Global Focus Thinking: Alignment in the Sand

This all sounds great – but why are you at Brown Advisory?

One of the key questions we get asked by potential Global Focus investors is: Why are you at Brown Advisory? The suggestion is that working for a partnership platform rather than running your own firm dilutes alignment, nullifies incentives and stokes the principal-agent conflict. Some potential partners won't even entertain an introductory meeting for this reason. For these investors, the accepted wisdom is that all multiple-strategy investment companies are blighted by misalignment. We have first-hand experience of how scale can divert attention away from the raison d'etre of active management: investment excellence and alpha generation. We do, however think that this topic is more nuanced. Not all investment structures are created equally – intelligently configured partnership platforms have numerous advantages that can increase the odds of investment success without creating misaligned incentives. If you only invest in single-strategy investment firms, we don't expect to change your mind but hopefully we can show you that not all multiple strategy firms are created equally.

Swensen's Rebuke

Part of the accepted wisdom around firm structure can be found in David Swensen's foundational 2000 book, 'Pioneering Portfolio Management'. The legendary Yale University chief investment officer's (CIO's) magnum opus became a handbook for many sophisticated investors[1]. Swensen touches on firm structure multiple times including:

'By selecting investment managers with an entrepreneurial orientation, fiduciaries improve the chances of investment success. Large multi-product, process-driven firms face the daunting hurdles of overcoming bureaucratic obstacles. Small, focused, independent firms with excellent people provide the highest likelihood of identifying the contrarian path to excellent investment results'[2].

Swensen is particularly critical of larger firms that are '*large subsidiaries of financial services conglomerates'*. Following previous experience, we concur. Investing has to be the sole focus of any organisation that has the honour of looking after other people's money. Investment banking is transactional, and investing should be focused on compounding[3]. Putting the two together is like mixing oil and water. In addition, publicly listing an investment manager is like pouring petrol on the principal-agent conflict fire. There is a huge incentive for those running investment firms, whose value is marked-to-market each day, to go on asset gathering binges with successful strategies and underinvest to boost earnings-per-share. Even without distractions, investment excellence can wane as successful strategies take on more and more assets in a bid to maintain share price momentum[4]. We believe independence and private ownership are the bedrock on which investment success can be built.

[1] Especially those in the endowment and foundation space.
[2] Source: David Swensen, 'Pioneering Portfolio Management'.
[3] Most insurance companies also have business models that are at odds with long-term investing.
[4] We have first-hand experience of this phenomenon too.

Craft Investing

You might accuse us of being biased, or suffering from the investing equivalent of Galilean relativity[5], but we do believe that Brown Advisory is different from the financial supermarkets that David Swensen cites. Founded in 1993, Brown Advisory is both private and independent. Our only business is investment management and every employee is a shareholder. The equity of the firm is broadly distributed too – our founder CEO is one of the largest owners with an ownership stake of approximately 4%. Brown Advisory is a partnership platform – a home for like-minded investors who are free to be as entrepreneurial as they want where it matters – in investing. Crucially this freedom is backed up by resources that facilitate focus and increase the probability of investment success. Each investment team has clearly defined economics and capacity limits. We started building the global equity team at Brown Advisory in 2015 with a blank sheet of paper and a kernel of seed capital. We[6] have all of our liquid wealth in our two investment strategies[7] and Brown Advisory equity. The obvious question is: *why wouldn't we?* We have complete freedom to invest in a way that we believe can generate great long-term returns in a low-risk manner. Opportunities like this are rare.

Coming back to the anti-platform mindset, we are not entirely sure that many of the advantages that Swensen saw in smaller investment firms don't also apply to our professional home. As Brown Advisory grows, we may no longer be perceived as being artisanal, the investing equivalent of craft beer or cheese, but we feel there are more similarities than differences. Let's explore some of Swensen's key arguments:

1. **Economic incentive**: the idea is that revenue produced at the investment subsidiary flows to other parts of the firm driving higher turnover, as '*successful portfolio managers have the option of simply moving across the street, opening up shop, and garnering 100% of the revenue associated with their efforts'*[8]. This lack of alignment is seen as driving mediocre returns. Brown Advisory is independent and private; there is no insurance or banking arm to fund. We are partners of Brown Advisory which means we have a material equity in the firm – the profits that get sent back to the firm benefit us and our team. In addition, we have a clear understanding of the revenue that flows to our team of investors. Incidentally, only one analyst[9] that worked on Global Focus has left in the nearly seven years we have been investing. No investment managers have left Brown Advisory to start their own firms.
2. **Freedom from interference**: bureaucrats can impact decision-making which produces higher staff turnover as people crave independence. Indeed, it is one of the major factors for investors who want to join us. Investors add value by reading, thinking and analysing. Investing is a deeply personal activity – investment managers are paid to be opinionated – otherwise there wouldn't be any alpha. Fiduciary responsibility should be every investor's North Star – one that isn't borne by middle managers and bureaucrats. We are completely paranoid about any interference and distraction. Focus and maximising return on time spent (ROTS) are vital to delivering investment excellence[10]. The benefit of a partnership platform such as Brown Advisory is that the structure allows us to focus on compounding without any external input on how we invest. We continually

[5] In physics, Galilean relativity is our failure to recognise we are part of system when we are in it. https://fs.blog/galilean-relativity/

[6] Mick and Bertie, as portfolio managers.

[7] Global Leaders was the original strategy, launched in 2015, with Global Focus starting life in 2017.

[8] Source: David Swensen, 'Pioneering Portfolio Management'.

[9] A U.S.-based industrials analyst who departed before COVID-19 in early 2020. We wish him well and keep in contact.

[10] We wrote about this topic in the 6-year Global Focus letter: *link*.

tweak our investment processes at our annual offsite as we genuinely believe we can always get better. This is a sacred moment – no-one else has input into this process but us.

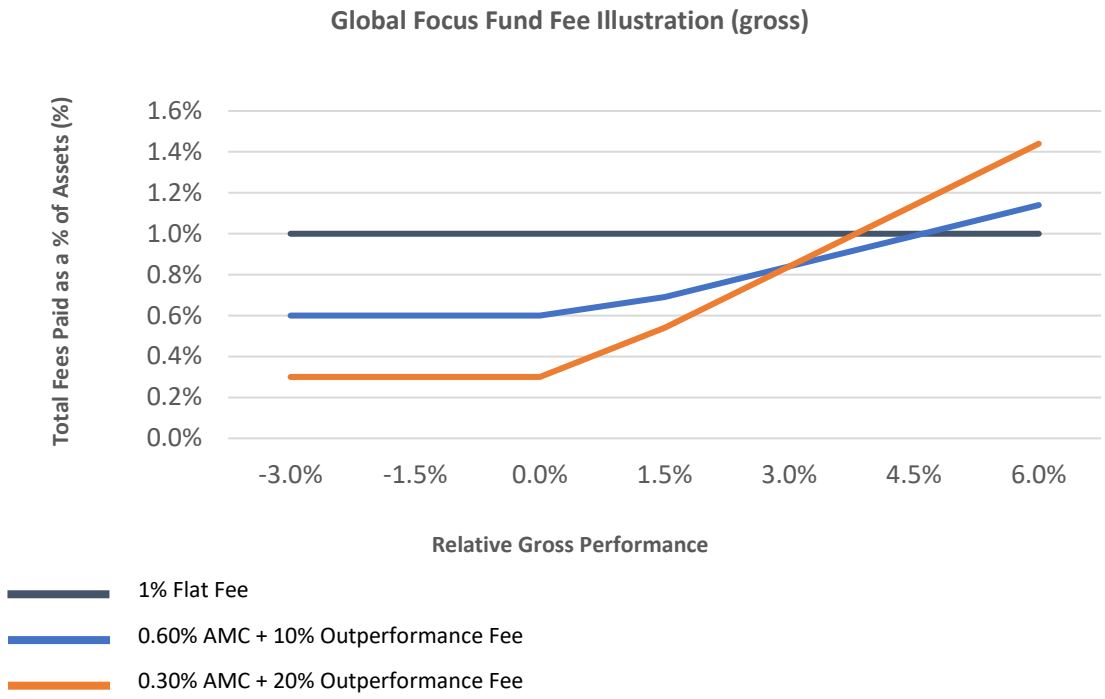
3. **Sense of ownership**: the idea is that single-strategy firm owner operators work harder than employees of larger firms. Of course, this is a sweeping statement and will be hugely impacted by structure, incentive and mindset (more on this topic later). It is easy to be lazy when working for a larger organisation – especially one where your efforts have limited impact. What is the point of working hard if there are no economic or intellectual benefits[11]? Unlike financial supermarkets, private partnerships with diverse ownership bases and incentivised teams, comprised of intellectually curious investors, typically foster hard work. Many of our team are materially invested in our strategies[12] and Brown Advisory – their equity can change their lives and the lives of their families. Investing is an immersive activity for all of us. It doesn't stop at 6 p.m. or during the weekends.

