

# SMALL-CAP FUNDAMENTAL VALUE REVIEW AND OUTLOOK



## Fourth Quarter 2023

The Brown Advisory Small-Cap Fundamental Value strategy was up materially on an absolute basis for the fourth quarter and the year. The strategy outperformed for the year, but trailed for the quarter relative to the benchmark, the Russell 2000® Value Index.

The strategy posted solid relative results for each of the first three quarters of the year. As economic concerns grew in the early part of the fourth quarter, this positive relative performance continued. Then, as the market grew increasingly convinced of the likelihood of material rate cuts in 2024, small caps rose dramatically -- small cap value stocks were up 9.0% and 12.5% in November and December, respectively. In our view, leadership for this rally was driven by highly shorted and the least liquid parts of the market. There also was a meaningful flow of money into small cap ETFs during the fourth quarter (over \$13bn) which we believe likely drove the rally. Our strategy trailed during this rally, especially during November and December, and ended up trailing on a relative basis for the quarter.

The negative relative performance for the quarter was across a number of sectors. Financials were the strongest overall sector while energy was the worst (and only negative performing sector) in the Index. Our greatest underperformance was in communication services. Both of our home internet/cable companies were detractors for the quarter. While both Cable One (CABO) and WideOpenWest (WOW) face a challenging operating environment, we believe WideOpenWest, in particular, has been less adept at navigating the challenges and their results have suffered, correspondingly. Financials and health care were also sources of negative performance. In both, we were underweight which hurt relative performance. Industrials, energy and materials were all sources of positive performance. Within energy, a number of our investments were detractors from overall performance, but outperformed the poor performance of the sector.

For the year, relative performance was strong across most sectors. Negative performance was concentrated within communication services (due to our home cable/internet investments) as well as consumer staples. Within consumer staples, our investment in United Natural Foods (UNFI) primarily drove the underperformance. We are also underweight within the real estate sector which negatively impacted performance. Consumer discretionary was our strongest performing sector which was positively impacted by our investments in Signet Jewelers (SIG) and Modine Manufacturing (MOD). Information technology was also a strong contributor due to the performance of Onto Innovation (ONTO). Finally, our health care relative performance benefitted from being significantly underweight.

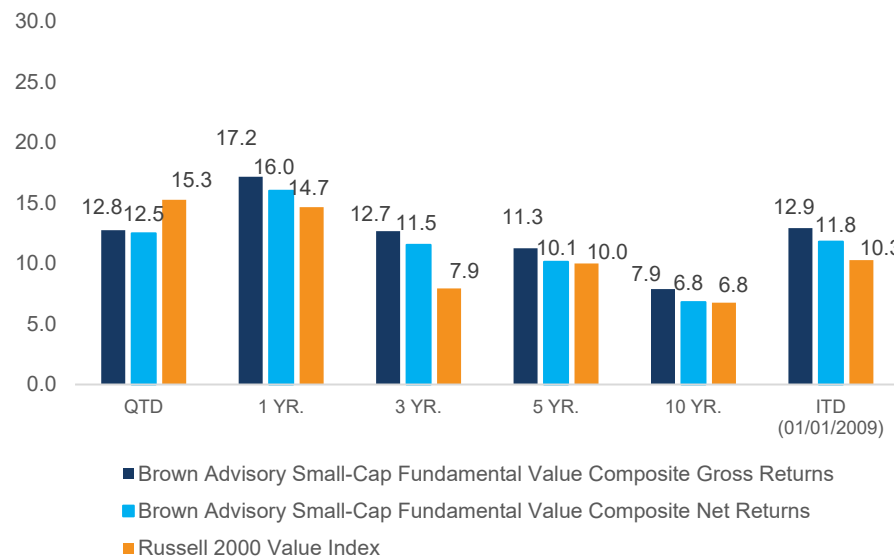
Activity levels were modestly higher than normal. During the fourth quarter we made 3 new investments (excluding the spin off of NCR Atleos) and sold 4. Within the energy sector, we made an investment in Sitio Royalties (STR) which owns a portfolio of oil and gas mineral rights. Our second investment was in Shutterstock (SSTK), a communication services company which operates one of the largest marketplaces for

stock imagery. Finally, within the information technology sector, we invested in Class A shares of Bel Fuse (BELFA), an electronic components manufacture. During the quarter, we sold our investments in CRA International (CRAI) over concerns about the potential revenue/ earnings shortfall. Similarly, we sold our investment in Sprouts Farmers Market (SFM) over similar concerns, but also felt we were able to realize a premium valuation. We sold our investments in Premier Financial (PFC) in response to their sale of their insurance subsidiary, a strategic action that we felt would serve to increase the volatility of their earnings. Finally, we exited our investment in Chase Corp. (CCF), upon the completion of their sale to KKR & Co. (KKR), a private equity firm. During the year, we made 17 new investments (excluding the spin off of NCR Atleos) and exited 12.

On January 1st, 2024, the strategy celebrated its 15<sup>th</sup> year anniversary. As we start 2024, we continue to be confident about the sound foundation of our cash flow oriented investing philosophy, the strength of our investment process, and the team's ability to find attractive investments for our investors.

On December 12, 2023, we gave a presentation at the Value Investors Conference in New York. In the presentation, we highlighted the investment philosophy and rationale for two of our larger investments: Modine Manufacturing and Signet Jewelers. Please contact us if you would like a copy of the presentation.

