

# LARGE-CAP GROWTH REVIEW AND OUTLOOK

## First Quarter 2021

Volatility carried over from 2020 into 2021 for U.S. equity markets as investor sentiment shifted frequently and often. In addition to an incessant stream of COVID-19-related news, the first quarter of the year had plenty of notable events, such as the emergence of social media-driven trading (“meme trades”), an endless supply of new SPAC issuance and a couple of notable fund implosions. All of this against the backdrop of rising interest rates, heightened inflation expectations, and an epic level of both fiscal and monetary stimulus furthered investor concerns and distracted market participants from underlying company fundamentals. The Russell 1000® Growth Index, our benchmark, posted a small gain for the quarter, and the Large-Cap Growth Strategy trailed the benchmark primarily due to weakness in the health care sector.

Health care was the biggest detractor from performance on both an absolute and relative basis for the quarter. While all of our health care holdings have performed reasonably well on a fundamental basis, since last quarter, investors have favored several of the slower-growing segments of health care, such as biopharma, managed care and equipment companies. The rotation into segments of the health care sector we are underexposed to, coupled with weakness in both Intuitive Surgical and Edwards Lifesciences led to the strategy’s underperformance in this sector. Long term, we are confident in both Edwards’ and Intuitive’s growth potential, but their path to full recovery is contingent on hospital elective procedures returning to normal levels. This will take time due to constraints from surgical robot and full ICU availability, which Edwards’ procedures require. Both of these factors are expected to prolong the recovery period relative to other COVID-19 “recovery” stocks. While investors with a shorter time horizon may be shying away from these two stocks, it is important to note that we expect demand for these treatments to remain, as the health conditions that these two companies help to treat will likely remain.

While underperforming our benchmark is always disappointing, it should not come as a surprise that the strategy is trailing the benchmark at this point in the market cycle. Over the last five years, the Russell 1000 Growth Index has generated 21.1% annualized returns, while the strategy composite has returned 20.9% annualized. This magnitude of Index returns over a five-year period is unusual. In fact, since the 1980s, there have only been 53 out of 448 (12%) five-year periods in which the Russell 1000 Growth Index returned over 20% annualized. Since the strategy’s inception in 1996, it has outperformed the Index in eight out of 11 (73%) of these “hyper bull market” periods. Overall, since inception, the strategy has outperformed the Index in 183 of the 239 (77%) five-year periods. Of the 56 periods of underperformance, only four have been when the Index has compounded at 12% or less, and none have been when the Index returned 10% or below. Note that 68% of the time, the five-year return for the Index is 10% or less. All of this data suggests that our Large Cap Growth investment process can keep up with the Index during a raging bull market, but when market returns are more reasonable, this strategy tends to outperform much more often. In recent periods, this pattern has held fast to its historical consistency.

# SECTOR DIVERSIFICATION

First Quarter 2021

- Consistent with the recent past, technology and consumer discretionary remain the biggest portfolio underweights relative to the benchmark, and health care the biggest overweight.
- Despite the elimination of one holding, the underweight to technology was reduced slightly during the quarter as we added to several of our existing holdings. This capital came primarily from the consumer discretionary sector as we eliminated one of our holdings in that sector.

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	
	Q1 '21	Q1 '21	Q1 '21	Q4 '20	Q1 '20
Communication Services	11.17	11.71	-0.54	10.87	8.05
Consumer Discretionary	6.05	16.75	-10.69	7.88	9.12
Consumer Staples	7.92	4.48	3.44	7.98	8.43
Energy	--	0.09	-0.09	--	--
Financials	--	1.87	-1.87	--	--
Health Care	22.90	13.50	9.40	21.42	24.42
Industrials	10.41	4.40	6.01	11.66	11.36
Information Technology	34.66	44.59	-9.93	33.61	30.24
Materials	3.55	0.88	2.67	3.47	3.33
Real Estate	3.35	1.71	1.63	3.11	5.05
Utilities	--	0.02	-0.02	--	--

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.

