

# Global Leaders Strategy

INVESTMENT LETTER | MAY 2025

The Global Leaders Strategy invests in a concentrated portfolio of market-leading companies from across the globe. We believe that companies that combine exceptional outcomes for their customers with strong leadership can generate high and sustainable returns on invested capital (RoIC) which can lead to outstanding shareholder returns.



**Mick Dillon, CFA**  
Portfolio Manager



**Bertie Thomson, CFA**  
Portfolio Manager

## The Seven Basic Plots

Dear Fellow Investors,

As this month marks the Global Leaders Strategy's tenth anniversary, we wanted to update you on the progress we have made on our journey so far and some thoughts about the stories we hear when investing. There have been some common narratives or business models within Global Leaders over the years such as industrial aftermarkets, artificial intelligence/cloud service providers, payments, financial market infrastructure and enterprise software which have produced significant absolute returns. In this letter, we'll dissect a couple of these stories through the lens of classic storytelling plots, rather than from the business model angle we normally discuss. We thank you for your partnership with us on our quest for investment excellence and set out in excited anticipation of our journey for the next decade.

## Why We Tell Stories

Stories have a profound impact on how we understand and recall complex information.<sup>1</sup> Since the dawn of history, humans have communicated and remembered events through stories. All cultures feature narratives. Widespread written recorded history only took off very recently after Gutenberg's invention of the printing press around 1440, whilst stories recorded in stone at ancient temples or on cuneiform tablets from Mesopotamia survive from around 4,500 years ago.<sup>2</sup> In Australia's Aboriginal societies, we can trace stories of the Dreamtime back over 60,000 years, retelling events that shaped their history verbally and in dance. Endless news cycles and social media feeds mean stories permeate all aspects of our lives today. We started wondering: if stories are so prevalent around us, how do they apply when

---

<sup>1</sup> *Stories, Statistics, and Memory* by T. Graeber, C. Roth & F. Zimmermann. CESifo Working Paper No. 10107, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4291741](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4291741)

<sup>2</sup> *The Epic of Gilgamesh* is typically cited as the earliest surviving written literature from somewhere between 2,100 BCE and 2,700 BCE

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

investing? What are the stories we tell ourselves? How do they shape our decisions and strategies? And when might they mislead us into the behavioural bias of narrative fallacy?

*'Lie to me by the moonlight. Do a fabulous story.'* – F. Scott Fitzgerald

### **Once upon a time, a long time ago...**

...we read a fascinating book called *The Seven Basic Plots*.<sup>3</sup> In it, the author Christopher Booker details his belief that all the tales we tell can be boiled down to seven foundational storylines. Booker worked on his book for 34 years, drawing on a Jungian analysis of stories and their psychological meanings. He proposed that all stories can be boiled down to recurring archetypal plots that reappear in a multitude of combinations across cultures and time. This includes stories across age groups from fairy tales to murder mystery and, in his view, captures every genre from adventure to tragedy or comedy. Booker identifies the seven basic plots as: Overcoming the Monster, Rags to Riches, The Quest, Voyage and Return, Comedy, Tragedy, and Rebirth. This got us thinking: if all human culture can be boiled down to a few basic narratives, how varied are the many investment stories we hear?

### **Haven't I Seen this Movie Before?**

Recurrent themes or narratives abound in life and when investing. Booker's premise has been expanded (*The 20 Master Plots*<sup>4</sup>) and disputed,<sup>5</sup> but the gist of a limited variation in underlying narratives remains. Similarly, we do not hear that many basic investment stories – recurrent themes are common. We will detail a few of Booker's plots from an investment storytelling lens, but also clearly identify the narratives that we seek to invest behind in Global Leaders.