SCFV Q4  
2023 Performance



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 Small-Cap Fundamental Value Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. 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 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. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# 15 YEARS OF SMALL-CAP FUNDAMENTAL VALUE

On January 1<sup>st</sup>, 2024, the Brown Advisory Small Cap Fundamental Value Strategy celebrated its 15<sup>th</sup> year since inception.

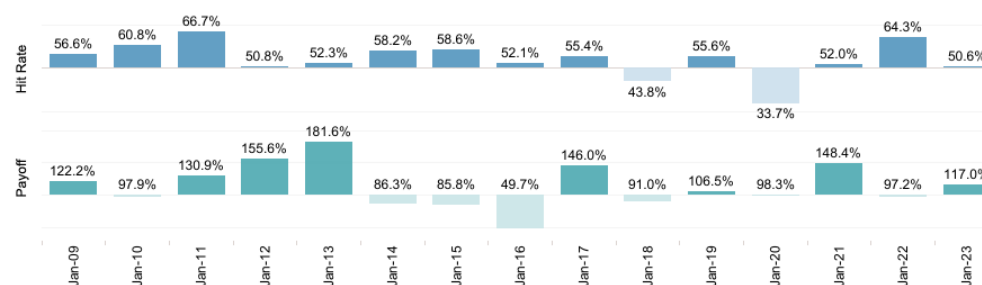
A few key milestones/ data points:

- 328 unique investments executed through 31,900 trades
- Outperformed its Index, the Russell 2000 Value Index, by 171 basis points (bps)
- Consistent track record -- outperforming its benchmark 12 of the past 15 years

While there have been significant macro challenges to contend with (great financial crisis, quantitative easing/ zero interest rates, a global pandemic, and renewed inflation flames), we have never veered from our core philosophy which we laid out over 15 years ago. Our philosophy is firmly rooted in the concept that current and consistent cash flow always retain value. We believe capital allocation can be incredibly impactful, but if poorly executed can destroy meaningful value. We strive to make these investments at an attractive valuation. Each year the team talks to approximately 250-300 companies in order to find ones that meet our criteria. This is a labor-intensive process, but we believe it enables us to find opportunities that do not present themselves nice and neatly in a screen. Finally, we believe risk management and sell discipline helps to ensure that we protect investors capital.

In the following charts, we have assembled some long-term statistics that we thought would be interesting. In the first chart, we highlight both the "hit rate" (percentage that an investment generates a positive outcome) as well the "payoff." Two things to note; First, the hit rate has consistently been above 50% on an annual basis with only a couple of exceptions. Second, the payoff is also generally above 100% which corresponds with the positive impact that comes when we have more capital allocated to our successful investments.

## Hit Rate and Payoff - Small-Cap Fundamental Value Strategy



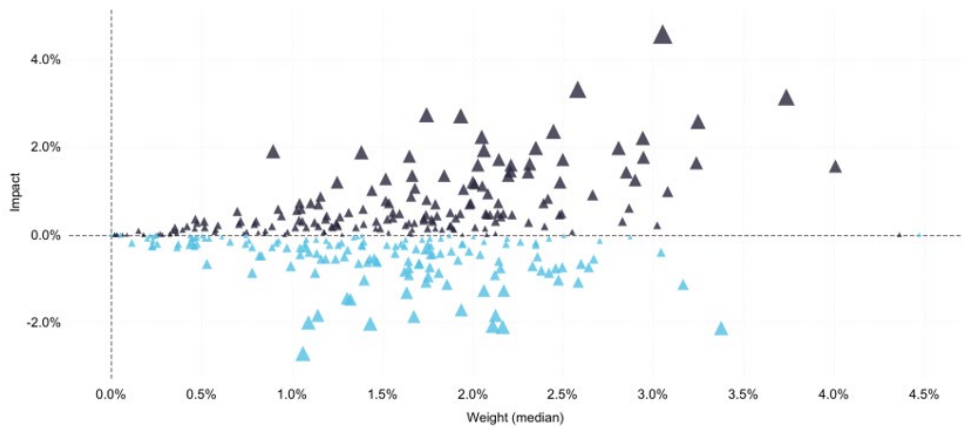
Source: Essentia Analytics; As of December 29<sup>th</sup>, 2023. Portfolio information based on a representative Small Cap Fundamental Value account and provided as Supplemental Information.

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# 15 YEARS OF SMALL-CAP FUNDAMENTAL VALUE

This phenomenon is demonstrated by the following chart which shows impact of each investment vs. position size (size of triangle).

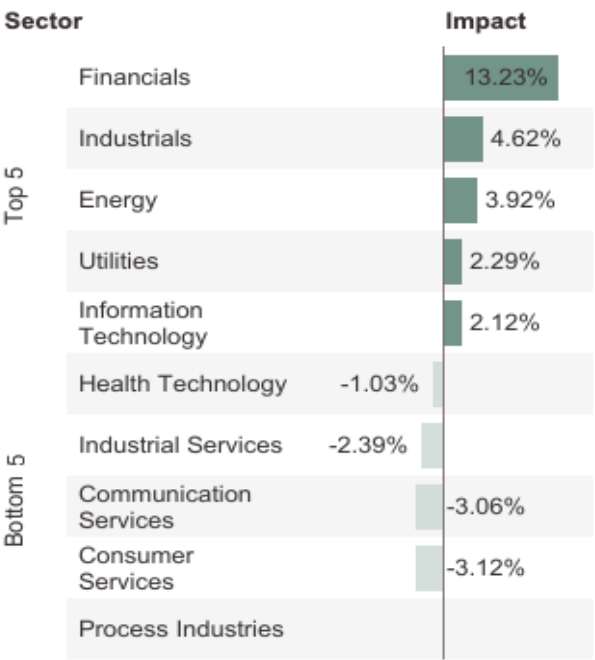
Episode Impact vs. Weight - Small-Cap Fundamental Value Strategy



Source: Essentia Analytics; As of December 29<sup>th</sup>, 2023. Portfolio information based on a representative Small Cap Fundamental Value account and provided as Supplemental Information.

