

Strategic Bond Fund

Investor: **BATBX** Institutional: **BIABX**

Second Quarter 2019

NONTRADITIONAL FIXED INCOME

WHY INVEST IN BROWN ADVISORY STRATEGIC BOND FUND?

The Fund's unconstrained bond approach is not managed to a benchmark or limited by maturity, sector, quality or geography.

A broader investable universe means greater opportunity for uncovering attractive relative value. This flexibility allows the Fund to potentially minimize interest-rate exposure and to seek positive returns across different market environments with low correlation to equity markets. Also, the use of alternative fixed income strategies can provide enhanced diversification benefits to traditional portfolios.

We believe that the Fund's alpha-oriented, strategic bond approach offers more potential upside than trading-oriented strategies and lower downside risk than thematic investment strategies.

We are not high frequency traders or forecasters of macroeconomic movements. Our bottom-up fundamental investment process capitalizes on the strength of the team's credit research and actively hedges interest rate risk, selectively allocates to sectors in an effort to manage credit risk, and, at times, invests opportunistically.

The Fund benefits from the philosophy, process and people at Brown Advisory.

We follow a philosophy that fixed income strategies built from a foundation of stability coupled with fundamental credit research can seek to generate alpha and control risk. Portfolios are concentrated based on credit selection, but diversified across sectors. We have a culture and firm equity ownership structure that attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

HOW DO YOU BUILD A PORTFOLIO THAT CAN RESPOND TO CHANGING MARKETS OVER THE LONG TERM?

Bottom-Up Credit Analysis

Credit positions are diversified by sector, and concentrated in our best ideas.

Relative Value Analysis

The core portfolio is constructed in an attempt to generate alpha and derivatives are used for hedging and risk management. Sector allocations manage credit risk, while opportunistic allocations seek to capitalize on attractive yield potential.

Strategic Bond Portfolio

The portfolio is concentrated based on credit selection, enhanced with interest-rate hedges, dynamic sector allocation and opportunistic investments.

Portfolio Managers: Robert H. Snyder, III and Thomas D.D. Graff, CFA

Benchmark Index: ICE Bank of America Merrill Lynch 0-3 Month U.S. Treasury Bill Index

OBJECTIVE

The Brown Advisory Strategic Bond Fund seeks to achieve capital appreciation and income with a low correlation to interest rate movements.

SUITABILITY

This Fund may be suitable for individual investors seeking income and capital appreciation, and aiming to diversify their portfolio with an alternative to traditional core bond strategies that may be overly rate-sensitive.

FUND PROFILE & CHARACTERISTICS

As of 06/30/2019	BATBX
Effective Duration (years)	1.3
Average life (yrs)	4.2
Yield to Worst (%)	3.4
# of Holdings	226
30-Day SEC Yield (Unsubsidized) (%)	3.71
Dividend Frequency	Monthly
Gross Expense Ratio	
Investor Class (BATBX)	0.70%
Institutional Class (BIABX)	0.65%
Minimum Investment	
Investor Class (BATBX)	\$100
Institutional Class (BIABX)	\$1,000,000

Source: FactSet®

AVERAGE ANNUAL TOTAL RETURNS % (As of 06/30/2019)¹

	3 MOS.	YTD	1 YR	3 YR	5 YR	SINCE INCEPTION	SINCE INCEPTION
Brown Advisory Strategic Bond Fund							
Investor Class Class - BATBX Inception: 09/30/2011	1.21	4.00	4.18	3.12	1.66	1.47	--
Institutional Class Class - BIABX Inception: 10/31/2014	1.23	4.03	4.23	3.31	--	--	1.97
ICE BofA Merrill Lynch 3 Month Treasury Bill	0.62	1.22	2.28	1.34	0.83	0.55	0.89
Excess Return vs. Index (Investor)	0.60	2.78	1.90	1.78	0.83	0.92	--

Gross Expense Ratios: 0.70% (Investor), 0.65% (Institutional) Net Expense Ratio: -- (Investor), -- (Institutional)* Source: U.S. Bank

* The net expense ratio represents the percentage paid by investors.

Morningstar Rankings represent a fund's total return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees. Past performance does not guarantee future results.

OVERALL MORNINGSTAR RATING™



As of 06/30/2019 for Investor Shares among 270 U.S. Intermediate Government funds (derived from a weighted average of the fund's three-, five- and 10-year risk adjusted return measure).

