

# SMALL-CAP GROWTH REVIEW AND OUTLOOK

Second Quarter 2023

## 2Q23 Summary

The Brown Advisory Small-cap Growth strategy produced healthy returns during the second quarter of 2023, falling short of its benchmark, the Russell 2000® Growth Index, while outpacing the broader Russell 2000® Index. Our emphasis on quality helped our recent quarterly and year-to-date results. However, we see this condition as temporary considering current economic and market dynamics. If current conditions persist, we think there could be an increased reliance on idiosyncratic successes to drive relative outperformance. Our overall approach remains steady as we continue to patiently wait for opportunities to introduce new ideas and increase our investment in a select group of existing portfolio holdings.

## Decisions, Decisions, Decisions

Investment management is a straightforward, yet challenging profession. Success hinges upon an empirically derived philosophy, a committed team with clear roles, a culture fostering open and honest communication, and decisive actions informed by collected data and evidence. One should allocate their time, attention, and energy towards analyzing and refining the investment process – the controllable aspect – rather than the outcomes. Learning and growth should be the focus of both investment successes and failures.

Unlike more predictable professions, where following certain procedures guarantees certain outcomes, investing demands similarly precise methods but success is never guaranteed. We would all prefer it to be straightforward.

Legendary NFL coach Bill Parcells once said, "You are what your record says you are." While football teams are judged by a season, investment teams should be assessed over an "investment cycle." A 3–5-year investment record represents a culmination of all the bottom-up capital allocation decisions made during this time. We make numerous decisions every day, guided by one primary thought: what potential action is most likely to benefit long-term returns? As such, we must always consider any factors that might distort or obscure our perspective.

Being aware of our human fallibility, we foster a collaborative investment decision-making process. Each of us is influenced by several behavioral or cognitive biases such as anchoring, authority, confirmation, disposition effect, egocentricity, endowment effect, familiarity, framing, hindsight, loss aversion, mental accounting, narrative bias, overconfidence, recency, and survivorship.

While our company due diligence drives our alpha potential, it is reasonable to suggest that the mental framework of the person assessing the information is equally critical. Having a dedicated, cohesive, and suitably incentivized team serves as a buffer against biased thinking.

## "Toto, I've a feeling we're not in Kansas anymore." - Dorothy, *The Wizard of Oz*

Much like Dorothy's transition from Kansas to the fantastical Land of Oz, we too have been transported to a different world in the equity markets. The last decade has seen zero interest rate policy (ZIRP), a global pandemic, a surge in inflation, and a dramatic policy reversal by the Federal Reserve. The advent of passive capital (index funds, ETFs, etc.) has further altered the structure of the stock market.

This journey has led to dramatic changes in investment sentiment, capital flows, and market leadership. Our portfolio active share is pushing the high-90% range, which has caused significant shifts in short-term relative performance. Our year-to-date performance has been influenced by our quality bias against a lower quality rally, our being underweight in cyclical areas due to caution around a slowing macro, and perception issues around a couple of holdings, which hopefully prove to be short-lived.

Despite an interesting investment environment in 1H23, our core elements have stood the test of time over the last 17+ years and will continue to guide us in the future. We anticipate volatility will remain prevalent and intend to leverage it to our advantage.

# SECTOR DIVERSIFICATION

Second Quarter 2023

- Our weighting in basic materials remained largely consistent with prior periods on an absolute basis and remains an underweight relative to our benchmark.
- Consumer discretionary is in line with the benchmark, although our weighting has contracted by more than 500 basis points over the past year. Our construction is likely much less pro-cyclical than the benchmark.
- Consumer staples has remained stable and in line with the benchmark.
- Energy has jumped in weight compared to the prior year; our exposure remains below the benchmark weight and our holdings are, in our view, decidedly higher in quality.
- Financials is our largest underweight.
- Health care is in line despite an underweight to biotechnology. The percentage of capital allocated to the category is roughly the same as last year.
- Industrials is less cyclical but a similar weight as the index.
- Technology is our second largest underweight.
- Real estate, telecommunications and utilities are a collective and eclectic overweight.