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

First Quarter 2021

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	11.25	2.62	11.25	8.64	0.02	-0.68	-0.65
Consumer Discretionary	6.39	-7.02	17.04	-1.00	0.24	-0.47	-0.23
Consumer Staples	7.76	-2.49	4.31	-0.73	-0.03	-0.19	-0.22
Energy	--	--	0.09	19.61	-0.01	--	-0.01
Financials	--	--	1.82	2.46	-0.02	--	-0.02
Health Care	22.78	-4.85	13.52	1.38	0.00	-1.42	-1.42
Industrials	10.68	-0.40	4.24	3.11	0.07	-0.38	-0.31
Information Technology	34.66	1.12	45.24	-0.66	0.16	0.68	0.84
Materials	3.40	0.66	0.86	1.05	0.00	-0.01	-0.01
Real Estate	3.09	-1.41	1.62	7.11	0.09	-0.24	-0.15
Utilities	--	--	0.02	1.27	--	--	--
<b>Total</b>	<b>100.00</b>	<b>-1.24</b>	<b>100.00</b>	<b>0.94</b>	<b>0.52</b>	<b>-2.70</b>	<b>-2.18</b>

- The technology sector flipped to being a positive contributor to relative performance after detracting most of last year. Apple, which is the largest stock in the benchmark, pulled back, and NXP Semiconductor rebounded alongside the automotive sector.
- Health care was the biggest detractor as the rotation into slower-growth names continued. Edwards Lifesciences and Intuitive Surgical continue to lag the broader group of COVID-19 reopening stocks.

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# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## First Quarter 2021 Representative Large-Cap Growth Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
NXPI	NXP Semiconductors NV	Manufactures, designs and provides mixed-signal semiconductor solutions	3.43	27.00	0.81
GOOG	Alphabet Inc. Class C	Operates as a holding company with interests in software, health care, transportation and other technologies	4.60	18.08	0.73
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	4.58	6.27	0.31
EL	Estee Lauder Companies Inc. Class A	Offers skin care, makeup, fragrance and hair care products	3.15	9.46	0.25
LHX	L3Harris Technologies Inc.	Develops aerospace and defense technologies	2.41	7.78	0.19

- Despite supply challenges across the semiconductor industry, NXP rallied on the back of a quicker-than-expected rebound in the automotive sector.
- Retail internet search activity was a bright spot for Alphabet as it handily beat expectations for both revenue and operating margins, pushing the stock higher.
- Microsoft reported another blockbuster quarter, exhibiting strength across the majority of its lines of business. Management has kept operating expenses in check, leading to better-than-expected operating leverage.
- We believe that Estee Lauder has demonstrated exceptional nimbleness in dealing with the COVID-19 crisis, reigning in costs and allocating resources to regions with the most upside potential.
- The overhang on defense stocks has started to lift to some extent. L3Harris continues to execute on its strategy of pruning weaker business lines from the portfolio and positioning remaining segments for future growth and profitability.

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. Returns listed represent the period when the security was held during the quarter. 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 portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Top five and bottom five contributors 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.

# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## First Quarter 2021 Representative Large-Cap Growth Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ISRG	Intuitive Surgical Inc.	Designs, manufactures and markets robotic technologies used for surgeries	4.02	-9.63	-0.43
ADSK	Autodesk Inc.	Designs and develops multimedia software products	3.96	-9.23	-0.39
BF.B	Brown-Forman Corporation Class B	Engages in the production and marketing of consumer beverage alcohol brands	2.48	-12.97	-0.35
MTCH	Match Group Inc.	Operates an online dating platform	3.19	-9.30	-0.28
EW	Edwards Lifesciences Corporation	Designs, develops, manufactures and markets products to treat late-stage cardiovascular disease	2.87	-8.32	-0.26

- Both Edwards Lifesciences and Intuitive Surgical have navigated the COVID-19 crisis better than many expected. Despite this, many short-term traders are leaving the stocks, as these two companies are unlikely to have the rapid snapback recovery that other stocks levered to the reopening trade may possess.
- Autodesk pulled back a bit after a strong run last quarter. The company continues to post solid results.
- Brown-Forman continues to navigate the challenging environment for spirits well, but it is likely to remain murky for a bit longer, causing the stock to be volatile. Uncertainty regarding European tariffs continues to weigh on U.S. spirit companies as well.
- Match Group has been volatile alongside other mid-cap technology stocks recently. As global shutdowns continue, investors have been cautious on Match. In addition, an online dating competitor went public during the quarter.

