

# Sustainable Short Duration

## STRATEGY FACT SHEET

Third Quarter 2023

### PHILOSOPHY

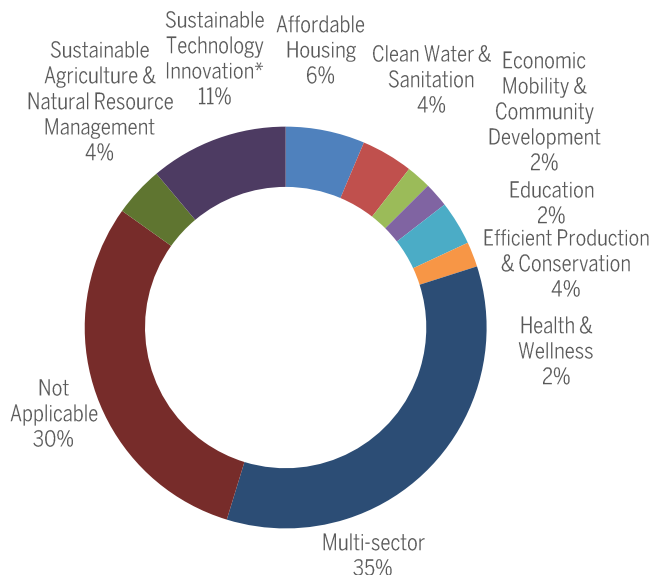
We seek to deliver attractive risk-adjusted returns by incorporating ESG<sup>5</sup> research that we believe strengthens bottom-up, credit-focused research, while seeking to produce positive environmental and social impacts.

STRATEGY INCEPTION DATE: 01/31/2017

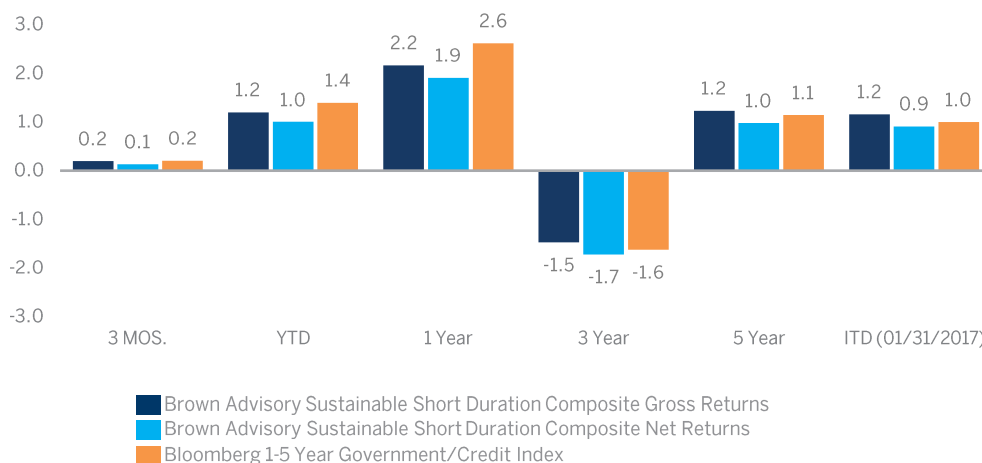
### IMPACT THEMES

Affordable Housing  
Clean Water & Sanitation  
Economic Mobility & Community Development  
Education  
Efficient Production & Conservation  
Health & Wellness  
Multi-sector  
Not Applicable  
Sustainable Agriculture & Natural Resource Management  
Sustainable Technology Innovation

### IMPACT DISTRIBUTION<sup>2</sup>



### PERFORMANCE (AS OF 09/30/2023)<sup>1,3,4</sup>



- Notes:
- Source: FactSet®. Returns shown are through 09/30/2023 for each period. All returns greater than one year are annualized. Past performance is not indicative of future results.
  - Source: FactSet®. The portfolio information on the right is based on a representative Sustainable Short Duration account and is provided as Supplemental Information. Portfolio level information includes cash and cash equivalents. Fixed income sectors, quality distribution and duration distribution may not total 100% due to rounding. \*NA refers to cash and equivalents, treasuries, and ESG neutral securities.
  - The composite performance shown above reflects the Sustainable Short Duration 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 reverse side for a GIPS Report and a complete list of terms and definitions.
  - Bloomberg® and Bloomberg 1-5 Year Government/Credit 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 Short Duration Strategy. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Brown Advisory Sustainable Short Duration Strategy.
  - ESG considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. ESG analysis may not be performed for every holding in the strategy.