ICB SECTORS	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	
	Q2'23	Q2'23	Q2'23	Q1'23	Q2'22
Basic Materials	1.83	3.49	-1.66	1.97	1.53
Consumer Discretionary	13.08	12.67	0.41	14.07	18.07
Consumer Staples	3.76	3.44	0.32	3.76	3.71
Energy	5.17	5.49	-0.33	5.10	1.98
Financials	2.88	4.85	-1.97	2.66	3.03
Health Care	23.74	23.03	0.71	24.45	23.68
Industrials	22.81	22.17	0.65	21.64	24.07
Real Estate	2.22	1.61	0.61	2.17	2.30
Technology	17.58	19.39	-1.80	16.60	15.19
Telecommunications	2.18	1.91	0.27	2.73	2.37
Utilities	4.75	1.96	2.79	4.84	4.08
[Unassigned]	--	--	--	--	--

Source: FactSet®. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Sectors are based on the ICB Sectors. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# ATTRIBUTION DETAIL BY SECTOR

Second Quarter 2023

ICB SECTOR	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Basic Materials	1.89	-1.31	3.98	0.44	0.15	-0.03	0.11
Consumer Discretionary	13.33	10.63	12.71	1.84	-0.05	1.24	1.19
Consumer Staples	3.67	5.75	4.00	5.73	0.002	-0.01	-0.01
Energy	5.00	6.18	7.36	5.78	0.12	0.03	0.15
Financials	5.53	1.66	5.30	2.21	-0.01	-0.03	-0.04
Health Care	23.11	5.54	22.90	12.69	0.18	-1.68	-1.50
Industrials	21.12	5.82	20.21	9.10	0.04	-0.69	-0.65
Real Estate	2.13	8.77	2.02	5.83	0.03	0.06	0.08
Technology	17.14	6.71	16.96	7.92	0.01	-0.21	-0.20
Telecommunications	2.30	-16.31	2.10	1.59	-0.03	-0.46	-0.50
Utilities	4.77	3.98	2.27	-1.27	-0.23	0.25	0.02
Unassigned	--	--	0.19	31.82	-0.04	--	-0.04
<b>Total</b>	<b>100.00</b>	<b>5.68</b>	<b>100.00</b>	<b>7.05</b>	<b>0.17</b>	<b>-1.54</b>	<b>-1.37</b>

- Consumer discretionary was a productive sector on an absolute and relative basis, primarily due to Bright Horizons' (BFAM) strong performance.
- Health care was a relative laggard despite two holdings within the sector making our top-five contributors list. A lack of biopharma exposure weighed on relative results along with one holding giving back a large portion of the strong returns it experienced in the prior quarter.

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# TOP FIVE CONTRIBUTORS TO RETURN

## Second Quarter 2023 Representative Small-Cap Growth Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ABCM	Abcam PLC Sponsored ADR	Produces and distributes research-grade antibodies and associated products	1.63	82.51	1.08
BFAM	Bright Horizons Family Solutions, Inc.	Provides child care and educational services	3.09	20.08	0.61
ENTG	Entegris, Inc.	Manufactures and supplies critical materials for the semiconductor, data storage & pharmaceutical industries	1.55	35.27	0.53
DT	Dynatrace, Inc.	Develops software for digital and application performance management	2.29	21.68	0.49
SIBN	SI-BONE, Inc.	Operates as a sacroiliac joint medical device company	1.52	37.16	0.48

- After a period of investment that suppressed profitability, Abcam (ABCM) provided updated operating metrics that were ahead of consensus expectations as well as a robust outlook for margin improvement over the remainder of FY23 and into FY24.
- Bright Horizons (BFAM) posted its second quarter in a row of improved operating metrics coming out of COVID due to both improving demand and easing wage pressure. While these results lead us to expect improved near-term performance, we also believe that if and when the American Rescue Plan's support for daycare ends as expected this September, it will hurt smaller, less well-capitalized competitors in the space and, by default, benefit Bright Horizons.
- Entegris, Inc. (ENTG) traded up on optimism that increased demand for its products, driven by generative AI, can fuel a quicker and steeper cyclical recovery. Additionally, it announced divestitures that could result in a reduced leverage profile, helping to lessen a perceived risk.
- Dynatrace (DT) reported a strong end to their FY23 in May and provided a healthy outlook for FY24. Their products remain a budget priority for customers, and several recent innovations, including Grail, could drive incremental revenue performance over the next several years.
- Shares of SI-BONE (SIBN) reacted positively as management continues to execute on its strategy with strong product uptake and improved margins.