## **1. Overcoming the Monster**

This investment narrative revolves around a version of the future being better than the recent past and business outcomes improving over time. Typically, we see this when a company is in 'improver' mode, however, this approach usually relies on something going right. Beowulf is a classic mythical tale with this narrative. One corporate version is Netflix overcoming the Blockbuster monster via skilful counter-positioning. We see this story whenever a company's management confronts a major threat – such as a disruptive competitor in full 'moat-attack' or a macroeconomic crisis – and emerges stronger. Sometimes this narrative gets conflated with a rebirth narrative (more on that later) for a turnaround story too. This plot typically involves a company facing significant challenges or threats that it must overcome to succeed. Oftentimes they are a distant way off the market share leader but claim a better product or service will help them 'overcome the monster'. London Stock Exchange Group is one of our investments on an improvement journey. After buying the Refinitiv data business from Blackstone and Thomson Reuters, they embarked on a 'fixer-upper' journey, as CEO David Schwimmer described it. Over time, they have

---

<sup>3</sup>*The Seven Basic Plots: Why We Tell Stories* by Christopher Booker

<sup>4</sup>*20 Master Plots: And How to Build Them* by Ronald B. Tobias

<sup>5</sup>Multiple critics note that despite his book's title, Booker recorded and discussed nine separate plot types including 'Rebellion Against "The One"' and 'Mystery'. The seven-category framework omits these two. <https://www.how-to-write-a-book-now.com/seven-basic-plots.html>

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

seen growth incrementally improve as they create new value for clients. At first, few believed that management could overcome years of bleeding market share to more nimble and faster growing rivals due to underinvestment in Refinitiv. However, step by step, and with meaningful reinvestment, the company has delivered improved results, emerging as a leading real-time data services business with its proprietary solutions setting industry standards. Whilst not all historical dragons have been slain yet, the journey continues...

## 2. Rags to Riches

Every culture has a version of the 'Ugly Duckling' story where the protagonist is misunderstood and underappreciated, a diamond in the rough who only needs a small change for everyone to see them in a new light and fully appreciate their gifts. The tale of Cinderella is a frequently remade movie by Disney due to its gripping story power. Against the odds, something must go right. This plot typically features a company that starts from humble beginnings and achieves great success. It often involves high-risk, high-reward scenarios where the company has the potential to dominate its market. We saw a number of these option-based payoff stories such as Zoom and Peloton which doubled (or more) in 2020 only to crash back to earth in 2022 as people decided to pay less for those far-off future cashflows. Another version comes when the unit economics of a network business flip positive and we see a free cash flow gusher. Airbnb and Amazon are obvious examples of rags to riches, where startups with groundbreaking products/technologies became market leaders despite their initial struggles; incidentally, both also overcame many monsters along the way. In the Global Leaders Strategy, some of our youngest companies such as Alphabet, Booking Holdings and CTS Eventim have followed a rags to riches path.

## 3. The Quest

This plot involves a company on a long journey to achieve a significant goal, such as long-term growth and market leadership. This is the narrative for the bulk of our investments: steady, predictable, incremental progress over time, ideally surrounded by a fortress of interlocking advantages. However, one needs to be careful not to go too far. Corporations have endeavoured to tilt the field in their favour since the Roman *Societies* undertook regulatory capture when funding the Punic Wars.<sup>6</sup> We see this 'compounder' plot across payments, vertical market software and aerospace engines where, so long as nothing goes wrong, the path to success seems clear. These companies all have secure franchises with multiple barriers to entry into their markets, protecting their relationships with customers. It is the most common narrative in our strategy, however, we have added our own mild plot twist. Whereas Perseus's quest to claim the head of Medusa was ultimately a finite expedition, ideally, we want our companies to compound on forever.

## 4. Voyage and Return

Alice's Adventures in Wonderland and Gulliver's Travels are some of many great tales in literature that follow a protagonist who journeys to a strange world that is at first enchanting but turns threatening, such that our hero must escape and return home to safety, albeit significantly enlightened from the experience.

---

<sup>6</sup>*For Profit: A History of Corporations* by William Magnuson

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

We see similarities in companies exploring new or adjacent markets often via merger and acquisition. It involves navigating complex situations and (hopefully) emerging wiser. Failing that, it refocuses on its core business with improved strategies. One example is paint maker Sherwin-Williams, which expanded into industrial coatings from its heritage in architectural paint, yet withdrew from the Australian and Chinese markets due to a lack of success. This is a frequently recurring business narrative.

