

# GLOBAL LEADERS REVIEW AND OUTLOOK

## Fourth Quarter and Calendar Year 2022

The Brown Advisory Global Leaders strategy is focused on delivering attractive long-term performance by investing in a concentrated portfolio of companies that can uniquely solve a problem for their customer and generate attractive economics for shareholders. Given its concentrated nature the Global Leaders strategy's performance is primarily an output of our stock-picking.

Over the last 12 months, markets and economies experienced the impact of geopolitical unrest in Europe that quickly translated into higher energy costs, and, in combination with already tight supply chains, ramping inflation which led the leading central banks to raise interest rates. We are fundamental, long-term focused investors and the overriding focus for us in this environment was valuation. We have stuck to the same valuation framework since launch in 2015, using a 10% annual return hurdle. With inflation rising, our discussions around the rigor of this hurdle intensified. We have not made any meaningful changes (yet) despite many days of debate and analysis but this topic remains an area of focus going into 2023. Our goal is to make sure we are being appropriately conservative and setting ourselves tough valuation targets in order to reach our goal of delivering value for our investors over the long run.

The Global Leaders strategy outperformed its benchmark the MSCI All Country World (ACWI®) Index in the fourth quarter of 2022, returning 11.5% net of fees vs. 9.8% respectively. The fourth quarter was a continuation of this year's portfolio performance trends, with our largest exposures: information technology and financials generally performing well while energy and sectors where we have little exposure, such as materials or health care, contributed negatively. Quite outstanding in the fourth quarter was the performance of our consumer discretionary investments, particularly TJX Companies. We have historically struggled to find consumer discretionary companies that have the multiple and growing moats we are looking for. Our exposure to the sector is therefore very selective and via companies with competitive advantages in its brands, scale and long-standing relationships with its customers. We do observe these characteristics in TJX, this year's largest contributor to portfolio performance, as well as in Booking.com.

For the full year the strategy returned -19.5% net of fees vs. the benchmark return of -18.4%. Including this correction the net inception-to-date annualized performance of the Global Leaders strategy stands at +9.2%. This is in-line with our goal of 10% per annum returns embedded in our discount rate which if maintained can double investor's money every seven years.

The main driver of 2022 underperformance was not being invested in the energy sector and secondly the opportunity cost of not owning more of the defensive health care companies that outperformed the benchmark this year. The energy sector returned 32.9% in 2022 which positioned it not only as the best relative performer in the benchmark but also as the only sector with absolute positive performance. The lack of capital or technology barriers, high prices attracting competition, and lack of product differentiation make commodities and energy very difficult places for us to find a superior customer outcome, a sustainable business advantage (SBA) or a durable 20+% return on invested capital (RoIC). Consequently, we have not had a direct energy or straight commodity investment since we launched the strategy. The strategy's underweight position in health care is the result of many attractive companies not passing the strategy's valuation test. That said, 2022 gave us the opportunity to invest in Danish medical device manufacturer Coloplast, the first health care company investment since 2019. The main positive performance contributor this year came from financials. We hold financials with secular growth trends such as life insurance or micro lending in emerging markets and essential financial infrastructure such as securities exchanges. Particularly the securities exchanges in the strategy, Deutsche Boerse and B3, benefitted from the acceleration in contract volumes traded this year. By far the largest driver of activity this year were five new additions to the portfolio, the largest number of additions since 2018 and the result of a high number of opportunities due to the market inefficiencies seen. We however also had a thesis break in the portfolio as it relates to our investment in Tencent. We exited the investment during the fourth quarter.

As we look ahead, we think that the quality of the investments within the portfolio today is probably at its highest since launch back in early 2015. The team has relentlessly focused on analyzing companies on our ready-to-buy list—which serves as a valuable source of ideas—while also significantly expanding our pipeline. This year has once again reminded us that volatility is not risk but opportunity—for us we define risk as the permanent destruction of our clients' capital which primarily comes from competitive disruption or overpaying for great businesses. We are thankful that our investment process and our ownership structure allows us to continue to focus on long-term opportunities in any market environment.

