

STRATEGY OVERVIEW

# GLOBAL SUSTAINABLE TOTAL RETURN BOND

The Brown Advisory Global Sustainable Total Return Bond strategy takes a global, sustainable and dynamic approach to fixed income. The strategy seeks to offer investors access to an attractive stream of income and risk-adjusted returns while simultaneously generating a positive impact on global sustainability.

## INVESTMENT PHILOSOPHY

We believe that dynamic asset allocation informed by comprehensive top-down macro analysis, combined with rigorous bottom-up security selection and a differentiated sustainable investment approach, can deliver attractive risk-adjusted returns through the economic cycle while producing positive environmental and social impact.

## THREE MAIN OBJECTIVES

**1 TOTAL RETURN OVER AN ECONOMIC CYCLE**

**2 BOND-LIKE CHARACTERISTICS**

**3 SUSTAINABILITY**

## PORTFOLIO MANAGEMENT TEAM



Chris Diaz, CFA



Ryan Myerberg



Colby Stilson

- **Experienced portfolio management team:** combined 60+ years managing global fixed income mandates, with a durable and proven investment process<sup>1</sup>
- **Focus on investment outcomes and sustainability:** combining a proven global investment process with our proprietary ESG research methodology
- **Sustainable investing platform, approach and proprietary process:** developed in-house over 10+ years
- **Commitment to sustainable investing:** long history of working with clients seeking to align their portfolios with their values. Currently, Brown Advisory manages 13 sustainable investing strategies and 41.0% of the firm's institutional AUM is in sustainable mandates.<sup>2</sup> Please see the [Brown Advisory 2021 Sustainability Report](#).
- **Dedicated ESG analysts:** working alongside fundamental credit analysts and fully integrated into the fixed income team

## STRATEGY TARGET PROFILE<sup>3</sup>

Benchmark: SONIA<sup>4</sup> (GBP) / SOFR<sup>5</sup> (USD)

Return Target: 2-3% annualised in excess of cash<sup>6</sup>

Volatility Target: 4-6% per annum

Interest Rate Duration: 3-5 years (0-8 years permissible range)

Spread Duration: 3-4 years (0-6 years permissible range)