## 5. Comedy

Historically, a lot of comedy came out of trying to define the value of a company over the first hundred years of the limited liability joint stock companies: was it per ship? Per risky voyage? Or by what we have today in anglicised markets with stakes in the entire company?<sup>7</sup> Ultimately, people settled on value as ‘the share of future profits set off against the cost of buying in’.

Whilst we still see a lot of comedy in business, if we are honest, much of it is dark humour. The most common comedy involves a ‘sum of the parts’ argument that the pieces are worth more than the whole. Almost invariably the parts are not set free, and the joke falls flat. However, on rare occasions an actual breakup occurs, and this story is realised with tremendous value creation (or more technically value release from a conglomerate discount). We recently invested in the tragic/comedy of General Electric, which after twenty years of disappointment and a fall from grace,<sup>8</sup> was broken up into GE Healthcare, GE Vernova and GE Aerospace. GE management has seen terrific success in unlocking value for all liberated former subsidiaries. We are still invested in GE Aerospace, which, for us, now sits firmly in a compounder-style Quest narrative.

## 6. Tragedy

Tragedy most commonly involves a company experiencing a downfall due to critical mistakes or external pressures. Think of a corporate Macbeth or Hamlet. General Electric was a rare tragedy that ended in the catharsis of a breakup. More common are the horror shows that become terminal: Nokia, Yahoo and Kodak all spring to mind. Often the tragedy is due to internal errors, and we see a once-dominant company failing to adapt to market changes and therefore losing its competitive edge, leading to significant financial decline. One of our greatest fears is that the moats around a business might be narrowing (you only know afterwards) or indeed that the whole castle is crumbling around us. These ‘melting ice-cubes’ only serve to highlight the risk when investing and can lead to heavy losses.

## 7. Rebirth

The turnaround. This narrative features a company undergoing a transformation or renewal after a period of decline. The threats need not only be external, but turnarounds can also be due to internal issues of poor management or an over-extended balance sheet. The narrative often involves a significant change, such as new management, that investors hope will revitalise the business. Industry consolidation removing competition, macroeconomic growth driving demand for cyclicals, new management, de-

---

<sup>7</sup>*For Profit: A History of Corporations* by William Magnuson

<sup>8</sup>*Lights Out: Pride, Delusion and the Fall of General Electric* by T. Gryta & T. Mann

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

levering an over-extended balance sheet – turnarounds can occur for many reasons. However, for a company to overcome past demons and return to a path of success, at least one key factor must fall into place. Whilst an uncommon plot for us, we would classify Rentokil Initial as a turnaround, having over-reached when buying Terminix and now slowly integrating two businesses as it attempts to regain its past glory. At Wolters Kluwer, we have experienced a remarkable transformation. Over the past two decades, under the leadership of CEO Nancy McKinstry, patient reinvestment from a declining print business has fuelled the rise of a higher-growth, technology-driven digital solutions firm, marking a true rebirth for the company and its investors.

This sample of plots is far from a complete list. Many of our investments own a scarce resource such as proprietary datasets at LSEG or Google’s PageRank algorithm. This story is obvious in mining but increasingly common in data and business services companies where the customer outcome is derived from a proprietary information source. Over the past ten years we have seen narratives revised (e.g. SaaS software becoming a ‘staple for the enterprise’) as industries change, so the plots never sit still – it is part of the fun and daily challenge. It is also the reason we most like the Quest. Whilst predictability might not be valued on a fun night out at the movies, for us as investors it is like the Holy Grail.<sup>9</sup>

### **Never Let the Facts Get in the Way of a Good Story**

In Booker’s telling, there are seven basic storylines but clearly combinations of plot variations add complexity. Geopolitics and the macroeconomic environment provide plenty of distracting background scenery in the short term too, as each twist and turn gets played out in the media. However, we believe that the number of potential story variations diminishes as one’s investment horizon lengthens. For a long-term investment to succeed, either nothing significant goes wrong, or something goes very right. In our [Darwinian Investing letter](#), we discussed long-term hit rates from Prof. Bessembinder’s widely quoted study<sup>10</sup> that demonstrates that as time horizons extend, the number of companies that create value above owning government bonds decreases. Ultimately, due to this positive skew of returns and the effects of compounding, most shareholder wealth is created by very few companies, a good argument in our minds for concentration.

