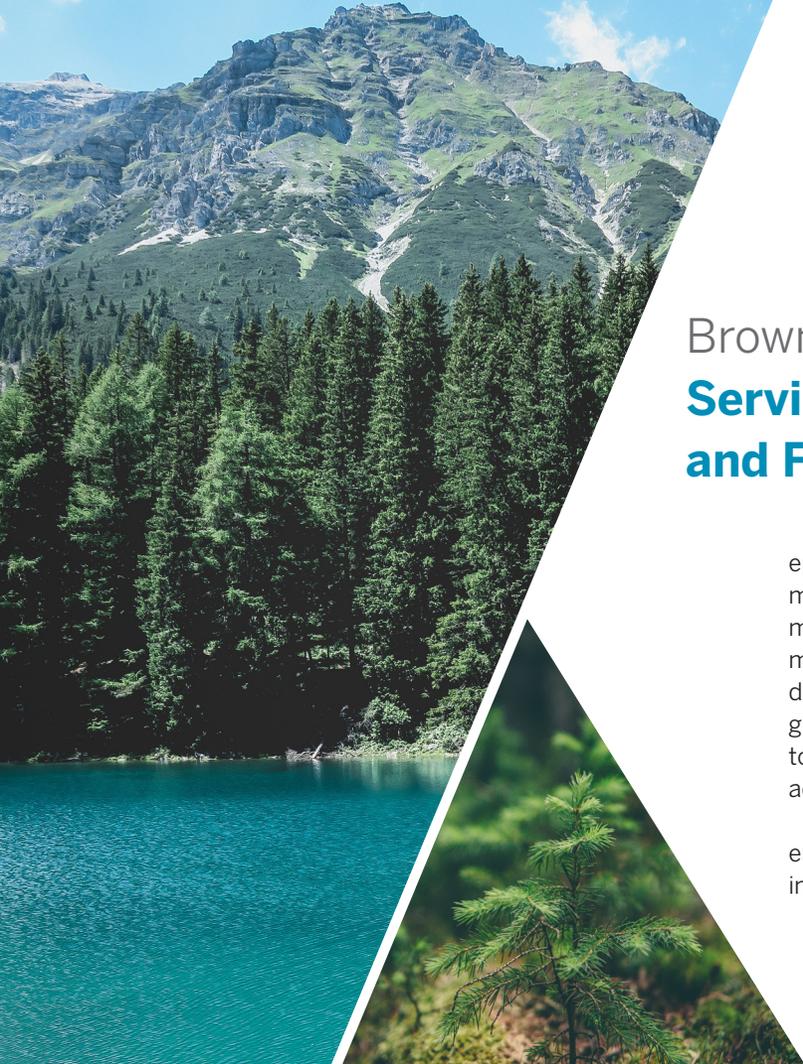


How We Partner with Endowments and Foundations



Brown Advisory **Services for Endowments and Foundations**

If you are responsible for the investment affairs of an endowment or foundation—as a board member or as a member of an investment committee—your task has grown more difficult in recent years. You face more complex capital markets, tougher oversight by regulators, expectations of donors and lower expected market returns. And if you are grappling with a constrained budget, you may be struggling to build up the internal resources that you need to effectively address this challenging investment environment.

For more than 20 years, Brown Advisory has partnered with endowments and foundations to help them achieve ambitious investment and organizational objectives.



Investment Advice

Drawing on decades of experience working with endowments and foundations, we partner with clients to help them navigate the complex capital markets environment in pursuit of desired investment returns.



Policy Advice

We help clients develop investment policies that seek to address the concerns of the board and other stakeholders.



Client Service

We are able to provide customized reporting, in-person meetings based on client needs, online access to investment data and expedient response times to client inquiries. From our offices around the U.S. and the U.K., we strive to maintain close contact with our clients.



Strategic Advice

We offer counsel on a wide range of topics beyond traditional investment advice, including: strategic planning, values-based investing, endowment governance, donor engagement, planned giving, etc.



Fiduciary Responsibility

We seek to relieve investment committees of some of the heavy fiduciary burden weighing on them. We serve clients in a variety of ways, from fully discretionary relationships to situations where we act in a more consultative role.



Experienced **Advisor** to Endowments & Foundations

Leveraging decades of experience managing investments for public, private and nonprofit clients, Brown Advisory helps endowments and foundations with a wide variety of challenges.



