

Small-Cap Fundamental Value

QUARTERLY STRATEGY UPDATE

Fourth Quarter 2018

COMPOSITE PERFORMANCE(%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 2000® VALUE INDEX
3 MOS.	-17.87	-18.06	-18.67
1 YR.	-12.32	-13.04	-12.86
3 YR.	7.03	6.17	7.37
5 YR.	4.62	3.80	3.61
ITD (12/31/2008)	13.77	12.72	10.40

The composite performance shown above reflects the Brown Advisory Small-Cap Fundamental Value Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS compliant presentation.

REP. ACCOUNT CHARACTERISTICS

	SMALL-CAP FUND. VALUE REP. ACCT.	RUSSELL 2000® VALUE INDEX
Weighted Avg. Market Cap.	\$2.2B	\$1.8B
Weighted Median Market Cap.	\$2.0B	\$1.7B
Dividend Yield	2.2%	2.5%
Portfolio Turnover (3 YR Avg.)	35.9%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Cash & Equivalents	4.3
Albany International Corp. Cl A	4.0
Nexstar Media Group, Inc.	3.4
EchoStar Corp.	3.3
Extended Stay America, Inc.	3.2
Simpson Manufacturing Co., Inc.	3.0
McGrath RentCorp	2.7
MAXIMUS, Inc.	2.5
Assurant, Inc.	2.5
Primerica, Inc.	2.3
TOTAL	31.2



J. DAVIDSCHUSTER
Portfolio Manager



MICHAEL POGGI, CFA
Associate Portfolio Manager

Review & Outlook

Small-cap shares were down materially during the fourth quarter of 2018. The Russell 2000® Value Index declined 18.7% during the quarter, which drove a 12.9% decline for the full year. After seeing a meaningful rise over the prior two years, 2018 marks the worst year for small-cap shares since 2008. Investors have been focused on a number of current issues in the market today. While the economy is not in a recession, incremental news has been negative and has been pointing to a marked slowdown in economic growth from levels seen over the last eight quarters. Management teams, particularly within the cyclical sector, expressed wariness of the risks from a rising cost environment driven by a combination of tariffs and a tight labor market. In many cases, current results were solid with limited weakness in certain end-markets, but general concern around 2019 and 2020 drove sentiment. Both the financial and utility sectors reacted meaningfully during the quarter to changes in current and anticipated interest rates. Small banks shares were impacted as the yield curve flattened, and the rise in the short end of the curve served to boost competition for deposits. Utilities, on the other hand, were the strongest performer for the quarter by nearly 1,600 basis points (and the only positive sector for the year), as investors became convinced that further rate increases were less likely. Volatility returned to the market, with the fourth quarter seeing 27 days with 1% moves (positive or negative). While this normally benefits value investors, the markets ironically saw low-valuation stocks perform materially worse than higher-valuation shares. Finally, the markets also saw high-yield spreads and absolute levels expand materially (energy was the primary contributor), which reinforced negative sentiment for small-cap shares.

For the quarter, the Brown Advisory Small-Cap Fundamental Value strategy was down materially. Compared to our benchmark, the strategy was slightly ahead. Small-cap shares were down meaningfully in December (over 12%) and October (almost 9%), while they were up modestly during November. The strategy's positive relative performance was generally concentrated during December. The strategy outperformed the Index during October and trailed during November. While several portfolio companies reported weak third-quarter results during November, which weighed on performance, the portfolio's defensive characteristics generally served to protect the portfolio, especially during December.

Communications services was one of the strongest contributors during the quarter due to the reaction to **Nexstar's** much anticipated acquisition of Tribune Media. While our energy and health care investments were down in the quarter, these sectors were the worst-performing sectors for the Index, thereby driving meaningful contribution to the strategy's relative performance. Industrials and utilities were the biggest detractors for the period. Within industrials, several of our investments with exposure to housing (**Continental Building Products** and **Simpson Manufacturing**) and to the energy sector (MRC Global) were down materially. In each case, reported results were solid, but investors' concerns about end-market weakness impacted the shares. Finally, as mentioned above, utilities posted the best performance among all the sectors for the quarter (and even ended the year with a small gain—the only sector that was positive). Our strategy's large underweight to utilities drove a meaningful portion of our underperformance.

