

Large-Cap Sustainable Growth

SUSTAINABLE BUSINESS ADVANTAGE (SBA) PROFILE MATRIX

First Quarter 2020

The Brown Advisory Large-Cap Sustainable Growth strategy seeks competitive, risk-adjusted returns over a full market cycle through a concentrated portfolio of companies that we believe offer durable fundamental strengths, sustainable competitive advantages and compelling valuations. These companies are building powerful business models on a foundation of sustainable business advantages (SBAs), which we believe can drive attractive long-term performance and risk protection through revenue growth, cost improvements and enhanced franchise value.

SBA PROFILES FOR PORTFOLIO HOLDINGS (AS OF 03/31/2020)

COMPANY	IMPACT THEME	SBA PROFILE
Accenture PLC	Sustainable Technology Innovation	Accenture is a global professional services company that solves clients' toughest challenges by providing services in strategy, consulting, digital, technology and operations. One of Accenture's key priorities is cloud services, which have a direct low-carbon effect by reducing the need for organizations to have their own physical servers, and thus improving greenhouse gas emissions accordingly. Accenture is differentiated by their unique ability to imagine, create and execute at scale and speed across markets to deliver technology solutions that are changing industries, growing businesses and improving lives. Accenture's rapid rotation to "the New" (cloud services, digital, and security) accounts for over half of the company's revenues.
Adobe Inc.	Sustainable Technology Innovation	An unparalleled leader in digital content creation (>50 billion documents a year) with a 20-year history of helping companies reduce resource usages. Adobe estimates that its document cloud leads to 90%+ cost savings from a lower environmental footprint per document vs. printing.
Alphabet Inc.	Efficient Production and Conservation	Alphabet's sustainability efforts go far beyond its internal environmental efforts. Its custom-designed data centers are meaningfully more energy-efficient than the industry average (a notable advantage as energy costs have become an ever-larger percentage of data center budgets). It has operated as carbon-neutral since 2007, and in 2017, it achieved 100% renewable energy for its operations.
Amazon.com, Inc.	Efficient Production and Conservation	A leader in e-commerce and in cloud computing services through Amazon Web Services (AWS). AWS auctions computation power in real time, allowing Amazon to more evenly distribute its servers' loads and process more data on less hardware. AWS enables secondary environmental and health benefits to customers (e.g., performing intensive simulations to streamline clinical trials, improving safety and reducing patient burdens). In 2017, Amazon acquired Whole Foods Market, a leading retailer of organic and natural foods (a category growing more rapidly than conventional food products).
American Tower Corporation	Sustainable Technology Innovation	One of the largest wireless tower operators possessing a strong environmental compliance track record and a focus on using alternative energy in its remote tower base. Its work reducing carriers' dependence on highly inefficient generators has earned it a strong reputation in international markets and helped it gain market share.
Analog Devices, Inc.	Sustainable Technology Innovation	Analog Devices is a global high-performance analog technology company. The energy efficiency of analog chips has led to increased adoption and helped make numerous applications smarter, safer, more accurate and more efficient. The company offers solutions in clean energy production, vehicle electrification, environmental control systems, health care analyzers and diagnostics, and wireless connectivity. Its efficiency mindset extends to its internal operations, where it promotes cost improvements through strategic water conservation, waste and chemical minimization initiatives.
Aptiv PLC	Sustainable Technology Innovation	Aptiv possesses a leadership position in offering safe, green and connected solutions to vehicle manufacturers that satisfy tighter safety, emissions and fuel economy regulations. Aptiv is positioned at the heart of the secular growth in active safety technology, which helps to prevent vehicle collisions. Adopting lean principles into its operations, it has reduced waste, energy and water.
Aspen Technology, Inc.	Sustainable Technology Innovation	This supplier of software solutions helps its clients optimize asset design, operations and maintenance in complex industrial environments. In turn, this helps clients reduce their energy consumption, improve safety and realize operational efficiencies. Companies are increasingly relying on Aspen Technology's software applications to help them navigate environmental and safety regulations affecting complex industrial manufacturing processes.

