

Fourth Quarter 2018

WHY INVEST IN BROWN ADVISORY GLOBAL LEADERS?

We focus on companies that are global leaders that we believe can deliver attractive growth. We define Global Leaders as companies that have competitive advantages with strong management teams, pricing power, above-industry margins and high return on invested capital (ROIC) that is underpinned by long-term, structural growth. High relative ROIC is particularly helpful when analyzing global equities because those companies tend to see profitability persist.

We believe that the best way to generate attractive risk-adjusted returns over time is through a concentrated, low-turnover portfolio. We scour the global equity universe to identify the most attractive Global Leaders based on bottom-up, fundamental research. By limiting the portfolio to 40 stocks, we can be selective about valuations and choose the most compelling investment opportunities.

Portfolio Managers: Mick Dillon, CFA, Bertie Thomson, CFA

Benchmark: Russell® Global Large-Cap Net Index

PERFORMANCE (% AS OF 12/31/2018)

	3 MOS.	1 YR	3 YRS	SINCE INCEPTION (05/01/2015)
Global Leaders Composite (Gross of Fees)	-12.4	-2.2	9.5	8.1
Global Leaders Composite (Net of Fees)	-12.5	-2.8	8.7	7.3
Russell® Global Large-Cap Net Index	-13.0	-9.5	6.6	3.3

TOP 10 PORTFOLIO HOLDINGS %

		SECTOR BREAKDOWN (%)	REP. ACCT	INDEX
Microsoft Corporation	6.3	Communication Services	12.7	8.7
Alphabet, Inc. Class C	5.2	Consumer Discretionary	7.0	10.1
Unilever PLC	5.0	Consumer Staples	10.7	8.2
Visa, Inc. Class A	4.8	Energy	--	6.0
Wolters Kluwer NV	3.6	Financials	19.4	17.4
Mastercard Incorporated Class A	3.4	Health Care	3.1	12.1
JPMorgan Chase & Co.	3.3	Industrials	16.4	10.8
Estee Lauder Companies Inc. Class A	3.3	Information Technology	21.2	14.7
AIA Group Limited	3.3	Materials	4.5	5.1
Taiwan Semiconductor Manufacturing Co.,	3.1	Real Estate	--	3.6
		Utilities	--	3.3

STRATEGY PROFILE AS OF 12/31/2018

BENCHMARK INDEX

Russell Global Large-Cap Net Index

STRATEGY ASSETS

\$301 million

VEHICLES AVAILABLE

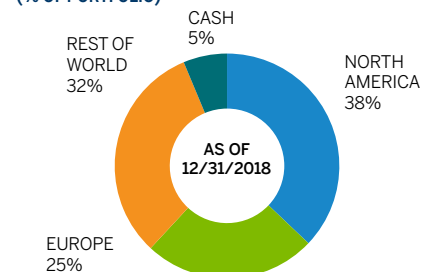
Separately Managed Account (SMA)
Model Only
Mutual Fund

CHARACTERISTICS AS OF 12/31/2018

	GLOBAL LEADERS REP. ACCT.	RUSSELL GLOBAL LARGE-CAP NET INDEX
ROIC (LFY) Median (%)*	25.4%	10.7%
Sales Growth (%; 3 YR Median)	8.7%	4.9%
EV/EBIT (NTM) (Median)*	15.2x	12.3x
FCF (NTM) Median (%)*	4.9%	4.7%
P/E (NTM) (Median)	17.9x	13.3x
Volatility	12.9%	12.6%
Sharpe Ratio	0.4	0.1
Sortino Ratio	0.6	0.2
Beta	0.95	1.00
Alpha	3.8%	--
Net Debt to EBITDA*	-0.5	0.8

*Excludes financials

GEOGRAPHIC COMPOSITION BY COUNTRY OF REVENUE (% OF PORTFOLIO)



Source: Brown Brothers Harriman and Brown Advisory calculations. Region listing by country of revenue as of 12/31/2018 and includes cash and cash equivalents. Numbers may not total due to rounding.