SECTOR DIVERSIFICATION

As of 06/30/2019	%
Cash & Equivalents	3.0
US Government	--
Non-US Government	--
Corporate	30.3
Mortgage	2.0
CMBS	14.8
ABS	47.3
Municipal	2.6

¹Securitized sector weights include Mortgage-Backed Securities (MBS), Commercial MBS and Asset-backed Securities (ABS). ²Cash balance can be negative to reflect economic exposure to derivatives and other forward contracts. Sector diversification include cash and equivalents and are subject to change 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. Numbers may not total due to rounding.

Source: FactSet®

CREDIT QUALITY COMPOSITION

As of 06/30/2019	%
AAA/Aaa	19.2
AA/Aa	14.7
A	16.2
BBB	23.6
High Yield	23.6
Not Rated	2.7

Credit quality is calculated using ratings assigned by Moody's. If Moody's does not rate a holding then Standard & Poor's is used. If Moody's and Standard & Poor's do not rate a holding then Fitch is used. A bond is considered investment grade if its credit rating is BBB- or higher according to Standard & Poor's; more specifically, a rating of "AAA" represents the highest credit quality with minimal risk of default and a rating of "BB" or below represents speculative financial security. High Yield, if noted, includes holdings that are rated BB+ or lower according to Moody's. Not Rated category, if noted, includes holdings that are not rated by any rating agencies. All ratings are as of 06/30/2019.

Source: FactSet®

TOP 10 HOLDINGS (As of 06/30/2019)

SECURITY	% PORTFOLIO	SECURITY	% PORTFOLIO
1 First American Government Obligations Fund, 2.26%	3.5	6 Madison Park Funding XII Ltd 2014-12A CR, 4.94% Due 07/20/2026	1.3
2 frontdoor Inc, 6.75% Due 08/15/2026	1.5	7 Viking Cruises Ltd, 5.88% Due 09/15/2027	1.3
3 Equinix Inc, 5.88% Due 01/15/2026	1.5	8 CGDBB Commercial Mortgage Trust 2017-BIOC 2017-BIOC E, 4.54% Due 07/15/2032	1.2
4 BWX Technologies Inc, 5.38% Due 07/15/2026	1.5	9 District of Columbia, 6.50% Due 08/01/2038	1.2
5 NXP BV / NXP Funding LLC, 4.13% Due 06/01/2021	1.5	10 ServiceMaster Co LLC/The, 7.45% Due 08/15/2027	1.2

Source: U.S. Bank

Fund holdings include cash and equivalents and are subject to change and should not be considered a recommendation 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.

EXPERIENCED MANAGEMENT



ROBERT H. SNYDER, III

Rob Snyder is a portfolio manager of the Brown Advisory Strategic Bond Fund and a member of the Fixed Income Investment Team. Investment experience dating from 1997; joined Brown Advisory 2014; manager since 2014



THOMAS D.D. GRAFF, CFA

Thomas Graff is the head of fixed income and portfolio manager of the Brown Advisory Total Return Fund and Strategic Bond Fund. Investment experience dating from 1999; joined Brown Advisory 1999; manager since fund inception

BROWN ADVISORY: AN 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.

- Founded in 1993
- Independent since 1998
- 100% of colleagues own approximately 70% of the firm's equity

Must be preceded or accompanied by a prospectus.

Before investing, you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the summary or statutory prospectus. A copy of which can be obtained by calling 1-800-540-6807 or visiting the Fund's website, www.brownavisoryfunds.com. Please read the prospectus carefully before investing.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Municipal securities are subject to adverse political or economic factors, including changes in the tax law. Inflation-indexed bonds see the principal value of the security increase as the Consumer Price Index increases. Should the Consumer Price Index decline, those securities could be adversely impacted. A non-diversified fund may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, a non-diversified Fund is more exposed to individual stock volatility than a diversified fund. The risks of derivatives include imperfect correlation between the value of these instruments and the underlying assets; risks of default by the other party to the derivative transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions and risks that the derivative transactions may not be liquid.

The **Bloomberg Barclays Intermediate Aggregate Bond Index** is an unmanaged index that consists of 1-10 year governments, 1-10 year corporates, all mortgages, and all asset-backed securities within the Aggregate Index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. It is not possible to invest directly in an index.

Terms and Definitions for Fund Characteristics

Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. **Effective Duration** is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. **Yield to worst** is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

¹ Effective 07/02/2018, The Advisor share class and ticker was restickered as the Investor share class, and the Investor share class and ticker was restickered as the Institutional share class. Performance reflects share class availability as of 06/30/2019.

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