

# Brown Advisory Small-Cap Fundamental Value Strategy

We believe that our strategy uses a differentiated investment approach that focuses on free cash flow, capital allocation and valuation to produce attractive risk-adjusted returns.

## November 2022 Monthly Report

### Performance Contributors

#### TOP FIVE CONTRIBUTORS\*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
NGVT	Ingevity Corporation	Materials	2.41	16.35	0.38
ONTO	Onto Innovation, Inc.	Information Technology	2.06	19.61	0.37
SFM	Sprouts Farmers Market, Inc.	Consumer Staples	2.08	16.38	0.35
EXP	Eagle Materials Inc.	Materials	3.07	11.47	0.35
CRAI	CRA International, Inc.	Industrials	1.67	19.97	0.32

#### BOTTOM FIVE CONTRIBUTORS\*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
IMXI	International Money Express, Inc.	Financials	1.68	-19.64	-0.44
WOW	WideOpenWest, Inc.	Communication Services	1.30	-24.55	-0.41
MUSA	Murphy USA, Inc.	Consumer Discretionary	2.55	-6.01	-0.17
SATS	EchoStar Corporation Class A	Information Technology	1.23	-7.79	-0.11
VSTO	Vista Outdoor Inc	Consumer Discretionary	2.04	-3.68	-0.11

### Monthly Portfolio Activity

#### NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
ALRS	Alerus Financial Corporation	
NCR	NCR Corporation	

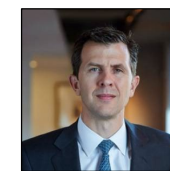
#### DELETION

TICKER	NAME	REASON FOR DECISION
	None	

### Top 10 Equity Holdings (%)

Cash and equivalents: 4.3%

1.	ChampionX Corporation	3.6	6.	CTS Corporation	2.6
2.	Eagle Materials Inc.	3.0	7.	Eastern Bankshares, Inc.	2.4
3.	Nexstar Media Group, Inc.	2.9	8.	Federal Signal Corporation	2.4
4.	Pacific Premier Bancorp, Inc.	2.8	9.	UMB Financial Corporation	2.4
5.	Oceaneering International, Inc.	2.7	10.	Murphy USA, Inc.	2.3



**J. DAVIDSCHUSTER**  
Portfolio Manager



**MICHAEL POGGI, CFA**  
Associate Portfolio Manager

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

Inception: 12/31/2008
Benchmark: Russell 2000® Value Index
Portfolio: 45–60 Holdings
Position Size: 0.3%–5.0%

### Portfolio Comments

The Brown Advisory Small-Cap Fundamental Value Composite gained 4.9% (net of fees) during November, outperforming its benchmark, the Russell 2000® Value Index, which gained 3.1% during the same period.

The portfolio's health care and industrials holdings provided positive contribution, relative to the benchmark, for the month. Among the top five contributors were Ingevity Corporation (NGVT) and Onto Innovation, Inc. (ONTO). NGVT, a chemical manufacturing company, was a top contributor to performance for the month after the company reported record third quarter results and raised its outlook for the full year. We believe demand remains strong in both of its business segments and the company continued on its balanced capital allocation plan by reducing the share count over 4% year over year.

ONTO, a software solutions semiconductor company, was a top contributor during the month after third quarter earnings and the fourth quarter outlook were better than we expected given the slowdown in the semiconductor capital equipment market. We believe the market will begin to improve in the second half of 2023.

The portfolio's utilities and consumer discretionary holdings were the largest detractors to performance in November. The largest detractors to performance were Wide Open West Inc. (WOW), and International Money Express Inc. (IMXI). Sentiment in the cable industry has reached a low point on competitive fears around new fiber builds and discounting, as the industry struggles through its COVID-19 hangover. We believe WOW is positioned to weather this storm with a healthy balance sheet and sensible strategy. Valuation now sits at all-time lows.

Shares of IMXI, a money remittance services company, took a step back after strong performance for the year up to this point due to a revenue miss on 3Q results and concerns about the health of their lower-income customer base. We believe IMXI remains well positioned to gain share in their markets and generates strong free cash flows (FCF).

During the month of November, we added two new holdings to the portfolio.

\*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 exclude cash and equivalents. The portfolio information provided is based on a representative Small-Cap Fundamental Value account and is provided as supplemental information. This representative account may differ from specific client portfolios. 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 disclosure statement at the end of this presentation for a GIPS compliant presentation

# Brown Advisory Small-Cap Fundamental Value Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite Yr Annualized Standard Deviation (%)	3-Benchmark Yr Annualized Standard Deviation (%)	3-Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)*	GIPS Firm Assets (\$USD Millions)*
2021	32.5	31.6	28.3	24	25.0	48	0.4	1,900	79,715
2020	-4.9	-5.8	4.6	24.3	26.1	43	0.9	1,491	59,683
2019	25.3	24.4	22.4	13.9	15.7	38	0.3	1,442	42,426
2018	-12.3	-13.1	-12.9	13.4	15.8	41	0.2	1,334	30,529
2017	13.3	12.4	7.8	12.2	14.0	48	0.3	1,808	33,155
2016	23.4	22.4	31.7	13.0	15.5	46	0.3	1,660	30,417
2015	-4.6	-5.3	-7.5	12.3	13.5	45	0.2	1,186	43,746
2014	7.1	6.3	4.2	10.7	12.8	41	0.4	1,002	44,772
2013	42.0	41.0	34.5	14.1	15.8	32	0.3	693	40,739
2012	23.0	21.9	18.1	17.7	19.9	13	0.1	269	26,794

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- \*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.

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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. Russell® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group of companies. An investor cannot invest directly into an index. FactSet® is a registered trademark of FactSet Research Systems, Inc. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC

### 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. **Free Cash Flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. 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.

- 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-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: 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 II A of the firm's form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- 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, 2021) 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, 2021) was 1.14%. 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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