First Quarter 2022

SUSTAINABLE CORE FIXED INCOME REVIEW

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The Sustainable Core Fixed Income strategy outperformed its benchmark, the Bloomberg Aggregate Bond Index, in the first quarter. The first quarter of 2022 was a tumultuous one for the U.S. bond market. The Bloomberg Aggregate Bond Index lost 5.93%, marking its worst quarter since 1980. This was brought on by a violent surge in Treasury yields combined with a meaningful widening of corporate bond spreads. Our Sustainable Core strategy also posted negative returns for the quarter, albeit a bit better than our benchmark.

NAME	3-MONTH RETURN (%)	1-YEAR RETURN (%)	3-YEAR RETURN (%)	5-YEAR RETURN (%)	ITD RETURN (09/30/2014)
Sustainable Core Fixed Income Composite (Gross of fees)	-5.20	-3.21	3.05	3.16	2.76
Sustainable Core Fixed Income Composite (Net of fees)	-5.28	-3.56	2.65	2.81	2.42
Bloomberg US Aggregate Bond Index	-5.93	-4.15	1.69	2.14	2.20

Interest rates surge amid aggressive Fed

We have held a defensive duration position since August 2020. Our view since that time has consistently been that the risks were skewed toward higher interest rates. Initially, it was our belief that it was possible that the Federal Reserve's new average inflation-targeting regime would "work" and inflation would rise by some degree. Since markets appeared to have near zero odds of such a thing priced in, the risk/reward looked favorable to us. As 2021 progressed, we felt that it was possible that the Fed would have to get aggressive with policy tightening to tame inflation. As recently as September, there was considerable debate as to whether the Fed would hike at all in 2022. Again, we thought this meant the risks were heavily skewed to the upside.

Note that at no time did we forecast anything. We did not "call" that inflation would surge to over 7% or that the Fed would now be threatening to hike at 50 basis points (bps) clips. Rather, we try to find areas where we believe that a positioning will benefit portfolios in one scenario and have little effect in the opposite scenario.

This risk/reward is what led us to keep duration below the benchmark for the last 18 months, and that positioning was the dominant factor in the strategy's relative performance in the first quarter.

Credit spreads also widened

Typically, when Treasury yields surge higher, it is because the economy is doing well. That tends to result in credit spreads falling. This quarter, the opposite happened. Investment-grade corporate bonds performed even worse than Treasury bonds.

The reason why this happened was twofold. First, the Fed ramping up expectations for policy tightening typically creates a greater risk of a policy mistake. Second was a massive wave of outflows that hit taxable bond funds. In the six weeks ending March 16, almost $43 billion flowed out of taxable bond funds and ETFs. That put pressure especially on investment-grade corporate bonds, which saw spreads spike by 40bps over this period before recovering some into the end of the quarter.

In the later half of 2021, we moved our corporate bond position to be more defensive. We accomplished this by reducing the position outright, shortening the average duration of our positions and favoring bonds with less cyclical risk. At the time, credit spreads were near all-time tights, and we felt the sector was vulnerable to a surprise negative event. While this positioning did not allow us to completely sidestep wider spreads in the first quarter, it did help our credit positions outperform those in the benchmark by approximately 150 bps.

Has this risk/reward balance changed?

With interest rates surging as much as they have, it is sensible to reconsider whether the risk/reward is still skewed to yields rising. When we first set our duration below benchmark, the 10-year Treasury was around 0.60%. Now, it is 2.34%. At 0.60%, any increase in inflation or any Fed policy tightening would likely cause rates to rise. Now, markets are assuming inflation remains high for at least the next couple of years, and markets have priced in the Fed hiking to nearly 3%.