We had several corporate actions that had both positive and negative impacts to our performance during the quarter. As mentioned above, Nexstar's \$4.1 billion acquisition of Tribune Media was finally announced. Based on our estimates of the pro forma transaction impacts, Nexstar should generate over \$18 per share of free cash flow (after divestitures; compared to the recent share price of \$80), which should enable it to rapidly repay the increased leverage to complete the transaction.

Secondly, **Denny's** announced that it was accelerating its refranchising strategy and reducing the number of company-owned restaurants from 10% of its total to approximately 4%. Through a combination of increased franchise fees and share repurchases (using proceeds from restaurant sales), Denny's believes that the transaction will be accretive and should garner a higher multiple in the market. Not all transactions were value creating or well-received by the markets. One of the strategy's most sizable losses during the quarter came from our recent investment in **Spectrum Brands**, which was undergoing a significant corporate simplification and reorganization. Unfortunately, during November, it announced that it had to renegotiate the terms of its battery business sale to Energizer due to regulatory challenges. This, coupled with reported weakness in its consumer products division during the quarter, resulted in a sizable reduction in our expected value.

This was reflected in the share price. We have also been surprised at the tepid reaction the market has had to the spinoff of **Riviera Resources** from **Roan Resources** (formerly Linn Energy). Following the completion of the spinoff, both pieces of the company were down materially (even before crude prices started to drop during the quarter). During the quarter, Riviera used the weakness to announce and complete another accelerated share repurchase agreement.

Contrary to the quarter, the strategy's performance during the year was basically in line with the Index. While the strategy outperformed during the first and third quarters, it was not enough to offset the second quarter's underperformance.

Similar to the fourth quarter, utilities were the biggest source of strength in the market for the year and our second largest source of underperformance. As further rate increases seemed less likely (in connection with a slowing economy), investors rushed back into this sector during the fourth quarter. Real estate and consumer staples were the other large sources of weakness for the strategy for the year. Our consumer staples performance was driven by the weakness in Spectrum Brands, while real estate was negatively impacted by our investment in Colony. As discussed in earlier letters, Colony was forced to cut its dividend following its acquisition of American Capital. We sold our investment in Colony earlier in the year but still believe that there is meaningful upside in our Spectrum investment.

In contrast to the fourth quarter, industrials were a solid contributor for the year, led by **McGrath RentCorp** and **Albany**. Both of these companies continued to post solid results within the strong municipal and aerospace end markets. Continental Building Products was also a strong contributor. Note that during the fourth quarter, we sold our investment in Continental to take advantage of the valuation gap with its competitor, **Eagle Materials**. Another meaningful contributor for the year was consumer discretionary, which benefited from a number of our retail investments (**DSW** and **Regis**).

If there is a silver lining to the quarter, it would be the number of opportunities that the market volatility created. While the small-cap market was down just under 19%, there have been a number of companies that we have been tracking that were down well in excess of that. Activity level was high during the quarter with eight new investments, including three in the last week of the year. These investments were across a range of sectors, including two retailers, two financials, two industrials, one in information technology and one real estate investment trust (REIT). On average, these new investments' shares have been down by over 30% for the period prior to our investment. Valuations have also reached attractive levels, with the new investments being made at under 6x run-rate EBITDA (excluding the banks and REIT) on average.

While the fourth quarter for small-cap shares was turbulent, we have to acknowledge that small-caps have had a tremendous run since 2008 and since the fourth quarter of 2016. While we are starting to see many new investment opportunities, we also continue to see companies with challenged balance sheets and uncertain business models/prospects. Barely into the new year, we have already started to see market commentators call for a rebound and point to the potential for a rapid rise in small-cap shares. While we acknowledge the macro factors that both the bulls and the bears point to, our process will continue to enable us to approach the markets with caution and allow us to focus on opportunistic investments that we believe will generate attractive, risk-adjusted returns. **B**

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Sector Diversification

- Our consumer discretionary weighting was up due to our investments in Tile Shop and Dick's Sporting Goods.
- Our industrial weighting was down due to our sale of Continental Building Products and general weakness in the industrials sector during the quarter.