Since our founding, we have served as an investment manager for endowments and foundations. We are responsible for approximately \$4.6 billion in assets for our endowments and foundations clients.*



Our colleagues are committed to the communities in which our families live and where the firm is based. We serve in leadership roles and as volunteers across hundreds of nonprofits. This perspective helps us better understand the needs of our clients.



We have worked with numerous endowments and foundations that seek to align their investment portfolios with their mission and helped them create and implement policies to achieve those goals.

*As of September 30, 2018, Brown Advisory managed \$4.6 billion for our endowments and foundations practice for the following entities: Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware, LLC, Brown Advisory Investment Solutions Group LLC and Meritage Capital LLC.

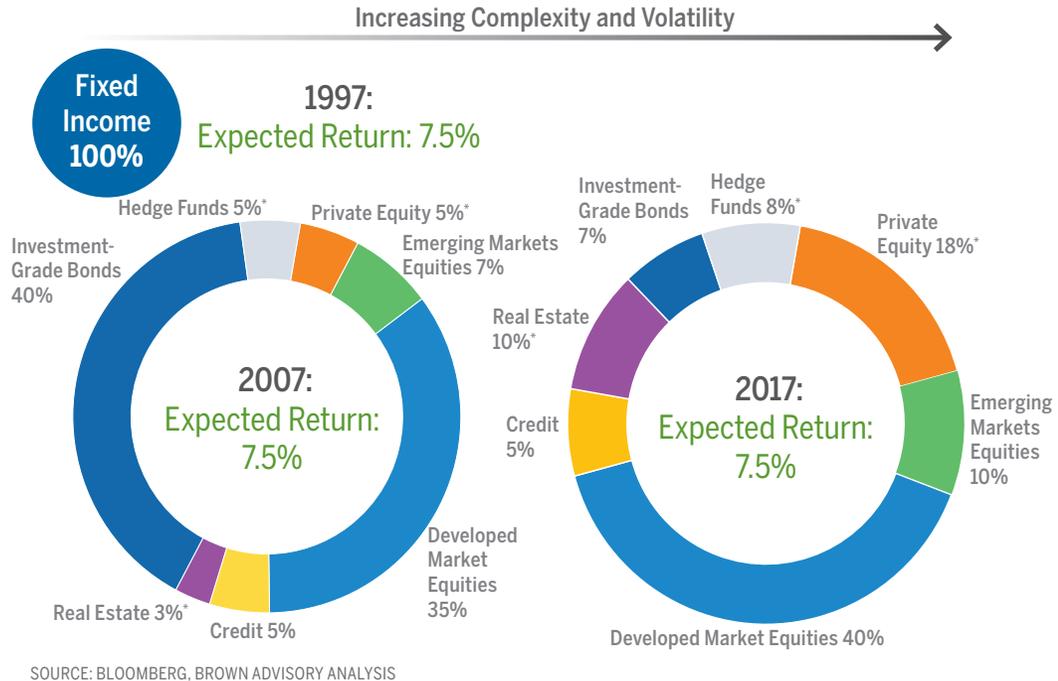
The Case for Outsourcing: Making More from Less

When citing reasons for outsourcing, endowments and foundations often mention a lack of their own internal resources, a desire for greater risk management and the ability for decisions to be made more quickly in their investment portfolio. The additional fiduciary oversight we provide our clients helps provide investment committee members with a greater peace of mind when considering their own responsibilities to the organizations they serve. We believe our ability to provide full fiduciary ability sets us apart from many investment firms.

Many endowments and foundations are currently challenged in their pursuit of sufficient portfolio returns to satisfy disbursement and overall budgetary objectives. Due to a prolonged period of slower global economic growth, low interest rates, an aging population in the developed world and many other factors, achieving desired return targets has become more difficult. As shown in the chart above, in 1997, an endowment could have earned an annualized return of 7.5% from a low-risk fixed income portfolio.

In 2017, it needed to take on nearly three times more potential volatility in order to achieve that same return—requiring an investment portfolio spread across many different asset classes with far more complex and illiquid investments. This reality has complicated the jobs of both boards and investment committees that oversee endowed assets; our responsibility is to be a trusted partner in helping make these decisions.