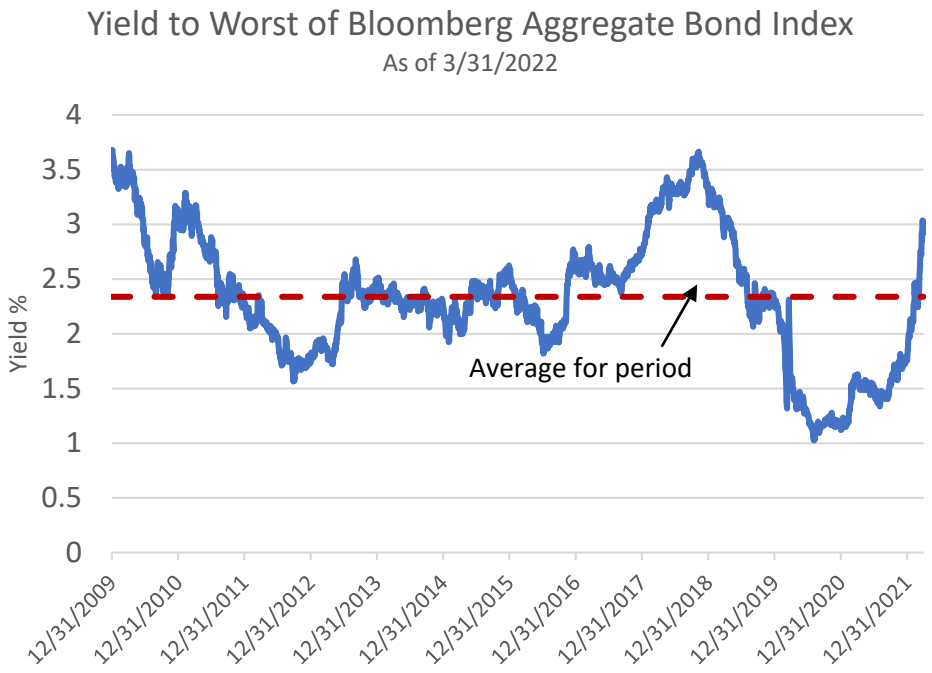
(Continued on the following page)

Source: FactSet®. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Sustainable Core Fixed Income 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 Sustainable Core Fixed Income Composite disclosure statement at the end of this presentation for a GIPS compliant presentation. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

For yields to keep rising, markets need to price even higher inflation and/or an even more aggressive Fed. Clearly, that indicates a different risk/reward balance than when the 10-Year was at 0.60%.

As we look at the three- to five-year part of the curve, we still see more risk to yields rising than falling. Given how high inflation is right now, we believe that the Fed is going to have to hike several times, almost no matter what. This puts something of a floor on yields in that three- to five-year maturity range. On the other hand, if inflation proves to still be a major problem into 2023 or 2024, there remains room for yields to keep rising.

That being said, the opportunity cost of holding cash vs. fixed income has changed quite a bit these last few months. The chart below shows the yield of the Bloomberg Aggregate Bond Index since 2010. The dotted red line is the average over this whole period.



Source: Bloomberg.

Not only is the yield currently above average, but it is also in the 82nd percentile for this period. In other words, not only are yields no longer low, but they've also seldom been higher anytime in the last decade.

Could yields persist at levels higher than 2010–2022? Certainly. Maybe the labor market will be structurally tighter going forward than during the last expansion, which should raise the neutral rate of interest. Maybe there's some other factor that results in persistently higher yields. But bear in mind that if the U.S. economy is basically the same as it was before the pandemic, then we're probably on the high end of where yields will be over the next several years.

Tactically, we think there remain near-term risks. As we said above, we believe that the three- to five-year part of the curve is still quite vulnerable if inflation persists into 2023. However, we would suggest investors consider that rates won't rise forever and that remaining too defensive over the long term could ultimately harm returns.

Yield curve inversion suggests recession risk has risen

As alluded to above, another important event during the quarter was the yield curve inverting, with two-year yields inching slightly above 10-year yields. Yield curve inversions are said to be predictors of recessions. That is not strictly true. We believe what they are is a sign that markets expect the Fed to cut interest rates sometime in the near future. Indeed, we can see from futures markets that traders expect the Fed to hike rates by 250 bps between now and the middle of 2023 but then cut twice over the subsequent two years. These kinds of expectations are exactly what causes the curve to invert.

Of course, the Fed is most likely to be cutting rates because the economy is slowing, which is why inversions do tend to precede recessions. In this case, markets are already anticipating some degree of slowing as soon as the middle of 2023. Moreover, we should be honest about what the Fed is trying to achieve right now. To slow inflation, the Fed has to bring aggregate demand down. This almost certainly means general economic growth will slow, likely accompanied by weaker corporate earnings growth. It is difficult to call whether that turns into a recession or merely a pause in growth that allows inflation to subside, but it is hard to escape the notion that recession risks have risen by some degree.