# SECTOR DIVERSIFICATION

Fourth Quarter 2022

- Global Leaders is a concentrated global equity strategy that focuses on investing in a small number of franchises that we believe can deliver exceptional outcomes for their customers and outstanding economics for shareholders. Accordingly, sector and country diversification is an output of stock-picking with the team more focused on business models and end-market economics than in which sector a company is classified.
- At the same time, the strategy seeks differentiated exposures but will not compromise philosophically. The portfolio managers are happy to have no exposure in certain areas, such as energy, real estate or utilities, that do not satisfy their investment criteria.
- The strategy's overweight position in information technology—its largest—is a function of a number of attractive high-quality franchises, such as Microsoft, Alphabet and Intuit, located in that sector as well as large payment providers categorized as technology firms.
- The strategy's underweight position in health care is the result of many attractive companies currently not passing the strategy's valuation test.

SECTOR	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)	MSCI ACWI INDEX (%)	DIFFERENCE (%)	REP. BROWN ADVISORY GLOBAL LEADERS ACCOUNT (%)	
	Q4'22	Q4'22	Q4'22	Q3'22	Q4'21
Communication Services	7.25	6.75	0.49	9.28	14.85
Consumer Discretionary	5.23	10.38	-5.15	4.48	4.63
Consumer Staples	7.01	7.80	-0.79	6.85	6.10
Energy	--	5.63	-5.63	--	--
Financials	23.24	15.23	8.01	23.09	15.02
Health Care	6.95	13.37	-6.42	7.92	6.80
Industrials	10.29	10.10	0.19	9.01	7.62
Information Technology	34.84	20.06	14.78	34.69	39.83
Materials	2.42	4.97	-2.55	2.32	4.71
Real Estate	--	2.58	-2.58	--	--
Utilities	--	3.12	-3.12	--	--

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

Fourth Quarter 2022



SECTOR	REPRESENTATIVE GLOBAL LEADERS ACCOUNT		MSCI ACWI INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	7.93	4.75	6.88	2.86	-0.13	0.07	-0.06
Consumer Discretionary	4.96	26.73	10.81	-0.96	0.69	1.32	2.01
Consumer Staples	6.71	14.81	7.65	11.18	-0.02	0.25	0.23
Energy	--	--	5.65	17.86	-0.43	--	-0.43
Financials	22.69	12.86	14.87	14.35	0.36	-0.33	0.02
Health Care	7.35	-1.98	13.23	13.50	-0.23	-1.20	-1.42
Industrials	10.00	27.71	9.86	17.46	0.01	0.89	0.90
Information Technology	35.27	9.78	20.64	5.73	-0.58	1.46	0.87
Materials	2.42	16.21	4.84	16.25	-0.14	-0.01	-0.15
Real Estate	--	--	2.56	5.79	0.11	--	0.11
Utilities	--	--	3.01	10.08	-0.01	--	-0.01
<b>Total</b>	<b>100.00</b>	<b>11.71</b>	<b>100.00</b>	<b>9.81</b>	<b>-0.53</b>	<b>2.44</b>	<b>1.90</b>

- Outperformance in the quarter was driven predominantly by our investments in the consumer discretionary and the industrials sectors.
- The largest portfolio exposures—information technology and financials—delivered absolute positive performance as well as outperformance against the benchmark. We hold financials with secular growth trends such as life insurance or micro lending in emerging markets and essential financial infrastructure such as securities exchanges.
- The largest negative relative performance during the quarter came from health care, and mainly from the opportunity cost of not owning more of the defensive health care companies that outperformed the benchmark. Energy also continued to be a drag on performance as we do not hold any investments in this sector and have not held positions since inception of the strategy.

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. Total portfolio gross 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. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Past performance is not indicative of future results. The portfolio information provided is based on a representative Global Leaders account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution is gross of fees and 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.

