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COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 2000® GROWTH INDEX
3 MOS.	8.41	8.23	2.75
YTD	32.44	32.04	20.36
1 YR.	16.19	15.44	-0.49
3 YR.	17.85	17.07	14.69
5 YR.	13.93	13.19	8.63
10 YR.	17.41	16.65	14.41

The composite performance shown above reflects the Brown Advisory Small-Cap Growth 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.

Review & Outlook

The Brown Advisory Small-Cap Growth strategy outperformed its benchmark, the Russell 2000® Growth Index, during the second quarter of 2019. The solid absolute and relative results were driven almost wholly by balanced stock selection across sectors. The period caps off a positive first half of 2019 that was catalyzed by strong team productivity over the past 18 to 24 months. As we gaze into the back half of the year, we are bracing for moments of volatility and preparing to take advantage of them.

As a departure from the typical quarterly review and commentary, we thought we would share a part of a Small-Cap Growth Weekly Update e-mail that goes out to the team each Monday. The comments are meant to be candid and spark conversation with the goal of thinking not about what the world looks like today, but what it might look like in 18 months.

The following is from our June 24, 2019, memo:

“The right question is usually more important than the right answer to the wrong question.” - Alvin Toffler

Cheap money spurs a market rally. The S&P 500® Index hit a new all-time high last week—small-caps are still a bit below that mile marker—on the back of a more dovish stance by the Federal Reserve. The market has priced in a near 100% chance of a rate cut later this summer.

Pavlov’s dogs. The rationale for the likely lowering of rates in the short run is based on somewhat unattractive recent economic data, below target inflation measures, and concerns that a trade war will exacerbate the deceleration in growth. Although I acknowledge that the historical pattern is dovish tone=higher market, there was a strong piece of me that doubted the return of Pavlov’s dogs. In fact, I thought there was a decent, but less than 50% chance, that the market would view the continuation of the Fed pivot as confirmation of underlying economic weakness. This has not occurred... yet. We will have to wait and see.

Everyone is on one side of the boat. After spending 48 hours last week with 20 other small- and mid-cap portfolio managers from around the country, it is clear that everyone generally is aligned (or at least too scared to think/act differently). The economy should continue to grow slowly, inflation should remain low, rates should continue to remain low and growth stocks should continue to beat value stocks—paying up for the secular disruption, and no price is too inexpensive for those being disrupted! It is unclear what changes this view, but the most important thing is to realize that this is a crowded trade and thus the potential payoff from some differentiated positioning remains massive (despite said payoff being ever illusive).

Final thought. The world is awash in debt, and \$12.5 trillion of fixed income securities have negative yields. This is not the way it is supposed to be. The reaction by investors has been to gradually (over the last several years) move out of the risk curve to seek yield/return. In small-cap growth land, it is important to remember that we are close to the end of that return-seeking journey, thus driving the volatility of the asset class as investor perceptions change. The tide has continued to rise on faith in the Fed and a goldilocks economy. We hope that the tide continues to come in, but we believe we are prepared for when it goes out.

As investors, we feel it is good to operate with a cautiously optimistic, or perhaps a constructively paranoid, mentality. Things are usually never as good or as bad as they seem but the pendulum can sometimes feel as though it is always at extremes. It is from this view that we find comfort in operating as bottom-up, long-term business owners, attempting to take advantage of the extremes with the goal of generating meaningful alpha for our clients over a multiyear time horizon. **B**

REP. ACCOUNT CHARACTERISTICS

	SMALL-CAP GROWTH REP. ACCT.	RUSSELL 2000® GROWTH INDEX
P/E Ratio (FY2 Est.)	26.0x	17.8x
Earnings Growth (3-5 Yr. Est.)	16.8%	16.6%
Wtd. Avg. Market Cap.	\$6.3B	\$2.9B
Weighted Median Market Cap. Portfolio	\$4.8B	\$2.5B
Turnover (3 YR Avg.)	36.7%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Waste Connections Inc	4.7
Cash & Equivalents	4.5
Bright Horizons Family Solution, Inc.	4.3
Genpact Ltd.	3.3
Catalent, Inc.	3.1
Mimecast, Ltd.	3.0
Charles River Laboratories International, Inc.	2.8
GCI Liberty, Inc. Cl A	2.3
Evo Payments, Inc. Cl A	2.3
Choice Hotels International, Inc.	2.1
TOTAL	32.4