### PORTFOLIO CHARACTERISTICS<sup>2</sup>

	REP. ACCOUNT	BLOOMBERG 1-5 YR GOVT/ CREDIT INDEX
Avg. Credit Quality	Aa2	Aa2
Effective Duration (years)	2.5	2.6
Yield to Worst (%)	5.3	5.2
Avg. Life (years)	2.8	2.9

### SECTOR DISTRIBUTION (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBERG 1-5 YR GOVT/ CREDIT INDEX
Cash & Equivalents	0.8	0.9
US Government	33.3	67.6
Non-US Government	23.0	4.4
Corporate	19.4	26.9
Mortgage	6.1	--
CMBS	1.5	--
ABS	4.0	0.1
Municipal	12.0	0.1

### CREDIT QUALITY COMPOSITION (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBERG 1-5 YR GOVT/ CREDIT INDEX
AAA/Aaa	72.0	71.7
AA/Aa	9.7	2.5
A	11.6	13.5
BBB	6.8	12.0
High Yield	--	0.3
Not Rated	--	0.02

### DURATION DISTRIBUTION (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBERG 1-5 YR GOVT/ CREDIT INDEX
Less than 1 Year	18.2	3.3
1 to 3 Years	34.4	60.7
3 to 5 Years	46.4	36.0
5 to 7 Years	0.9	--
7 to 10 Years	--	--

# 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. We are committed to delivering a combination of first-class performance, customized strategic advice and the highest level of personalized service.

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. 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.

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# Sustainable Short Duration 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)*
2022	-5.0	-5.2	-5.5	2.3	2.5	14	0.2	147	58,575
2021	-0.9	-1.1	-1.0	1.6	1.5	11	0.0	78	79,715
2020	4.7	4.4	4.7	1.6	1.5	17	N/A	93	59,683
2019	5.1	4.8	5.0	N/A	N/A	Five or fewer	N/A	14	42,426
2018	1.5	1.2	1.4	N/A	N/A	Five or fewer	N/A	17	30,529
YTD 2017**	1.5	1.2	1.0	N/A	N/A	Five or fewer	N/A	14	33,155

\*\*Return is for period February 1, 2017 through December 31, 2017.

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, 2022. 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.

- \*For the purpose of \*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 Sustainable Short Duration 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 one and four 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 2 and 3.5 years. The guidelines of accounts specifically indicate 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 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.
- 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 third 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 Composite creation date is March 1, 2019. The Composite inception date is February 1, 2017.
- The benchmark is the Bloomberg US Aggregate Government & Credit (1-5 Y) Index. The Bloomberg US Aggregate Government & Credit (1-5 Y) Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, and corporate with maturities between 1 and 5 years. "Bloomberg®" and Bloomberg US Aggregate Government & Credit 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 Institutional. Bloomberg is not affiliated with Brown Advisory Institutional, and Bloomberg does not approve, endorse, review, or recommend the Composite. Bloomberg does not guarantee the timeliness, accuracy, or completeness of any data or information relating to the Composite. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- 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.
- 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-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.25% on the first \$50 million; 0.20% on the next \$50 million; and 0.15% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- 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, 2017, December 31, 2018 and December 31, 2019 because 36 month returns for the Composite were not available (N/A)
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- To date, any material use of derivatives has consisted of CMOs and range accrual notes.
- Duration is a measure of interest rate risk.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports 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.

## Terms and Definitions for Representative Account Calculations

**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. **Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a portfolio and compares its risk-adjusted performance to a benchmark index. FactSet® is a registered trademark of FactSet Research Systems, Inc.