# CALENDAR YEAR ATTRIBUTION DETAIL BY SECTOR

Representative Global Leaders Account as of 12/31/2022

SECTOR	REPRESENTATIVE GLOBAL LEADERS ACCOUNT		MSCI ACWI INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	11.01	-33.74	7.80	-33.97	-0.53	0.08	-0.45
Consumer Discretionary	4.74	-3.42	11.27	-32.35	1.01	1.35	2.36
Consumer Staples	5.88	-16.54	7.37	-6.58	-0.15	-0.50	-0.65
Energy	--	--	4.94	32.96	-1.74	--	-1.74
Financials	20.38	7.82	14.61	-9.73	0.35	2.75	3.10
Health Care	6.63	-28.89	12.57	-6.76	-0.63	-1.49	-2.11
Industrials	9.54	-14.33	9.48	-12.90	-0.01	-0.07	-0.08
Information Technology	37.86	-25.50	21.49	-31.30	-2.19	2.40	0.22
Materials	2.56	-32.19	4.83	-11.61	-0.08	-0.82	-0.90
Real Estate	--	--	2.68	-24.30	0.16	--	0.16
Utilities	--	--	2.95	-4.67	-0.36	--	-0.36
<b>Total</b>	<b>100.00</b>	<b>-18.66</b>	<b>100.00</b>	<b>-18.38</b>	<b>-3.99</b>	<b>3.71</b>	<b>-0.28</b>

- The main contributor to underperformance in 2022 was not being invested in the energy sector and the opportunity cost of not owning more of the defensive health care companies that outperformed the benchmark this year.
- By far the biggest positive performance contributor was the financials sector. Particularly the securities exchanges in the strategy, Deutsche Boerse and B3, benefitted from the acceleration in contract volumes traded. We hold financials with secular growth trends such as life insurance or micro lending in emerging markets and essential financial infrastructure such as securities exchanges.
- The second largest outperforming sector was consumer discretionary. Our exposure to the sector is via companies with competitive advantages in its brands, scale and long-standing relationships with its customers. We observe these characteristics in TJX and Booking.com.

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. Total portfolio gross 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. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Past performance is not indicative of future results. The portfolio information provided is based on a representative Global Leaders account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution is gross of fees and 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

## Fourth Quarter 2022 Representative Global Leaders Account Top Five Contributors

Name	Description	Average Weight (%)	Return (%)	Contribution To Return (%)
B058TZ	Safran S.A.	3.84	35.49	1.21
588185	CTS Eventim AG & Co. KGaA	2.47	52.70	1.04
MA	Mastercard Incorporated Class A	4.42	22.49	0.94
TJX	TJX Companies Inc	3.39	28.68	0.88
B4TX8S	AIA Group Limited	2.97	33.38	0.84

- A sustained traffic recovery and strong pricing and currency tailwinds led to Safran growing strongly in 2022 and lifting guidance on revenue and free-cash-flow generation.
- As a live event and ticketing company, CTS Eventim was severely affected by COVID-19. The company has now recovered above 2019 levels.
- Mastercard continues to benefit from the structural trend of cash-to-digital conversions, a more cyclical cross-border travel normalization and a number of revenue growth opportunities from new products and services.
- TJX Companies' off-price offering attracts customers during an economic slowdown with a clear value gap to rivals. TJX benefited from both, the demand for its relative more affordable product offering as well as supply, as its buyers take advantage of more opportunities to acquire excess inventory at discounts.
- AIA Group delivered solid insurance premium growth across the wider Asian market. AIA was also able to maintain its Chinese-based agent workforce throughout the challenging macro environment of 2022 which we believe puts them in a strong position to benefit from a full Chinese border opening.

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# CALENDAR YEAR TOP FIVE CONTRIBUTORS TO RETURN

Representative Global Leaders Account Top Five Contributors as of 12/31/2022

	Name	Description	Average Weight (%)	Return (%)	Contribution To Return (%)
TJX	TJX Companies Inc	Operates retail apparels and home fashions stores	2.54	6.74	0.51
SCHW	Charles Schwab Corp	Provides securities brokerage and other financial services	3.02	0.10	0.39
BG36ZK	B3 SA - Brasil, Bolsa, Balcao	Provides exchange trading, clearing and other trade services	2.53	29.40	0.32
B4TX8S	AIA Group Limited	Provides life and health insurance services	2.94	12.46	0.23
670909	PT Bank Rakyat Indonesia (Persero) Tbk Class B	Operates national and international banking institutions	3.15	14.40	0.22

