

April 22, 2020

Dear Clients,

We hope this week's update finds you and your families, friends and colleagues healthy and safe. We started writing these updates to report on how Brown Advisory was operating on a remote basis and to share thoughts we were hearing from our colleagues, our investment and service partners, and our clients. We appreciate the feedback that we have received from many of you. It has shaped our thinking on a number of issues and, frankly, has helped our colleagues put some of our shared challenges in a new and constructive perspective.

We want to use this week's update to discuss where we would have been this week but for COVID-19—hosting our seventh Navigating Our World (NOW) conference in Washington, D.C. We will close by commenting on some of the issues that we have addressed in earlier updates.

Held every other year since 2008, our NOW conferences bring together speakers from around the world to reflect on specific issues that, in a real sense, demand our attention as investors and citizens. It is hard to believe that we began our NOW conferences 12 years ago with a still-early inquiry into the investment themes behind what would later become known as “sustainable investing.” In subsequent years, we tackled issues such as the mobile phone's increasing centrality to our lives, the evolution of oil and gas markets as a result of new drilling technology in U.S. shale oil fields, the Arab Spring, and gaps in our education and health care systems. The format has always been the same; after providing an introduction of our speakers, our colleagues sit alongside our clients rather than in front of them. NOW has been a platform for us to listen and learn together.

The theme of this year's NOW conference was going to be the polarized times in which we live. Rather than taking sides, our intention was to reflect on the influence of “polarization” in the decision making of leaders around the world. The central questions became: How do we navigate around and through the challenges presented by polarization? How does polarization put pressure on capitalism, on environmental issues, on our corporate motives? We had planned what we still believe would have been a thought-provoking agenda of CEOs, leaders of nonprofit institutions, and influential academics to address these questions.

With hindsight, it's fascinating to think about how much we struggled over what felt to be an early decision to put NOW 2020 on hold—in the end, we didn't feel comfortable asking our clients, colleagues and speakers to crowd together until we better understood the COVID-19 threat. Of course, we now know even more about the seriousness of the coronavirus and that, ultimately, the conference would have been cancelled by government edict as well.

The impact of the coronavirus has certainly rearranged the issues on our minds but, we believe, reinforces even more so the need for a NOW-type experience to listen, discuss and ask questions. While we are not able to meet in a physical sense, we have launched a [“Navigating Our World” podcast](#) to consider a number of the original agenda items in the context of the challenges presented to our health and the economy by the coronavirus. The [kick-off episode](#) is a conversation with Jon Meacham, the Pulitzer Prize-winning historian with an incredible ability to put things in perspective. Next week's episode will feature Tamara Lundgren, Chair, President and CEO of Schnitzer Steel, and Josh Silverman, CEO of Etsy in a discussion about the power of corporate purpose.

While we will not be able to listen to your questions in a live setting, we hope that you share them and your opinions with us through your client teams, emailing NOW2020@brownadvisory.com, or leaving a review or rating on your preferred podcast platform. As we move through the NOW podcast, we are certain that we will learn a lot from each other.

Returning for a moment to the issues that we have discussed in prior updates, the firm continues to perform on a remote basis in a manner similar to our in-office operations. For the most part, trading and transaction processing levels have returned to pre-COVID-19 patterns. However, on days where we see significant increases in volatility, e.g., around the collapse in oil prices, we see an expected spike in activity.

We continue to try to balance the significant unknown before us—our research teams throughout the firm are consumed with trying to understand which businesses will make it through to the other side of these challenging times as leaders in their industries—but also position ourselves to take advantage of opportunities that might not exist but for these times.

We have discussed before a new “select” equity strategy that we have created internally to focus on some of the highest-quality companies we cover. We are also able to buy new bond issues from this “class” of companies at spreads that would have been high-yield just weeks ago. We are pleased as well that some of our highest-conviction external managers, who had been closed to new investments, are opportunistically taking in capital in this environment. Finally, there are opportunities that appear to be developing in the distressed credit market with the prospect of producing attractive returns as companies are forced to restructure in order to survive the current economic downturn.

We have also mentioned in recent communications our concern about the increased threat of hacking during major events and disasters. Attackers try to use these situations and our emotions—stress, fear, distractedness—to their advantage. This is a constant worry for us as a firm in an industry that is consistently one of the biggest targets. We partner with world-renowned security firms and use overlapping controls to provide around-the-clock protection against attacks. During these times, we encourage all of our clients, colleagues and service partners to operate at a heightened alert level for suspicious actions. Please feel comfortable reaching out to us if you have any specific concerns or questions.

Work continues on our “back to the office” plan—we hope to have the opportunity to put it into action in the near future. We are already working on obtaining masks and testing capacity for Brown Advisory colleagues, reorganizing our offices to accommodate social distancing, and being ready to support continued telecommuting from home for a number of our colleagues. As we develop our plans, with our colleagues’ health and safety as our top priority, we are eager to learn more about the challenges others in our communities are facing in moving their workforce back to offices.

We want to close by offering our thanks and gratitude to two specific groups: Today is Administrative Professionals’ Day, which was organized originally to allow us to thank colleagues at businesses around the world who provide administrative support. These colleagues are at our sides constantly, looking out for us, and making sure that we get through each day. In the midst of the COVID-19 crisis, they have had to become even more creative in “being at our sides.” We assure you that the administrative professionals at Brown Advisory continue to go above and beyond.

Lastly, our health care professionals are constantly on our minds. As we move through this crisis, we have “met” many of the doctors, nurses and technicians through stories written in the news and on social media. Their work is critical and impressive. We are so grateful for their commitment to taking care of our families, colleagues and friends.

Sincerely,



Mike Hankin
President & CEO



Dave Churchill
CFO & COO