The final chart just shows where the relative impact has been generated by sector.

Performance by Sector - Small-Cap Fundamental Value Strategy



Source: Essentia Analytics; As of December 29<sup>th</sup>, 2023. Portfolio information based on a representative Small Cap Fundamental Value account and provided as Supplemental Information.

Source: Factset®. The composite performance shown above reflects the Small-Cap Fundamental Value Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. 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 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. Sectors are based on the Global Industry Classification Standard (GICS) classification system and Factset sectors. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# SECTOR DIVERSIFICATION

Fourth Quarter 2023

- The largest increase during the quarter was our weighting within the financials sector, while the largest decrease was within the consumer staples sector.
- Our largest overweight position is in consumer discretionary, and our largest underweight position remains in health care.
- We also remain underweight in real estate and energy and overweight in communication services and information technology.

SECTOR	REPRESENTATIVE SMALL-CAP FUNDAMENTAL VALUE ACCOUNT (%)	RUSSELL 2000® VALUE INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SMALL-CAP FUNDAMENTAL VALUE ACCOUNT (%)	
	Q4'23	Q4'23	Q4'23	Q3'23	Q4'22
Communication Services	5.56	2.43	3.13	5.73	7.25
Consumer Discretionary	15.40	10.88	4.52	14.58	8.89
Consumer Staples	2.02	2.34	-0.32	2.84	5.88
Energy	6.88	9.17	-2.30	7.55	8.35
Financials	28.52	27.19	1.33	25.76	30.27
Health Care	2.13	8.82	-6.69	2.25	3.52
Industrials	15.82	14.14	1.67	16.10	15.09
Information Technology	8.74	5.91	2.83	9.49	6.06
Materials	6.82	4.75	2.07	7.06	6.09
Real Estate	6.29	10.47	-4.18	6.58	5.96
Utilities	1.84	3.89	-2.05	2.05	2.63

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. The portfolio information provided is based on a representative Small-Cap Fundamental Value 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 the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions. .

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

Fourth Quarter 2023

SECTOR	REPRESENTATIVE SMALL-CAP FUNDAMENTAL VALUE ACCOUNT	RUSSELL 2000® VALUE INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	5.30	2.55	5.88	-0.24	-0.86	-1.10
Consumer Discretionary	14.79	10.61	20.61	0.21	-0.05	0.17
Consumer Staples	2.92	2.57	11.79	-0.04	-0.37	-0.41
Energy	6.92	10.35	-5.21	0.77	-0.40	0.38
Financials	27.61	26.47	23.80	0.11	-0.76	-0.66
Health Care	2.23	8.31	18.34	-0.18	-0.47	-0.66
Industrials	16.00	14.23	14.96	--	0.79	0.79
Information Technology	8.95	5.68	13.92	-0.05	-0.38	-0.44
Materials	6.70	4.68	13.50	-0.04	0.25	0.21
Real Estate	6.56	10.45	16.24	-0.03	-0.26	-0.29
Utilities	2.01	4.11	7.56	0.16	-0.04	0.12
Unassigned	--	--	--	--	--	--
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>15.26</b>	<b>0.67</b>	<b>-2.56</b>	<b>-1.90</b>

Source: FactSet. The portfolio information provided is based on a representative Small-Cap Fundamental Value account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution is gross of fees and excludes cash and cash equivalents. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# CALENDAR YEAR ATTRIBUTION DETAIL BY SECTOR

Representative Small-Cap Fundamental Value Account as of 12/31/2023

REPRESENTATIVE SMALL-CAP FUNDAMENTAL VALUE ACCOUNT		RUSSELL 2000® VALUE INDEX		ATTRIBUTION ANALYSIS		
SECTOR	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	6.51	2.82	0.30	-0.45	-1.52	-1.97
Consumer Discretionary	12.36	10.88	33.96	0.07	2.67	2.68
Consumer Staples	3.84	2.65	4.27	-0.19	-1.05	-1.23
Energy	7.59	8.25	15.91	0.26	0.44	0.70
Financials	26.95	26.29	9.01	0.05	-0.14	-0.11
Health Care	2.48	9.59	0.13	1.15	-0.29	0.75
Industrials	15.46	14.13	30.88	0.14	0.67	0.77
Information Technology	8.76	5.77	29.11	0.36	1.17	1.49
Materials	7.11	4.43	18.05	0.06	0.09	0.08
Real Estate	6.65	10.63	13.90	0.02	-0.47	-0.48
Utilities	2.28	4.56	-8.42	0.56	0.11	0.67
Unassigned	--	--	--	-0.40	--	--
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>14.64</b>	<b>1.65</b>	<b>1.71</b>	<b>3.36</b>