- TJX Companies' off-price offering attracts customers during an economic slowdown with a clear value gap to rivals. TJX benefited from both the demand for its relatively more affordable product offering as well as supply, as its buyers take advantage of more opportunities to acquire excess inventory at discounts.
- Charles Schwab demonstrated strong structural growth in assets for its wealth management products while also benefiting from its positive financial leverage to higher interest rates.
- Exchanges and Brazil's securities exchange B3 in particular, led portfolio contribution this year. The company has a dominant position in its market and benefits from a number of secular growth trends such as the deepening of local capital markets and increased domestic investor participation in existing and new products.
- AIA Group delivered solid insurance premium growth across the wider Asian market. AIA was also able to maintain its Chinese-based agent workforce throughout the challenging macro environment of 2022 which we believe puts them in a strong position to benefit from a full Chinese border opening.
- PT Bank Rakyat (BRI) benefitted from structural growth in the Indonesian microlending segments as well as its mergers and acquisitions (M&A) activity that is increasing its exposure to this market. Its focus on micro loans means that it is less sensitive to developed market interest rates and inflation than other financials. BRI also continues to see the asset quality on its loan books improve towards pre-COVID-19 levels.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Fourth Quarter 2022 Representative Global Leaders Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
BMMV2K	Tencent Holdings Ltd.	Operates investment holding company with interest in internet, mobile, and telecommunications value-added services	0.73	-16.89	-0.48
GOOG	Alphabet Inc. Class C	Operates as a holding company with interests in software, health care, transportation and other technologies	4.74	-7.72	-0.31
MRVL	Marvell Technology, Inc.	Manufactures semiconductor products	2.01	-13.57	-0.28
EW	Edwards Lifesciences Corporation	Designs, develops, manufactures and markets products to treat late-stage cardiovascular disease	2.19	-9.71	-0.24
711038	Roche Holding Ltd Dividend Right Cert.	Operates as a research-focused healthcare company with combined focus in pharmaceuticals and diagnostics	3.49	-4.45	-0.14

- Tencent Holdings' share price reacted to what the market perceived as the consolidation of Xi Jinping's power at the 20th National Congress in China in October which can lead to unpredictable changes to governance practices at domestic Chinese companies as well as changes of the regulatory direction of China in general. The position was sold during the fourth quarter.
- With Alphabet's dominant market position particularly in Google Search unchanged, it was the company's exposure to the more discretionary advertising market, a tough year-over-year comparison and the acceleration in headcount costs post-COVID-19 that posed severe headwinds throughout the year.
- Marvell Technology's share price continue to weaken in the fourth quarter as data center orders of large, high-profile customers were cut and inventories depleted. Structural growth in 5G and optics end markets was resilient.
- Edwards Lifesciences saw continued procedure slowdown due to staffing problems in what are typically complicated pre-surgery preparation processes for its heart surgery procedures. At the same time, Edwards sees the backlog growing which suggests for this deacceleration to be transitory.
- Roche Holdings missed a phase 3 Alzheimers trial during November which impacted its share price. There has only ever been one successful phase 3 trial in this high-risk research area which means that while a successful outcome would have generated meaningful upside there was a low likelihood attached to that. Roche has a very strong pipeline of products with less variability in outcomes.

# CALENDAR YEAR BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Global Leaders Account Bottom Five Contributors as of 12/31/2022

NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MSFT	Microsoft Corporation	8.85	-28.02	-2.64
GOOG	Alphabet Inc. Class C	5.49	-38.67	-2.47
BMMV2K	Tencent Holdings Ltd.	2.92	-50.27	-2.37
MRVL	Marvell Technology, Inc.	2.70	-57.49	-2.17
TSM	Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.42	-37.03	-1.57

