

# Sustainable Small-Cap Core

## STRATEGY FACT SHEET

Third Quarter 2023

### WHY INVEST IN BROWN ADVISORY SUSTAINABLE SMALL-CAP CORE?

**Our investment approach seeks outperformance through a concentrated, low-turnover portfolio of companies that we believe have best-in-breed business models, attractive valuations and strong or improving sustainable opportunities, stemming from underlying Sustainable Drivers.** Sustainable Drivers are characteristics that we believe have potential to drive tangible positive outcomes, in terms of financial performance, and environmental or social impact. We believe that our integration of fundamental and ESG research adds an informational edge to our investment process that helps us identify quality small-cap investment opportunities.

**We believe the small-cap asset class presents unique ESG research challenges that our research process is well positioned to navigate.** We believe small-cap companies are often under-rated due to limited ESG disclosures. We believe this provides a compelling opportunity for our team to draw on our deep knowledge of the small-cap asset class. Our ESG research process helps us uncover information and construct a portfolio of what we believe to be quality investments to achieve goals of sustainability and performance.

Portfolio Managers: Timothy Hathaway, CFA; Emily Dwyer; Chris Berrier, J. David Schuster  
Benchmark: Russell 2000® Index

### PERFORMANCE (% AS OF 09/30/2023)

	3 MOS.	YTD	1 YR.	3 YR.	5 YR.	ITD
Sustainable Small-Cap Core Composite (Gross of Fees)	-3.94	4.04	10.44	8.37	7.06	9.81
Sustainable Small-Cap Core Composite (Net of Fees)	-4.19	3.27	9.35	7.30	6.00	8.73
Russell 2000® Index	-5.13	2.54	8.93	7.16	2.40	5.17

### TOP 10 PORTFOLIO HOLDINGS (%)

Onto Innovation, Inc.	3.4
SPX Technologies, Inc.	2.8
Federal Signal Corporation	2.7
Bright Horizons Family Solutions, Inc.	2.4
Bancorp Inc	2.4
MGIC Investment Corporation	2.2
Mueller Water Products, Inc. Class A	2.2
HealthEquity Inc	2.2
Cable One, Inc.	2.2
H.B. Fuller Company	2.1

### SECTOR BREAKDOWN (%)

REP. ACCT	INDEX
Communication Services	4.2
Consumer Discretionary	7.1
Consumer Staples	3.1
Energy	--
Financials	19.0
Health Care	17.6
Industrials	20.2
Information Technology	14.0
Materials	3.7
Real Estate	4.5
Utilities	--

### STRATEGY PROFILE AS OF 09/30/2023

#### BENCHMARK

Russell 2000® Index

#### INCEPTION DATE

June 30, 2017

#### VEHICLES AVAILABLE

Separately Managed Account (SMA)  
Mutual Fund

#### ROLE IN PORTFOLIO

An ESG-focused small-cap core investment with low tracking error and high active share

### CHARACTERISTICS AS OF 09/30/2023

	SUSTAINABLE SMALL-CAP CORE REP ACCT.	RUSSELL 2000® INDEX
Weighted Avg. Market Capitalization	\$4.5B	\$2.8B
P/E Ratio (FY2 Est.)	15.3x	12.2x
Portfolio Beta	0.9	1.0
Active Share (%)	95.4	--
3-Year Tracking Error (%)	6.1	--
Dividend Yield (%)	0.9	1.6

### PORTFOLIO MANAGER PROFILES

#### TIMOTHY HATHAWAY, CFA

Timothy Hathaway, CFA, is a portfolio manager for the Sustainable Small-Cap Core strategy and Head of U.S. Institutional Business. During his tenure at Brown Advisory since joining the firm in 1995, he has also served as director of research and institutional investment management, co-portfolio manager of the Small-Cap Growth strategy and a research analyst with the Large-Cap Equity team.