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# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Fourth Quarter 2023 Representative Small-Cap Fundamental Value Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
SIG	Signet Jewelers Limited	Retails diamond jewelry products	3.05
MOD	Modine Manufacturing Company	Manufactures and sells heat-transfer systems & components and thermal management products	3.78
FSS	Federal Signal Corporation	Manufactures and sells street sweepers, sewer cleaners, industrial vacuum loaders, safe-digging trucks and comprehensive systems	2.70
EXP	Eagle Materials Inc.	Manufactures and distributes cement, gypsum wallboard and recycled paperboard products	3.10
PPBI	Pacific Premier Bancorp, Inc.	Operates as a bank holding company through its subsidiary provides state-chartered commercial banking services	1.84

- Signet (SIG) reported strong 3Q24 results that lends credibility to a number of internal initiatives, of which the street was skeptical. Guidance was reiterated ahead of the important 4Q holiday season and management remains confident in the company's ability to drive market share gains and margin expansion.
- Modine (MOD) followed up solid Q1 FY'23 results with a similarly impressive Q2. We believe management's 80/20 efforts are paying off, as margins in both the Climate Solutions and Performance Technologies segments are now materially higher than just a few years ago. Additionally, we believe an improved ability to commercialize the company's highly-engineered product portfolio is allowing MOD to show the consistent revenue growth that was elusive before this management team was installed. In our view, earnings growth and multiple expansion have worked in tandem in MOD's favor.
- Federal Signal's (FSS) business was solid in 2023 and in the fourth quarter. Organic growth and previously completed acquisitions in the sustainability segment contributed to 31% revenue growth in Q3. The company's legacy SSG segment turned the corner in 2022 and continued its growth this year, driven by success internationally and by a return in police spending in larger US cities. We believe FSS's operational improvement efforts are paying off in the form of incremental EBITDA margins (24%) in Q3. Multiple expansion across small-cap industries contributed to FSS's performance as well.
- Eagle Materials Inc. (EXP) has been a solid contributor for the fourth quarter and the year due to strong pricing in its cement and aggregates business. Capacity continues to be tight and will likely result in price increases in 2024. Wallboard volumes have been forecasted to fall, but pricing there also remains incredibly resilient, in our view. Finally, EXP has used its meaningful free cash flow to make some small, targeted acquisitions and to retire 6% of its shares during the first nine months of the year.
- Pacific Premier Bancorp (PPBI) has recently benefited from an improved macro-economic outlook – an outlook that we believe implies more favorable credit and loan-loss expectations for the banking industry. Additionally, we believe Pacific Premier's recent securities portfolio restructuring provides a significant boost to the bank's profitability – and this transaction has been well-received by investors. The Pacific Premier stock had gotten notably cheap on all valuation metrics – and those low valuation multiples are now re-rating higher.

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# CALENDAR YEAR TOP FIVE CONTRIBUTORS TO RETURN

Representative Small-Cap Fundamental Value Account Top Five Contributors as of 12/31/2023

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
MOD	Modine Manufacturing Company	Manufactures and sells heat-transfer systems & components and thermal management products	2.40
ONTO	Onto Innovation, Inc.	Develops process control systems	2.22
EXP	Eagle Materials Inc.	Manufactures and distributes cement, gypsum wallboard and recycled paperboard products	3.20
FSS	Federal Signal Corporation	Manufactures and sells street sweepers, sewer cleaners, industrial vacuum loaders, safe-digging trucks and comprehensive systems	2.68
SIG	Signet Jewelers Limited	Retails diamond jewelry products	2.02

- Modine Manufacturing Company (MOD) followed up fantastic Q1 FY'23 results with a similarly impressive Q2. Management's 80/20 efforts are paying off, as margins in both the Climate Solutions and Performance Technologies segments are now materially higher than just a few years ago. Additionally, an improved ability to commercialize the company's highly-engineered product portfolio is allowing MOD to show the consistent revenue growth that was elusive before this management team was installed. Earnings growth and multiple expansion have worked in tandem in MOD's favor.
- Onto Innovation, Inc. (ONTO) ended 2022 near a cyclical low, setting up well for 2023. Fundamentals improved on semiconductor capital investment, and investors looked beyond 2023 to ONTO's key role in enabling new technologies such as "CoWoS", which will be key in enabling GenAI.
- Eagle Materials Inc. (EXP) has been a solid contributor for the fourth quarter and the year due to strong pricing in its cement and aggregates business. Capacity continues to be tight and will likely result in price increases in 2024. Wallboard volumes have been forecasted to fall, but pricing remains resilient, in our view. Finally, EXP has used its significant free cash flow to make some small, targeted acquisitions and to retire 6% of its shares during the first nine months of the year.
- Federal Signal Corporation's (FSS) business was firing on all cylinders in 2023 and in the fourth quarter. Organic growth and previously completed acquisitions in the sustainability segment contributed to 31% revenue growth in Q3. The company's legacy SSG segment turned the corner in 2022 and continued its excellent growth this year, driven by success internationally and by a return in police spending in larger US cities. We believe FSS's operational improvement efforts are paying off in the form of impressive incremental EBITDA margins (24%) in Q3. Multiple expansion across small cap industries contributed to FSS's performance as well.
- Signet (SIG) reported strong 3Q23 results that lends credibility to a number of internal initiatives, of which the street was skeptical. Guidance was reiterated ahead of the important 4Q holiday season and management remains confident in the company's ability to drive market share gains margin expansion with the company operating from a structurally higher base compared to pre-COVID operations.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Fourth Quarter 2023 Representative Small-Cap Fundamental Value Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
OII	Oceaneering International, Inc.	Operates as a technology company that provides engineered services and products & robotic solutions to the offshore energy, defence, aerospace and entertainment industries	2.26
CHX	ChampionX Corporation	Produces chemicals and equipment for oil & gas drilling industries	2.29
WOW	WideOpenWest, Inc.	Provides internet, digital cable television and digital telephony services	0.66
CABO	Cable One, Inc.	Provides cable television, phone and internet access services	2.39
VSTO	Vista Outdoor Inc	Designs, manufactures and markets consumer products in the outdoor sports and recreation markets	1.82

