

# SUSTAINABLE SMALL-CAP CORE REVIEW AND OUTLOOK



Third Quarter 2021

The Brown Advisory Sustainable Small-Cap Core strategy leverages the power of our proprietary fundamental and environmental, social and governance research to pursue strong investment returns that align with investors' values. The strategy's investment approach seeks outperformance through a concentrated, low-turnover portfolio of companies with best-in-breed business models, attractive valuations, and strong or improving sustainable drivers that stem from a company's products, services or operations. Our goal is to isolate stock selection as a key driver of performance relative to the market. We seek to accomplish this by combining deep fundamental business analysis and investment judgment with objective portfolio analysis. The result is a portfolio that seeks outperformance relative to a broad market benchmark, while staying within the confines of an ESG-aligned investment universe.

The Sustainable Small-Cap Core strategy generated strong relative returns in the third quarter of 2021 despite ending relatively flat on an absolute basis. The strategy outperformed the benchmark, the Russell 2000® Index, by approximately 400 basis points.

After a strong start to the year, the Russell 2000® Index has somewhat stagnated, as improving signs of economic recovery and the relaxed COVID-19-19 restrictions had little impact on investor sentiment amid increasing concerns around inflation and the Federal Reserve tapering. In fact, the only two sectors that posted positive absolute returns in the quarter were energy and financial services, and both showed modest returns.

Over the quarter, the most notable portfolio outperformance was in health care, consumer, financial services and information technology. Strength in these sectors was driven by stock selection, consistent with our goal as bottom-up managers. Strong performance in these sectors was offset by modest underperformance in areas such as industrials, material and real estate. The underweight to energy was the second-largest detractor in the third quarter.

For market participants, 2020 was an unprecedented year that set 2021 and beyond up for accelerated change across many facets of both the individual and business life cycle. The pace of change has made the future even more difficult to predict. At Brown Advisory, we do not attempt to make broad market predictions, nor do we manage portfolios from the top-down. Rather, our research team focuses on what we believe we can control: conducting thorough fundamental and ESG research, driving strong communication within the investment team and managing the portfolio with a long term investment horizon. Against the backdrop of market turmoil, we remain guided by individual company analysis and portfolios built from the bottom-up.

In conclusion, we were pleased with the performance of the portfolio in a very challenging market. We believe our rigorous bottom-up security analysis, ESG-alignment of our investments and thoughtful portfolio construction should lead to meaningful outperformance in the long run.

# SECTOR DIVERSIFICATION

Third Quarter 2021



- Our portfolio selection process aims to generate consistency and low tracking error to the Russell 2000® Index, thus isolating outperformance through our team's fundamental, bottom-up stock selection process. We look to minimize sector and factor variation against the market while maximizing our idiosyncratic upside opportunities. As a result, we do not expect meaningful divergence between sector weights in the portfolio and those in the benchmark.

- That said, the ESG nature of this portfolio gives it a natural tilt away from hydrocarbon-producing and -consuming companies, typically in the energy and utilities sectors. We attempt to offset those underweights (~4.41% and ~2.31%, respectively) with specific investments in the industrials and information technology sectors, among others, for example.

GICS SECTOR	REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT (%)	RUSSELL 2000 INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT (%)	
				Q3'21	Q3'20
Communication Services	5.03	3.33	1.70	4.68	1.59
Consumer Discretionary	9.13	11.99	-2.86	8.68	13.65
Consumer Staples	2.87	3.09	-0.22	4.36	4.59
Energy	--	4.41	-4.41	--	--
Financials	16.97	15.69	1.28	15.96	14.27
Health Care	18.20	19.65	-1.45	17.88	18.82
Industrials	17.61	13.74	3.87	18.92	19.12
Information Technology	21.24	15.07	6.17	23.08	23.12
Materials	3.42	3.80	-0.38	0.95	--
Real Estate	5.53	6.92	-1.39	5.48	4.85
Utilities	--	2.31	-2.31	--	--
Unassigned	--	0.01	-0.01	--	--