This takes us from thinking about how many basic different investing plots we hear to considering the probability of success within each of these narratives; turnarounds are clearly less likely than simple compounders. In the former, some things (possibly many things) need to go right, yet for a compounder, so long as nothing unexpected imperils the business, the outcome should be somewhat predictable. Investing is about calibrating the probability of success as well as estimating the size of the payoff; hence, calibrating the likelihood of different plots is an important part of our capital allocation process. ‘Will I care about this story in five years’ time?’ is an interesting twist on one of our drawdown review questions (‘Will I care about this issue in five years’ time?’) to help weed out the unlikely narratives. Or, a much

---

<sup>9</sup>The concept, not the Monty Python movie!

<sup>10</sup>*Long-Term Shareholder Returns: Evidence from 64,000 Global Stocks* by H. Bessembinder, T. Chen, G. Choi & K.C. Wei. Financial Analyst Journal Vol 79 Issue 3 <https://doi.org/10.1080/0015198X.2023.2188870>

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

simpler filter is ‘...and then what?’ Lastly, it seems to us that calibrating probabilities should become easier the longer one’s timeframe, especially for economically resilient, fortress-like business models.

One mantra we have recently revived from COVID-times is ‘update, recalibrate and compare’. When we see a sudden shift such as a global pandemic or the introduction of tariffs, the playing field will have changed for some, if not all our investments, so we need to update our base case estimates taking into account the new reality. We also need to recheck our probability of achieving this base case: if it has changed, does it need recalibration, and if it hasn’t, why not? Lastly, we compare our new probabilities and payoffs to other options for capital within the portfolio and on our ready-to-buy list. Probability versus payoff is a core part of our weekly capital allocation process. When we see meaningful changes, it is likely that during the immediate reactionary sell-off, new investment opportunities will emerge as correlations ‘converge into one’ and initially everything suffers a fall in price. Indeed, we added three new investments in the last two weeks of March 2020 and the first week of April 2020, whilst investors were filtering through the potential impacts of COVID on their investments. A similar thing happened recently in the second week of April 2025, the week after President Trump announced new global ‘reciprocal’ tariffs. We found our first new investment this year that we believe has a double-digit five-year internal rate of return (IRR) before the markets sharply rebounded. Our capital allocation process once again guided us to action under extreme uncertainty.

### Matching Stories to Spreadsheets

Physiologically, we process stories in the creative right side of our brain, but numbers get decoded independently through the opposite logical left side. As investors, we need to ensure that the narratives we believe in are validated by the cash flows the companies generate. We need both sides of our brain to be in harmony: a credible story and a double-digit IRR. For us, underpinning any investment narrative must be a hard link to the numbers and our best estimates of future returns. In his thoughtful book *Narrative and Numbers*, valuation expert Prof. Damodaran from the NYU Stern School of Business matches up his view of various investment narratives with hard metrics.<sup>11</sup> Business stories include The Disruptor, The Better Mousetrap, The Low-Cost Player and many more. Bluntly, most investment stories come down to ‘something has to go right’. One twist in tying an investment narrative to our model of potential future returns is that companies at different stages of their lifecycle rely more heavily on their potential story. For a start-up or a young company, the range of outcomes is wide so their story of market opportunity (‘it is a huge total addressable market’) and long-term market share (‘there will be many winners’) relies much more hope than fact. Many outcomes are possible, but what is the most likely path? These IRRs will likely have a very large error range. Conversely, for mature, stable companies with established moats around their business, the trajectory is more probable, and we can estimate the future with a tighter range in our forecasts.

Within Global Leaders the bulk of our investments fall into this more mature, compounder category as we attempt to avoid falling into the trap of believing in a compelling story without sufficient evidence. Ideally all plots are backed up by solid data. However, it is never just about the numbers. We subscribe to the

---

<sup>11</sup>*Narrative and Numbers: The Value of Stories in Business* by Aswath Damodaran

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

view that more fiction has been written in Excel than Word!<sup>12</sup> We often joke that we can make a discounted cash flow analysis (DCF) say anything! DCFs can be very reckless and misleading if not used thoughtfully. Over precision in the numbers is as dangerous as an unchecked story.