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Autodesk Inc.	Sustainable Technology Innovation	The world's largest design software company, Autodesk helps customers to design, visualize and simulate buildings and products in a more energy- and resource-efficient manner. Its building information modeling solutions help design sustainable buildings and infrastructure by more accurately predicting building performance, reducing construction waste and improving construction productivity. Its product design and manufacturing software helps customers reduce product material use, improve product energy efficiency and manage factory processes.
Ball Corporation	Efficient Production and Conservation	A global supplier and innovator of metal packaging to the beverage, food, personal care and household product industries. Given the superior sustainability features of metal (i.e., lighter weight, indefinite recyclability), aluminum cans have taken share from glass packaging in North America, South America and Europe over the past 10 years. Ball formalized its own internal sustainability initiative in 2006 and has a strong record of achievement in energy reduction and minimizing waste.
Bio-Rad Inc.	Health and Wellness	While Bio-Rad represents a very small part of health care spending, its products play a role in 70% of medical decisions, contributing to early detection of diseases, notably oncology, and early treatment that can save lives, improve health care costs and combat/eradicate disease. The company also provides products used in food and water safety testing to detect food and waterborne illness, and offers the largest menu of quality control products to improve laboratory performance in immunology, hematology and chemistry.
Danaher Corp.	Clean Water and Sanitation	Danaher's environmental businesses help clients reduce operating costs, material waste and environmental impact. Offerings include water analysis and quality solutions, water filtration and treatment, and services that reduce energy and water usage in manufacturing. These environmentally oriented businesses are among the most resilient and fastest growing in the company.
Ecolab Inc.	Clean Water and Sanitation	This provider of cleaning, food safety and health protection products for the food, energy, health care, industrial and hospitality markets helps its customers cut energy and materials costs, improve efficiency, responsibly manage water use and boost bottom line results. Ecolab has helped companies avoid 2.4 billion pounds of greenhouse gas emissions, eliminate 54 million pounds of waste and conserve over 188 billion gallons of water, equivalent to the annual drinking needs of 650 million people.
Edward Lifesciences Corp.	Health and Wellness	A developer and manufacturer of technologies that treat structural heart disease. The company's transcatheter aortic valve replacement is less invasive than traditional open-heart surgery and is approved for patients deemed too high risk for traditional surgery. This minimally invasive surgery technology effectively increases the probability of survival, reduces the length of hospital stays and readmission rates, and provides patients with a significantly higher quality of life post-surgery.
Etsy, Inc.	Economic Mobility and Community Development	Etsy is an online marketplace specializing in unique, handmade and vintage items with a longstanding mission to create positive economic, social and ecological impact. The company's brand, which is built around its products, values and corporate culture, has led to strong buyer and seller loyalty. 90% of Etsy's customers say sustainability is important to them, and Etsy mirrors its customers' values by implementing industry-leading sustainable operations. These include becoming the first global e-commerce company to offset 100% of its carbon emissions from shipping, the first company to fully integrate ESG reporting metrics alongside financial metrics into its 10-K and transitioning to more flexible cloud-based infrastructure which reduces energy consumption.
Fortive Corp.	Efficient Production and Conservation	This Danaher spin-off focuses on instrumentation, transportation and automation technologies. Its solutions offer strong customer value by enabling adherence to changing environmental regulations, improving energy efficiency and connectivity of devices, and meeting increasing safety and security requirements.
The Home Depot, Inc.	Efficient Production and Conservation	A retailer of building materials and home improvement products with a growing revenue stream from environmentally sustainable product options; these have become the fastest-growing category in its product mix. It is also implementing systems to improve logistics efficiency, which has resulted in reduced truckloads and significant cost savings.
IDEXX Laboratories, Inc.	Clean Water and Sanitation	A provider of veterinarian diagnostic, reference lab and consulting services with a water business that helps ensure water safety for over two billion people worldwide through testing solutions for E. coli and other microbials. It also sells diagnostic tests used to manage livestock and poultry health, which helps ensure milk and food quality and safety. Its principal dairy product detects antibiotic residue in milk.
Illumina, Inc.	Health and Wellness	A developer, manufacturer and marketer of life science tools and integrated systems for large-scale analysis of genetic variation and function. Illumina's tools advance disease research, drug development and the creation of molecular diagnostic tests. The increased emphasis on preventative molecular medicine may help advance a new era of precision health care that could help reduce the industry's inefficiencies and waste.
Intuit, Inc.	Economic Mobility and Community Development	As a provider of personal and small-business financial management software, Intuit offers numerous ways for clients to reduce waste through electronic tax, online payroll and email invoice software. A carbon-neutral company since 2015, Intuit was an early transitioner to cloud computing (AWS) for its IT infrastructure, and it will seek to migrate fully to AWS in coming years. Additionally, the company recently reached its sustainability goals three times quicker than it initially projected.