#### EMILY DWYER

Emily Dwyer is a portfolio manager and senior ESG equity research analyst responsible for ESG integration across Brown Advisory's institutional equity strategies as well as oversight of ESG adoption and research. Prior to joining Brown Advisory in 2014, Emily held research positions at Parnassus Investments, Sustainalytics, and the United Nations Environmental Programme Finance Initiative.

#### CHRISTOPHER A. BERRIER

Christopher Berrier is the portfolio manager of the Small-Cap Growth strategy, Mid-Cap Growth strategy, and Sustainable Small-Cap Core 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.

#### J. DAVID SCHUSTER

David Schuster is a portfolio manager for the Small-Cap Fundamental Value strategy, and Sustainable Small-Cap Core strategy. Prior to joining Brown Advisory in 2008, he was a managing director for the financial institutions mergers and acquisition advisory group of Citigroup and a managing director in the M&A practice of Lazard Freres. After graduating from college, David served as an officer in the United States Army. David earned his BSBA degree from Georgetown University in 1992.

Source: FactSet®. The portfolio information provided is based on a representative Brown Advisory Sustainable Small-Cap Core account as of 09/30/2023 and is provided as Supplemental Information. 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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Sector breakdown and portfolio characteristics includes cash and equivalents; top 10 portfolio holdings includes cash and equivalents which was 6.4% as of 09/30/2023 and is provided as Supplemental Information. Returns greater than one year are annualized. Past performance is not indicative of future results. Numbers may not total due to rounding. The composite performance shown above reflects the Sustainable Small-Cap Core 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. 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. Please see the end of this Fact Sheet for a GIPS Report 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. 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 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 Sustainable Small-Cap Core

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	-19.3	-20.1	-20.4	23.7	26.0	37	0.4	66	58,575
2021	20.7	19.5	14.8	21.7	23.4	42	0.4	62	79,715
2020	25.8	24.6	20.0	23.7	25.3	33	1.2	16	59,683
2019	36.2	34.9	25.5	N/A	N/A	6	0.4	5	42,426
2018	-5.8	-6.7	-11.0	N/A	N/A	Five or fewer	N/A	1	30,529
YTD 2017**	9.8	9.2	9.2	N/A	N/A	Five or fewer	N/A	0.1	33,155

\*\*Return is for period July 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 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 Small-Cap Core Composite (the Composite) is composed of all discretionary portfolios which invest primarily in the common stocks of U.S. small and medium market capitalization companies. Using both fundamental research & proprietary ESG analysis, the strategy is a concentrated portfolio of high-conviction companies which seeks to outperform the Russell 2000 Index over the long term.
- 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 established or improving sustainability characteristics but investors may differ in their views of what constitutes established or improving sustainability characteristics. 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 strategies. Security selection will be impacted by the combined focus on ESG analysis, fundamental analysis, and valuation analysis. In addition to proprietary and qualitative ESG analysis, Brown Advisory has access to ESG-related data from third-party providers. Brown Advisory does not solely rely on third-party data or recommendations when making investment decisions. 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.
- Prior to May 31, 2021, the Composite was named U.S. Small-Cap ESG Composite. The strategy remains the same.
- The Composite creation date is August 31, 2017. The Composite inception date is July 1, 2017.
- The benchmark is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 2000® Index and FTSE 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 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 may 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: 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 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 investment management fee for the Investor Shares of the Brown Advisory Sustainable Small-Cap Core (the Fund), which is included in the Composite, is 0.85%, 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, 2022) was 1.08%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- 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 three-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.
- 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 is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
- 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. 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. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. **Active Share** is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two. **Weighted Average** 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. **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. **Beta** is a measure of volatility of a security compared to the market as a whole. **Portfolio Beta** is the weighted sum of the individual asset betas and describes relative volatility of an individual securities portfolio, taken as a whole, as measured by the individual stock betas of the securities making it up. **Tracking Error** is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. **Dividend Yield** is a financial ratio, expressed as a percentage, that shows how much a company pays out in dividends each year relative to its stock price. 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.