We will be thinking about these risks in a similar risk/reward framework as described above. With a recession as a possibility, we remain defensive in our credit positions, particularly in terms of cyclicality. In addition, we are more constructive on longer-term bond yields. While they may rise or fall in the short term, we do think they could fall quite a bit if recession risk grows. This could result in a severely inverted yield curve. It may seem counterintuitive to buy longer-term bonds while the Fed is early in a hiking cycle, but we think there is much better value there than elsewhere on the curve.

Are bonds still a stability asset class?

As fixed income portfolio managers, we are charged with managing money to outperform a benchmark. But we suspect most readers are only mildly comforted by a bit of outperformance in the face of a fairly large negative absolute return this quarter. After all, bonds are supposed to be a stability asset in portfolios. They certainly didn't achieve that role this quarter.

We would encourage investors to consider a few facts before dismissing general bonds as part of your stability bucket. First, this was the first time in 42 years that the general bond market posted a return worse than 4%. Risk markets like stocks post routinely much larger negative returns.

If we look at the specific circumstances that led to this spike in yields, it reiterates how unusual current conditions are. The Fed went from projecting maybe one hike in 2022 to expecting seven or eight in just a few months. That kind of sudden repricing logically shouldn't happen too often.

Lastly, consider why bonds are generally more stable. It is because as bond prices fall, the future yield on the asset goes up. Therefore, the forward-looking return is better. Bad periods for bonds tend to be followed by above-average return periods specifically because of this. As we said above, we aren't especially bullish on the near-term outlook for our asset class, but we think periods like the first quarter should remain extremely rare. In addition, we think over the longer term, bonds should continue delivering the same kind of returns, variance, correlation with other assets and liquidity that they have always served.

How has the sustainable debt landscape weathered this volatile market environment?

While total sustainable debt sales were down in the first quarter relative to this time last year ($322 billion vs. $3924 billion), the growth and demand are still strong. Social bonds took the biggest hit, dropping about 64%, mainly due to the decline in COVID-19-related expenditures. Green bond sales were close to $41 billion, and while slightly down year-over-year, they continue to take the most market share and growth of issuance across the different label types. Sustainability-linked bonds saw the fastest growth, a trend we continue to see, as these structures are not restrictive on the use of proceeds, allowing for a much larger universe of issuers to access the labeled bond market.

With the energy transition front and center in the heat of geopolitical turmoil, we anticipate more green-related expenditures across many different sectors—not just for renewable energy projects, but also funds being deployed to enable new technologies and support transition fuels, like Liquid Natural Gas (LNG) and hydro.

While we do not focus solely on labeled bonds, they continue to be a source of targeted impact in our portfolios, and we follow the market closely to ensure adherence to ICMA standards.