Sector Diversification

- Consumer goods and consumer services combine to create a modest overweight allocation.
- The financials sector is a modest underweight.
- Health care is our largest underweight due entirely to our relatively modest exposure to biotechnology.
- Industrials is a very broad category for the ICB classification system. When examining our portfolio, technology-, health care- and consumer-oriented firms can be identified within the area. Overall, our true allocation is likely a modest, but less cyclical, lower beta overweight.
- The oil and gas sector comprises a singular holding, as most businesses in the sector do not pass our investment filter.
- Technology is a neutral weighting relative to the benchmark, as our portfolio weighting and the benchmark weighting have declined materially over the past year.

ICB SECTOR	SMALL-CAP GROWTH REP. ACCOUNT (%)		RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	SMALL-CAP GROWTH REP. ACCOUNT (%)	
	Q2 '19	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Basic Materials	--	3.10	-3.10	--	1.09	
Consumer Goods	4.20	7.13	-2.92	4.030	3.39	
Consumer Services	18.86	15.00	3.86	19.110	14.03	
Financials	8.32	9.61	-1.29	7.800	8.84	
Health Care	18.41	25.05	-6.63	16.060	12.90	
Industrials	33.34	20.48	12.85	34.240	34.46	
Oil & Gas	0.75	1.75	-1.00	0.880	--	
Technology	16.12	16.01	0.11	17.880	25.25	
Telecommunications	--	0.74	-0.74	--	--	
Utilities	--	0.63	-0.63	--	--	
Unassigned	--	0.51	-0.51	--	0.03	

Quarterly Attribution Detail by Sector

- Selection effect drove results during the quarter, which is consistent with our bottom-up investment process.
- Positive performance was seen across sectors—we would attribute some industrials alpha to technology, given ICB classifications—which demonstrates a balanced contribution across the team.
- Comparative strength between one sector and another was dictated primarily by a few holdings—a couple of them being larger in weight.

ICB SECTOR	SMALL-CAP GROWTH REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Basic Materials	--	--	3.11	-1.22	0.14	--	0.14
Consumer Goods	4.20	10.89	7.16	1.65	0.03	0.40	0.43
Consumer Services	18.22	5.74	15.44	0.89	-0.06	0.85	0.79
Financials	8.19	7.56	9.78	3.18	--	0.37	0.37
Health Care	18.96	8.62	24.57	0.10	0.27	1.57	1.85
Industrials	34.25	14.11	19.89	9.92	1.06	1.32	2.38
Oil & Gas	0.84	-6.97	1.86	-9.04	0.14	0.03	0.17
Technology	14.77	3.34	16.12	2.79	0.01	0.09	0.10
Telecommunications	--	--	0.8	-3.82	0.06	--	0.06
Utilities	--	--	0.61	5.92	-0.01	--	-0.01
Unassigned	0.57	0.37	0.65	5.80	0.01	-0.07	-0.06
Total	100.00	8.96	100.00	2.75	1.65	4.56	6.21