- Oceaneering International, Inc. (OI) was down as commodity prices fell in the fourth quarter amid concerns about slower economic growth and strong production growth from North America and offshore.
- ChampionX Corporation (CHX) reported disappointing 3Q results and 4Q guidance early in the period in the face of increased investor expectations around the offshore investment cycle. As the quarter progressed, concerns around the global oil supply grew larger, further pressuring energy names.
- WideOpenWest, Inc. (WOW) reported a challenging 3Q and guided down 4Q subscriber losses. Management cited competition from Fixed Wireless being more difficult than they expected. These challenges were exacerbated by poor execution in the quarter.
- Cable industry sentiment remains difficult as competition from Fixed Wireless and Fiber-to-the-home increases. We believe Cable One, Inc. (CABO) remains in a relatively strong position to face these challenges given their more rural footprint and good management.
- Vista Outdoor (VSTO) announced plans to sell its Sporting Products business while also meaningfully guiding down full year expectations on consumer pressure and elevated retailer inventory levels in the Outdoor Products business. We believe the market is underappreciating the remaining business as the surprise sale announcement, macro pressure, and uncertainty on a normalized environment are overshadowing the cost savings, healthier balance sheet, and near term FCF generation.

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# CALENDAR YEAR BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Small-Cap Fundamental Value Account Bottom Five Contributors as of 12/31/2023

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
UNFI	United Natural Foods, Inc.	Distributes and retails natural & organic conventional grocery and non-food products	0.77
NGVT	Ingevity Corporation	Engages in the manufacturing of specialty chemicals	2.06
WOW	WideOpenWest, Inc.	Provides internet, digital cable television and digital telephony services	1.04
EBC	Eastern Bankshares, Inc.	Operates as a banking holding company whose subsidiaries provide banking services	2.28
CABO	Cable One, Inc.	Provides cable television, phone and internet access services	2.54

- United Natural Foods (UNFI) underperformed as the company failed to realize the magnitude of inflationary benefits to gross margin, which resulted in difficult comparisons as significant gross margin pressure as inflationary tailwinds turned to deflationary headwinds. We quickly exited our investment once we realized management had little ability to forecast its business and the necessary investment would be a long and questionable turnaround at a time when the company had high levels of leverage.
- Ingevity (NGVT) posted disappointing results during 2023. These were generally concentrated within its pine chemicals division and reflected reduced pricing in resins. Resin pricing has been down significantly due to weak general economic conditions. Offsetting some of this weakness has been solid results in its oilfield services and its pavement businesses.
- WideOpenWest, Inc. (WOW) reported a challenging 3Q and guided down 4Q subscriber losses. Management cited competition from Fixed Wireless being more difficult than they expected. These challenges were exacerbated by poor execution in the quarter.
- Eastern Bankshares, Inc. (EBC) saw its profitability significantly impaired this year – primarily as a result of the heavily inverted U.S. Treasury yield-curve. Additionally, Eastern's recent acquisition of Cambridge Bancorp was viewed unfavorably by investors – as Eastern paid a significant premium for Cambridge – a price viewed by many investors as over-paying for the bank.
- Cable industry sentiment remains difficult as competition from Fixed Wireless and Fiber-to-the-home increases. We believe Cable One, Inc. (CABO) remains in a relatively strong position to face these challenges given their more rural footprint and good management.

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# QUARTER-TO-DATE ADDITIONS

## Fourth Quarter 2023 Representative Small-Cap Fundamental Value Account Portfolio Activity

- Bel Fuse (BELFA) is a manufacturer of small electronic components that connect, power, and protect electronic circuits. Recent changes in people, processes, capabilities, and facilities are allowing the inherent attractiveness and profitability of the business to shine through, and, in our view, have the company better positioned for future growth than at any point in its history. As BELFA grows organically and maintains its recently improved margin structure, the quality of the franchise should become apparent, and the currently low trading multiple is likely to expand.
- NCR Atleos Corporation (NATL) completed its planned spin off during the quarter of its ATM network and manufacturing business (NCR Atleos). The remaining business has been renamed NCR Voyix.
- Shutterstock (SSTK) is a marketplace for stock imagery and a creative platform for digital photo editing. The business generates a significant amount of free cash flow, the business has net cash on its balance sheet and the company has been repurchasing shares. The recent valuation has been pressured due to concerns around the impact of AI. We believe these concerns are over-exaggerated. In addition, the company has a unique online asset called Giphy that has significant option value.
- Sitio Royalties (STR) is an oil and gas mineral owner with concentrated, high productivity positions in the Permian, Delaware and Eagleford basins. The company has been a consolidator of Permian acreage interests, and after recently merging with Brigham Minerals, has strong scale, limited leverage, and an advantaged position from which to continue to consolidate the basin to drive earnings growth.