First Quarter 2022

PORTFOLIO ATTRIBUTES

Sustainable Core Representative Account as of 03/31/2022

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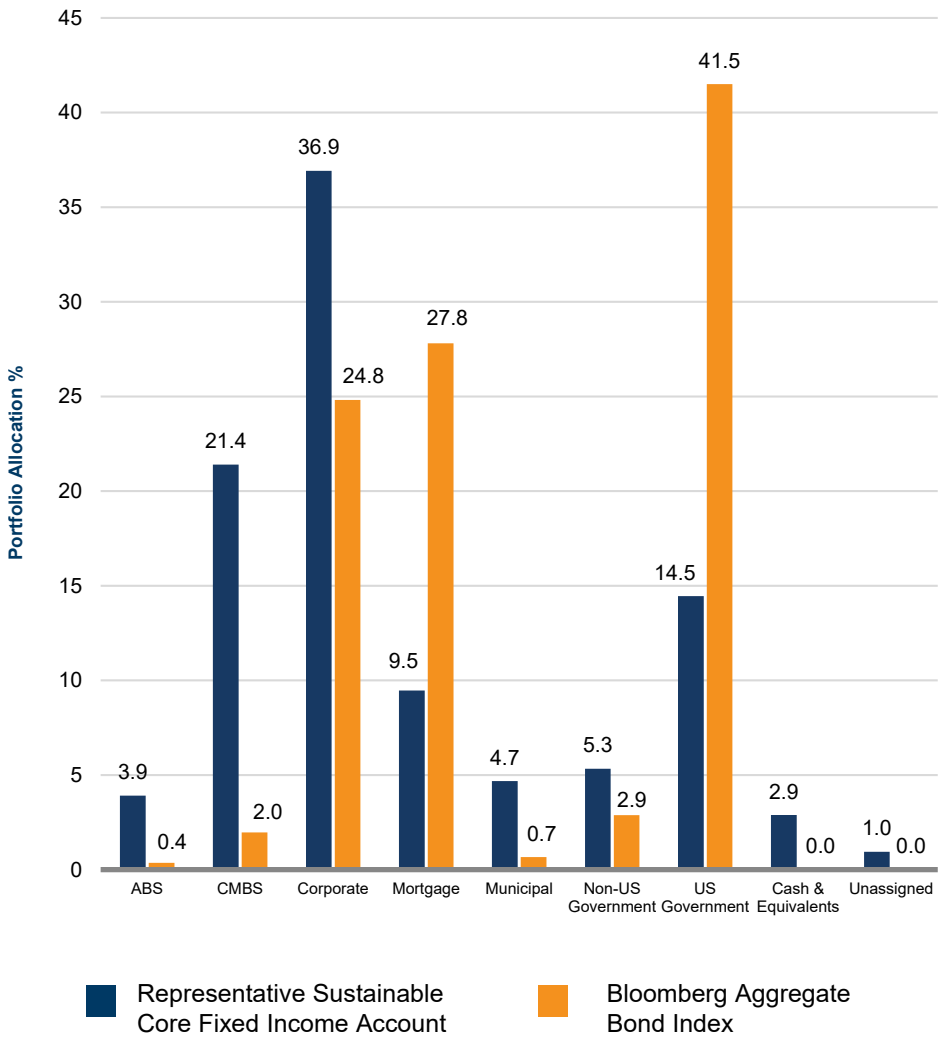

Portfolio Characteristics

	REP. ACCOUNT	BENCHMARK
Avg. Credit Quality	Aa3	Aa2
Effective Duration (years)	5.9	6.5
Yield to Worst (%)	3.0	2.9
Avg. Life (years)	7.1	8.6

Source: FactSet. The portfolio information is based on a representative Sustainable Core Fixed Income account as of 03/31/2022 and is provided as Supplemental Information. Sector breakdown includes cash and equivalents. Portfolio characteristics 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. Numbers may not total 100% due to rounding. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