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# BOTTOM FIVE CONTRIBUTORS TO RETURN

## Second Quarter 2023 Representative Small-Cap Growth Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
G	Genpact Limited	Engages in business process management, outsourcing, shared services and information outsourcing	2.63	-18.41	-0.59
INFN	Infinera Corporation	Provides optical transport networking equipment, software and services to telecommunications carriers	1.04	-37.77	-0.58
AGL	agilon health inc	Provides healthcare services	1.45	-26.99	-0.42
BL	BlackLine, Inc.	Provides cloud-based solutions for accounting and finance operations	1.61	-19.86	-0.40
PB	Prosperity Bancshares, Inc.(R)	Operates as a bank holding company whose subsidiary provides banking services	2.51	-7.36	-0.19

- Genpact (G) reported healthy results, but investors deemed business process outsourcers as potential losers in an AI-powered future, due to their people-based pricing model. We believe Genpact has positioned itself for an AI future and that continued execution can yield multiple expansion.
- Infinera Corporation (INFN) traded down on 2Q23 guidance that came in below expectations. While the company is executing on its product roadmap, concerns linger that further inventory adjustments may be necessary in the second half of the year.
- Shares of agilon health Inc. (AGL) were pressured by concerns over accelerating medical cost trends raised by several large insurers.
- BlackLine, Inc. (BL) announced a CEO transition that has prompted investor concerns around its product roadmap and go-to-market strategy.
- Prosperity Bancshares, Inc. (PB) moved lower in sympathy with the rest of the regional bank sector in the wake of the U.S. regional banking crisis earlier this year. The company is likely receiving less credit than deserved for its history of strong risk management and execution during difficult times.

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# ADDITIONS

## Second Quarter 2023 Representative Small-Cap Growth Account Portfolio Activity

- CCC Intelligent Solutions Holdings, Inc. sells the leading suite of software used by auto insurers and repair shops to estimate claims cost. Over 80% of its revenue comes from very sticky subscriptions, and increasingly management is monetizing its strategic position in the ecosystem by facilitating more automation. We think this could lead to consistent 7-10% organic top-line growth from cross/up sell and power up to 50-100 bps of margin expansion per year.
- Curtiss-Wright is a leading provider of original equipment for several significant commercial aerospace and U.S. Dept. of Defense programs. An expanded and expanding portfolio of products should drive premium growth and margins relative to peers, perhaps leading to through cycle multiple expansion.
- Houlihan Lokey is a boutique investment bank focused on middle-market corporate finance advisory, restructuring, and financial valuations. It has a long history of successful compound growth and possesses a balanced portfolio of businesses that we believe can prove resilient through business cycles.
- SiTime Corporation is a leading provider of unique MEMS-based timing products for semiconductor applications that is poised to take market share from traditional quartz-based technologies. The company is going through a multiquarter inventory adjustment, prompting the stock to retreat substantially from recent highs. While we concede that the business and the stock may remain volatile in the near term, we believe that its long-term earnings power should be substantial, justifying its still optically high valuation.

SYMBOL	ADDITIONS	GICS SECTOR
CCCS	CCC Intelligent Solutions Holdings Inc	Information Technology
CW	Curtiss-Wright Corporation	Industrials
HLI	Houlihan Lokey, Inc. Class A	Financials
SITM	SiTime Corporation	Information Technology