Aggregate Portfolio Rating: AA to BBB

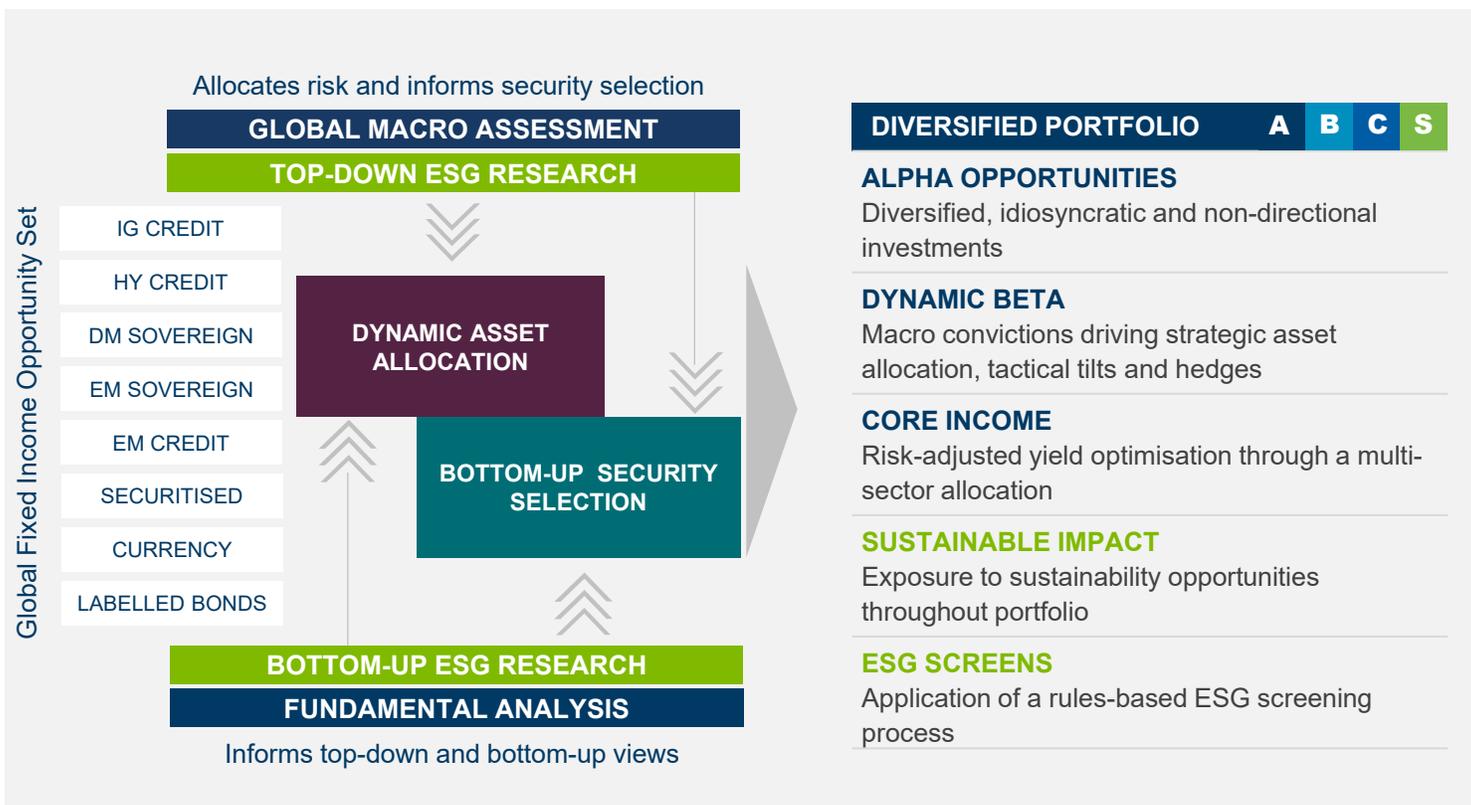
Anticipated SFDR: Article 8

Members, signatories, or supporters of:



**INVESTMENT PROCESS**

Integrated top-down and bottom-up insights uncover investment opportunities and support portfolio construction



**INTEGRATED FUNDAMENTAL AND ESG RESEARCH**

ESG research is a value-additive component of individual security analysis, fully integrated with fundamental analysis. The strategy seeks to promote environmental, social and governance characteristics by investing primarily in bonds that we believe generate positive impact.<sup>7</sup>

<b>FUNDAMENTAL ANALYSIS</b>	<b>ESG RISK MANAGEMENT</b>	<b>SUSTAINABLE OPPORTUNITIES</b>	<b>USE OF PROCEEDS</b>
<ul style="list-style-type: none"> <li>Valuation</li> <li>Relative value</li> <li>Duration</li> <li>Liquidity</li> <li>Capital structure</li> </ul>	<ul style="list-style-type: none"> <li>Identify material ESG risks</li> <li>Uncover potential controversies</li> <li>Assess ability of issuer to manage risks</li> </ul>	<ul style="list-style-type: none"> <li>Enhance expected returns through assessment of issuer’s ability to solve for environmental and/or social challenges and generate positive societal impact</li> </ul>	<ul style="list-style-type: none"> <li>Provide security-level detail on the specific projects being financed by proceeds</li> <li>Ensure adherence to the ICMA Principles</li> </ul>

**KEY HIGHLIGHTS**

- ▶ **VALUES ALIGNMENT:** client, team, firm
- ▶ **TESTED PROCESS** utilising Alpha, Beta and Core pillars, built on a foundation of Sustainability
- ▶ **PERFORMANCE & IMPACT** delivered via proprietary ESG and fundamental research

### References

<sup>1</sup> The Portfolio Management Team's experience managing global fixed income mandates includes experience at financial institutions other than Brown Advisory. Prior experience and track record may not be indicative of future performance.

<sup>2</sup> Data is as of 6/30/2021 and includes the following Brown Advisory strategies: Tax-Exempt Sustainable Fixed Income, Sustainable Core Fixed Income, Sustainable Short Duration, Large-Cap Sustainable Growth, Global Leaders (and Global Leaders Sustainable), U.S. Core ESG, U.S. Large-Cap Catholic Values, U.S. Small-Cap Catholic Values, U.S. Large-Cap ESG, Sustainable Income, Balanced ESG, Sustainable Small-Cap Core and U.S. All Cap SRI. Total strategy assets include accounts that are excluded from the composite. These assets include (1) single strategy assets of balanced accounts, (2) accounts that do not meet the composite minimum market value requirement and (3) accounts with restrictive guidelines. Numbers may not total due to rounding.

<sup>3</sup> For the UCITS fund expected to launch in the fourth quarter of 2021.

<sup>4</sup> SONIA (Sterling Overnight Index Average) is an index of very short-term unsecured loans between U.K. financial institutions.

<sup>5</sup> SOFR (Secured Overnight Financing Rate) is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities.

<sup>6</sup> Return target is gross of fees.

<sup>7</sup> An ESG assessment is conducted for corporate and sovereign issuers and other asset classes when relevant information is available. Also, we invest on the basis of ESG risk management and/or opportunity.

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### Disclosures

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.

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. 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 may seek 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 Portfolio Management Team's experience managing global fixed income mandates includes experience at financial institutions other than Brown Advisory. Prior experience and track record may not be indicative of future performance.

**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 index.

**Beta** primarily used in the capital asset pricing model (CAPM), is a measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.

**Duration** is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

**Volatility** is the degree of variation of a trading price series over time, usually measured by the standard deviation of returns.