SECTOR	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT (%)	RUSSELL 2000® VALUE INDEX (%)	DIFFERENCE (%)	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT (%)	
	Q4 '18	Q4 '18	Q4 '18	Q3 '18	Q4 '17
Communication Services	6.88	3.09	3.79	7.06	8.24
Consumer Discretionary	16.81	9.42	7.40	13.98	9.93
Consumer Staples	1.80	2.63	-0.83	2.13	1.07
Energy	4.58	5.39	-0.81	5.51	5.87
Financials	30.77	29.60	1.17	29.69	27.89
Health Care	3.18	4.28	-1.10	2.99	1.96
Industrials	18.62	11.71	6.91	22.34	19.28
Information Technology	8.29	10.82	-2.53	6.87	10.57
Materials	2.29	4.08	-1.79	1.15	5.95
Real Estate	5.88	11.60	-5.72	7.50	8.69
Utilities	0.90	7.28	-6.38	0.77	0.56

Quarterly Attribution Detail by Sector

- Communication services was one of the relative best-performing sectors for the strategy during the quarter, driven by the performance of Nexstar, while consumer staples was down due to the performance of our Spectrum investment.
- Energy and health care were the worst performers for the Russell 2000 Value Index. While our investments in energy and health care were down, our underweight and relative performance contributed to the overall relative strategy performance.
- For the Russell 2000 Value Index, utilities was the best-performing sector. Our underweight caused this to be a material headwind to performance.

SECTOR	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT		RUSSELL 2000® VALUE INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	7.02	-9.29	3.16	-18.73	-0.03	0.69	0.66
Consumer Discretionary	14.94	-18.48	9.41	-18.97	0.07	0.08	0.15
Consumer Staples	1.95	-42.99	2.63	-14.23	-0.03	-0.69	-0.71
Energy	5.31	-32.70	6.69	-41.34	0.37	0.64	1.01
Financials	30.58	-16.33	28.84	-15.72	0.06	-0.23	-0.17
Health Care	3.13	-14.75	4.70	-29.51	0.19	0.52	0.70
Industrials	19.30	-22.71	11.59	-19.04	-0.04	-0.92	-0.95
Information Technology	7.40	-14.90	10.45	-15.48	-0.08	--	-0.08
Materials	2.24	-25.54	4.22	-27.07	0.20	0.05	0.25
Real Estate	7.28	-14.05	11.59	-14.80	-0.08	0.04	-0.04
Utilities	0.85	-3.23	6.72	-2.26	-0.90	--	-0.90
Total	100.00	-18.75	100.00	-18.67	-0.26	0.18	-0.08

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Quarterly Contribution to Return