4. **Benchmark hugging strategies and asset gathering**: in 'Pioneering Portfolio Management', excessive diversification was cited as a hallmark of large investment firms as overly diversified strategies facilitate asset gathering ahead of alpha generation. Huge pools of assets providing expensive beta[13] are unquestionably symptomatic of the agent putting their interests ahead of the principal. Hopefully running a 10-15 company long-duration strategy such as Global Focus with strict capacity limits shows we, and Brown Advisory, take a different view. Back in 2016, when, following investor demand, we started exploring the idea of a concentrated equity strategy the Brown Advisory management team were tangibly excited about what Global Focus could deliver for its partners. We probably wouldn't have received such a positive response at a financial supermarket. To this day, no-one has pushed us on capacity or to take on investors that would be ill-suited for Global Focus. Indeed, we have not accepted capital from multiple investors who wanted preferential terms to our existing partners or that we felt had different time horizons to ours. We offer three share classes for Global Focus partners with two having performance fees that only crystallise when we generate alpha relative to the strategy's benchmark. We encourage all potential investors to consider the C share class where they will only pay a 0.3% management fee if we don't outperform (see below). Terms such as these hardly encourage benchmark hugging. Swensen's comment that *'investors prefer that fund managers place all their eggs in one basket, and watch that basket with great care'* – sounds exactly like what we spend our waking hours doing.

[11] Again, we have seen this first-hand.

[12] Investment professionals/Portfolio Managers generally have personal wealth invested in their strategy, and many colleagues invest in the company's investment products. However, all investments made by colleagues are voluntary, and as such we cannot determine the frequency and amount of the contributions within the company's investment products.

[13] Overpriced indexing!



Source: Brown Advisory calculations.

So arguably, a thoughtfully structured private partnership such as Brown Advisory retains many of the similar attributes that make single-strategy investment firms so attractive to a certain strata of sophisticated investors. We would go as far as to argue that firms with this profile also enjoy clear advantages, or organisational alpha, over smaller firms that are often overlooked.

The Other Side of the Start-Up Coin

Most investors look for businesses with economic moats – features that protect against new entrants in their marketplace. Despite this fixation, there is a certain irony that there are low barriers to starting an investment firm. In the distant past we have looked at starting our own investment companies. All you have to do is cobble together a token amount of capital, hire lawyers, custodians and acquire a Bloomberg licence[14]. The ease of starting up has resulted in the growth in emerging managers over the last decade. Despite the low cost of friction to start-up, our understanding is that most new investment firms don't scale beyond $100m of assets. In other words, there are substantial barriers to scale. Investing is incredibly hard. Let's say that again – investing is incredibly hard, especially globally. Like the types of companies we seek, we have to get probabilities working in our favour. For a private partnership like ours, we feel that we have an unfair advantage over both the financial supermarkets that Swensen critiqued and most start-up firms. This unfair advantage, or right to win, is manifested in:

[14] Our understanding is that currently the initial start-up costs for a single manager firm are <$100k and ongoing annual administrative expenses <$20k at the time of writing. Expenses differ based on structure.

1. Focus

It is tempting to think that when you start your own investment firm your days will be unencumbered, and that you will be free to exclusively focus on investing. The reality couldn't be further from the truth. It came to light in a conversation with an emerging manager we know who has to spend some of his afternoons on operations and compliance. This includes debating whether the two analysts he works with can use social media on their mobile phones. Although anecdotal, our impression is that any distractions of working for larger firms get replaced with the distractions of being an entrepreneur. Erik Serrano Berntsen, CEO of Stable Asset Management, has built a business out of investing in investment managers. According to him, your time is not your own when you start your own firm:

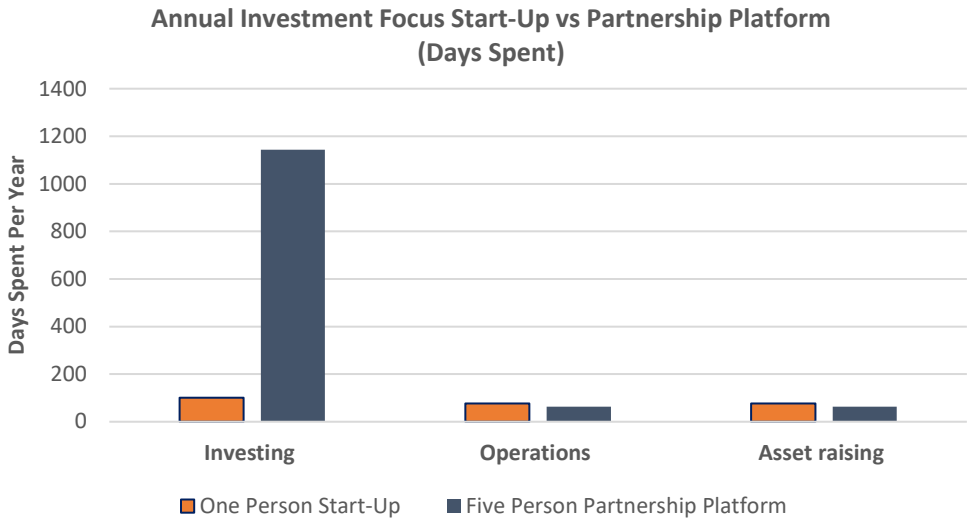
'A lot of it is minimising distraction because what's interesting in backing investment firms and backing emerging talent is that when you're in a bigger firm, a lot of the things are done for you. So, you may be spending 90% of your time investing. But then you become an entrepreneur, you become a founder, and you might be down to 40% investing and then 30% operations and 30% asset raising. It's not that the founder has forgotten how they're investing, it is that they're spending a lot less time on it. So that means that all the distractions are creating that poor performance'[15].

Assuming Serrano is right and 40% of your time is spent on investing when you start your own firm - you are effectively cutting the most value-added part of your time in half before you have the scale to add resources in operations and asset raising. With such little focus on the most important part of the activity in such a competitive industry it's no surprise that barriers to scale exist. As mentioned, global investing is hard and there are no guarantees of success. If the raison d'etre of active management is alpha generation, spending less than half your time on the raw inputs of the activity is like running the 100-metre dash at the Olympics with one arm tied behind your back. This lack of focus is compounded by the fragility of operating what is effectively a small and mid-sized business (SMB). Revenues can be derived from a handful of investors which can result in concentration risk and a preoccupation with business development over alpha generation. No wonder many emerging managers never emerge.

2. Resource

A lack of focus can be amplified by a lack of resources. Let's assume, as Serrano suggests, that the start-up manager spends 40% of their time investing and there are 254 working days in the year in U.K. in 2024. 40% of this time is 102 days focused on investing. Even running a concentrated 13-company strategy like Global Focus, this is only eight days per company per year spent monitoring each investment. That's without any time spent on new companies. Eight days a year is barely enough to keep on top of a company, let alone an industry and customer developments. Alternatively, imagine working in a partnership platform with an investment manager supported by four analysts with the whole team of five free to spend 90% of their time on investing. This team would have 1,143 days a year to focus on investing which would be 88 days a year to spend on each investment in a 13-company strategy like Global Focus. This also assumes no time is dedicated to new ideas.

[15] Source: Erik Serrano Berntsen, 'Invest Like the Best'.



Source: Brown Advisory calculations. Hypothetical illustration.

Clearly, focus and resources have an impact on the number of hours that can be spent reading, thinking and analysing companies. To us, there are obvious trade-offs. In our experience there is a fine balance between firm size, focus and ROTS. ROTS declines at poorly structured investment factories as bureaucracy and politics creep in. In addition, adding more and more people to an investment team can create diminishing returns – especially as communication becomes problematic. Investment management can have diseconomies as well as economies of scale. We think the maximum team size for effective discussion is 10[16] with dedicated decision makers to avoid the compromise of consensus decision-making. The resource advantage of a partnership platform frees you to focus on investing and also provides access to other valuable tools. In addition to having unfettered access to building a team of investors, we have been given resource to travel to meet companies[17] – many of which wouldn't entertain meeting a much smaller firm. Another one of the game-changing resources has been our access to the behavioural coaches that we have worked with since the beginning of Global Focus. With their help, we have developed nuances to our process that have added value principally by nipping some of our damaging behaviours in the bud. Resources like this wouldn't always be available at either a start-up or a publicly listed investment factory. In a game of inches, resource brings focus and expertise that combine to create an unfair advantage.