Source: FactSet®. 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. The portfolio information provided is based on a Representative Sustainable Small-Cap Core Account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR



Third Quarter 2021

REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT			RUSSELL 2000® INDEX		ATTRIBUTION ANALYSIS		
GICS SECTOR	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	4.55	-4.08	3.22	-12.95	-0.11	0.47	0.36
Consumer Discretionary	8.76	1.38	12.25	-7.30	0.11	0.75	0.86
Consumer Staples	3.81	-8.44	3.08	-5.67	-0.01	-0.12	-0.13
Energy	--	--	3.86	1.45	-0.25	--	-0.25
Financials	15.50	3.81	15.32	1.07	0.02	0.44	0.46
Health Care	19.23	1.21	19.90	-9.66	0.05	2.13	2.18
Industrials	18.40	-3.18	13.84	-0.85	0.19	-0.42	-0.23
Information Technology	22.62	1.03	15.07	-4.18	0.04	1.21	1.25
Materials	1.57	-12.24	3.88	-4.49	-0.02	-0.19	-0.20
Real Estate	5.57	-4.71	7.14	-0.90	-0.05	-0.21	-0.26
Utilities	--	--	2.43	-3.33	-0.01	--	-0.01
Unassigned	--	--	0.01	43.33	--	--	--
<b>Total</b>	<b>100</b>	<b>-0.36</b>	<b>100</b>	<b>-4.36</b>	<b>-0.05</b>	<b>4.06</b>	<b>4.00</b>

Source: FactSet. 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. Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. The portfolio information provided is based on a Representative Sustainable Small-Cap Core Account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution excludes 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.

# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN



Third Quarter 2021 Representative Sustainable Small-Cap Core Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
WK	Workiva Inc. Class A	Provides business reporting solutions	2.75	26.61	0.61
BHVN	Biohaven Pharmaceutical Holding Company Ltd.	Operates a clinical-stage biopharmaceutical company	1.42	43.09	0.49
CRL	Charles River Laboratories International, Inc.	Provides laboratory testing and research services on a contract basis	3.83	13.43	0.47
XLRN	Acceleron Pharma Inc	Operates as a clinical stage biopharmaceutical company, which develops protein therapeutics for cancer and orphan diseases	1.06	37.06	0.38
DT	Dynatrace, Inc.	Develops software for digital and application performance management	1.74	21.18	0.36

- Bookings at Workiva (WK) are accelerating, and we think the path for growth ahead is strong with newer use cases such as the European Single Electronic Format and ESG Reporting still in their nascent stages.
- Biohaven's (BHVN) launch of Nurtec continues to beat expectations, and received a boost from the addition of migraine prevention to the label. BHVN also continues to be viewed as an acquisition target, and thus, recent M&A activity in the space may have improved sentiment. As such, investors have largely looked past verdiperstat's Phase 3 failure in Multiple System Atrophy.
- Charles River (CRL) continued to execute at a high level as the leading pre-clinical Contract Research Organization, supporting hundreds of well-funded biotech assets. Strategic M&A in the high growth area of cell/gene therapy further diversified the company's already well-balanced portfolio. Despite a demanding environment, management continued to deliver attractive operational results.
- Acceleron Pharma (XLRN) is in the process of being acquired by Merck for \$180 per share or \$11.5Bn. XLRN was already a fairly well recognized acquisition target and rumors drove the stock up from ~\$120-130 in mid-august to ~\$175 when the deal was announced. We think this represents a good deal for Merck and view the acquisition as likely to go through.
- Dynatrace (DT) continues to execute on a growing market opportunity as enterprises undertake their digital transformations. The company saw strong new logos growth, as well as expansion from existing customers, as new modules continue to gain traction. Dynatrace also raised its full year outlook and continues to aggressively hire go-to-market resources, which demonstrates their confidence in forward demand trends. During the period, Dynatrace acquired SpectX, bolstering its position in security for hybrid, multi-cloud environments.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN



Third Quarter 2021 Representative Sustainable Small-Cap Core Account Bottom Five Contributors

Name	Description	Average Weight (%)	Return (%)	Contribution to Return (%)
HQY	HealthEquity Inc Provides range of solutions for managing health care accounts	1.83	-19.53	-0.42
ACCD	Accolade, Inc. Provides healthcare IT services	1.49	-22.35	-0.38
DBRG	DigitalBridge Group, Inc. Class A Functions as real estate investment trust	1.22	-24.38	-0.37
ALHC	Alignment Healthcare, Inc. Provides health insurance services	0.93	-31.62	-0.36
NVRO	Nevro Corp. Develops and manufactures medical devices	0.91	-29.80	-0.34

- HealthEquity (HQY) stock continues to be weighed down from low interest rates. While we believe the company will benefit from rising rates, we also believe the company is performing strongly & in-line with our expectations, especially around health savings account growth.
- Accolade (ACCD) saw its shares pressured not as a result of anything company specific, but rather in-line with a broader selloff of high multiple technology companies. The company's performance continues to impress with cross-sell opportunities related to its recent acquisitions of 2ndMD and Plushcare ahead of plan.
- DigitalBridge (DBRG) gave back strong gains in the previous quarter. We continue to think the portfolio transition from legacy real estate to digital assets, and aligned management incentives make for a good long-term holding.
- Shares of Alignment Healthcare (ALHC) were impacted by concerns over a rise in medical cost trends experienced by several other managed care and health services operators. Additionally, the company saw its shares pressured as part of the same broader drawdown in recently public companies.
- Nevro's (NVRO) surgical volumes continued to be impacted by COVID-19 driven deferrals. The nature of Nevro's business and the lengthy diagnostic pathway required to receive a permanent spinal cord stimulation implant has meant that Nevro's post-COVID-19 recovery has been slower than that of other medical technology companies.

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# QUARTER-TO-DATE ADDITIONS



## Third Quarter 2021 Representative Sustainable Small-Cap Core Account Portfolio Activity

- Ascendis (ASND) provides us a platform technology play with their TransCon drugs: we like the fact that they're using parent drugs with well established efficacy/safety by themselves, and improving on the efficacy in some cases with more smoothed / predictable metabolic profiles, and increased convenience since the TransCon drugs do not need to be taken as often as the parent drug. Given ASND's approach, we view their pipeline as somewhat more de-risked than traditional therapeutics companies.
- H.B. Fuller (FUL) is an adhesives manufacturer with underappreciated revenue growth and margin improvement levers. We believe that management's revenue growth and margin targets are attainable as the company gains share through innovation and continues to improve its operational efficiency. For example, we believe strong upside potential is tied to the company's recent wins across automotive/electric vehicles, batteries, and solar (nearly a third of solar panels produced globally use HB Fuller's sealants). The company trades at low valuation relative to such growth & margin expansion opportunity.
- Owens & Minor (OMI) is a medical supply distributor and manufacturer; notably, it one of the largest vertically integrated manufacturers of healthcare PPE. What separates OMI from other companies is that the majority of its gowns, N95 respirators, masks, and other products are manufactured domestically in its North Carolina and Texas facilities. As a result, OMI is able to quickly turn around its products and get them to customers, which was especially impactful during the pandemic. We believe the company is over-earning in the short-run due to COVID-19, but its sustainable levels of cash flow generation is underappreciated. Management has done an admirable job improving their core distribution business, but we also believe that this improvement path is still in the early innings.

SYMBOL	ADDITIONS	GICS SECTOR
ASND	Ascendis Pharma A/S Sponsored ADR	Health Care
FUL	H.B. Fuller Company	Materials
OMI	Owens & Minor, Inc.	Health Care
VMEO	Vimeo, Inc.	Communication Services

- Vimeo (VMEO) spun out of IAC last quarter and is a leading provider of video production, delivery and storage tools, with meaningful revenue from both self-serve customers and enterprises. Over 70% of Vimeo's subscribers are small and medium size businesses, and the company's platform helps those businesses easily create video content to further their digital reach—this has proven to be a lifeline for many small businesses during the pandemic. We expect durable self-serve growth from a combination of subscriber growth and pricing optimization, and enterprise to grow as Vimeo expands the product offering and invests in go-to-market resources.