Quarterly Contribution to Return

- **Catalent** continued its merger and acquisition-driven push into the high-growth area of biologics with the acquisition of Paragon Bioservices. Currently, demand in the area is robust, and manufacturing capacity for these complex therapies is limited. Management now believes its longer-term growth outlook has improved.
- **Array BioPharma** announced its intent to be acquired by Pfizer at a sizable premium during the period.
- **Bright Horizons Family Solutions** reported strong first-quarter results and increased annual guidance on better-than-expected growth across all segments.
- **HEICO** delivered a strong quarter, with 15% organic growth driven by strong aerospace aftermarket and defense demand, along with margin improvement. Continued strong free cash flow conversion enables the company to continue to deploy capital into niche, accretive merger and acquisition opportunities.
- **TopBuild** beat quarterly estimates and raised annual guidance due primarily to an improved outlook for the housing market and continued share gains.
- **2U** is a business we have owned for many years. In the middle of 2018, we cut our position size materially due to excessive valuation. Following a material pullback in the stock, we have slowly increased our position, but it still remains relatively small. The company recently disclosed a slowdown in the growth rate of its graduate programs due to the stagnation/decline of enrollments in a couple large programs for a variety of reasons. While we do not believe 2U's long-term growth algorithm is impaired, it is unlikely that the market will afford it the premium multiple it once garnered anytime soon, thus our more measured weighting in the name.
- **Zuora** was an exceedingly small position acquired during its initial public offering. Recently, we increased the position after the stock had pulled back close to its IPO price following its initial surge. Although recent weakness in the stock following sales execution issues was unfortunate, we would attribute the bookings shortfall to "growing pains" and a manageable issue that should be corrected over time. While the timing is difficult to forecast, we do believe Zuora's revenue growth rate should reaccelerate, which should hopefully act as a catalyst for the stock.
- **Covetrus** is continuing to see growing pains post spinoff from Henry Schein. The complexity of the transaction proved more challenging than expected and resulted in the company having to postpone its first quarterly report as a public company. While results were not overly negative, an early stumble by what was considered a solid management team was not well-received by investors.
- **MakeMyTrip** was down 10% in the quarter, primarily on concerns around the bankruptcy of India's Jet Airways and on potential competitive issues regarding Amazon's activities in the region. We continue to believe the company is well positioned as the leading player in the India online travel agency market, with the right set of partners and financial backers (i.e., Ctrip and Naspers) to grow at a high rate for many years to come.
- **Agois Pharmaceuticals** trended down during the period on concerns over the pace of the Tibsovo launch in acute myeloid leukemia and upcoming data/competitive issues.

SMALL-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CTLT	Catalent Inc	3.40	33.56	1.01
ARRY	Array BioPharma Inc.	0.95	90.03	0.84
BFAM	Bright Horizons Family Solutions, Inc.	4.20	18.69	0.76
HEI	HEICO Corporation	1.83	41.12	0.69
BLD	TopBuild Corp.	2.33	27.68	0.60
SMALL-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
TWOU	2U, Inc.	0.94	-46.87	-0.67
ZUO	Zuora, Inc. Class A	1.11	-23.51	-0.38
CVET	Covetrus, Inc.	1.40	-23.20	-0.34
MMYT	MakeMyTrip Ltd.	1.75	-10.15	-0.21
AGIO	Agois Pharmaceuticals, Inc.	0.50	-26.04	-0.18

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

Portfolio Activity

- **Capitol Investment Corp. IV** operates as a blank check company. It focuses on effecting a merger, share exchange, asset acquisition, share purchase and reorganization, or similar business combination, with one or more businesses or entities.
- **IAA** spun out of **KAR Auction Services**. The company engages in the provision of auction solutions for total loss, damaged and low-value vehicles. Its solutions focus on a diverse set of global customers, providing buyers with rebuild requirements, replacement of part inventory and scrap demand.
- **Kura Oncology** focuses on discovery and development of personalized therapeutics for the treatment of tumors and blood cancers. Kura offers development programs for cancers with high unmet need, including lung, colorectal, thyroid, blood and pancreatic cancers.
- **PagerDuty** provides wireless application solutions. The company offers on-call management, event intelligence, analytics and digital operations, as well as equipment. PagerDuty serves customers worldwide.
- **Tabula Rasa Healthcare** designs and develops cloud-based health care software solutions. Tabula Rasa offers data-driven technology and solutions that enable health care organizations to optimize medication regimens.
- **WageWorks** engages in administering consumer-directed benefits (CDBs) that helps empower employees to save money on taxes, and provides corporate tax advantages for employers in the U.S.
- We exited **Cogent Communications** when we finally concluded that the net-centric business (which had been underperforming for the last three to four years) would not return to high-single-digit or low-double-digit growth in the medium term, despite an improvement in traffic growth.
- We eliminated our positions in **ConnectOne Bancorp**, **Core-Mark**, **CoreLogic**, **PriceSmart** and **Envestnet** as better alternatives for the capital were discovered.
- **Coupa Software** was sold due to excessive valuation.
- **Healthcare Services Group** was sold due to our concern with management's ability to operate in the current environment.
- **Ultimate Software Group** was acquired during the period.