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# QUARTER-TO-DATE ADDITIONS/DELETIONS

## First Quarter 2021 Representative Large-Cap Growth Account Portfolio Activity

- We eliminated our position in Alibaba this quarter. Despite having good fundamentals, the backdrop for U.S. investments in Chinese companies continues to be cloudy. The politics surrounding the situation on both continents is difficult to handicap and certainly not our specialty. Fortunately, we believe that we found a better opportunity in Veeva Systems, which has been on our watch list for some time. Veeva is a cloud-based software company that specializes in the health care vertical.
- We sold our position in Genpact as our expectations for growth diminished to the point where we no longer had confidence it would meet our 14% hurdle rate.
- We initiated a new position in IDEX Corporation, which is a diversified industrial company. In keeping with our one in, one out process, we funded this position by selling our position in another industrial holding, Fortive. While Fortive was not broken, we believe that IDEX is a better opportunity moving forward. IDEX has a collection of unique assets in fluid metering, health and sciences, and fire and safety industries. Both companies have similar game plans—buying good business and improving on them—but we believe that IDEX with less leverage has more capacity available in which to grow.

SYMBOL	ADDITIONS	SECTOR
IEX	IDEX Corporation	Industrials
VEEV	Veeva Systems Inc Class A	Health Care

SYMBOL	DELETIONS	SECTOR
BABA	Alibaba Group Holding Ltd. Sponsored ADR	Consumer Discretionary
FTV	Fortive Corp.	Industrials
G	Genpact Limited	Information Technology