*Alternative investments may only be available for qualified purchasers and accredited investors. The information provided above illustrates hypothetical portfolios that are not necessarily representative of any current portfolios. Clients have not been invested in these hypothetical portfolios. Past performance is not indicative 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 of any of the securities or asset classes mentioned. It should not be assumed that investments in such securities or asset classes have been or will be profitable. The investment team will customize portfolios based on the guidelines, requirements and risk tolerance of each client.



Our Approach to Portfolio Construction

Listening first to understand an endowment or foundation's goals has proven to be the most successful approach to constructing and managing our clients' portfolios. We build each of our client's portfolios and customize them to their unique needs and their specific long-term goals.

As fundamental, value-conscious investors, our approach is methodical. We use quantitatively and qualitatively derived scenario analysis to consider a wide range of positive and negative scenarios. Your strategic risk profile helps guide us as we determine the appropriate asset allocation for your portfolio as well as the managers we select to help you achieve your short-term needs and long-term goals.

We use a combination of internally and externally managed strategies and leverage Brown Advisory's equity, fixed income, private equity and alternatives research teams to source high-conviction ideas across the investable universe.

1 As your investment partner, we believe it is our duty to develop a comprehensive understanding of your organization's circumstances and goals.

2 With a clear understanding of your organization's objectives, we can help you develop or refine your investment policy statement to reflect these goals.

3 We review your organization's investment policy statement annually to ensure that it aligns with your evolving goals.





Our Approach to Strategic Advice

Our mission is to provide holistic advice to clients so we can broadly help them advance their nonprofit mission. Our strategic advisors are legal, accounting and philanthropic professionals who come from diverse professional backgrounds and experiences: from established law firms, to advising government officials, to extensive work with families and foundations.

Our Strategic Advisory group spearheads ongoing conversations with clients about a wide variety of matters. They address questions concerning appropriate spend rates, the types and structures of assets that nonprofits should accept from donors, the optimal methods for framing conversations around planned giving, and appropriate strategies for pursuing mission-aligned investing. In our experience, it is most effective to consider these issues in concert with ongoing investment management decisions to ensure a cohesive pursuit of long-term goals.

Strategic advisors are not a replacement for a portfolio manager, rather they add a complementary perspective to the management of an endowment or foundation's investments. While a portfolio manager may focus on strategic asset allocation, constructing a portfolio and cash management needs, a strategic advisor works to provide endowments and foundations with an additional layer of expertise and insight.

Our strategic advisors do not work in isolation. We understand that endowments and foundations may have multiple advisors outside of Brown Advisory. We are well-equipped to work closely with and leverage these external advisors, accountants, committee members, and attorneys that may already be involved in helping navigate financial and strategic decision-making.



We use the term “strategic advice” to describe our role in helping our clients solve their most pressing organizational challenges.

Sustainable Investing for Endowments and Foundations

Many endowments struggle to reconcile two equally important goals when deploying capital: maximizing the risk-adjusted total return of their investment portfolio, and maximizing progress toward their mission. Brown Advisory believes that a thoughtful, sustainable investment approach can bridge the gap between these goals, and help organizations achieve both their financial and mission-related goals within a unified portfolio strategy.

Since our founding, Brown Advisory has been working with clients, both religious and secular, seeking value-centric, mission-based and sustainable investing programs. This mindset is woven into the fabric of our firm—from our internal ESG (environmental, social and governance) investment offerings in equities and fixed income, to the suite of open architecture sustainable managers we use to construct client portfolios. Our commitment to investing sustainably goes beyond passive approaches like negative screening, and instead considers ESG as a critical input to our evaluation of investments, construction of portfolios and reporting of client investment “performance.”

Most importantly for our clients, we seek to use ESG research in our decision-making, as both a mechanism for measuring investment risk, and as a mechanism for helping clients reflect their values and generate impact with their portfolios.