- Denny's stock was up during the quarter, as the company announced a new refranchising initiative, followed by an accelerated share repurchase program. Under this new plan, Denny's is expected to increase the percentage of its store base that is franchised to 95% to 97% (from approximately 90% currently) by selling between 90 to 125 company-operated restaurants to new and existing franchisees. This higher percentage of franchise stores will further insulate the company's cash flows from volatility associated with store-level operating expense inflation and supports modestly higher leverage. The company will use the sale proceeds along with the modest increase in leverage, which together we estimate will total over \$200 million, to repurchase shares, in keeping with its long history of shareholder-friendly capital allocation.
- **TFS Financial** had a strong fourth quarter relative to the broader banking index, as bank investors became more concerned about the interest rate environment and increased recessionary concerns. TFS also increased its dividend by 47% just prior to the fourth quarter.
- **ATN International** rose this quarter, as the company's international operations continued to improve following hurricane damage in the fall of 2017 and the subsequent network rebuild. Due to valuation, we exited our investment during the quarter.
- **Essential Properties** was a top contributor in the quarter, as the stock generally held up well in a declining market. Essential Properties, a new investment, is a net lease REIT with an underleveraged balance sheet and an attractive yield of over 6% that should play a defensive role in the portfolio.
- **Forest City** was a top contributor in the quarter, as the previously announced acquisition of Forest City by Brookfield was completed.
- Roan Resources reported its first full quarter of results as an independent company following the separation of Riviera Resources from former parent Linn Energy. While fourth-quarter production growth and reported EBITDA multiples were slightly below expectations, the largest driver of the stock decline was due to the 38% fall in oil prices during the fourth quarter.
- **MRC Global** sold off during the fourth quarter with the rest of the energy space as oil prices fell 38%. While MRC's upstream segment (30% of revenues) will likely be affected by the fall in oil prices in 2019, the outlook for its midstream and downstream segments remains favorable. We think that FCF is set to accelerate in 2019, and the board initiated a new \$150 million share repurchase program (over 10% of the current market capitalization) to take advantage of the recent stock weakness.
- Despite posting very strong fourth-quarter results and raising guidance for the second time in as many quarters, Albany shares sold off during the period with the rest of the industrial space. We continue to like the outlook for Albany, and the stock remains the largest position within the fund.
- Spectrum was a detractor in the quarter, as the company's fourth-quarter results were below expectations, resulting in a step back after an improvement in the prior quarter. The fundamental disappointment was driven by weak performance in the company's home & garden business, which suffered from unfavorable weather, and from execution mistakes in the company's European pet care business. Further, the company determined that the previously envisioned sale of its appliance business was no longer possible at attractive prices, so that segment was reconstituted. Instead, the company reached an agreement to sell its auto care business to Energizer (alongside the sale of its battery business). This change in near-term disposition strategy, which included modifications to the sale of its battery business to Energizer due to regulatory concerns, was poorly received. Looking forward, the company just closed the sale of the battery business (January 2) for \$2 billion of proceeds, and the sale of auto care is expected to close in February. Upon completion, Spectrum's leverage will fall materially, at which point we expect the company to begin repurchasing stock. We also believe that execution issues will prove temporary and that the increased focus on fewer business lines will be fully resolved in the near term.
- **Extended Stay** was an underperformer in the quarter, as lodging stocks were hit by broader fears of slowing economic growth. Extended Stay's fundamental performance in the third quarter was in line with expectations but was clouded by difficult comparisons due to hurricanes that unusually increased demand in the prior year period. The company continues to execute well against its plan to sell lower-tier hotels to new franchisees and build a pipeline of new hotels for development. We believe that this underscores the attractive strategic alternatives available to the company given its base of owned hotels, growing franchise business and attractive cash flow profile.

SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
DENN	Denny's Corporation	1.76	10.12	0.14
TFSL	TFS Financial Corporation	1.46	9.18	0.12
ATNI	ATN International, Inc.	0.38	13.21	0.11
EPRT	Essential Properties Realty Trust, Inc.	1.37	4.70	0.04
FCE.A	Forest City Realty Trust Inc Class A	2.03	1.00	0.02
SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
ROAN	Roan Resources, Inc.	1.67	-53.05	-1.07
MRC	MRC Global Inc.	2.54	-34.84	-1.00
AIN	Albany International Corp. Class A	4.39	-21.23	-1.00
SPB	Spectrum Brands Holdings, Inc.	1.95	-42.99	-0.94
STAY	Extended Stay America, Inc.	3.27	-22.44	-0.79