First Quarter 2022

SUSTAINABLE CORE FIXED INCOME

Impact Distribution as of 03/31/2022

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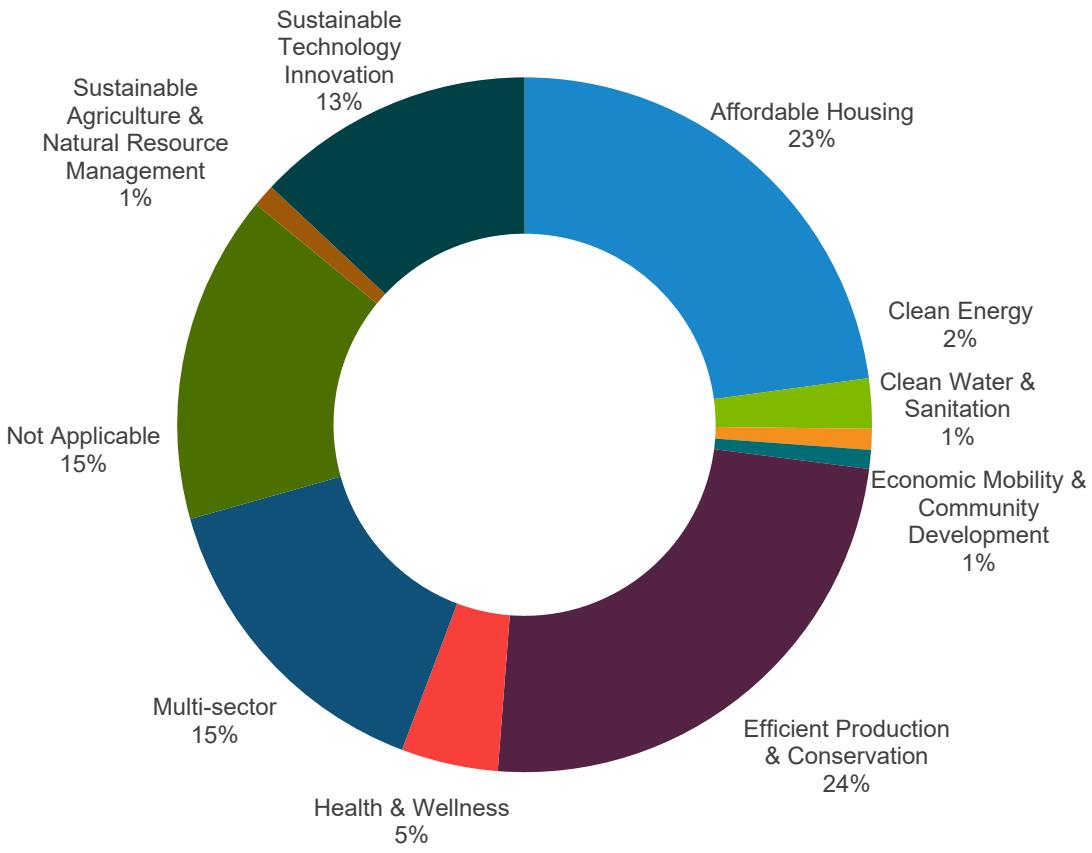
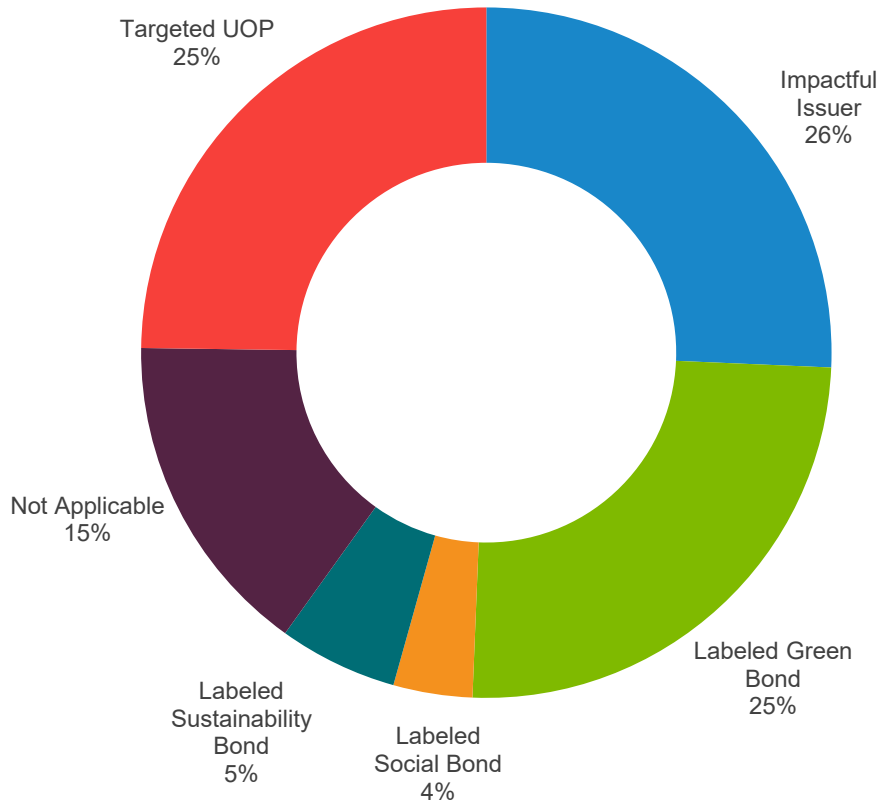
Impact Distribution



Impact Source



Source: FactSet. Impact breakdowns are based on a representative Sustainable Core Fixed Income account include cash and are provided as Supplemental Information. *NA refers to cash and equivalents, treasuries, and ESG neutral securities. Numbers may not total due to rounding. 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. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Please see the end of this presentation for important disclosures.