- Microsoft's productivity and workforce sales generally performed well in the current environment exemplified by the continuation of large IT project wins and implementations. Cloud continued to grow at high double digits, catching up in market size with cloud leader Amazon Web Services. Weakness was apparent in areas such as hardware (PC sales) or products related to advertising spend such as LinkedIn and Search.
- With Alphabet's dominant market position particularly in Google Search unchanged, it was the company's exposure to the more discretionary advertising market, a tough year-over-year comparison and the acceleration in headcount costs post-COVID-19 that posed severe headwinds throughout the year.
- Tencent Holdings' share price reacted negatively to a perceived change in the regulatory direction of China in general which led to concerns around how this regulation would impact Tencent's various businesses. The position was sold during the fourth quarter.
- Marvell Technology came under pressure this year as supply tightness resurfaced and was then paired with broader macroeconomic softness that impacted the wider semiconductor industry in 2022. Initial demand weakness in its consumer and enterprise segment and a later deacceleration in data center ordering with a depletion of customer inventories were also notable headwinds. Structural growth in 5G and optics held up through the period.
- Taiwan Semiconductor Manufacturing (TSM) came under pressure as the broader semiconductor cycle continued to weaken. The company continues to expand its competitive advantage in leading node manufacturing and delivers highly attractive margins. Geopolitical risk around a Chinese invasion of Taiwan, while difficult to assess, was impacting the share price performance.

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. 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. Security gross returns listed represent the period when the security was held during the year. Past performance is not indicative of future results. The portfolio information provided is based on a representative Global Leaders account and is provided as Supplemental Information. Top five and bottom five contributors exclude 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 ADDITIONS/DELETIONS

## Fourth Quarter 2022 Representative Global Leaders Account Portfolio Activity

- We exited Tencent during the quarter. Tencent has been a disappointing investment for us. The long-term risks we categorize for our investments are demand-side, supply-side or regulation, with the hardest to calibrate being regulation, as the winds can change or unexpected outcomes emerge. An unusual risk is misappropriation of one's technology for nefarious or non-economic end use. The trigger for our decision to exit the position was the consolidation of Xi Jinping's power at the 20th National Congress in October and the implication that could have in terms of undermining sound governance principles for the company and a change in the direction of regulation in China in general. With our ESG thesis broken and our ability to fundamentally analyze this company permanently impaired we exited the position during the quarter. Tencent remains a critical part of the Chinese technology ecosystem and key to a number of government initiatives, such as self-generated semiconductor design. However commercial freedom is increasingly subsumed to government mandates. Sometimes calibration becomes too hard and we believe it is best to reinvest elsewhere.

SYMBOL	ADDITIONS	SECTOR
	None	

SYMBOL	DELETION	SECTOR
BMMV2K	Tencent Holdings Ltd.	Communication Services

SYMBOL	ADD & DELETES	SECTOR
	None	

# CALENDAR YEAR ADDITIONS/DELETIONS

## Representative Global Leaders Account Portfolio Activity as of 12/31/2022

- Allegion is the U.S. leader of mechanical and electronic security products. Allegion's brands stand for superior quality which we believe is a core competitive advantage, particularly in the non-residential markets of education and healthcare. Approx. 50% of revenue is derived from aftermarket activities. It is this mix of defensive non-residential end markets with strong pricing power and high RoIC that we believe puts Allegion in a in a position to outgrow GDP and its peers.
- ASML is the global market leader in the supply of the most innovative lithography technology for the semiconductor industry. Its machines can be used to pattern the finest details on the most advanced microchips while delivering more processing power, using less energy and delivering higher performance compared to earlier technologies. ASML's technology leadership makes its machines and technologies essential to the leading global node producers.
- We initiated a new investment in the Danish medical device manufacturer Coloplast. Coloplast is a global market leader in developing products and services that make life easier for people with intimate medical conditions in ostomy, continence care, urology and skin and wound care. The company sustains this loyalty through its first mover position and leading innovation.
- We repurchased Moody's Corporation after selling our investment in 2017 due to valuation reasons. Moody's is a global leader in the debt ratings business and has a fast-growing data analytics business. The growth of the latter has significantly increased recurring demand for the business.
- We invested in Otis, a global leader in the elevator and escalator (E&E) industry. Otis has the largest installed elevator base among its peers which drives its higher margin profile from route density, a key characteristic on the servicing side. We funded the investment though our divestment of peer Schindler. Over our holding period, Schindler had slowed in its progress in closing the margin gap to peers. This combined with a more recent change in management and a closing valuation gap led us to exit the investment.