3. Mindset

It's easy to overly generalise about investment companies but the truth is that mindset is incredibly important in investing. Intellectual curiosity, continuous learning and humility are key raw materials for investment success. All the best things in life come from compounding. The issue around structure is

[16] We subscribe to the Amazon two pizza rule: every internal team meeting should be small enough that it can be fed with two large pizzas.

[17] In our opinion travel is a prerequisite for successful global investing, especially as the majority of human communication is non-verbal.

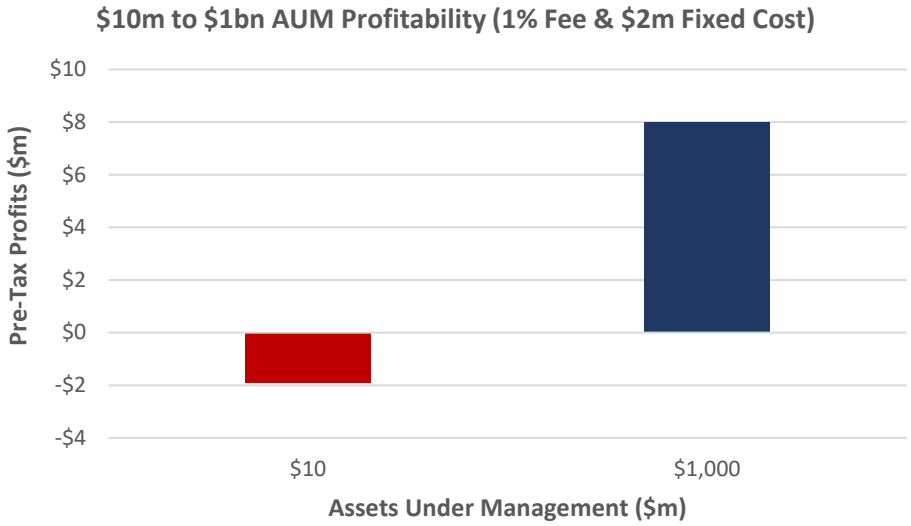
whether these raw materials are allowed to turn into what Peter Kaufman calls emergent effects[18] – when lower-level inputs combine into potent forces that have their own inertia like a tornado. When mindset combines to create successful outcomes, these emergent effects can be blunted as firms grow.

Success is the mother of distraction

Part of the issue with success is hubris, ego and distraction. As one endowment investor remarked to us recently:

'Success changes you. As an emerging manager, when you go from $10m to $1bn AUM[19] you change. We see it every time'.

Part of this realisation is self-evident when looking at the theoretical change from asset growth on the economics of a single strategy firm. Simplistically an emerging manager with $2m in fixed costs and a 1% flat management fee[20] will likely see pre-tax profits swing from -$1.9m to $8m as AUM scales from $10m to $1bn[21]. Going from being loss-making and eating ramen noodles to sharing $8m in profits can change people.



Source: Brown Advisory calculations. Hypothetical illustration.

You can start believing your own hype and you can become lazy. Intellectual curiosity and, most dangerously, humility leave the building. Distractions can also mount with success: the second sports car, the third home, the company boards and the foundation. All are deserved pursuits but there are only so many hours in a day and for many people success can create distractions, erode humility and pollute

[18] Source: Peter Kaufman, 2015 Columbia University presentation.
[19] Assets under management.
[20] The payoff is more dramatic for performance share classes.
[21] This example is overly simplified due to other costs and the existence of multiple share classes.

mindset. Having a partnership like Brown Advisory behind you keeps you humble: your ego is suppressed and success is rewarded in both firm equity and a linear cash incentive.

