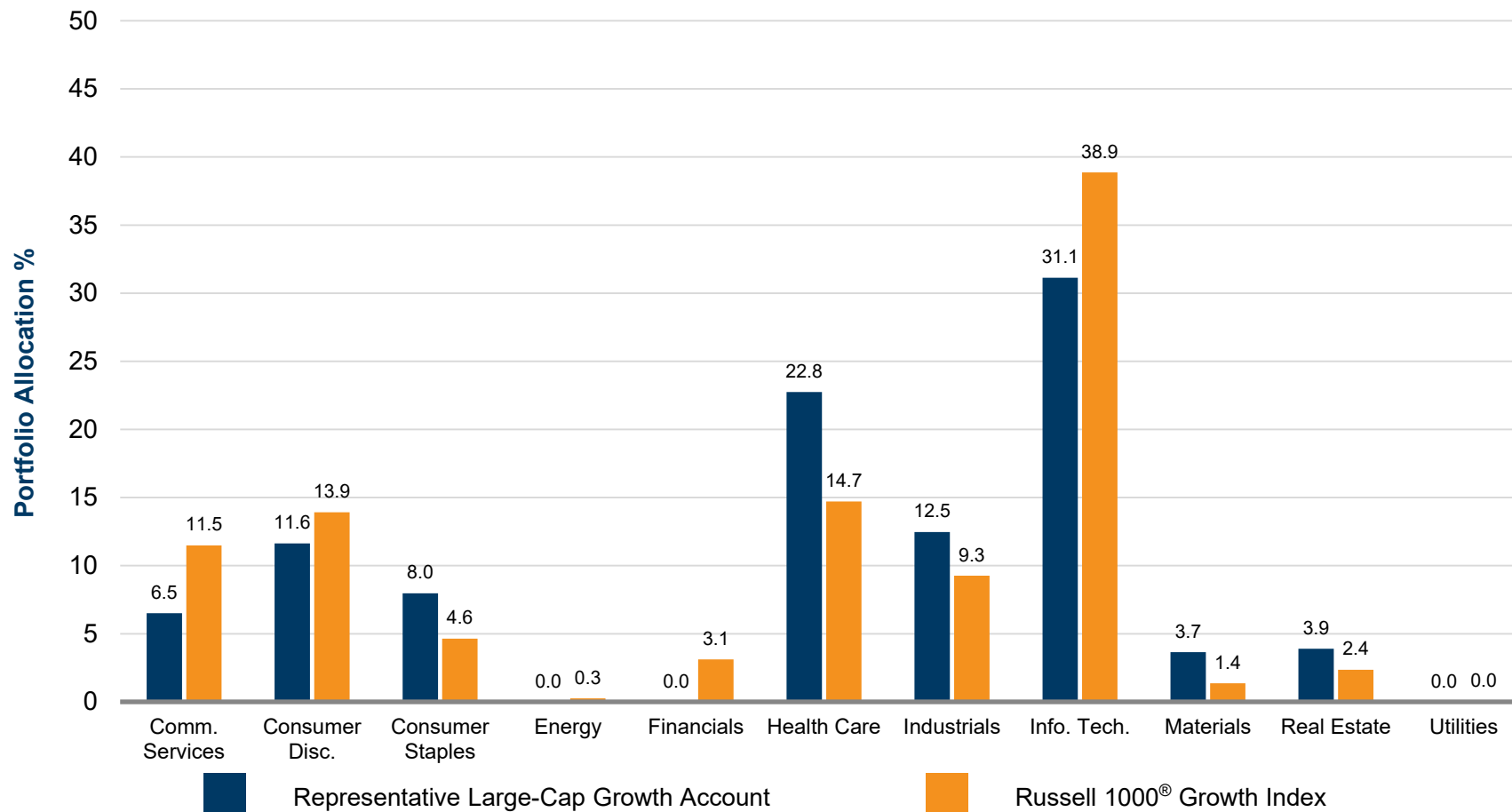
### Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	4.5
Zoetis, Inc.	4.3
Visa, Inc.	4.1
Amazon.com, Inc.	4.1
Thermo Fisher Scientific, Inc.	3.8
SBA Communications Corp.	3.8
Cash & Equivalents	3.7
Sherwin-Williams Co.	3.5
Autodesk, Inc.	3.4
Roper Technologies, Inc.	3.3
<b>Total</b>	<b>38.5%</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 representative Large-Cap Growth account, includes cash and is provided as supplemental information. Please see disclosure statement at the end of this presentation for additional information. Figures in table may not total due to rounding.

# SECTOR DIVERSIFICATION

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



Source: FactSet. The portfolio information provided is based on a representative Large-Cap Growth 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.

# DISCLOSURES

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.

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 that new and growing equities are included and that the represented companies continue to reflect growth characteristics. Russell® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group Companies. An investor cannot invest directly into an index.

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

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

# TERMS AND DEFINITIONS

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted.

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.

**Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: Weighted Average: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); Weighted Median: the value at which half the portfolio's market capitalization weight falls above and half falls below; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

**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.

**Earnings Growth 3-5 Year Est.** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokerage firms, calculated according to each broker's methodology.

**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.

**Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price.

**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.

**Weighted Median** refers to the 50% weighted percentile of a sample.

**Weighted Average (Weighted Mean)** refers to when data points in a sample contribute more to the final mean than others.

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.

# 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)*
2018	5.9	5.5	-1.5	13.0	12.1	88	0.3	9,285	30,529
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

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 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 composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the composite for the entire calendar year period.
- The 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.
- 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.
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