# QUARTER-TO-DATE DELETIONS

## Third Quarter 2021 Representative Sustainable Small-Cap Core Account Portfolio Activity



- We eliminated Hain Celestial (HAIN) during the quarter as our thesis has played out. Hain's new CEO has successfully turned the business around by cutting unproductive products and refocusing the business on its profitable core. After driving tremendous improvement in EBITDA over the last few years, we see growth as more difficult going forward.
- We eliminated our position in Mimecast (MIME) in the quarter to fund other opportunities. We believe an increasingly competitive environment will make it difficult for the company to compete for large Enterprise deals.
- We exited Renasant (RNST) given an outsized reliance on mortgage banking income and with mortgage volumes expected to drop off materially in coming quarters, we believe profitability is at risk. We felt the valuation did not reflect this risk.

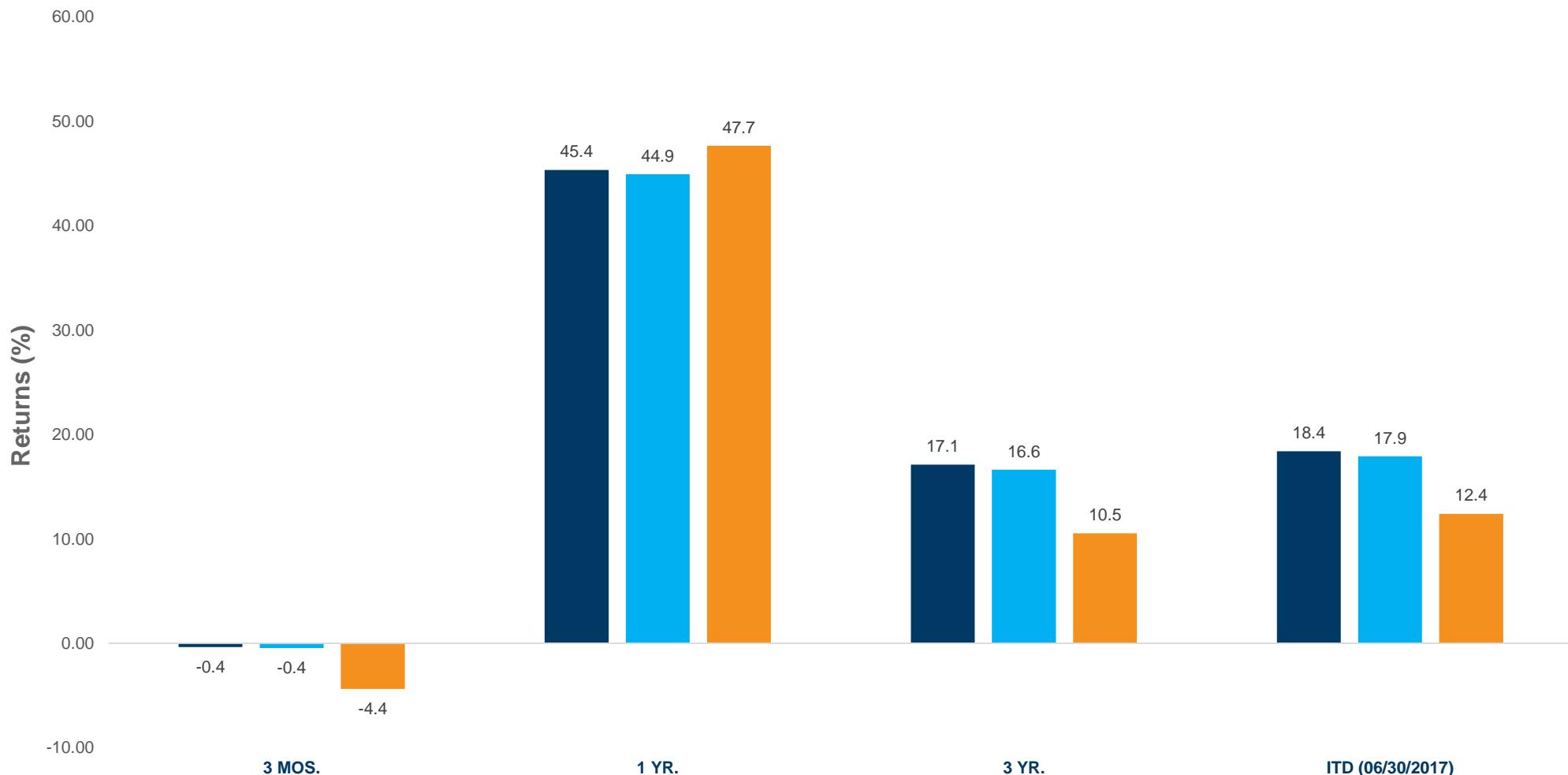
SYMBOL	DELETIONS	GICS SECTOR
HAIN	Hain Celestial Group, Inc.	Consumer Staples
MIME	Mimecast Limited	Information Technology
RNST	Renasant Corporation	Financials