# DELETIONS

## Second Quarter 2023 Representative Small-Cap Growth Account Portfolio Activity

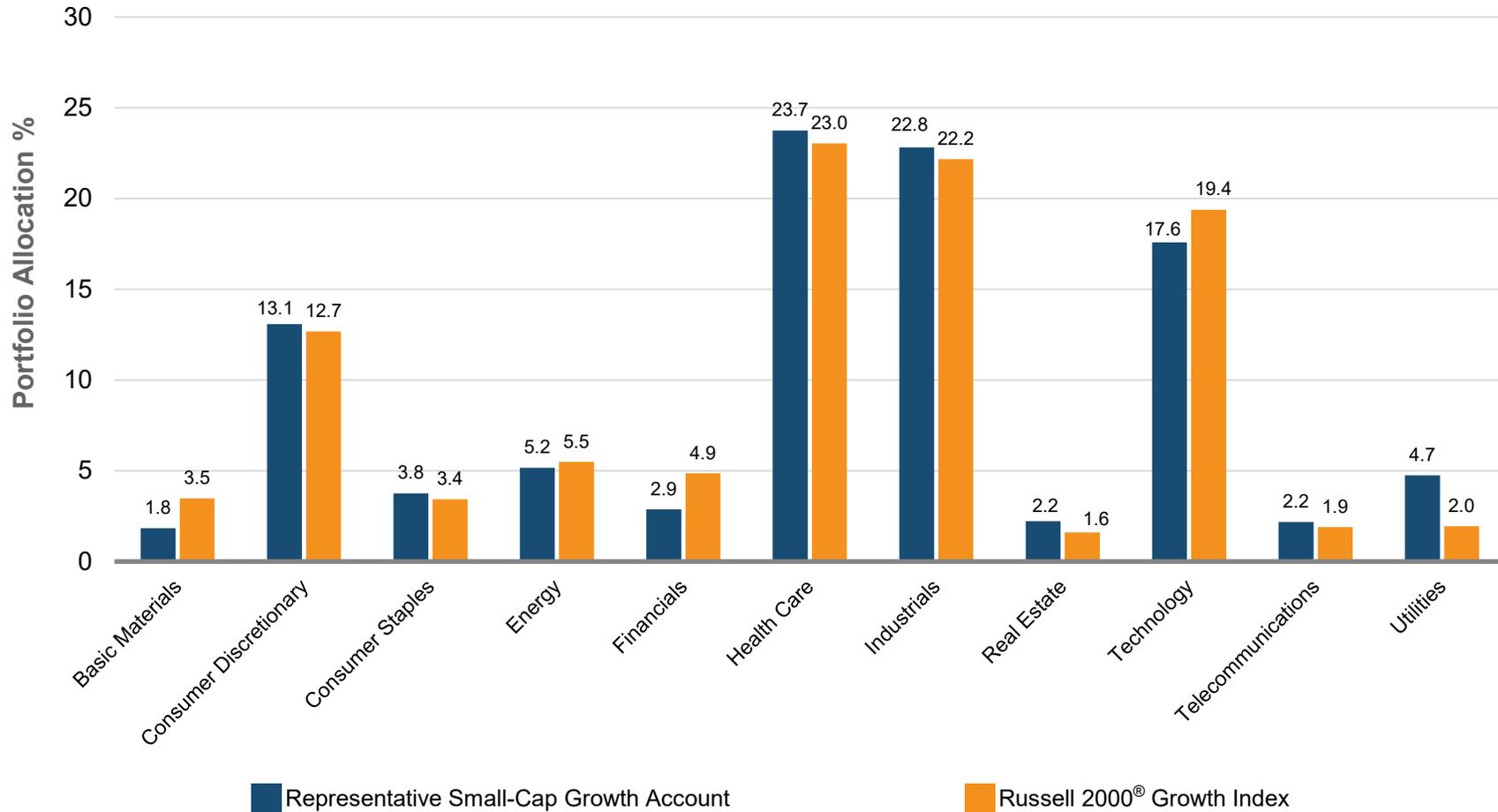
- Charles River Labs (CRL) was eliminated due to its heavy exposure to biotechnology clients in favor of other holdings.
- RB Global was formed following the merger of Ritchie Brothers and IAA Inc. When IAA was acquired out of the portfolio, we planned and executed the sale of the combined entity on strength.

SYMBOL	DELETIONS	GICS SECTOR
CRL	Charles River Laboratories International, Inc.	Health Care
RBA	RB Global, Inc.	Industrials

SYMBOL	ADD&DEL	GICS SECTOR
GLIBA	GCI Liberty, Inc. Class A	Communication Services

# SECTOR DIVERSIFICATION

Second Quarter 2023 ICB Sectors as of 06/30/2023



Source: FactSet. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as Supplemental Information. 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. Sector diversification excludes cash and cash equivalents. Sectors are based on the ICB classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# SECTOR DIVERSIFICATION

Second Quarter 2023



GICS SECTORS	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	
	Q2'23	Q2'23	Q2'23	Q1'23	Q2'22
Communication Services	4.55	2.13	2.42	4.24	3.89
Consumer Discretionary	11.70	10.83	0.86	12.60	13.37
Consumer Staples	3.66	4.24	-0.58	3.66	3.71
Energy	5.03	4.49	0.54	4.96	1.98
Financials	4.41	5.95	-1.53	4.30	4.31
Health Care	23.75	23.65	0.11	24.40	24.33
Industrials	21.62	20.05	1.57	20.75	23.04
Information Technology	16.92	21.11	-4.18	16.46	19.78
Materials	3.64	4.33	-0.69	3.79	3.30
Real Estate	2.16	1.60	0.57	2.12	2.30
Utilities	--	1.62	-1.62	--	--
Unassigned	2.55	--	2.55	2.72	--