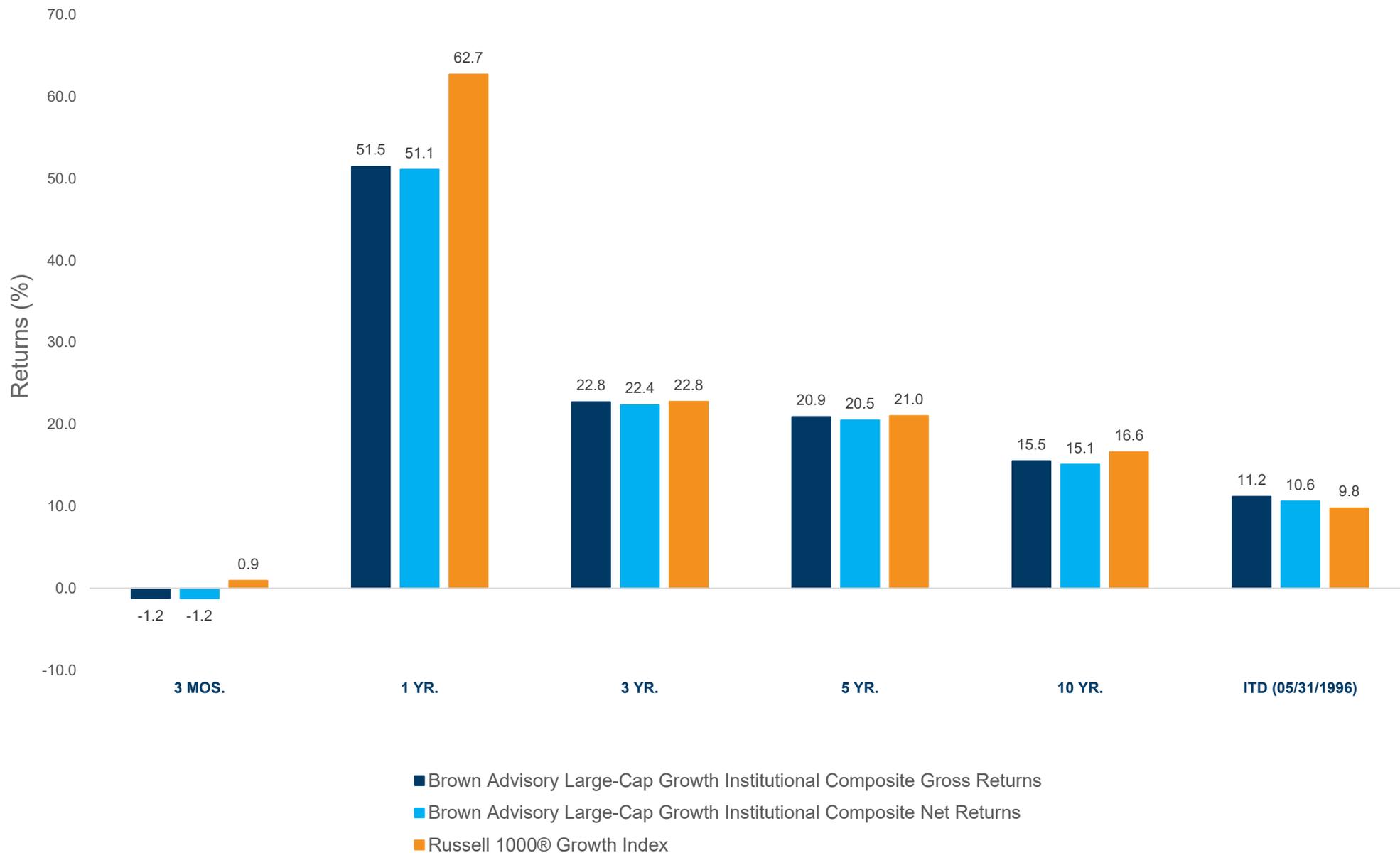
# PORTFOLIO CHARACTERISTICS

First Quarter 2021

	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT	RUSSELL 1000® GROWTH INDEX
Number of Holdings	30	464
Market Capitalization (\$ B)		
Weighted Average	301.0	696.5
Weighted Median	87.0	231.0
Maximum	1,779.1	2,055.0
Minimum	15.9	0.7
P/E Ratio FY2 Est. (x)	33.8	26.5
Earnings Growth 3-5 Yr. Consensus Est. (%)	16.5	18.8
PEG Ratio	2.0x	1.4x
Dividend Yield (%)	0.5	0.8
Top 10 Equity Holdings (%)	42.1	44.1
Three-Year Annualized Portfolio Turnover (%)	19.3	--