SYMBOL	ADDITIONS	SECTOR
ALLE	Allegion Public Limited Company	Industrials
ASML	ASML Holding NV ADR	Information Technology
B8FMRX	Coloplast A/S Class B	Health Care
MCO	Moody's Corporation	Financials
OTIS	Otis Worldwide Corporation	Industrials

# CALENDAR YEAR ADDITIONS/DELETIONS

## Representative Global Leaders Account Portfolio Activity as of 12/31/2022

- We exited Ecolab. We continue to like Ecolab's business model with a differentiated service model and global scale, we weighed the defensiveness of the assets against its valuation as well as other competing opportunities in the market and saw more opportunity elsewhere. We used the position to fund our purchase of Allegion.
- We exited Electronic Arts. Areas such as mobile gaming, a fairly new segment for the company, have however become more material to the success of our investment thesis – a business model that has inherently wider probabilities. This led us to look for more opportunity elsewhere and we used the position to fund the new addition of Moody's Corporation as well as the full build out of our position in Allegion.
- We exited Tencent. Tencent has been a disappointing investment for us. The long-term risks we categorize for our investments are demand-side, supply-side or regulation, with the hardest to calibrate being regulation. The trigger for our decision to exit the position was the consolidation of Xi Jinping's power at the 20th National Congress in October and the implication that could have in terms of undermining sound governance principles for the company and a change in the direction of regulation in China in general. With our ESG thesis broken and our ability to fundamentally analyze this company permanently impaired we exited the position during the final quarter of the year.
- JD.com and Atlas Copco AB TEMP shares were received as part of corporate actions and have been removed from the portfolio.

SYMBOL	DELETION	SECTOR
ECL	Ecolab Inc.	Materials
EA	Electronic Arts Inc.	Communication Services
B11WWH	Schindler Holding AG	Industrials
BMMV2K	Tencent Holdings Ltd.	Communication Services

SYMBOL	ADD & DELETES	SECTOR
BLDBN8	Atlas Copco AB TEMP Class B	Industrials
BKPQZT	JD.com, Inc. Class A	Consumer Discretionary

# PORTFOLIO CHARACTERISTICS

Fourth Quarter 2022 Global Leaders Representative Account as of 12/31/2022

	GLOBAL LEADERS REPRESENTATIVE ACCOUNT	MSCI ACWI NET INDEX
ROIC (LFY ex. financials) Median (%)	24.3	10.6
Sales Growth (% , 3 Year Median)	9.8	6.2
FCF Yield ex. financials (NTM Median) (%)	4.1	4.2
Volatility	15.8	15.5
Alpha	2.9	--
Net Debt to EBITDA ex. financials (Weighted Average)	-0.03	0.98

# COMPOSITE PERFORMANCE

Fourth Quarter 2022 as of 12/31/2022



Source: FactSet®. All returns greater than one year are annualized. Past performance is not indicative of future results and you may not get back the amount invested. The composite performance shown above reflects the Global Leaders 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 Global Leaders disclosure statement at the end of this presentation for a GIPS compliant presentation.