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# ATTRIBUTION DETAIL BY SECTOR

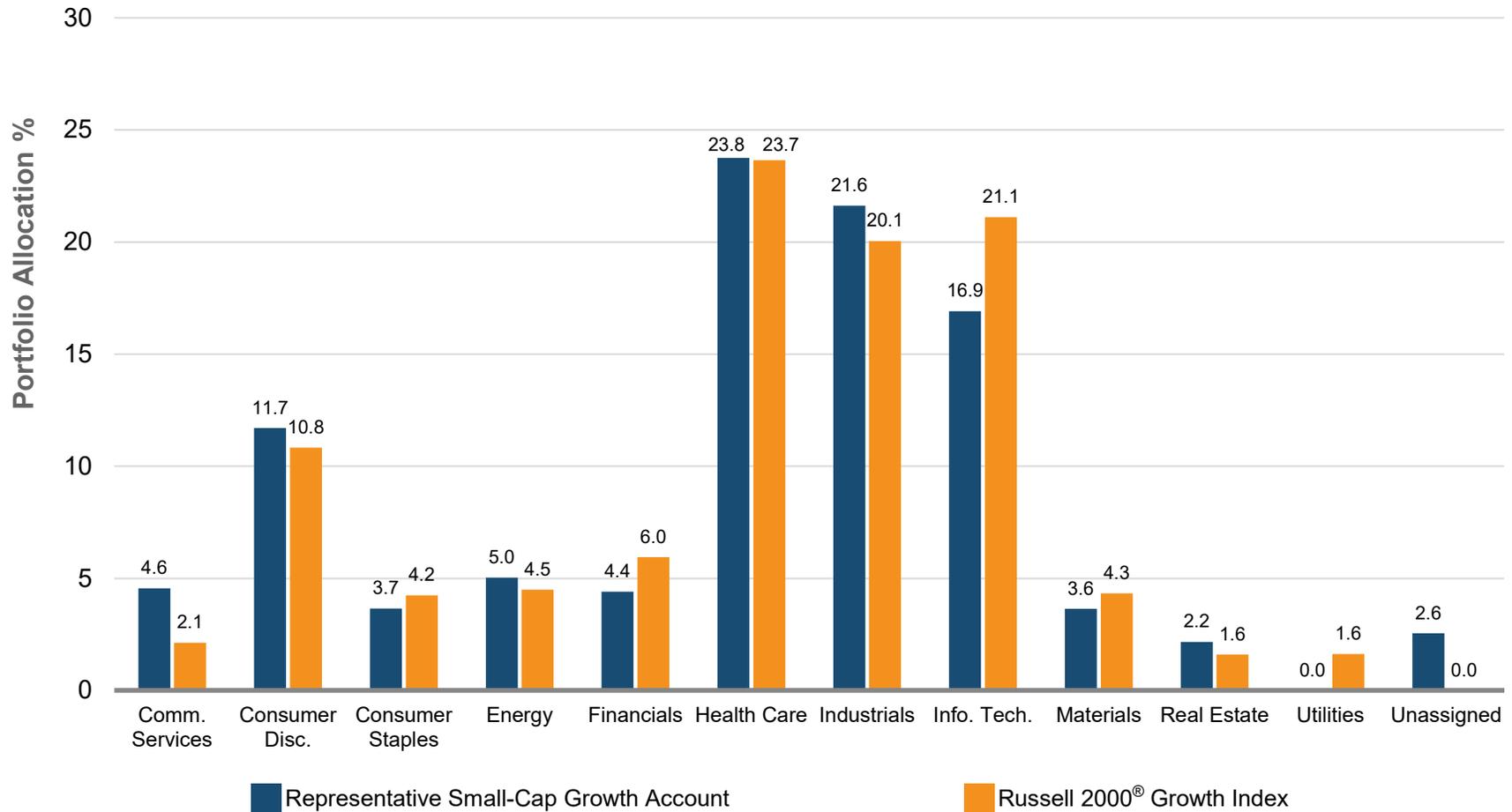
Second Quarter 2023

GICS SECTOR	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION & EFFECT (%)	TOTAL EFFECT (%)
Communication Services	4.33	11.47	2.40	0.33	-0.12	0.48	0.36
Consumer Discretionary	12.21	9.51	11.09	0.64	-0.09	1.15	1.06
Consumer Staples	3.67	5.75	4.74	7.55	-0.01	-0.07	-0.08
Energy	5.00	6.18	6.22	6.35	0.10	-0.01	0.10
Financials	4.20	-4.65	6.43	2.72	0.09	-0.31	-0.22
Health Care	24.64	5.46	23.57	13.21	0.30	-1.98	-1.69