First Quarter 2022

QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

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Representative Sustainable Core Fixed Income Account as of 3/31/2022

	REPRESENTATIVE SUSTAINABLE CORE FIXED INCOME ACCOUNT			BLOOMBERG AGGREGATE BOND INDEX			ATTRIBUTION FACTORS							
SECTOR	SECTOR WEIGHT	TOTAL RETURN (%)	CONTRIBUTION TO RETURN (%)	SECTOR WEIGHT	TOTAL RETURN (%)	CONTRIBUTION TO RETURN (%)	SHIFT EFFECT	TWIST EFFECT	SPREAD EFFECT (LOCAL)	INCOME EFFECT (LOCAL)	ALLOCATION EFFECT	SELECTION EFFECT	TOTAL EFFECT (LOCAL)	EXCESS RETURN
ABS	4.05	-1.23	-0.05	0.36	-3.33	-0.01	-0.04	-0.00	-0.01	0.01	0.01	-0.01	-0.04	-0.04
CMBS	20.27	-4.32	-0.87	2.00	-5.59	-0.11	-0.83	0.01	-0.05	0.11	0.03	0.00	-0.73	-0.73
Corporate	36.00	-6.56	-2.37	25.00	-7.70	-1.93	-0.05	-0.44	0.05	0.04	0.00	-0.00	-0.41	-0.41
Mortgage	12.69	-4.17	-0.51	27.65	-4.97	-1.38	1.05	-0.04	-0.07	0.06	-0.10	-0.05	0.85	0.85
Municipal	4.76	-5.55	-0.27	0.69	-9.66	-0.07	-0.23	-0.01	0.05	0.03	-0.01	-0.03	-0.19	-0.19
Non-U.S. Government	3.54	-2.76	-0.09	2.88	-5.15	-0.15	0.11	-0.07	0.02	0.00	0.00	-0.00	0.06	0.06
U.S. Government	15.91	-6.96	-1.13	41.42	-5.51	-2.29	1.16	0.55	-0.07	-0.12	0.01	-0.41	1.12	1.12
Cash and Equivalents	2.77	0.00	0.00	--	--	--	--	--	--	0.00	-0.01	--	-0.01	-0.01
Total	100.00	-5.29	-5.29	100.00	-5.94	-5.94	1.18	-0.01	-0.07	0.12	-0.06	-0.50	0.65	0.65

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Sustainable Core Fixed Income account and is provided as Supplemental Information. Sectors are based on Bloomberg Index classifications. 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. Sector attribution includes cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results.

ATTRIBUTION ANALYSIS

First Quarter 2022

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- Intermediate-term rates rose materially this quarter, as the market priced in more persistent inflation and thus a more hawkish Federal Reserve. The market went from pricing one hike in 2022 to three over the course of the quarter. The five-year Treasury was 30 bps higher. The curve also flattened meaningfully, as traders expressed skepticism over long-term growth prospects. The 10-year was unchanged, and the 30-year fell by 14 bps.
  - This benefited our relative return, as we were meaningfully underweight the five-year part of the curve and slightly overweight the 30-year segment.
- Corporate credit spreads widened 9 bps this quarter, due partially to heavy supply but also some of the growth concerns mentioned above.
  - This had little effect on our positioning, as we are overweight credit by percentage but neutral to short by contribution to duration.
  - Unadjusted, our credit picks underperformed those in the benchmark, but this was entirely because our corporate holdings are mostly in the five- to 10-year part of the curve. On a portfolio basis, this key rate exposure is offset by Treasury positioning. On a duration-adjusted basis, our picks performed about in line with those of the benchmark.
- ABS and CMBS performed about in line with the benchmark, with spreads broadly unchanged in these sectors.
- MBS added slightly to relative performance.
  - The sector generally was an underperformer, so being underweight was beneficial.
  - Selection in MBS was also a small positive, as our overweight to GNMA added to performance.

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Sustainable Core Fixed Income account and is provided as Supplemental Information. Sectors are based on Bloomberg Index classifications. 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. Sector attribution includes cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results. Please see disclosure statements at the end of this presentation for additional information.