# TOP 10 PORTFOLIO HOLDINGS

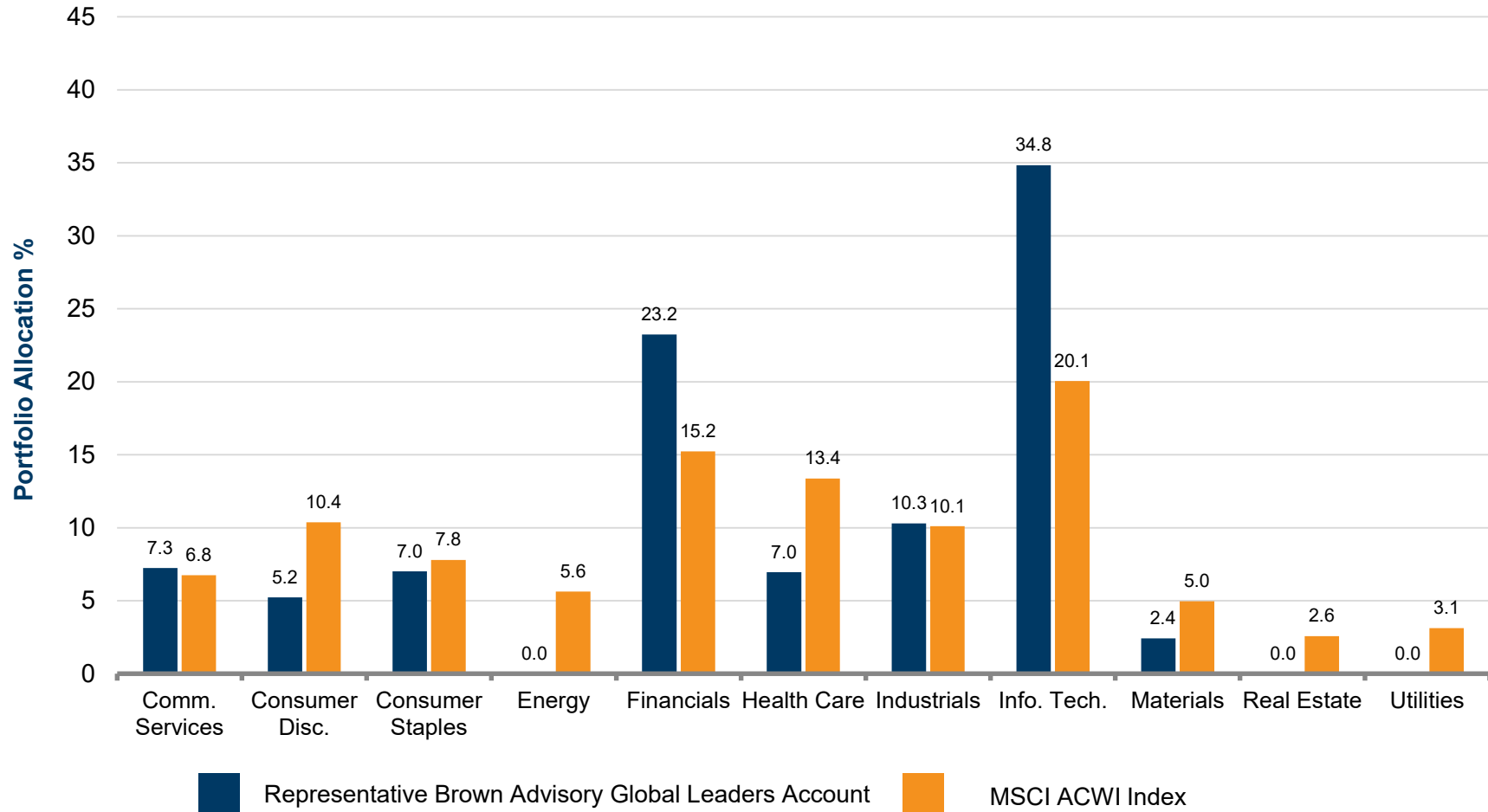
Global Leaders Representative Account as of 12/31/2022

TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	7.3
Visa, Inc.	4.9
Unilever PLC	4.7
Mastercard, Inc.	4.5
Alphabet, Inc. Cl C	4.5
Deutsche Boerse Ag	4.1
Safran SA	4.1
Charles Schwab Corp.	4.0
HDFC Bank Ltd. ADR	3.6
TJX Companies, Inc.	3.6
<b>Total</b>	<b>45.2</b>

Source: FactSet. Top 10 holdings includes cash and cash equivalents which was 3.1% as of 12/31/2022. 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. Portfolio information is based on a Global Leaders Representative account and is provided as Supplemental Information. Please see disclosure statement at the end of this presentation for additional information. Figures in chart may not total due to rounding.