Suffering

One of our investor's CIOs devoted one of our initial conversations to our capacity to suffer. His perspective is that with a highly concentrated strategy there are going to be periods of underperformance – you need to have the right mindset and structure to allow you to ride out the inevitable downturn. As we have mentioned a few times recently, when running a 10-15 company investment strategy, short-term performance can be lumpier than overcooked porridge. Equity markets are prone to bouts of inefficiency which may provide opportunity as share prices are significantly more volatile than the cash flow streams of the dominant business models we invest in. You need to look no further than COVID-19 for evidence of severe dislocation between price and net present value. Like the Viking king Cnut attempting to order the sea back, we can't delude ourselves that we will be immune from these bouts of inefficiency. Every investor gets wet feet. Ego is dangerous and for some the temptation is to blame equity markets. Frequently, the issue is one of perspective, especially in a world where many investors focus on quarters rather than decades. Maintaining a long-term mindset with tools like a drawdown review[22] provides powerful armour against potential suffering. Being part of Brown Advisory has also been hugely important in giving us this capacity to suffer. We believe working with a team of long-sighted investors provides multiple insights and different points of view – especially the other side of the investment case[23]. Cognitive dissonance is powerful, and sometimes it is hard to see the wood from the trees. The partners of the firm believe in long-term compounding and understand that drawdowns are part of investment life. Indeed, Brown Advisory has resisted the temptation of letting employees go during periods of market weakness. By operating our own franchise, we are acutely aware of the impact that long periods of underperformance will have on us and the team. The partnership structure allows us to ride out downturns by focusing on our companies rather than worrying about terminal business risks. Having significant alignment whilst also working in a structure that supports you through periods of suffering, by allowing you to focus, is another unfair advantage that we feel we have over many other investors.

Day 1

We believe investor mindset is fickle and humility is an overlooked quality in investing as it facilitates compounding at both the individual and portfolio levels. It is easy to generalise about which structures foster positive mindsets but the key has to be the one that works for you, the investor. Like everything in investing the choice of structure is a personal decision. Anything that boosts ego, dulls intellectual curiosity, promotes laziness or distracts you due to impending business failure or lottery-style pay-offs should be avoided at all costs. Part of this motivation can be described as the founder's mentality. We still wake up every day with the same mindset as when we were an internal start-up back in 2015. We still have a lot to prove to ourselves and our partners. Investing is not an activity that can be mastered. We can always learn and get better. This mindset has many similarities with Amazon founder Jeff Bezos's Day 1[24] thinking – the idea that we approach our work each day as if we are starting afresh. We have to

[22] The drawdown review is one of the key behavioural rules for Global Focus. It is designed to combat loss aversion and is triggered when the shares of one of our companies falls 20% below purchase or underperforms by 20% over a 12-month period.

[23] We use devil's advocate and short-seller feedback constructs in our company teardown process.

[24] It's worth reading Jeff Bezos's 1997 and 2016 Letters to Shareholders.

maintain this Day 1 mindset. The minute we drift into Day 2[25] is the minute that we might as well pack up and do something else. Life is too short. Day 2 thinking exists at single and multiple-product firms alike. Perhaps investors and structures that facilitate and preserve Day 1 thinking are the real recipe for choosing successful managers, rather than simply following the single-manager = good, multi-manager = bad mantra.

Day 1 Thinking	Day 2 Thinking
Investment excellence first	Investment reward first
Maximise alpha	Maximise assets
Compounding	Stasis
Continuous learning	Know-it-all
Paranoia	Overconfidence
Humility	Hubris
Investment focus	Bureaucracy
Esprit de corps	Politics
Processes that serve you	Process enslavement
Portfolio impact	Status quo preservation
Team building	Team mollycoddling

Source: Brown Advisory.

And Finally…

Frequently in company analysis, one of our favourite competitive advantages is counter-positioning, when a company has an unfair advantage as peers can't compete without damaging their existing franchises[26]. Sacrificing prevailing ways of doing business is incredibly difficult and creates opportunities for companies that can exploit this inertia. David Swensen's 'Pioneering Portfolio Management' was written 24 years ago and although brimming with wisdom, the investment world is different today. In our opinion, fund investors who can resist stigmatising all platforms have a significant counter-positioning advantage. To us, sensibly run private partnership platforms such as ours have a degree of organisational alpha by allowing investment managers to deploy resources that enable them to increase the probability of investment success through focus whilst preserving alignment, ownership and mindset. We can all point to single-strategy firms run by talented investors that have generated significant value for their investors. The tricky combination of investment and entrepreneurial success should rightly be celebrated but, like everything in investing, it's important to keep an open mind. Hopefully by reading this memo, you will appreciate the organisational alpha that private partnership platforms can bring to the goal of generating

[25] '*Customer obsession, a sceptical view of proxies, the eager adoption of external trends and high velocity decision making',* are cited as the best ways of maintaining a Day 1 mentality in the Amazon 2016 Letter to Shareholders. https://www.aboutamazon.com/news/company-news/2016-letter-to-shareholders

[26] Netflix's strategy against Blockbuster, with mailed DVDs and no late fees in the 1990s, is a textbook example of counter-positioning.

attractive long-term returns. No doubt this topic will generate lots of debate so feel free to get in touch (globalfocus@brownadvisory.com) if you'd like to discuss alignment, structures or anything else.