# COMPOSITE PERFORMANCE

First Quarter 2021 as of 03/31/2021



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

First Quarter 2021 Representative Large-Cap Growth Account as of 03/31/2021

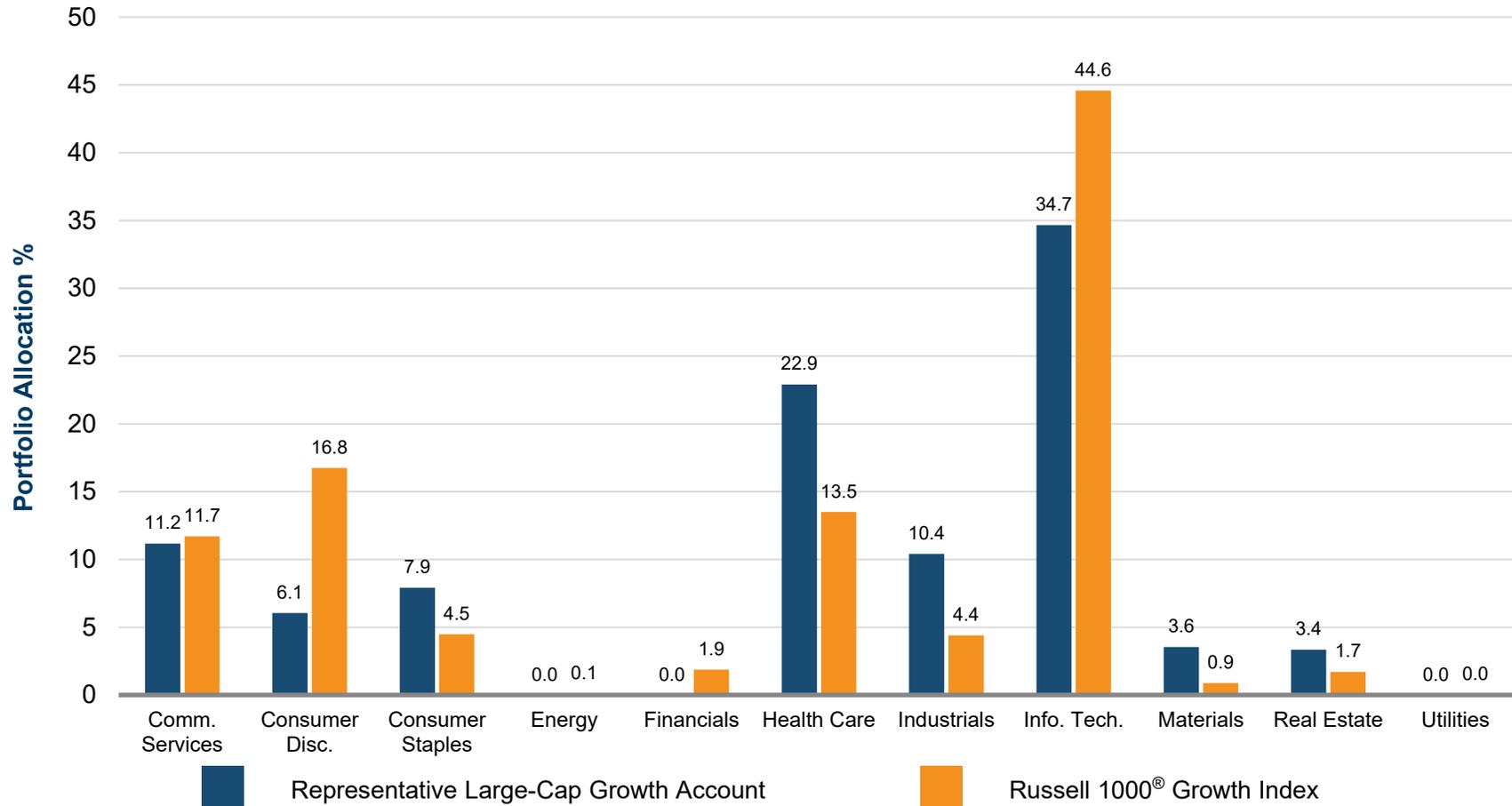
## Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Alphabet, Inc. Cl C	4.7
Mastercard Inc.	4.5
Microsoft Corp.	4.5
PayPal Holdings Inc.	4.1
Amazon.com Inc.	3.9
Thermo Fisher Scientific Inc.	3.8
NXP Semiconductor NV	3.8
Intuitive Surgical Inc.	3.8
Intuit Inc.	3.7
Autodesk Inc.	3.7
<b>Total</b>	<b>40.5%</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

First Quarter 2021 Global Industry Classification Standard (GICS) as of 03/31/2021



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<sup>®</sup> Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000<sup>®</sup> 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<sup>®</sup> 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.

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)*
2019	41.9	41.4	36.4	13.4	13.1	92	0.3	13,175	42,426
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

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, 2019. 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 (the 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. 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.
- The Composite was created in 1997. The Composite inception date is June 1, 1996.
- 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.
- 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.
- 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. Certain accounts in the Composite pay asset-based custody fees that include commissions. For these accounts, gross and net returns are also net of custody fees. 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 is not indicative of future results.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.