# SECTOR DIVERSIFICATION

Fourth Quarter 2022 Global Industry Classification Standard (GICS) as of 12/31/2022



Source: FactSet. The portfolio information provided is based on a representative Global Leaders 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

For institutional investors and professional clients only.

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. 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.

ESG considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. ESG analysis may not be performed for every holding in the strategy. 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.

The **MSCI ACWI® (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 11 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.

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.



## TERMS AND DEFINITIONS

**Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a portfolio and compares its risk-adjusted performance to a benchmark.

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.

**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.

**RoIC** is a measure of determining a company's financial performance.  $ROIC = NOPAT / IC$ .  $NOPAT = EBIT + \text{Amortization of acquired intangibles} - \text{Cash tax paid}$ .  $IC = \text{Total Debt} + \text{Total Equity} + \text{Total unfunded pension liabilities} - \text{Excess Cash}$ .

**Free Cash Flow (FCF) yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use the median NTM (Next Twelve Months) and exclude Banks and Insurance companies.

**Sales growth rate** is based on reported company revenue for the past three years at the end of the current quarter, provided as a historical average.

**Sharpe Ratio** is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Subtracting the risk-free rate from the mean return, the performance associated with risk-taking activities can be isolated. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

**Sortino Ratio** measures the risk-adjusted return of an investment asset, portfolio, or strategy. It is a modification of the Sharpe ratio but penalizes only those returns falling below a user-specified target or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index.

**Net debt-to-EBITDA** (earnings before interest depreciation and amortization) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The calculation presented excludes Banks and Insurance companies.

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)*
2021	17.6	17.0	18.5	17.2	16.8	Five or fewer	N/A	4,368	79,715
2020	21.0	20.2	16.3	18.1	18.1	Five or fewer	N/A	2,428	59,683
2019	35.1	34.2	26.6	11.6	11.2	Five or fewer	N/A	731	42,426
2018	-2.2	-2.8	-9.4	11.0	10.5	Five or fewer	N/A	303	30,529
2017	35.1	34.0	24.0	N/A	N/A	Five or fewer	N/A	77	33,155
2016	-0.6	-1.4	7.9	N/A	N/A	Five or fewer	N/A	38	30,417
2015**	1.2	0.7	-7.3	N/A	N/A	Five or fewer	N/A	24	43,746

\*\*Return is for period May 1, 2015 through December 31, 2015

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, 2021. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Global Leaders Composite (the Composite) aims to achieve capital appreciation by investing primarily in global equities. The strategy will invest in equity securities of companies that the portfolio manager believes are leaders within their industry or country, as demonstrated by an ability to deliver high relative return on invested capital over time. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite creation date is August 26, 2015. The Composite inception date is May 1, 2015.
- The benchmark is the MSCI ACWI Net Index. The MSCI ACWI Net Index captures large and mid cap representation across Developed Markets (DM) and Emerging Markets (EM) countries. The Index covers approximately 85% of the global investable equity opportunity set. 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.
- As of September 1, 2022, the Composite benchmark was changed from the FTSE All-World Net Index to the MSCI ACWI 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.
- As of January 1, 2019, the Composite benchmark was changed from Russell Global Large-Cap Net Index to the FTSE All-World Net Index. The change was applied retroactively from the Composite inception date. The Russell Global Large-Cap Net Index was decommissioned as of December 31, 2018 and is no longer published.
- Composite dispersion is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.80% on the first \$50 million; 0.55% on the next \$50 million; 0.45% on the next \$50 million; and 0.40% on the balance over \$150 million. 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.
- The investment management fee for the Investor Shares of the Brown Advisory Global Leaders Fund (the Fund), which is included in the Composite, is 0.65%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2021) was 0.91%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Dollar Class B Acc Shares of the Brown Advisory Global Leaders Fund (the UCITS), which is included in the composite, is 0.75%. The total expense ratio for the Dollar Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2021) was 0.88%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2015, December 31, 2016 and December 31, 2017 because 36 month returns for the Composite were not available (N/A) and the Composite did not exist.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.