

# Brown Advisory Large-Cap Sustainable Growth Strategy

We seek competitive risk-adjusted returns over a full market cycle through a concentrated portfolio of companies that we believe offer durable fundamental strengths, sustainable competitive advantages and compelling valuations.

## May 2021 Monthly Report

### Performance Contributors

#### TOP FIVE CONTRIBUTORS\*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
NVDA	NVIDIA Corporation	Information Technology	1.38	13.35	0.28
INTU	Intuit Inc.	Information Technology	4.00	6.53	0.28
WST	West Pharmaceutical Services, Inc.	Health Care	3.71	5.84	0.21
MRVL	Marvell Technology, Inc.	Information Technology	2.66	6.83	0.19
ADI	Analog Devices, Inc.	Information Technology	2.82	7.66	0.17

#### BOTTOM FIVE CONTRIBUTORS\*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
ETSY	Etsy, Inc.	Consumer Discretionary	1.99	-17.29	-0.37
AMZN	Amazon.com, Inc.	Consumer Discretionary	4.50	-7.04	-0.32
VRSK	Verisk Analytics Inc.	Industrials	3.14	-8.17	-0.28
CHGG	Chegg, Inc.	Consumer Discretionary	1.49	-14.86	-0.25
SQ	Square, Inc. Class A	Information Technology	2.31	-9.11	-0.25

### Monthly Portfolio Activity

#### NEW INVESTMENTS

TICKER	NAME	REASON FOR DECISION
NVDA	NVIDIA Corporation	After diversifying into new growth areas outside of gaming, we believe that Nvidia has attractive prospects moving forward, and we built an initial position during the month.

#### DELETION

TICKER	NAME	REASON FOR DECISION
BLL	Ball Corporation	We believe there are other higher conviction ideas where we can allocate capital leading to the decision to complete the sale of Ball Corporation during the month.

### Top 10 Equity Holdings (%)

Cash and equivalents: 1.0%

1. Microsoft Corp.	4.8	6. Visa, Inc.	4.1
2. Alphabet, Inc. Cl A	4.4	7. Danaher Corp.	4.0
3. Amazon.com, Inc.	4.4	8. IDEXX Laboratories, Inc.	4.0
4. UnitedHealth Group, Inc.	4.3	9. American Tower Corp.	3.9
5. Intuit, Inc.	4.1	10. West Pharmaceutical Services, Inc.	3.7



**KARINA FUNK, CFA**  
Portfolio Manager



**DAVID POWELL, CFA**  
Portfolio Manager

#### INSIDE THE STRATEGY: FACTS & TYPICAL PORTFOLIO FIGURES

Inception: 12/31/2009	Top 10 Weight: 35%–50%
Benchmark: Russell 1000® Growth Index	Position Size: 1%–5%
Portfolio: 30–40 Holdings	Cash Position: 1%–5%

### Portfolio Comments

The Brown Advisory Large-Cap Sustainable Growth Composite fell 1.0% (net of fees) during May, outperforming its benchmark, the Russell 1000® Growth Index, which fell 1.4% in the month.

The largest detractor from relative performance for the portfolio on the month was the industrials sector. Square, Chegg and Etsy were top detractors from performance in May despite reporting strong earnings. Our conviction in these names persists, and we took advantage of weakness by adding to all three.

Etsy beat expectations on the recently reported quarter, but investors are anticipating revenue deceleration given the tough year-over-year comparisons ahead. Our long-term view of Etsy remains strong with compelling growth in sight as the company invests in brand spend, technology and infrastructure. Chegg's management continues to stress that the company is not "just" a Covid-19 story, calling out conversion, renewal and engagement, which position the company to continue to grow revenues off of a larger base of subscribers. Square posted strong earnings this month, with both Cash App and seller segments experiencing high growth. We do not believe underperformance is business model related, and we added to build out the position.

Technology was the strongest contributor to relative portfolio on the month primarily driven by strong stock selection. Names such as Nvidia, Intuit, Marvell and Analog Devices led the way for the portfolio during the month.

Nvidia, a new position this month, positively impacted performance. We have been cautious on the company for many years given the high valuation combined with high exposure to gaming cycles. Today, gaming represents a smaller portion of overall revenues, as the company has diversified into new growth areas including the next wave of computing: Artificial Intelligence. We believe Nvidia is poised to capitalize on this trend with its leadership on and provision of GPU (Graphical Processing Units). GPUs have historically been used for rendering computer graphics but are also parallel processing engines, making them well-suited to the complex math needed to train AI algorithms, which continue to grow in importance across a range of industries.

We completed the sale of Ball Corporation in May to reallocate capital to higher conviction ideas. It was already a small position in the portfolio, and the room for Nvidia came primarily from trims of another semiconductor company, Analog Devices.

\*Source: FactSet®. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The security returns listed represent the period of when the security was held during the month. Top five and bottom five contributors exclude cash and cash equivalents. Contribution to return is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return for the reporting period. The top 10 equity holdings include cash and equivalents. Numbers may not total due to rounding. The portfolio information provided is based on a representative Large-Cap Sustainable Growth account and is provided as supplemental information. This representative account may differ from specific client portfolios. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results. The composite performance shown above reflects the Large-Cap Sustainable Growth 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 Sustainable Growth disclosure statement at the end of this presentation for a GIPS compliant presentation.

# Brown Advisory Large-Cap Sustainable Growth 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	36.2	35.5	36.4	12.4	13.1	53	0.3	2,379	42,426
2018	5.4	4.8	-1.5	11.6	12.1	41	0.2	1,049	30,529
2017	29.1	28.4	30.2	10.6	10.5	32	0.2	762	33,155
2016	6.6	6.0	7.1	11.5	11.2	32	0.1	503	30,417
2015	13.7	13.1	5.7	11.1	10.7	23	0.3	405	43,746
2014	7.1	6.5	13.1	9.9	9.6	25	0.1	303	44,772
2013	34.5	33.7	33.5	12.1	15.5	24	0.2	288	40,739
2012	16.5	15.9	15.3	15.7	15.7	22	0.3	211	26,794
2011	5.4	5.0	2.6	NA	NA	21	0.3	37	19,962
2010	23.5	23.1	16.7	NA	NA	18	N/A	13	16,859

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 Sustainable Growth Composite (the Composite) includes all discretionary portfolios invested in the Sustainable Large Cap Strategy. The strategy invests primarily in large market capitalization companies with financially and environmentally sustainable business models. The minimum account market value required for Composite inclusion is \$1.5 million. Prior to 2012, the minimum was \$100,000.
- ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

## 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. Please see composite disclosure statements for additional information.

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

- Prior to March 31, 2013, the strategy was named Large-Cap Sustainability. Prior to December 31, 2011, the strategy was named Winslow Green Large Cap. No changes have been made to the strategy since inception.
- The Composite was created in 2010. The Composite inception date is January 1, 2010.
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- 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 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. 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. The 3 year annualized standard deviation is not presented as of December 31, 2010 and December 31, 2011 because 36 month returns for the Composite were not available (N/A).
- 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.

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## Terms and Definitions for Representative Account Calculations

The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period. **Contribution to Return** is calculated by multiplying a security's beginning portfolio weight by its daily return and geometrically linking the security's daily contribution to return over the entire reporting period.