Best,

Bertie Thomson



Bertie Thomson, CFA
Portfolio Manager



Mick Dillon, CFA
Portfolio Manager

Disclosures

Past performance may not be a reliable guide to future performance and investors may not get back the amount invested. 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. If you are a private investor you should not act or rely on this document and should consult with your financial adviser.

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. 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.

A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund.

Global Focus Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Bench-mark 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)*
2023	36.0	34.7	23.8	18.7	16.7	Five or fewer	N/A	187	81,325
2022	-16.5	-17.4	-18.1	22.5	20.4	Five or fewer	N/A	114	58,575
2021	7.7	7.0	21.8	19.3	17.1	Five or fewer	N/A	59	79,715
2020	27.0	25.8	15.9	19.6	18.3	Five or fewer	N/A	32	59,683
2019	42.7	41.4	27.7	N/A	N/A	Five or fewer	N/A	12	42.426
2018	3.4	2.3	-8.7	N/A	N/A	Five or fewer	N/A	4	30,529
YTD 2017**	3.7	3.4	7.9	N/A	N/A	Five or fewer	N/A	2	33,155

**Return is for period September 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, 2023. 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 Global Focus Composite (the Composite) includes all discretionary portfolios invested in the Global Focus Strategy. The Global Focus Strategy seeks to invest in a small number of quality franchises the manager believes have the ability to materially improve their cash flows over the long-term. In choosing securities, the strategy seeks to invest in companies with one or more of the following characteristics: an entrenched competitive position, durable economic moats, and/or is priced at a discount to

intrinsic value due to investor misconceptions. The minimum account market value required for inclusion in the Composite is $500,000.

3. Sustainable investment 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. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Global Focus Strategy ("Strategy") seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. 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 excluded from other strategies that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.
4. The Composite creation date is June 1, 2020. The Composite inception date is September 1, 2017.
5. The benchmark is the MSCI World Net Index rebalanced quarterly. The MSCI World Net Index captures large and mid cap representation across Developed Markets (DM) countries. The Index covers approximately 85% of the free float-adjusted market capitalization in each country. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
6. As of September 1, 2022, the Composite benchmark was changed from the FTSE All-World Developed Index to the MSCI World Net Index. The change was applied retroactively from the Composite inception date. The Advisor determined that MSCI indices are more widely used for global products, and thereby provide more relevant data to shareholders and prospects as well as comparisons to competitors.
7. 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.
8. 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, 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: 1.00% on all assets with a minimum account size of $50 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.
9. 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.
10. 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).
11. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
12. 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.
13. Past performance does not indicate future results.
14. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in
15. 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.
16. The following exhibit reflects the management fees, performance fees, and total expense ratios of the Brown Advisory Global Focus Onshore Fund, L.P. and Brown Advisory Global Focus Offshore Fund, LTD, which are included in the Composite, as of the most recent fiscal year end (December 31, 2023):

BROWN ADVISORY GLOBAL FOCUS ONSHORE FUND, L.P.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Series A	1.00%	0.00%	0.25%	N/A	N/A
Series B	0.60%	10.00%	0.25%	N/A	N/A
Series C	0.30%	20.00%	0.25%	N/A	N/A
Series F	0.50%	0.00%	0.25%	0.74%	N/A
Series Z	0.00%	0.00%	0.25%	0.23%	0.38%
BROWN ADVISORY GLOBAL FOCUS OFFSHORE FUND, LTD.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Class A	1.00%	0.00%	0.25%	1.03%	N/A
Class B	0.60%	10.00%	0.25%	N/A	N/A
Class C	0.30%	20.00%	0.25%	N/A	N/A
Class Z	0.00%	0.00%	0.25%	0.22%	0.25%
Class F	0.50%	0.00%	0.25%	0.73%	0.76%
Class FD	0.50%	0.00%	0.15%	N/A	N/A
Class FD£	0.50%	0.00%	0.15%	0.22%	N/A