SYMBOL	ADDITIONS	SECTOR
BELFA	Bel Fuse Inc. Class A	Information Technology
NATL	NCR Atleos Corporation	Financials
SSTK	Shutterstock, Inc.	Communication Services
STR	Sitio Royalties Corp. Class A	Energy

# QUARTER-TO-DATE DELETIONS

## Fourth Quarter 2023 Representative Small-Cap Fundamental Value Account Portfolio Activity

- Chase Corporation (CCF) was acquired by KKR in the quarter, leading to us exit the position.
- We completed our exit of CRA International (CRAI) in the quarter after the company reported a significant slowdown in project originations and a decline in employee utilization in 3Q. We expect continued headwinds in M&A activity - an important driver of growth for CRA - and exited the small remaining position in favor of better opportunities.
- We sold out of our position in Premier Financial (PFC) due to concerns around the credit profile of the bank – and due to the recently deteriorated profitability profile of the firm. Additionally, the recent sale of the company's insurance subsidiary resulted in material strength in Premier's stock – which provided incremental valuation-related justification for the full exit of our position in the name.
- We completed our exit of Sprouts Farmers Market (SFM) after a strong year of operations given concerns around deflationary pressure that we believe will limit pricing power and potentially pressure margins as the company continues to open new units. Additionally, we view the retirement of CFO Chip Molloy, an executive who earned our respect and trust, as a negative. The company is trading at what we feel is a full multiple, limiting future upside.

SYMBOL	DELETIONS	SECTOR
CCF	Chase Corporation	Materials
CRAI	CRA International, Inc.	Industrials
PFC	Premier Financial Corp.	Financials
SFM	Sprouts Farmers Market, Inc.	Consumer Staples

# CALENDAR YEAR ADDITIONS & DELETIONS

Representative Small-Cap Fundamental Value Account Portfolio Activity as of 12/31/2023

SYMBOL	ADDITIONS	SECTOR
AGO	Assured Guaranty Ltd.	Financials
BELFA	Bel Fuse Inc. Class A	Information Technology
VTOL	Bristow Group Inc	Energy
CXT	Crane NXT, Co.	Information Technology
NPO	Enpro Inc.	Industrials
EQC	Equity Commonwealth	Real Estate
DRS	Leonardo DRS, Inc.	Industrials
MOD	Modine Manufacturing Company	Consumer Discretionary
MNRO	Monro Inc	Consumer Discretionary
NATL	NCR Atleos Corporation	Financials
OEC	Orion S.A.	Materials
OXM	Oxford Industries, Inc.	Consumer Discretionary
PEBO	Peoples Bancorp Inc.	Financials
SBCF	Seacoast Banking Corporation of Florida	Financials
SSTK	Shutterstock, Inc.	Communication Services
SIG	Signet Jewelers Limited	Consumer Discretionary
STR	Sitio Royalties Corp. Class A	Energy
WTM	White Mountains Insurance Group Ltd	Financials

SYMBOL	DELETIONS	SECTOR
CCF	Chase Corporation	Materials
FIX	Comfort Systems USA, Inc.	Industrials
CRAI	CRA International, Inc.	Industrials
CULP	Culp, Inc.	Consumer Discretionary
SATS	EchoStar Corporation Class A	Communication Services
HELE	Helen of Troy Limited	Consumer Discretionary
OMI	Owens & Minor, Inc.	Health Care
PFC	Premier Financial Corp.	Financials
PRI	Primerica, Inc.	Financials
SFM	Sprouts Farmers Market, Inc.	Consumer Staples
SPXC	SPX Technologies, Inc.	Industrials
UNFI	United Natural Foods, Inc.	Consumer Staples

SYMBOL	ADD & DELETES	SECTOR
CXT.I	Crane NXT, Co. TEMP	Information Technology

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. The portfolio information provided is based on a representative Small-Cap Fundamental Value account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# PORTFOLIO CHARACTERISTICS