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Portfolio Activity

- **Dick's Sporting Goods** is an omni-channel retailer with 858 stores across the United States selling branded sports equipment, apparel, footwear and accessories. Over the past 18 months, the company faced a number of company-specific issues and overall industry headwinds, which resulted in negative comparable sales growth, compressed margins and declining multiples. We believe Dick's Sporting Goods is well-positioned to once again take profitable share in the more rationalized sporting goods industry. We see the stock as poised to re-rate higher as this occurs. The stock currently trades at 5x 2019 EBITDA, which compares well to both sporting goods retailers and big box retailers.
- **Eagle Materials Inc.** is a leading supplier of heavy construction materials, light building materials and materials used in oil and gas extraction. The company sells commodity products, and its relentless focus on being the low-cost provider in each of its markets has led to higher margins, returns and free cash flow versus its competitors over time. Eagle Material's stock came under significant pressure throughout the year, as a multitude of weather-related issues weighed on the company's cement segment results. We think that street expectations for the cement business have finally corrected to a more reasonable level, and the setup going forward looks favorable as the market continues to tighten. Eagle is also coming off a record amount of capex spend over a trailing four-quarter period, and we think free cash flow is set to materially improve during the second half of financial year 2019 and into financial year 2020. With low leverage on the balance sheet and few potential acquisition opportunities in the market today, we expect the majority of excess free cash flow to be returned to shareholders through share repurchases in the near term.
- **Essential Properties** is a net lease REIT that was founded in 2016 and went public in June 2018. The company's portfolio consists of retail and service-oriented properties that are well-positioned for the e-commerce era. In addition, the company's portfolio consists of properties which are generally middle market in size and tenant profile, allowing Essential Properties to provide attractive financing options otherwise unavailable to such tenants. The stock traded poorly at the time of the IPO due to a temporary spike in interest rates in the late summer of 2018, giving us an opportunity to own this attractive portfolio at a discount to intrinsic value and capture an upfront yield of over 6%. With an underleveraged balance sheet, we believe it has a nice runway to grow its portfolio and prove itself as a differentiated player in the net lease industry.
- **Peapack-Gladstone** is a growing trust/private bank located in upper/ central New Jersey that has tripled its private banking deposits over the past four years and doubled the assets under management/assets under advisement in its wealth management business. As an almost 100-year-old institution and given its geography outside New York City and away from Philadelphia, Peapack-Gladstone has an attractive franchise that was being underutilized until 2014 when a new management team began to reposition the bank to grow and improve its financial performance. While the bank trades at an attractive 1.2x total book value and 10x 2019 estimated earnings-per-share (EPS) on a sum-of-the-parts basis, the bank's wealth management business effectively lowers the implied valuation of the private bank to 0.9x total book value. Given its size and scope, Peapack-Gladstone would also make an attractive acquisition candidate to either larger wealth management trust banks or regional players.
- **SMART Global** manufactures systems (primarily memory modules) for electronics customers. We like SMART's positioning in areas of the contract manufacturing space that have lower competition and less exposure to hardware price declines than peers. Despite significant growth over the last two years, we think SMART can continue to grow organically and maintain margins. Trading at 4x EBITDA, SMART's shares, we believe, are attractive at these levels.
- **Lydall** designs and manufactures specialty engineered filtration media, industrial thermal insulating solutions and automotive thermal and acoustical barriers. The company has undergone a significant transformation over the last decade, divesting four non-core businesses and acquiring four companies with \$400 million in annualized revenues in order to diversify away from its legacy auto business. The auto business has been hit especially hard over the last six quarters due to a combination of higher commodities (aluminum and oil) and operational issues stemming from a record number of product launches. In the third quarter of 2018, gross margins were the lowest in 28 quarters, and we think the worst is behind the company, as both oil and aluminum peaked earlier this year, and new product launches will slow materially in 2019. We think the setup for gross margin relief as the company gets into 2019 looks favorable. In addition to the gross margin issues, we think that the company's most recent acquisition of Interface Performance Materials is misunderstood by the market. The acquisition was structured as an asset deal, and Lydall will be able to take a tax deduction for the step-up in basis of the assets. While not immediately accretive to EPS due to the high amortization costs, the deal has the potential to add over \$0.90 a share in free cash flow to Lydall next year that in our view the market is not fully appreciating. Lydall's stock is down over 50% in the fourth quarter of 2018 alone, and we believe that including the acquisition of Interface, investors are purchasing Lydall today at 5x EV/EBITDA and a 14% free cash flow yield.

SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT PORTFOLIO ACTIVITY

ADDITIONS		SECTOR
CCMP	Cabot Microelectronics Corporation	Information Technology
DKS	Dick's Sporting Goods, Inc.	Consumer Discretionary
EXP	Eagle Materials Inc.	Materials
EPRT	Essential Properties Realty Trust, Inc.	Real Estate
LDL	Lydall, Inc.	Industrials
PGC	Peapack-Gladstone Financial Corporation	Financials
SGH	SMART Global Holdings, Inc.	Information Technology
TCF	TCF Financial Corporation	Financials
TTS	Tile Shop Holdings, Inc.	Consumer Discretionary