## Capital Allocation and Probability Calibration

Matching an investment story and estimated IRR to position sizing is fraught with subjectivity. This is due to the art of assigning a probability to each potential outcome in a world of unknowns. Is there a wide distribution of outcomes or can things be predicted within a narrow band? Probabilities and outcome ranges make all the difference when it comes to sizing. One challenge we think about is: does one want to make a million dollars from a game of Russian roulette or as a professional dentist? The latter is going to take longer but is clearly more predictable...and with a whole lot less downside if things don't quite go to plan. We establish base case ranges and as long as performance remains broadly in line with expectations, we should achieve returns somewhere in our double-digit IRR range.

Another wrinkle comes not just from the breadth of the possible outcomes in our base case but the asymmetry of the potential returns. Is there a chance at billions but also the possibility of losing everything? Conversely, nobody wants an investment that could go up a mere 5% but risks the farm without a very high chance of success.<sup>13</sup> The spread or asymmetry of downside is important in an uncertain world where human ingenuity and the forces of competition recur ad infinitum. Some of our investments have a significant risk of loss if the business doesn't develop as we expect; others have less upside but less downside risk, too. This is the heart of building our portfolio at our weekly capital allocation discussions: how much do we commit to each investment? As public market equity investors, there is not a lot of point chasing a whole portfolio of huge payoffs if there is a much larger chance that you lose everything beforehand. Ideally our double-digit IRRs mean that our investments ought to double in seven years without risking a lot of downside if things go wrong. Calibration and calculated investment risk are what we aim for; this is why we are fully invested alongside you. Alignment matters.

## Behavioural Biases and Negative Evidence

Humans are naturally inclined to seek good news and evidence that supports our current beliefs. We are told narratives in a number of forums such as quarterly results calls, annual reports or interviews with management teams. One of our most important methods for understanding a management team's motivations and goals is to meet with them and ask questions. In *A Guide to the Professional Interview*, the authors delve into how we can achieve our goal of obtaining credible and reliable stories during interviews.<sup>14</sup> The goal is always accurate and reliable information. Essentially, stories have three layers – the external context, the events themselves and the emotions attached. By careful questioning techniques, we can remove the emotions and get closer to the facts.

---

<sup>12</sup><https://www.brownadvisory.com/us/insights/global-leaders-investment-letter-june-2022>

<sup>13</sup> Apologies to all our fixed income friends.

<sup>14</sup> *A Guide to the Professional Interview: A Research-based Interview Methodology for People Who Ask Questions* by Geir-Egil Løken, Svein Tore Bergestuen and Asbjørn Rachlew

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

We are physiologically charged within our brain's reward system to reject information that doesn't fit our internal narrative – this is part of the formation of cognitive bias. In fact, there are now 100 such biases documented in psychology including confirmation bias, motivated reasoning, self-deception and cognitive dissonance. That's a lot of traps we can fall into! This is why we must have a disciplined process and in particular a consistent checklist when the narrative is forming so that we can ask uncomfortable questions that uncover information that contradicts our story. This part of our process involves seeking out disconfirming evidence to avoid overconfidence. Typically, this involves debates with investors who are quick to understand what could go wrong or interviewing a bearish analyst to uncover potential risks. We learn as kids that there are two sides to every story and as Michael Mauboussin puts it: we need to know 'Who Is on the Other Side?'<sup>15</sup>

### Investment Selection vs. a Stock Pitch

Humans rationalise the world around them based on their individual history and experience. Anecdotes and personal experience appeal so strongly to our creative right-sided brain that they often overpower our ability to judge risk. People go to the same movie yet have different experiences – one thought it was scary and another ho-hum – but it was the same film, and each view is valid. Individually we can interpret different meanings after hearing the same words (e.g., in a company management meeting). We tell ourselves simplifying narratives to make complex situations understandable and easy to recall. In short, we use mental shortcuts, which Nobel Prize winner Daniel Kahneman calls 'System 1' in his best-selling behavioural economics book *Thinking Fast and Slow*.<sup>16</sup> One problem here is the ease with which we can latch onto a simple cause-effect narrative in a complex world. One old but illustrative book here is *How to Lie with Statistics* which plays on our behavioural bias to misrepresent a compelling story with numbers presented out of context.<sup>17</sup> This only reinforces the need for a disciplined investment selection process to weed out those false narratives or misrepresentative numbers.