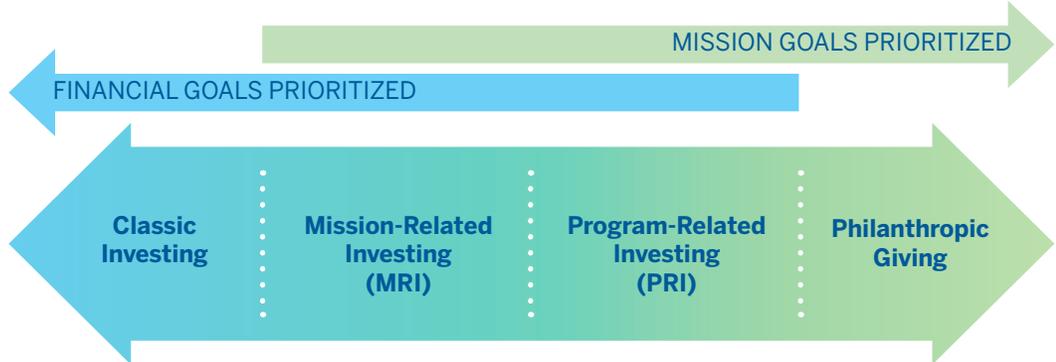
Sustainable investing allows endowments and foundations to support their mission beyond grant-making without sacrificing performance.





A Spectrum of Options for Driving Impact

Traditionally, foundations invested their capital for financial gain, then spent or granted a certain amount each year to advance their mission. Today, foundations are considering a broad spectrum of investment options that help them pursue their financial and mission-related goals at the same time.



Classic Investing

Traditional approach to investing portfolios solely based on maximizing return for a given level of risk.

Mission-Related Investing (MRI)

Investments that primarily pursue financial return; mission alignment is a component of these strategies.
*MRI*s are now more broadly accepted by fiduciaries thanks to clear IRS guidance.

Program-Related Investing (PRI)

Investments that pursue programmatic objectives; financial returns are a secondary goal.
PRIs may satisfy annual spending requirements for private foundations.

Philanthropic Giving

Traditional approach to driving progress through grantmaking or funding in-house activities.



Firm Overview

Brown Advisory is a global independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. We oversee approximately \$68 billion in client assets in all 50 states and in 37 countries.*

Private and Independent Since 1998

Every one of our colleagues owns equity in the firm. This equity structure allows us to provide the best solutions for clients, attract and retain top talent, and align the interest of our colleagues with our clients—we succeed only when we succeed for our clients.

Devoted to Thoughtful Stewardship

We are completely focused on objective, customized investment advice for each of our clients. We are committed to investment excellence and we support our clients with a research and advisory team of more than 100 professionals that oversee internal strategies, support asset allocation and select external managers.

Strategic Advice Beyond Investments

We seek to help our clients solve their most pressing organizational challenges. To do this, we bring to bear expertise covering a wide range of nonprofit strategy and operations issues, from budgeting to managing stakeholder dynamics to assisting with development strategy.

*As of September 30, 2018, Brown Advisory oversaw \$68 billion in client assets for the following entities: Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware, LLC, Brown Advisory Investment Solutions Group LLC and Meritage Capital LLC.



A History

Brown Advisory was founded within **Alex. Brown & Sons**, a distinguished investment banking firm founded in 1800 in Baltimore, Maryland. Brown Advisory's mission was and remains the same: **to make a material and positive difference in the lives of our clients.**

Our firm is rooted in a history of **devotion to our clients.**

1993

Brown Advisory is founded within Alex. Brown & Sons.

1999

Private equity and mutual fund businesses are launched.

2001

Washington, D.C. office opens.

2003

Institutional business is launched.

2007

Beaty Haynes joins the Washington, D.C. team.

2009

Winslow Management Company (sustainable investing) in Boston joins; Boston office opens.

2011

Brown Advisory Trust Company of Delaware LLC chartered; Delaware office opens; Carolinas office opens.

2015

Highmount Capital in Boston and New York City joins.

1998

Firm becomes independent.

2002

Brown Advisory Securities is launched.

2008

Alex. Brown Investment Management (Equity) in Baltimore joins; London office opens.

2010

Cavanaugh Capital Management in Baltimore (fixed income) joins.

2012

CDK Investment Management, now Brown Advisory's Investment Solutions Group in New York City joins (hedged strategies); New York office opens.

2016

Blackhaw Wealth Management in Austin joins; Austin office opens.

2018

NextGen Venture Partners in Boston, New York and Washington, D.C. joins; Meritage Capital joins in Austin.

This legacy is what guides our every action with clients today.

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www.brownadvisory.com

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Thoughtful Investing.