- **TCF Financial** is a premium quality regional bank with a strong deposit franchise and improving credit quality that trades at an attractive multiple relative to peers. As deposit betas have picked up this year, we think TCF's granular, low-cost deposit base will help it consistently outperform its peer group in net interest margin. This should lead to earnings momentum that should let the stock outperform. The bank experienced elevated default rates in its indirect auto loans in recent years, but with this portfolio now in runoff, we think credit quality will steadily improve. As the bank's risk-weighted assets ratio is improving due to the declining exposure to auto, management has chosen to use the freed-up capital to accelerate share buybacks, which, along with a 2.8% dividend yield, provides us robust downside protection. We have only modeled negligible average earning assets growth in 2019 and 2020, so risk of growth disappointment is low, providing upside optionality to our estimate.
- **Tile Shop** operates a chain of 140 retail stores and an e-commerce site that sells over 4,500 manufactured and natural tile products used to remodel bathrooms, kitchens and more in the home. Tile Shop's shares are down materially after a difficult 18 months of financial performance and a perceived weakening of the housing market heading into 2019. We believe many of the company's issues were self-inflicted in 2017 and a new management team's 2018 initiatives are beginning to show through. The new initiatives should drive better-than-expected results over the next several quarters and lead to a potential re-rating of the company's depressed multiple. Tile Shop fits nicely within the small-cap value framework trading at 6x EV/EBITDA, a 5% free cash flow yield and a 4% dividend yield.
- We received shares of **Cabot Microelectronics** as a result of the closure of its **KMG Chemicals** acquisition during the fourth quarter. The strategy had a previous position in KMG, and received cash and shares of CCMP as a result of the deal.

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Portfolio Activity

- We sold ATN International due to valuation, as the implied multiple of its U.S. wholesale wireless business had grown to greater than 10x.
- Our investment in **BankUnited** was sold in favor of new positions started in the quarter that we believe have better risk/reward characteristics.
- We eliminated our position in Continental Building Products to fund our new investment in Eagle Materials Inc. Despite having similar growth profiles and market shares within the U.S. wallboard industry, Eagle enjoys a vastly higher margin and free cash flow profile versus Continental. Eagle has historically traded at a 30% premium to Continental on an EV/EBITDA basis, but after prices diverged over the summer, Eagle fell to a 10% discount to Continental for the first time ever. We feel that Eagle's wallboard assets and cost position are superior to Continental's and therefore took advantage of the price discount.
- Forest City was eliminated because its acquisition by Brookfield closed.
- We eliminated our position in **Front Yard Residential** following slower-than-expected materialization of company funds from operations and adjusted funds from operations relative to our initial expectations.
- Our position in KMG Chemicals was eliminated, as the company's pending acquisition by Cabot Microelectronics for cash and stock closed during the quarter.
- Our **Synovus** position was sold ahead of the closing of the recently announced acquisition of FCB Financial Holdings. This was the first large-scale acquisition SNV has pursued since the financial crisis. The transaction concerned us for many reasons, so we decided to sell our investment.

SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT PORTFOLIO ACTIVITY		
DELETIONS		SECTOR
ATNI	ATN International, Inc.	Communication Services
BKU	BankUnited, Inc.	Financials
CBPX	Continental Building Products, Inc.	Industrials
FCE.A	Forest City Realty Trust Inc Class A	Real Estate
RESI	Front Yard Residential Corp. Class B	Real Estate
KMG	KMG Chemicals, Inc.	Materials
SNV	Synovus Financial Corp.	Financials

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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)
2017	13.3	12.4	7.8	12.2	14.0	47	0.3	1,806	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
2011	2.9	1.9	-5.5	20.6	26.1	9	0.6	190	19,962
2010	28.3	26.7	24.5	NA	NA	Five or fewer	N/A	61	16,859
2009	25.7	24	20.6	NA	NA	Five or fewer	N/A	30	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, 2017. 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 Small-Cap Fundamental Value 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 composite inclusion is \$1.5 million.
- This composite was created in 2009.
- 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 dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. 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. 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 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, 2009 and December 31, 2010 because 36 month returns for the composite were not available (NA).
- 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

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: **Weighted Average**: equals 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. **Portfolio Turnover (3 yr. avg)** 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. **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. 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. 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. **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 as a percentage of a portfolio by that security's return for the period covered in the report. Numbers may not total due to rounding.