Another trap behind any plot is that when we are in story mode, we 'suspend disbelief' as the narrative undertakes its journey. Think of that movie at the cinema when the hero achieves beyond-human levels of endurance on their quest. We want them to win! Of course they could walk through that fire unscathed! You can see the obvious danger, especially when in a stock pitch. Careful use of language is important here. Pitching implies pushing a story when we want facts. To us, using the phrase stock pitch implies selling a story and lacks impartiality; we prefer investment selection. As noted above, any investing narrative must be backed up by numbers and our teardown process ensures that we get to both in a disciplined manner.

Conversely it is all too easy to be sceptical in the face of an innovative, disruptive change when it is difficult to fathom how the future might look. This 'failure of imagination' to foresee potential new value created is specifically confronted in our teardown process with a section called 'dream a little dream'. To twist a well-worn market wisdom: Sceptics sound smart; optimists make money. We all love a good story and

---

<sup>15</sup> "Who Is on the Other Side?" by Michael J. Mauboussin, BlueMountain Investment Research, February 12, 2019.

<https://macro-ops.com/wp-content/uploads/2019/02/Who-Is-On-the-Other-Side.pdf>

<sup>16</sup> *Thinking, Fast and Slow* by Daniel Kahneman

<sup>17</sup> *How to Lie with Statistics* by Darrell Huff

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

there is nothing more fun than reading about a business success or investment genius. In the end it comes down to calibrating these stories into returns.

### **Numbers and a Great Narrative**

In our experience the best analysts are the best communicators – holistically assessing narratives, statistics and risk. Understanding and calibrating business narratives is crucial for making informed investment decisions. Every investment has a narrative about the future. Memory experts show that there is a pronounced gap in both the evolution of beliefs and recall of events based on stories versus statistics. Stories are recalled much more easily than statistics and in the long run these narratives create stronger and more persistent beliefs. Even when contradicted by numerical facts, false beliefs persist if backed by a good story because it is more easily retrieved.<sup>18</sup> By framing these business tales within classic storytelling plots, we can better relate to and remember the underlying dynamics and potential outcomes of contrasting investment narratives. In the end, we require both a compelling plot and double-digit potential returns for us to add a new investment to the Global Leaders strategy, as we attempt to link the narrative to the numbers. We have a clear bias to tales involving a Quest where, so long as nothing serious goes wrong, our payoff is highly likely. This approach helps us judge the probability of our potential returns, ensuring a disciplined and informed capital allocation process.

As we pass our tenth anniversary, we are excited to announce a new team member – Zahrah Alnaji, with ten years of investment experience, who joins us in London as a generalist analyst. Over the past decade, Global Leaders has compounded at 11.9% returns per year before fees, a 207% cumulative return since inception, please see charts below and on next page.<sup>19</sup> This is well ahead of global benchmarks. More importantly, it is right in-line with our investment underwriting target of double-digit annual absolute returns. Many thanks to those who have joined us on this mission, and we look forward to updating you on progress over the next decade.

### **Mick, Bertie, and the Global Leaders Team**

---

<sup>18</sup>*Stories, Statistics, and Memory* by T. Graeber, C. Roth & F. Zimmermann. CESifo Working Paper No. 10107, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4291741](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4291741)