Industrials	20.93	5.53	19.38	9.11	0.07	-0.76	-0.69
Information Technology	16.21	3.89	17.83	7.50	-0.01	-0.62	-0.63
Materials	3.69	1.71	4.49	-0.01	0.06	0.07	0.13
Real Estate	2.13	8.77	2.02	5.75	0.03	0.06	0.08
Utilities	--	--	1.70	-2.05	0.16	--	0.16
Unassigned	2.97	9.16	0.14	2.49	-0.16	0.21	0.05
<b>Total</b>	<b>100.00</b>	<b>5.68</b>	<b>100.00</b>	<b>7.05</b>	<b>0.41</b>	<b>-1.78</b>	<b>-1.37</b>

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# SECTOR DIVERSIFICATION

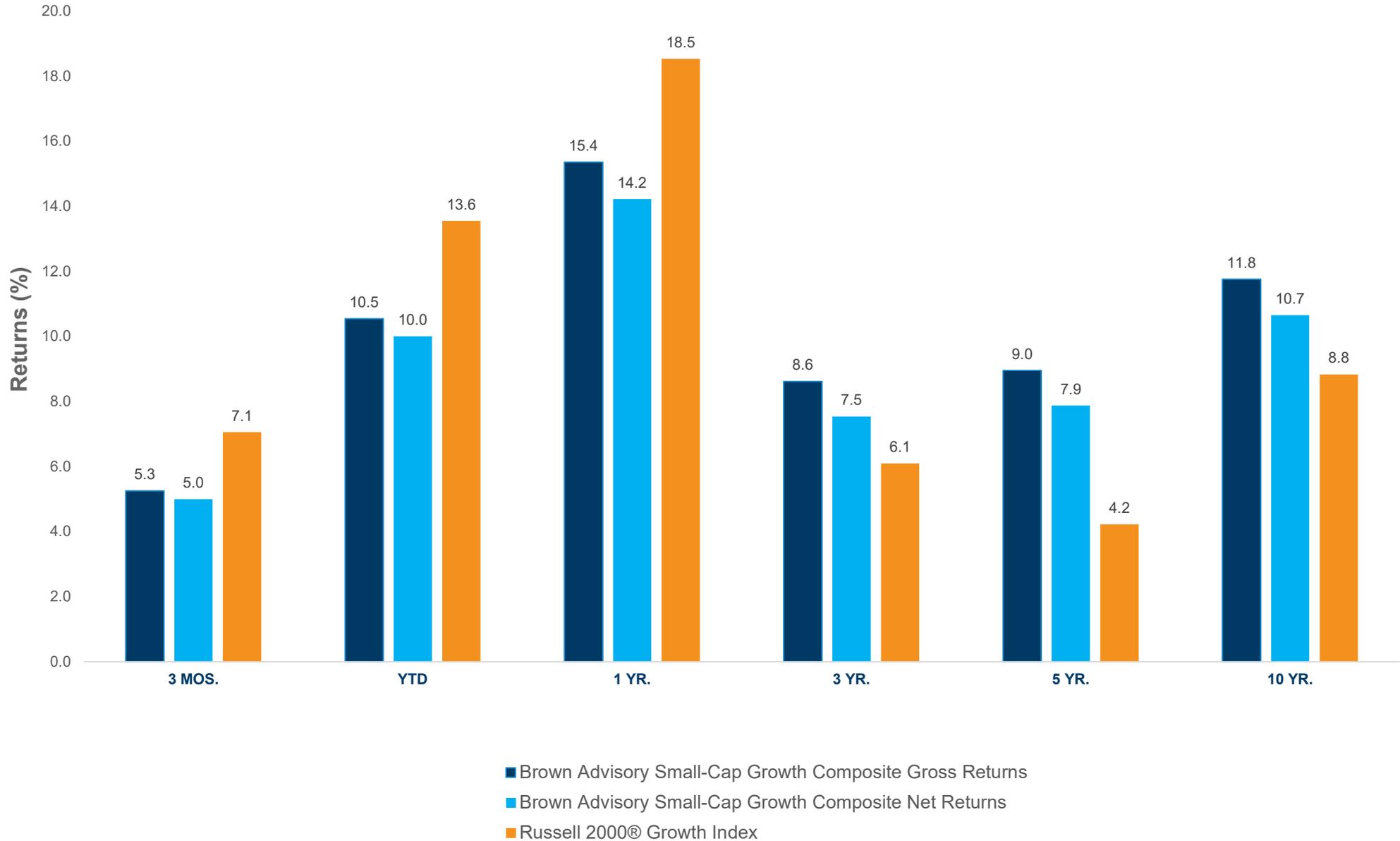
Second Quarter 2023 Global Industry Classification Standard (GICS) as of 06/30/2023