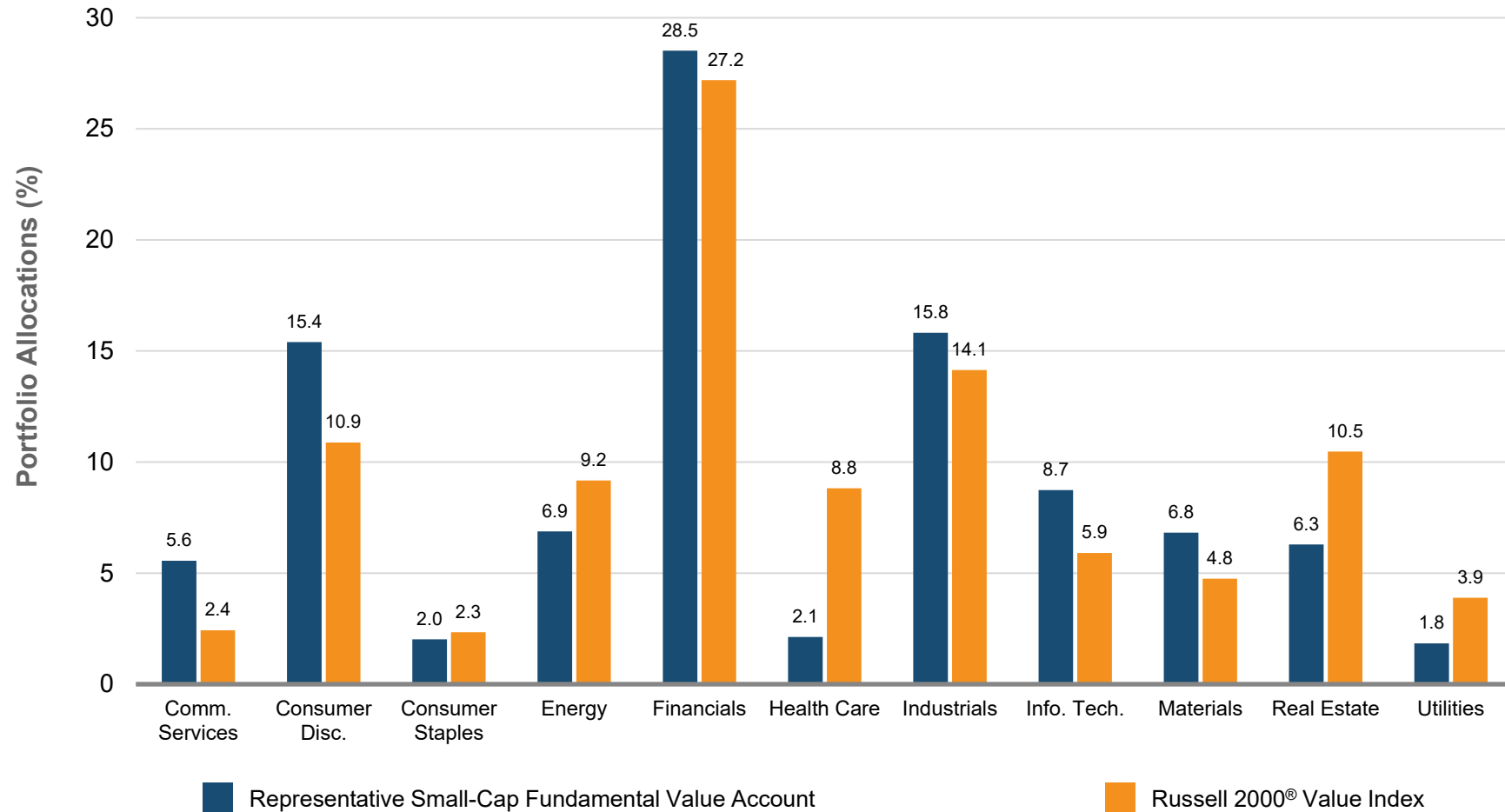
Fourth Quarter 2023

	REPRESENTATIVE SMALL-CAP FUNDAMENTAL VALUE ACCOUNT	RUSSELL 2000® VALUE INDEX
Number of Holdings	66	1431
Market Capitalization (\$ B)		
Weighted Average	3.4	2.7
Weighted Median	2.8	2.4
Maximum	8.9	8.3
Minimum	0.3	0.02
Top 10 Equity Holdings (%)	27.9	4.6
Three-Year Annualized Portfolio Turnover (%)	29.8	--

Source: FactSet. Portfolio information is based on a representative Small-Cap Fundamental Value account and is provided as Supplemental Information. Portfolio characteristics exclude cash and cash equivalents with the exception of Top 10 portfolio holdings. Top 10 portfolio holdings include cash and equivalents which was 3.6% as of 12/31/2023. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# SECTOR DIVERSIFICATION

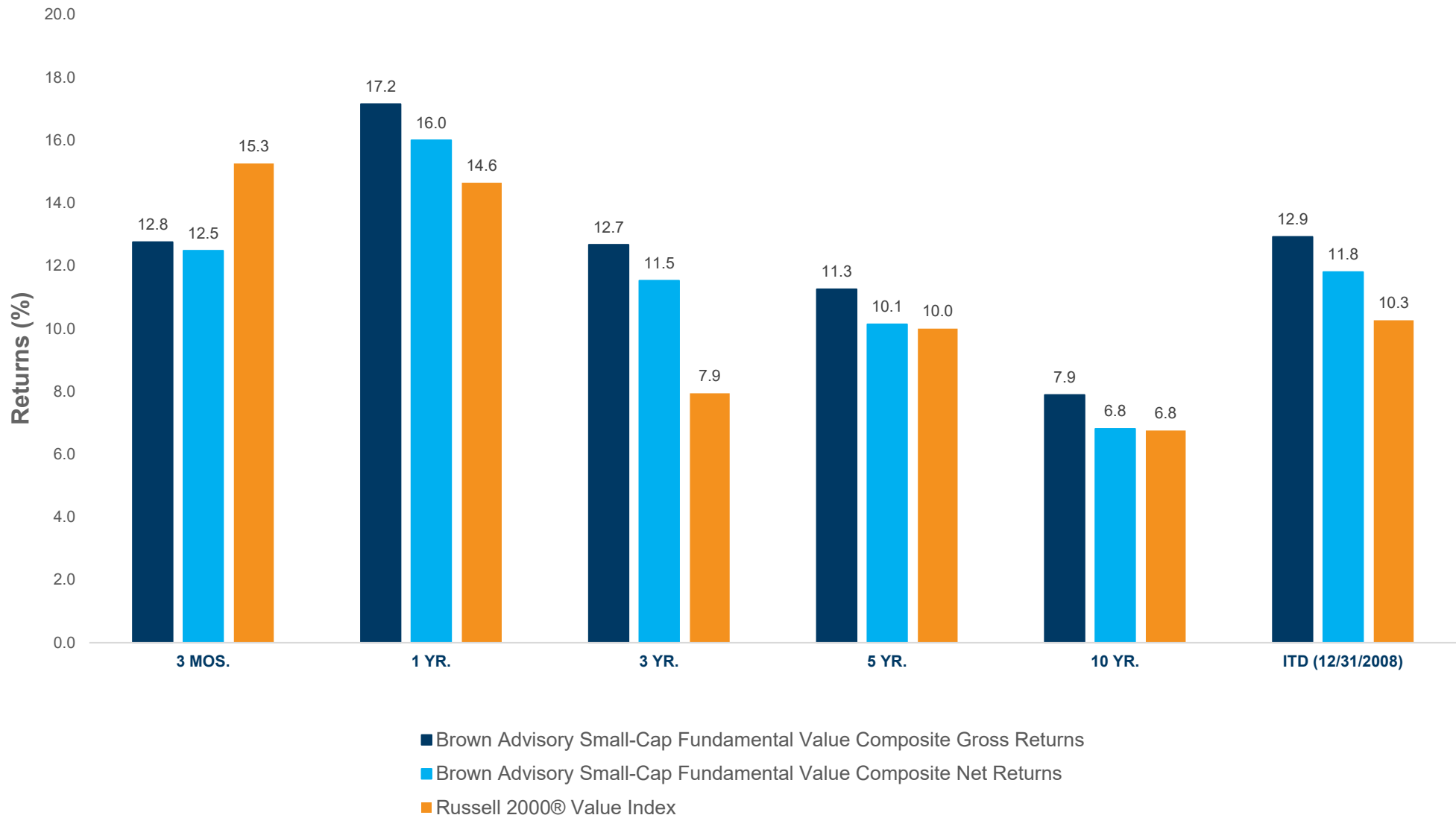
Fourth Quarter 2023 Global Industry Classification Standard (GICS) as of 12/31/2023



