

Small-Cap Growth

STRATEGY FACT SHEET

Fourth Quarter 2018

WHY INVEST IN BROWN ADVISORY SMALL-CAP GROWTH?

The strategy seeks to exploit the inefficiencies associated with smaller companies, which can be informational, analytical or behavioral. The managers look for durable, scalable business models led by capable management teams where a clear investment thesis can be articulated. Extensive analysis can establish differentiated views on the size and growth potential of each addressable market opportunity, a company's possible sustainable competitive advantages and its ability to attempt to drive superior results at scale.

Managers Chris Berrier and George Sakellaris takes a long-term approach in constructing a focused portfolio with high active share. Supported by a deep, experienced equity research team and the firm's robust private investment network, they invest like business owners for the long term. They attempt to take advantage of the volatility inherent to the small-cap growth equity universe and have the confidence to be different than the benchmark index and the strategy's peer universe.

Portfolio Manager/Associate Portfolio Manager: Chris Berrier; George Sakellaris, CFA

Benchmark: Russell 2000® Growth Index

PERFORMANCE (% AS OF 12/31/2018)

	3 MOS.	1 YR.	3 YR.	5 YR.	10 YR.
Small-Cap Growth Composite (Gross of Fees)	-18.35	-3.29	8.58	7.17	15.71
Small-Cap Growth Composite (Net of Fees)	-18.49	-3.95	7.86	6.47	14.94
Russell 2000® Growth Index	-21.65	-9.31	7.24	5.13	13.52

TOP 10 PORTFOLIO HOLDINGS %

Waste Connections Inc	5.0
Cash & Equivalents	4.2
Bright Horizons Family Solution, Inc.	4.2
Genpact Ltd.	3.1
Charles River Laboratories International, Inc.	3.0
Mimecast, Ltd.	3.0
Catalent, Inc.	2.9
Choice Hotels International, Inc.	2.2
Evo Payments, Inc. Cl A	2.1
GCI Liberty, Inc. Cl A	2.0

SECTOR BREAKDOWN (%)

	REP. ACCT	INDEX
Communication Services	4.8	3.5
Consumer Discretionary	19.8	14.8
Consumer Staples	3.1	3.1
Energy	0.8	1.7
Financials	6.4	7.5
Health Care	15.3	26.3
Industrials	21.1	17.7
Information Technology	28.8	18.5
Materials	--	3.4
Real Estate	--	3.0
Utilities	--	0.5

STRATEGY PROFILE AS OF 12/31/2018

BENCHMARK

Russell 2000® Growth Index

STRATEGY ASSETS

\$2.8 billion

VEHICLES AVAILABLE

Separately Managed Account (SMA)

Model Only

Mutual Fund

CHARACTERISTICS AS OF 12/31/2018

	SMALL-CAP GROWTH REP. ACCT.	RUSSELL 2000 GROWTH INDEX
P/E Ratio (FY2 Est.)	20.3x	16.0x
Earnings Growth (3-5 Yr. Est.)	18.6%	17.5%
Wtd. Avg. Market Cap.	\$4.7B	\$2.2B
Weighted Median Market Cap.	\$4.0B	\$2.0B
PEG Ratio	1.7x	2.1x
Portfolio Turnover (3 YR Avg.)	37.3%	--

PORTFOLIO MANAGER PROFILE

CHRISTOPHER A. BERRIER

Christopher Berrier is the portfolio manager of the Small-Cap Growth strategy and a portfolio manager of the Mid-Cap Growth Strategy. Prior to joining the firm in September 2005, he was a senior equity analyst at T. Rowe Price, covering multiple sectors with a primary focus on small- and mid- capitalization growth companies. Chris earned his AB degree from Princeton University in 2000.

GEORGE SAKELLARIS, CFA

George Sakellaris, CFA, is the associate portfolio manager of the Small-Cap Growth and a portfolio manager of the Mid-Cap Growth Strategy. Prior to joining the firm, he started and managed a small-cap growth strategy at Credo Capital Management and served as director of research and an analyst for GARP Research & Securities.

Source: FactSet®. The portfolio information provided is based on a representative Brown Advisory Small-Cap Growth account as of 12/31/2018 and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Sector breakdown and portfolio characteristics exclude cash and equivalents; top 10 portfolio holdings include cash and equivalents. 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. Composite performance is based on the Brown Advisory Small-Cap Growth Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Please see the Brown Advisory Small-Cap Growth disclosure statement at the end of this presentation for a GIPS compliant presentation. Returns greater than one year are annualized. Past performance is not indicative of future results. Please see the Brown Advisory Small-Cap Growth Composite performance disclosure on the reverse side for additional information and a complete list of terms and definitions.

About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients by providing them first-rate investment performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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Brown Advisory Small-Cap Growth Equity

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	18.8	18.1	22.2	12.2	14.6	33	0.2	2,301	33,155
2016	11.4	10.7	11.3	14.0	16.7	30	0.3	1,797	30,417
2015	8.9	8.2	-1.4	13.1	15.0	32	0.4	1,311	43,746
2014	1.4	0.8	5.6	11.8	13.8	32	0.3	1,597	44,772
2013	42.6	41.8	43.3	15.4	17.3	44	0.7	1,830	40,739
2012	16	15.4	14.6	18.3	20.7	32	0.6	1,178	26,794
2011	-1.7	-2.4	-2.9	20.6	24.3	29	0.5	1,023	19,962
2010	30.8	29.8	29.1	27.1	27.7	25	0.1	993	16,859
2009	43.1	41.9	34.5	25.2	24.9	16	1	481	11,058
2008	-38.9	-39.4	-38.5	23.3	21.3	17	0.2	323	8,547
2007	17.2	16.1	7	14	14.2	16	0.5	411	7,385

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 Growth Equity Composite includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. The minimum account market value required for composite inclusion is \$1.5 million.
- This composite was created in 1997.
- The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 2000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns.
- 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: 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.
- 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 does not indicate 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.

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. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, calculated according to each broker's methodology. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. **Weighted Average Market Capitalization**: 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. **P/E / Growth Ratio, or PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. 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. **Portfolio Turnover** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a 3 year period, divided by the average value of the portfolio during that period, calculated on a monthly basis. FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)", "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's.