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Marvell Technology Group Ltd.	Sustainable Technology Innovation	A leading fabless semiconductor provider of high-performance, application-specific products in storage, networking and connectivity. The company is a pioneer in designing low-power, low-cost Ethernet transceivers and storage controllers, and has been an early adopter of energy efficient ARM-based systems.
Microsoft Corporation	Sustainable Technology Innovation	We find strong SBA in Microsoft's Azure cloud computing platform and infrastructure. When customers move to a Microsoft-hosted cloud, many reduce their per-user carbon footprint by up to 90%. It has operated as a carbon-neutral company since 2012 after implementing an internal carbon fee.
Monolithic Power Systems, Inc.	Sustainable Technology Innovation	This specialist in high-performance analog and mixed-signal integrated circuits combines drivers, logic and power on one piece of silicon vs. using three separate semiconductor technologies. As a result, it delivers differentiated products that offer energy-efficient, cost-effective and easy-to-use solutions for industrial, cloud computing and automotive applications.
Nike, Inc.	Efficient Production and Conservation	Nike's lean manufacturing and sustainability-focused product innovations lower its costs and increase its bottom line. For example, the company's Flyknit technology—an innovative manufacturing technique where yarns and fabric variations are precisely engineered to create lightweight uppers in footwear—has added \$2B in revenue to date while using less material and creating almost no waste. Additionally, the company set the standard for supply chain disclosure by being the first to release a complete list of its suppliers' names and locations, forcing the rest of the industry to follow suit.
Nordson Corporation	Sustainable Technology Innovation	A manufacturer of precision technology solutions focused on efficient material dispensing for adhesives and industrial coatings, and advanced technology systems, including precision tools used for manufacturing solar cells, LEDs and water treatment applications. Its dispensing products help improve its customers' manufacturing productivity and yield, drive more efficient input consumption, and enhance the overall quality and durability of the end product.
Starbucks Corporation	Sustainable Agriculture	Starbucks' image as an environmentally and socially progressive company has always been a key component of its brand. It backs up this image with substance—for example, the company built its comprehensive coffee bean purchasing program from the ground up, in order to encourage fair trade and climate resilient farming practices among a large and ever-growing portion of its coffee-supplier network, long before others in the industry. Starbucks is also a leader in implementing forward-thinking labor practices such as providing stock options, health insurance, and college educations to every employee who works more than 20 hours a week.
ServiceNow, Inc.	Sustainable Technology Innovation	ServiceNow is a software provider that helps enterprises and employees unlock productivity through its innovative digital workflow products and services. The majority of Fortune 500 companies rely on ServiceNow solutions and its cloud platform, which help customers achieve a lower carbon footprint using a more resource efficient modern cloud versus an inefficient legacy system. In particular, their IT Operations Management (ITOM) product enables better cloud utilization and drives down costs.
The TJX Companies, Inc.	Efficient Production and Conservation	This leading off-price retailer of apparel and home products has consistently implemented industry-leading energy reduction and waste minimization practices at its facilities. TJX has also shifted to using fuel-efficient intermodal transport and, through its logistics efficiency efforts, has been able to significantly reduce overall shipment counts.
Thermo Fisher Scientific, Inc.	Health and Wellness	A leader in producing emissions monitoring, radiation detection and water quality testing equipment, Thermo Fisher provides supply chain strategy services to help biopharma clients comply with regulations, produce products safely and operate more efficiently.
Tyler Technologies, Inc.	Economic Mobility and Community Development	This public-sector software company enables efficiency in local government functions for handling information and data, operations, and responding to constituents. We identify strong SBA, particularly in Tyler's e-filing business. By converting paper-centric tasks and documents to electronic forms, Tyler helps reduce a jurisdiction's reliance on paper and automates its manual processes, thereby allowing it to respond more effectively to constituents.
UnitedHealth Group, Inc.	Health and Wellness	Provides health care coverage, software and data consultancy services. Its Optum software provides customers with analytical insights that help drive increased quality and efficiency in the health care system, enabling customers to reduce costs and patient health risks, improve clinical performance and patient outcomes, and adapt to the changing health system landscape.
Verisk Analytics, Inc.	Sustainable Technology Innovation	A provider of climate and environmental risk data to the insurance and reinsurance industries. Climate data was initially a small sliver of Verisk's government-related business; today it is a thriving business for the company fueled by strong demand from insurers around the world.
Visa, Inc.	Economic Mobility and Community Development	Visa's electronic transaction network gives emerging market populations access to electronic financial services via mobile phone that would otherwise be unavailable. This global payments system is a key ingredient in improving the flow of goods and services in emerging markets, ultimately creating major societal benefits, as well as a powerful platform for future growth.
West Pharmaceutical Services, Inc.	Health and Wellness	A manufacturer of packaging components and delivery systems for injectable drugs and health care products, West's products and services promote the safety, purity, efficacy and consistent delivery of the world's pharmaceutical drug supply. Its high-quality products are designed to reduce particulates and defects, which can lead to wasteful product recalls.

DESCRIPTIONS OF IMPACT THEMES

Economic Development and Social Inclusion

Affordable Housing	Offering housing options to low- and moderate-income families.
Economic Mobility and Community Development	Increasing employment opportunities and financial inclusion for underserved communities.
Education	Reducing barriers to education for underserved groups.
Diversity, Inclusion, Equality	Supporting race and gender equity; empowering marginalized populations.

We at Brown Advisory worked to build unified themes for our sustainable and impact portfolios that were applicable across equity and fixed income securities alike. In our pursuit, we worked closely to align our goals with the goals of the U.N. Sustainable Development Goals (SDGs). We believe that our framework aligns with the goals and spirit of the SDGs but also relies on our proprietary ESG research capabilities that impact our investment decisions.

Health and Well-Being

Health and Wellness	Promoting health and well-being, and improving access to and quality of health care.
Clean Water and Sanitation	Improving access to clean drinking water and sanitation services; solving infrastructure challenges; managing freshwater ecosystems.



Environment

Sustainable Technology Innovation	Innovating products and services that deliver sustainability results (e.g., energy-efficient products, sustainable transportation).
Efficient Production and Conservation	Reducing use of energy or raw materials, increasing use of renewables, etc., through internal operations.
Clean Energy	Developing, operating or delivering clean energy from wind, solar and other renewable sources.
Sustainable Agriculture and Natural Resource Management	Responsibly managing natural resources, minimizing or reversing land degradation, and protecting biodiversity.

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