Source: FactSet. 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The portfolio information provided is based on a representative Sustainable Small-Cap Core account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# COMPOSITE PERFORMANCE



Third Quarter 2021 as of 09/30/2021



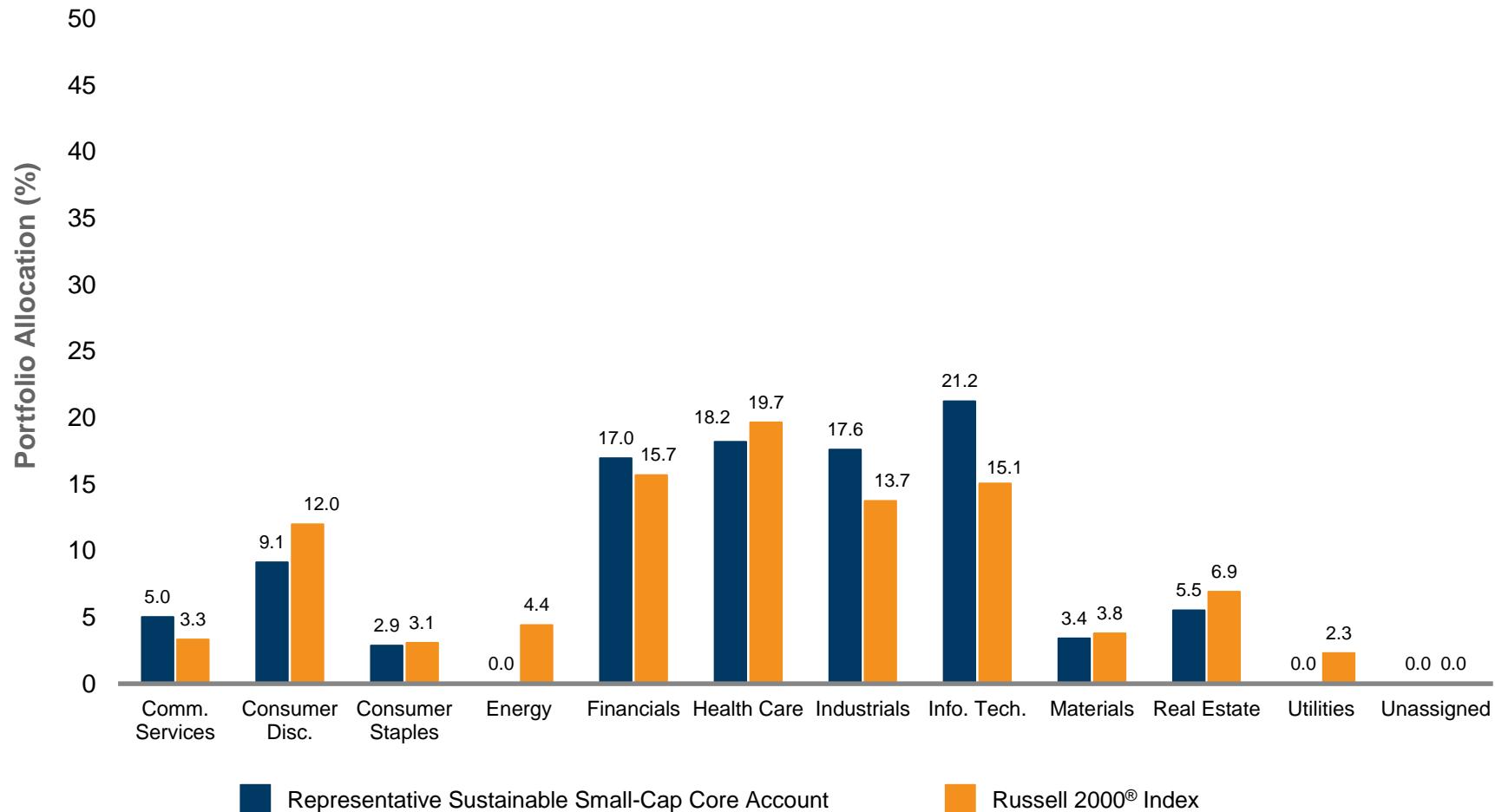
- Brown Advisory Sustainable Small-Cap Core Composite - Gross
- Brown Advisory Sustainable Small-Cap Core Composite - Net
- Russell 2000 Index