Source: FactSet® and Brown Advisory calculations. The portfolio information provided is based on a representative Brown Advisory Global Leaders account as of 12/31/2018 and is provided as supplemental information. Sector breakdown and portfolio characteristics include cash and equivalents; top 10 equity holdings include cash and equivalents. Geographic composition includes cash and cash equivalents and is subject to change. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The Composite performance above reflects the Global Leaders composite managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and a division of Brown Advisory LLC. Returns greater than one year are annualized. Past performance is not indicative of future results. Numbers may not total 100% due to rounding. Please see the Brown Advisory Global Leaders Composite performance disclosure on the reverse side for additional information and a complete list of terms and definitions. 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.

About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients by providing them first-rate investment performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

INSTITUTIONAL AND INVESTMENT CONSULTANTS

Christopher "Topher" Fearey
cfearey@brownadvisory.com
(410) 537-5549

FINANCIAL INTERMEDIARIES

Matt Pedicino
mpedicino@brownadvisory.com
(443) 873-5252

ENDOWMENTS AND FOUNDATIONS

Doug Godine
dgodine@brownadvisory.com
(410) 537-5585

PORTFOLIO MANAGER PROFILES

MICK DILLON, CFA

Mick Dillon, CFA, is a portfolio manager of the Brown Advisory Global Leaders strategy. He formerly worked at HSBC Global Asset Management in Hong Kong, where he was the co-head of Asian equities. Mick is originally from Australia and graduated from the University of Melbourne, where he was awarded three Bachelor degrees in six years.

BERTIE THOMSON, CFA

Bertie Thomson, CFA, is a portfolio manager of the Global Leaders strategy. Prior to joining Brown Advisory in October 2015, Bertie spent 13 years at Aberdeen Asset Management where he was most recently a Senior Investment Manager in the Pan European equity team responsible for £6bn of client assets. Bertie achieved his MA (Hons) in Architectural History from Edinburgh University in 2002.

Global Leaders 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)*
2017	35.1	34.0	24.6	N/A	N/A	2	N/A	77	33,155
2016	-0.6	-1.4	8.1	N/A	N/A	2	N/A	38	30,417
2015**	1.2	0.7	-7.1	N/A	N/A	2	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, 2016. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

- *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 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.
- This composite was created in 2015.
- The benchmark is the Russell Global Large-Cap Net Index. This index offers investors access to the large-cap segment of the entire global equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to accurately reflect the changes in the market over time. Russell® is a trademark/service mark of the London Stock Exchange Group companies. One cannot invest directly in an index. Benchmark returns are not covered by the report of the independent verifiers.
- The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. 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 \$25 million; 0.70% on the next \$25 million; 0.65% on the next \$50 million; and 0.50% on the balance over \$100 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 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 (NA) 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, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Past performance does not indicate future results.
- 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.

Terms and Definitions for Representative Account Calculations

FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS), "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's. FactSet® is a registered trademark of FactSet Research Systems, Inc. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **ROIC** is a measure of determining a company's financial performance. It is calculated as NOPAT/IC, where NOPAT (net operating profit after tax) is (EBIT + Operating Leases Due 1-Yr)*(1-Cash Tax Rate) and IC (invested capital) is Total Debt + Total Equity + Total Unfunded Pension + (Operating Leases Due 1-Yr * 8) - Excess Cash. **ROIC** calculations presented use LFY (last fiscal year) and exclude financial services. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. **P/E** calculations presented use NTM (next twelve months) earnings estimates. **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. **EV/EBIT** is a financial ratio used to measure a company's return on investment. **EV/EBIT** calculations presented use NTM (next twelve months) estimates. **FCF yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **FCF** yield calculations presented use LFY and exclude financial services. **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** is a measure of the volatility of a portfolio of securities in comparison to a benchmark or the market as a whole. A beta less than 1 means that the security will be less volatile than the market, while a beta greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it is theoretically 20% more volatile than the market. Portfolio Beta is calculated by comparing the series of monthly returns of the portfolio to the monthly returns of the benchmark, for the period of time specified. **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. The **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. The **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. **Annualized Return** is the geometric average amount of money earned by an investment each year over a given time period. It is calculated as a geometric average to show what an investor would earn over a period of time if the annual return was compounded.