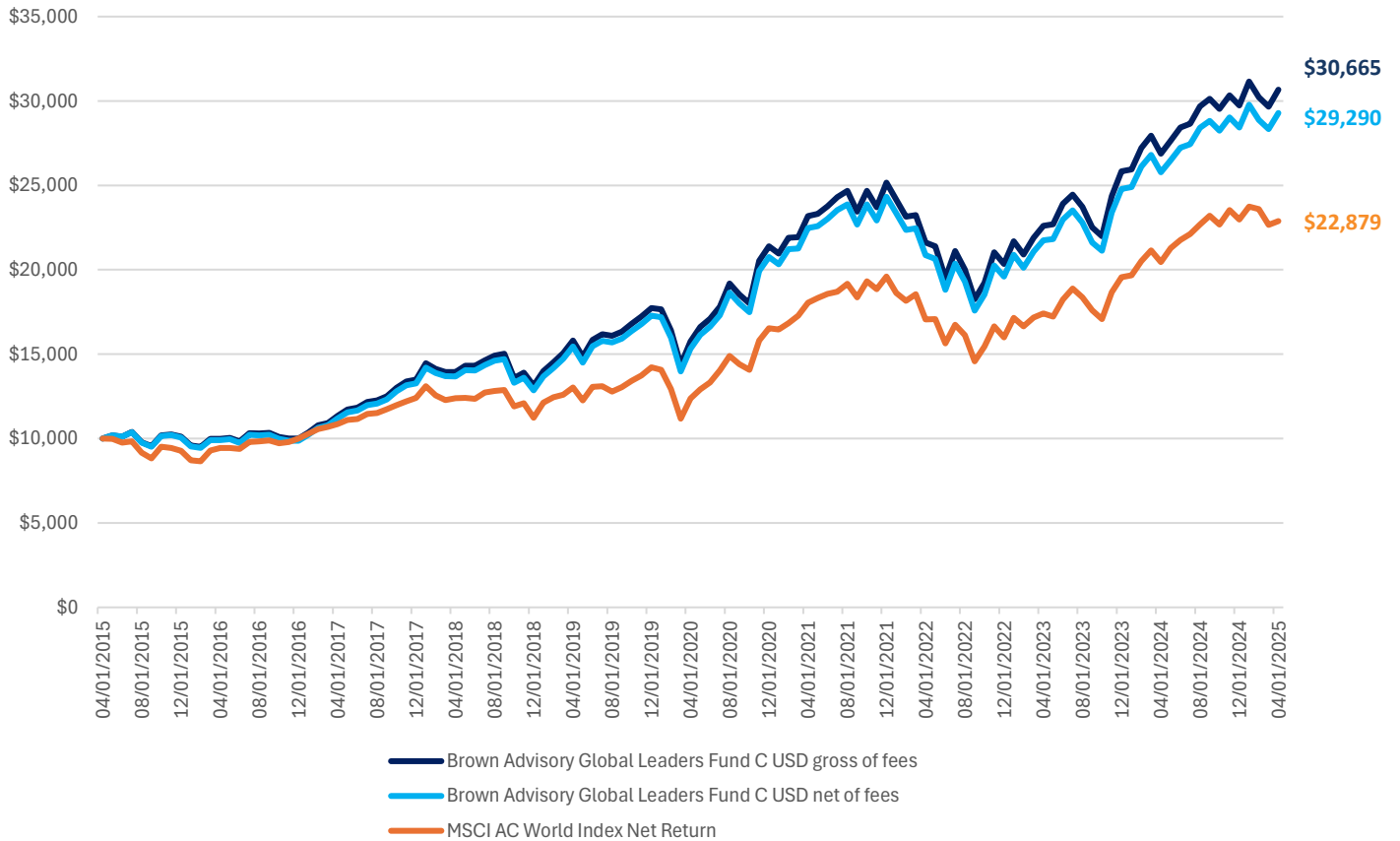
<sup>19</sup>The Fund performance shown reflects the Global Leaders Fund C USD share class gross of fees. This performance is additional to, and should be read in conjunction with, the calendar year performance data below.

Sources: Unless otherwise stated, sources are as of the most recent company reports available at the time of publication. All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Past performance is not indicative of future results. The portfolio information is based on a Brown Advisory Global Leaders representative account and is provided as Supplemental Information. Please see the end of the letter for important disclosures and a GIPS Report. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold, or recommended for advisory clients. Please see the end of the letter for important disclosures.