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 Small-Cap Core 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 Small-Cap Core Composite disclosure statement at the end of this presentation for a GIPS compliant presentation.

# SECTOR DIVERSIFICATION

**B** BrownADVISORY  
Thoughtful Investing.

Third Quarter 2021 Global Industry Classification Standard (GICS) as of 09/30/2021



Source: FactSet. The portfolio information provided is based on a Representative Sustainable Small-Cap Core Account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# DISCLOSURES

Third Quarter 2021



The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested. 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. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

The **Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000®Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. "Russell®" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies.

**FactSet®** is a registered trademark of Factset Research Systems, Inc.

**Global Industry Classification Standard (GICS)** and "GICS" are service makers/trademarks of MSCI and Standard & Poor's.

Figures shown on sector diversification and quarterly attribution by detail slides may not total due to rounding.

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 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.

# TERMS AND DEFINITIONS



Third Quarter 2021

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted.

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. 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.

**Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark.

**Free Cash Flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital from the balance sheet.

**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. Totals may not equal due to rounding.

**Contribution To Return** is calculated 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.

**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; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

**SUSTAINABLE SMALL-CAP CORE 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)*
2020	25.8	25.3	20.0	23.7	25.3	33	1.2	16	59,683
2019	36.2	35.6	25.5	N/A	N/A	6	N/A	5	42,426
2018	-5.8	-6.3	-11.0	N/A	N/A	Five or fewer	N/A	1	30,529
YTD 2017**	9.8	9.6	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, 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. 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 takes a tax-sensitive approach to managing a concentrated portfolio of high-conviction companies while seeking to outperform the Russell 2000 Index over the long term.
3. 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 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.
4. The Composite creation date is August 31, 2017. The Composite inception date is July 1, 2017.
5. 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.
6. 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.
7. Gross-of-fees performance returns are presented before management fees but after all trading commissions. Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Certain accounts in the Composite pay asset-based custody fees that include commissions. For these accounts, gross and net returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.85% on all assets with a minimum account size of \$250,000. 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.
8. 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).
9. Valuations and performance returns are computed and stated in U.S. dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
11. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
12. Past performance is not indicative of future results.
13. 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.