Source: FactSet. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as Supplemental Information. 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. 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.

# COMPOSITE PERFORMANCE

Second Quarter 2023 as of 06/30/2023



Source FactSet. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Small-Cap Growth 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 Small-Cap Growth disclosure statement at the end of this presentation for a GIPS compliant presentation.

# TOP 10 EQUITY HOLDINGS

Representative Small-Cap Growth Account as of 06/30/2023



## Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Waste Connections Inc	3.5
Bright Horizons Family Solution, Inc.	2.9
Casey's General Stores, Inc.	2.4
SPDR S&P Biotech ETF	2.3
Abcam PLC - Sponsored ADR	2.2
Dynatrace Holdings LLC	2.2
Genpact Ltd.	2.2
Prosperity Bancshares, Inc.	2.1
ChampionX Corp.	2.0
HealthEquity, Inc.	1.8
<b>Total</b>	<b>23.6</b>

Source: FactSet. The top 10 Holdings include Cash & Equivalents which was 8.3% as of 06/30/2023 and is provided as Supplemental Information. 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 representative Small-Cap Growth account, includes cash and is provided as Supplemental Information. Please see disclosure statement at the end of this presentation for additional information. Figures in table may not total due to rounding.

# 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. Past performance is not a guarantee of future performance and you may not get back the amount invested. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe and consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization.

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An investor cannot invest directly in an index.

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

## Terms and Definitions

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

The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock’s value as a percentage of the portfolio.

**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.

**Free Cash Flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value. Without cash, it’s tough to develop new products, make acquisitions, pay dividends and reduce debt.

# SMALL-CAP GROWTH EQUITY COMPOSITE

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)*	GIPS Firm Assets (\$USD Millions)*
2022	-19.6	-20.4	-26.4	23.7	26.2	44	0.3	4,004	58,575
2021	8.8	7.7	22.5	22.5	23.1	57	0.3	5,120	79,715
2020	33.5	32.2	34.6	23.7	25.1	54	0.5	4,905	59,683
2019	35.6	34.3	28.5	14.7	16.4	34	0.3	3,456	42,426
2018	-3.3	-4.3	-9.3	13.5	16.5	29	0.3	2,204	30,529
2017	18.8	17.7	22.2	12.2	14.6	33	0.2	2,301	33,155
2016	11.4	10.3	11.3	14.0	16.7	30	0.3	1,797	30,417
2015	8.9	7.8	-1.4	13.1	15.0	32	0.4	1,311	43,746
2014	1.4	0.4	5.6	11.8	13.8	32	0.3	1,597	44,772
2013	42.6	41.2	43.3	15.4	17.3	44	0.7	1,830	40,739

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, 2022. 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 Small-Cap Growth Equity Composite (the Composite) includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite was created in 1997. The Composite inception date is March 1, 1993.
- The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 2000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- The composite dispersion presented is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite may pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- The investment management fee for the Investor Shares of the Brown Advisory Small-Cap Growth Fund (the Fund), which is included in the Composite, is 0.85%, 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, 2022) was 1.10%. 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 US Small Cap Blend Fund, which is included in the Composite, is 1.00%. The total expense ratio for the Dollar Class B Acc Shares of the US Small Cap Blend Fund as of the most recent fiscal year end (October 31, 2022) was 1.21%. 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 US Smaller Companies Fund, which is included in the Composite, is 0.75%. The total expense ratio for the Dollar Class B Acc Shares of the US Smaller Companies Fund as of the most recent fiscal year end (October 31, 2022) was 0.87%. 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.
- 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/subsription documents.
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