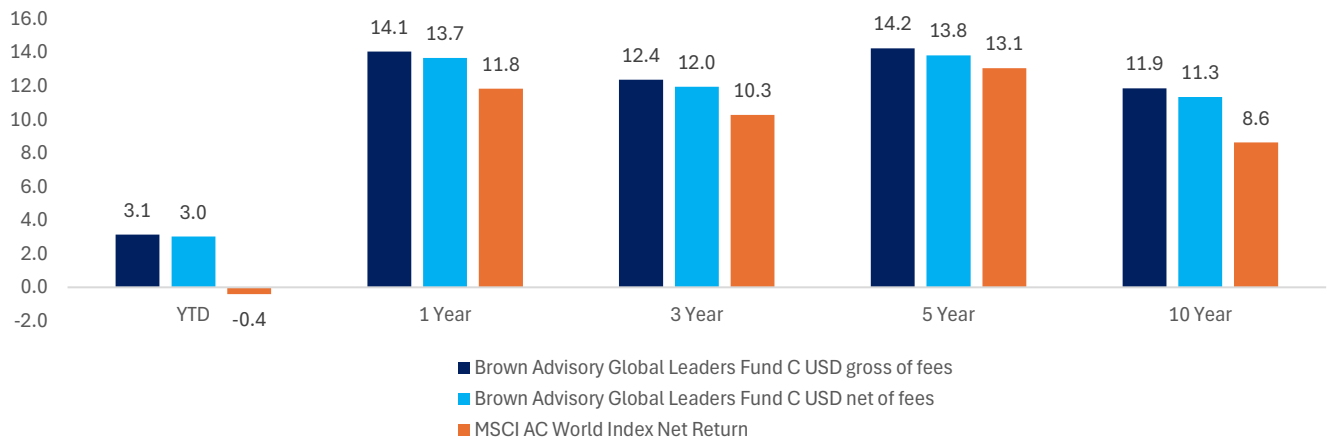
## Cumulative Performance Summary: Growth of \$10,000

Global Leaders Fund C USD vs MSCI AC World Index Net Return  
from 30 April 2015 to 30 April 2025



## Annualised Performance Summary

Global Leaders Fund C USD vs MSCI AC World Index Net Return  
from 30 April 2015 to 30 April 2025



Source: Brown Brothers Harriman and Factset as of 30 April 2025. This performance is additional to, and should be read in conjunction with, the calendar year performance data below. Performance over 1 year is annualised. 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.

## Calendar Year Performance Summary

Global Leaders Fund C USD vs MSCI AC World Index Net Return

Past performance is not indicative of future results.

Calendar Year Returns (%)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015*
Global Leaders Fund C USD gross of fees	15.1	26.9	-19.1	17.6	20.6	35.0	-2.6	34.9	-1.1	1.1
Global Leaders Fund C USD net of fees	14.7	26.5	-19.4	17.1	20.1	34.5	-3.1	34.2	-1.8	0.6
MSCI AC World Index Net	17.5	22.2	-18.4	18.5	16.3	26.6	-9.4	24.0	7.9	-7.5

\*The performance for 2015 covers the period from the Global Leaders Fund C USD share class inception, 1 May 2015, to year end.

### 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.

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.

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 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 funds 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.

Bloomberg is a trademark and service mark of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries. Any other trademarks or service marks are property of their respective owners. **The MSCI ACWI® Index** (All Country World Index), MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across developed and emerging markets. As of May 2022, it covers more than 2,933 constituents across eleven sectors and approximately 85% of the free float-adjusted market capitalization in each market. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.

**RoIC** is a measure of determining a company's financial performance. It is calculated as NOPAT/IC; where NOPAT (net operating profit after tax) is (EBIT + Operating Leases Due 1-Yr) \*(1-Cash Tax Rate) and IC (invested capital) is Total Debt + Total Equity + Total Unfunded Pension + (Operating Leases Due 1-Yr \* 8) – Excess Cash. ROIC calculations presented use LFY (last fiscal year) and exclude financial services.

The **internal rate of return (IRR)** is a measure of an investment's rate of return. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. It is also called the discounted cash flow rate of return.

**Annualized Return** is the geometric average amount of money earned by an investment each year over a given time period. It is calculated as a geometric average to show what an investor would earn over a period of time if the annual return was compounded.

**Discounted Cash Flow Analysis (DCF)** is a valuation method that estimates the value of an investment using its expected future cash flows.