Source: FactSet. The portfolio information provided is based on a representative Small-Cap Fundamental Value 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 the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# COMPOSITE PERFORMANCE

Fourth Quarter 2023 as of 12/31/2023



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 Small-Cap Fundamental Value 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 Small-Cap Fundamental Value Composite GIPS Report at the end of this presentation.



# TOP 10 EQUITY HOLDINGS

Representative Small-Cap Fundamental Value Account as of 12/31/2023

## Top 10 Equity Holdings

TOP 10 EQUITY HOLDINGS	% OF PORTFOLIO
Modine Manufacturing Co.	4.0
Signet Jewelers Ltd.	3.5
Eagle Materials, Inc.	3.1
Federal Signal Corp.	2.5
The Bancorp, Inc.	2.4
CTS Corp.	2.2
Onto Innovation, Inc.	2.2
Cable One, Inc.	2.1
Assurant, Inc.	2.1
Patterson Companies, Inc.	2.1
<b>Total</b>	<b>26.4</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 Small-Cap Fundamental Value account and is provided as Supplemental Information. Cash and cash equivalents of 3.6% are included but not shown in the top 10 equity holdings featured above. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

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 2000® Value Index** measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value Index and Russell are trademarks of the London Stock Exchange Group Companies.

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An investor cannot invest directly into an index.

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

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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.

**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.

**Free Cash Flow** is a measurement of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in the working capital from the balance sheet.

**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.

**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.

**EBITDA**, or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is sometimes used as an alternative to net income.

**Free Cash Flow Yield** measures how much cash flow the company has in case of its liquidation or other obligations by comparing the free cash flow per share with the market price per share and indicates the level of cash flow the company will earn against its share market value.

**Return On Equity (ROE)** is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:  $\text{Return on Equity} = \text{Net Income} / \text{Shareholder's Equity}$ .

**Return On Investment (ROI)** is a performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost.

**Hit rate** is the percentage of positions that have generated positive returns over a given period.

**Payoff** is the profit or loss from the sale of an item or service after the costs of selling it, any additional costs associated with the asset or experienced over the life of the asset, and associated accounting losses have all been subtracted.

# SMALL-CAP FUNDAMENTAL VALUE 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)*
2022	-7.9	-8.8	-14.5	26.3	27.3	41	0.2	1,646	58,575
2021	32.5	31.2	28.3	24.0	25.0	48	0.4	1,900	79,715
2020	-4.9	-5.9	4.6	24.3	26.1	43	0.9	1,491	59,683
2019	25.3	24.1	22.4	13.9	15.7	38	0.3	1,442	42,426
2018	-12.3	-13.2	-12.9	13.4	15.8	41	0.2	1,334	30,529
2017	13.3	12.2	7.8	12.2	14.0	48	0.3	1,808	33,155
2016	23.4	22.2	31.7	13.0	15.5	46	0.3	1,660	30,417
2015	-4.6	-5.5	-7.5	12.3	13.5	45	0.2	1,186	43,746
2014	7.1	6.1	4.2	10.7	12.8	41	0.4	1,002	44,772
2013	42.0	40.7	34.5	14.1	15.8	32	0.3	693	40,739

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, 2022. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- \*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 Small-Cap Fundamental Value Composite (the Composite) includes all discretionary portfolios invested in the Small Cap Fundamental Value Strategy. The strategy invests primarily in U.S. smaller market capitalization equities that generate high levels of free cash flow and are currently undervalued by the market. The minimum account market value required for inclusion in the Composite is \$1.5 million.
- The Composite was created in 2009. The Composite inception date is January 1, 2019.
- The benchmark is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value 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 gross 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-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite may pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- The investment management fee for the Investor Shares of the Brown Advisory Small Cap Fundamental Value Fund (the Fund), which is included in the Composite, is 0.85%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2022) was 1.10%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Dollar Class B Acc Shares of the Brown Advisory US Small Cap Blend Fund (the UCITS), which is included in the composite, is 1.00%. The total expense ratio for the Dollar Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2022) was 1.21%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- 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 and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
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