SAMPLE HOLDING

Sustainable Core

MICRON

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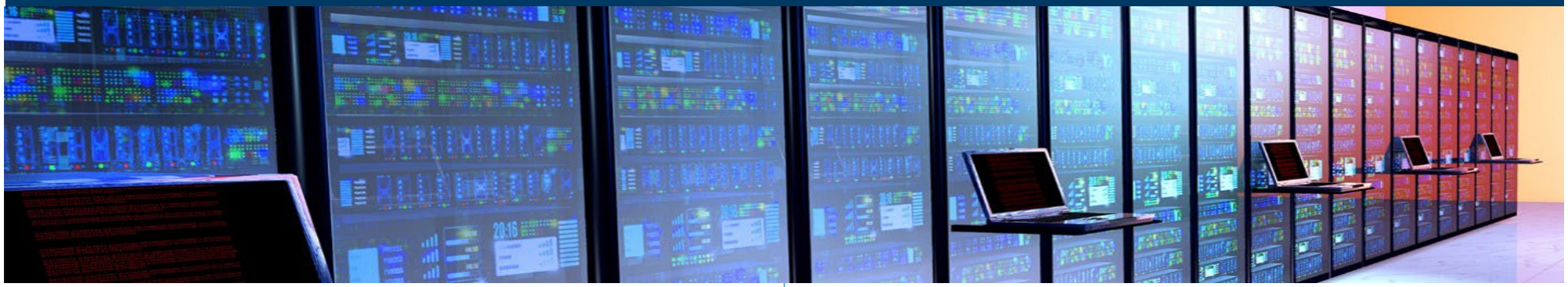
Portfolio Holding: Micron (Green Bond)

Micron Technology, Inc. is a leading innovator of memory and storage solutions.



Fundamental Drivers

- As the semiconductor space has consolidated, Micron has enjoyed strong positioning, improving margins, and helped smooth a historically volatile flash memory pricing environment.
- Long-term tailwinds from the mobility, networking, cloud, and gaming megatrends should drive revenue visibility and improve incremental operating margins.
- The issuer's meaningful amount of balance sheet cash, in excess of total debt, should help prepare Micron for future memory pricing shocks.

Sustainable Drivers

- Micron's products underpin modern computing hardware and accelerate sustainability and social good.
- The company's product applications include leveraging artificial intelligence (AI) to improve autonomous vehicle safety and precision medicine in cancer care.
- Micron strengthens operational and supply chain sustainability programs with reduction and efficiency targets for emissions, energy, water, and waste.
- **Green Bond Proceeds:** Proceeds finance on-site solar shelf investments, green building projects, water efficiency, reuse and recycling projects, energy efficiency projects, and GHG emissions reductions projects.

Source: Micron; data as of 03/31/22. 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. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a representative Sustainable Core Fixed Income account and is provided as Supplemental Information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

PHYSICIAN REALTY

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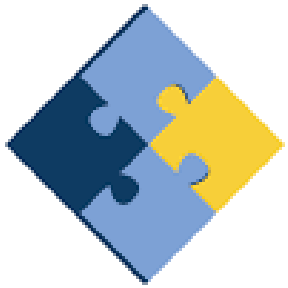
Portfolio Holding: Physicians Realty Trust (NYSE: DOC)

Physician Realty Trust (DOC) is a health care real estate investment trust (REIT) providing space for medical offices, outpatient care, and more.



PHYSICIANS REALTY TRUST

Fundamental Drivers

- We believe that DOC has a high quality, well-leased, attractively structured portfolio of assets.
- DOC's emphasis on medical office buildings means its lessees see the benefits of procedures moving to outpatient settings, resulting in accelerated demand.
- There is a strong balance sheet and metrics compared to peers in the IG Healthcare REIT space.
- The issuer has a history of strong operating performance through cycles.

Sustainable Drivers

- We believe that DOC is well positioned to capitalize on the shift to outpatient care resulting in a preferred consumer experience, lower costs, and better health outcomes for patients.
- The borrower works to leverage green building best practices to attract and retain tenants through reduced utility costs.

Source: Physician Realty Trust; data as of 03/31/22. 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. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a representative Sustainable Core Fixed Income account and is provided as Supplemental Information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

DISCLOSURES

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All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on First parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

The **Bloomberg Aggregate Bond Index** is an unmanaged, market value-weighted index comprised of taxable U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate, asset-backed and mortgage-backed securities between one and 10 years. One cannot invest directly into an index.

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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. **Average Life** is the average period of time for all principal dollars to be returned to investors.

An investor cannot invest directly in an index.