SMALL-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
CIC	Capitol Investment Corp. IV Class A	Financials
IAA	IAA, Inc.	Consumer Discretionary
KURA	Kura Oncology, Inc.	Health Care
PD	PagerDuty, Inc.	Information Technology
TRHC	Tabula Rasa Healthcare, Inc.	Health Care
WAGE	WageWorks, Inc.	Industrials
DELETIONS		SECTOR
CCOI	Cogent Communications Holdings Inc	Communication Services
CNOB	ConnectOne Bancorp, Inc.	Financials
CORE	Core-Mark Holding Company, Inc.	Consumer Discretionary
CLGX	CoreLogic, Inc.	Information Technology
COUP	Coupa Software, Inc.	Information Technology
ENV	Envestnet, Inc.	Information Technology
HCSG	Healthcare Services Group, Inc.	Industrials
PSMT	PriceSmart, Inc.	Consumer Staples
ULTI	Ultimate Software Group, Inc.	Information Technology

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GICS Sector Diversification

GICS SECTOR	SMALL-CAP GROWTH REP. ACCOUNT (%)		RUSSELL 2000® GROWTH INDEX (%)		SMALL-CAP GROWTH REP. ACCOUNT (%)	
	Q2 '19	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Communication Services	3.63	3.10	0.52	3.71	4.92	
Consumer Discretionary	20.30	14.58	5.73	19.85	14.86	
Consumer Staples	3.63	2.92	0.71	3.59	3.47	
Energy	0.75	1.58	-0.83	0.88	--	
Financials	5.90	7.10	-1.2	5.42	6.40	
Health Care	19.31	26.36	-7.05	17.66	14.21	
Industrials	20.45	18.64	1.8	19.01	23.43	
Information Technology	26.03	18.65	7.38	29.88	32.67	
Materials	--	3.36	-3.36	--	--	
Real Estate	--	3.17	-3.17	--	--	
Utilities	--	0.53	-0.53	--	--	

GICS Quarterly Attribution Detail by Sector

GICS SECTOR	SMALL-CAP GROWTH REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	3.63	11.98	3.31	-4.50	-0.02	0.62	0.59
Consumer Discretionary	19.99	7.46	14.87	1.62	-0.04	1.12	1.08
Consumer Staples	3.63	12.84	2.97	0.83	--	0.44	0.43
Energy	0.84	-6.97	1.7	-10.29	0.13	0.04	0.17
Financials	5.72	6.30	7.21	4.73	-0.03	0.10	0.07
Health Care	18.20	8.12	25.85	0.52	0.28	1.35	1.64
Industrials	20.00	15.91	18.18	9.41	0.13	1.19	1.32
Information Technology	28.00	5.69	18.83	3.63	0.15	0.55	0.70
Materials	--	--	3.33	0.42	0.09	--	0.09
Real Estate	--	--	3.23	-0.19	0.11	--	0.11
Utilities	--	--	0.52	4.28	--	--	--
Total	100.00	8.96	100.00	2.75	0.80	5.41	6.21

Small-Cap Growth Equity 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)
2018	-3.3	-4.0	-9.3	13.5	16.5	29	0.3	2,204	30,529
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	16.0	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

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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 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.
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Composite performance is based on the Brown Advisory Small-Cap Growth Composite and was obtained through FactSet®. All information and returns shown are as of 6/30/2019 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Small-Cap Growth account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

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Terms and Definitions for Representative Account Calculations

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 brokerage firms, calculated according to each broker's methodology. **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. **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. 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. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. 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. **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. Totals may not equal due to rounding.