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DISCLOSURES (CONTINUED)

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The **Total Return of a benchmark-, sector-, and portfolio-level** are the sum of the returns from price movement and the returns due to 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.
The **Contribution to Return** is measured by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.
The **Shift Effect** measures the effect of a parallel shifts in the yield curve.
The **Twist Effect** is measured by multiplying the difference in changes in a yield curve and the key duration with negative modified duration.
The **Spread Effect** is measured by subtracting income and treasury effects from the total portfolio return.
The **Income Effect** is measured by dividing the coupon rate by the ending price.
The **Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark.
The **Selection Effect** is measured by using the remainder once income, treasury and spread effects are subtracted from the total return.
The **Total Effect** reflects the combination of allocation, selection and interaction effects. Totals may not total due to rounding.

SUSTAINABLE CORE COMPOSITE

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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 ($USD Millions)*	Firm Assets ($USD Millions)*
2020	9.4	8.9	7.5	4.3	3.4	26	0.4	416	59,683
2019	9.5	9.1	8.7	2.9	2.9	14	0.2	265	42,426
2018	0.4	0.1	0.0	2.8	2.8	19	0.3	217	30,529
2017	3.7	3.4	3.5	2.8	2.8	11	0.3	113	33,155
2016	1.0	0.8	2.7	N/A	N/A	9	0.1	91	30,417
2015	1.2	0.8	0.6	N/A	N/A	Five or fewer	N/A	60	43,746
2014**	2.0	1.9	1.8	N/A	N/A	Five or fewer	N/A	5	44,772

**Return is for period October 1, 2014 through March 31, 2014.

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 March 31, 2020. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

1. *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.
2. The Sustainable Core Composite (the Composite) is comprised of all discretionary accounts with no material investment restrictions, which invest primarily in fixed income securities that have a target duration between 3 and 7 years. At least 80% of the securities in each portfolio in the Composite will have credit quality ratings of A or better at the time of purchase. Accounts included in the Composite are invested primarily in taxable securities. The minimum account market value required for Composite inclusion is $2 million, and accounts in the Composite will have an average effective duration between 3 and 7 years. The guidelines of accounts specifically indicate a preference for sustainability related investments. Bonds in Composite accounts are evaluated according to a variety of environmental, social and governance factors. These factors are used by the portfolio manager to seek holdings with attractive ESG risk profiles and or bonds whose uses of proceeds meet the standards of the Green Bond Principles. ESG Factors are not used for the purposes of absolute negative screening in Composite accounts.
3. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify issuers and securities that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in securities that do not reflect the beliefs and values of any particular investor. The strategy may also invest in securities that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in securities with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular issuers and industries. Brown Advisory relies on First parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.
4. From July 2016 to March 2019, the minimum account market value required for Composite inclusion was $1 million, and prior to July 2016 was $2 million.
5. Effective January 1, 2016, a significant cash flow policy was implemented for the Composite. Accounts with a greater than or equal to 14% external cash flow will be removed from the Composite for the entire month that the external cash flow occurred. The account will be added back to the Composite the following month if it meets the Composite inclusion requirements. The external cash flow percentage is calculated using beginning market value.
6. The composite creation date is November 1, 2015. The composite inception date is October 1, 2014.
7. The benchmark is the Bloomberg Aggregate Bond Index. The Bloomberg Aggregate Bond Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate, asset-backed, and mortgage-backed securities between one and ten years. "Bloomberg®" and Bloomberg Aggregate Bond Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Advisory. Bloomberg is not affiliated with Brown Advisory, and Bloomberg does not approve, endorse, review, or recommend the Brown Advisory Sustainable Core Fixed Income Strategy. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Brown Advisory Sustainable Core Fixed Income Strategy. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
8. 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. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
9. 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: 0.375% on the first $10 million; 0.25% on the next $15 million and 0.20% on the balance over $25 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.
10. The investment management fee for the Investor Shares of the Brown Advisory Sustainable Bond Fund (the Fund), which is included in the Composite, is 0.30%, 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, 2020) was 0.62%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
11. 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 March 31. The 3 year annualized standard deviation is not presented as of March 31, 2014, March 31, 2015 and March 31, 2016 because 36 month returns for the Composite were not available (N/A.)
12. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
13. Duration is a measure of interest rate risk.
14. The use of derivatives is integral to the investment process of the strategy mutual fund, which is a constituent of the Composite. Futures and swaps are utilized and comprise roughly 20% of the fund. The fund may employ leverage, but it is not integral to the investment process. Portfolios have and may invest in CMOs and range accrual notes. Shorting is not utilized.
15. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
16. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
17. Past performance is not indicative of future results.
18. 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.