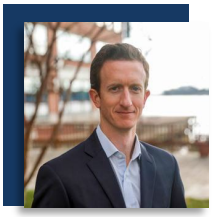
Large-Cap Sustainable Value:

Reflections Three Years Into Our Journey

October 2025



Mike Poggi, CFA
Portfolio Manager

When we launched the U.S. Large-Cap Sustainable Value strategy in October of 2022, we identified a compelling opportunity at the intersection of value investing and sustainable investment research — a space we felt was underappreciated by the broader market. At the time, many strategies that integrate sustainable investment research into the investment process were concentrated in high-growth sectors, where innovation and disruption often came with elevated valuations and lofty expectations. Our belief was that sustainable business practices weren't exclusive to one segment of the market. In fact, we saw numerous companies within sectors that are commonly associated with the value universe adopting best-in-class operational and governance standards to enhance long-term financial performance.

We often like to say that the irony of running a strategy called "sustainable value" is that if you ask ten investors what each of those words mean, you'll likely get twenty different answers. But that's precisely where we believe the opportunity lies. Our "dual lens" approach — combining rigorous fundamental analysis with a focus on sustainable investment research — is differentiated within the value space.

Three years into this journey, I'm proud of the progress our team has made in building a robust and repeatable investment process and energized by the investment opportunities we are seeing in the market.

> *If there is one lesson we have learned from years of investing in public markets, it's that the only true constant* ***is change****.*

Free Cash Flow As Our Compass

For those new to the strategy, we define value as companies that consistently generate high levels of ***free cash flow***, exhibit strong ***capital discipline*** through prudent balance sheet management, and trade at an ***attractive valuation***. These "three pillars" form the bedrock of our approach, providing a margin of safety during periods of market volatility and stress.

We believe that protecting capital and minimizing drawdown risk is essential to compounding returns over the long term. When companies demonstrate free cash flow, maintain a sound capital structure, and trade at undemanding valuations, we believe shareholders are well-positioned to be rewarded over time.

Beyond financial metrics, we seek businesses and management teams that embrace sustainable business practices to extend the duration and reduce the volatility of their cash flows - what we call a Sustainable Cash Flow Advantage. While all organizations are subject to a variety of external forces like interest rate cycles, tariffs, and geopolitical tensions, our focus is on those that are laser-focused on "controlling the controllables". Through the use of our "3P" investment filter, we evaluate how companies manage the three areas they can directly influence: the ***people*** they hire and the culture they foster, the ***processes*** they implement to run their business, and the ***products*** or services they deliver to customers.

We believe companies that leverage sustainable business practices through the 3P's - while actively managing material risks – are best positioned to achieve a Sustainable Cash Flow Advantage. Though it may sound simple, a consistent focus on taking care of employees, running an efficient and adaptive organization, and delivering a superior product or service that allows customers to meet their goals is not only good business — it's good for shareholders. Our long-held belief is that a "continuous improvement" mindset, when aligned with sustainable business practices, can drive differentiated and meaningful performance over time.

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Embracing Change But Staying Disciplined

If there is one lesson we have learned from years of investing in public markets, it's that the only true constant is change.

When we launched the strategy in October 2022, the market backdrop was dramatically different from where we stand today. Following a sharp post-COVID rally, markets came under pressure in 2022 as aggressive rate hikes from the Federal Reserve sparked fears of a looming recession. Those concerns ultimately proved unfounded — the S&P 500® Index bottomed in mid-October and has since climbed over 80% in just three years.[1]

And yet, those twelve quarters of strong returns were anything but smooth. We've navigated persistent inflation and elevated interest rates, a war in the Ukraine, rising geopolitical tensions, trade disputes, a shift toward deglobalization, and the boom in artificial intelligence (AI) - to name a few. We highlight these events not to dwell on the past, but to underscore a simple truth; predicting the future and timing markets is incredibly difficult. There will always be unknowns. That's why, like the companies we invest in, we focus on "controlling the controllables."

We leverage the depth and breadth of our research team to act with urgency and discipline - combing through our investable universe of over 1,000 companies, balancing speed with patience and a commitment to our philosophy. If change is the only constant, then embracing it is essential. Short-term volatility often creates long-term opportunity. As a team we actively seek out change — whether in price, business model, leadership, or capital allocation — leaning into these inflection points when they line up with our value discipline.

Recent investments in the strategy that were driven by such change agents include:

- **CRH Plc (CRH)**[2] – Relocated its primary listing from Ireland to the NYSE in 2023, opening access to U.S. investors and index inclusion.
- **Dell Technologies (DELL)**[3] – Shifted capital allocation in 2023, committing to return 80% of free cash flow to shareholders via buybacks and dividends.
- **Pentair (PNR)**[4] – Executed a "Transformation Program" that streamlined operations and improved margins by over 500 basis points (bp) over three years, despite muted end-market growth.
- **Citigroup (C)**[5] – Undertook a targeted divestiture and simplification initiative, consolidating into five core business lines to enhance transparency and returns.

No two market environments are alike, and volatility is inevitable. It is our job to stay prepared and separate the signal from the noise. I am deeply grateful for the team of analysts who've supported the strategy since inception — their dedication and daily effort are the engine behind our success. Together, we continue to scour the addressable universe for change agents and inflection points that could unlock the next compelling opportunity.

We accept mistakes will happen and that our investing style may fall in and out of favor in the short term. But by embracing the same "continuous improvement" mindset we expect from our portfolio companies; we strive to get better each day — while remaining grounded in our process and disciplined in our value investing philosophy.

We continue to believe that a portfolio of companies generating consistent free cash flow, possessing a Sustainable Cash Flow Advantage, demonstrating capital discipline, and trading at attractive valuations will deliver compelling risk-adjusted returns over the long term — while providing a margin of safety for our investors.

We appreciate your continued support and interest in the strategy. As always, we look forward to staying connected and sharing more as the journey unfolds.

— Mike

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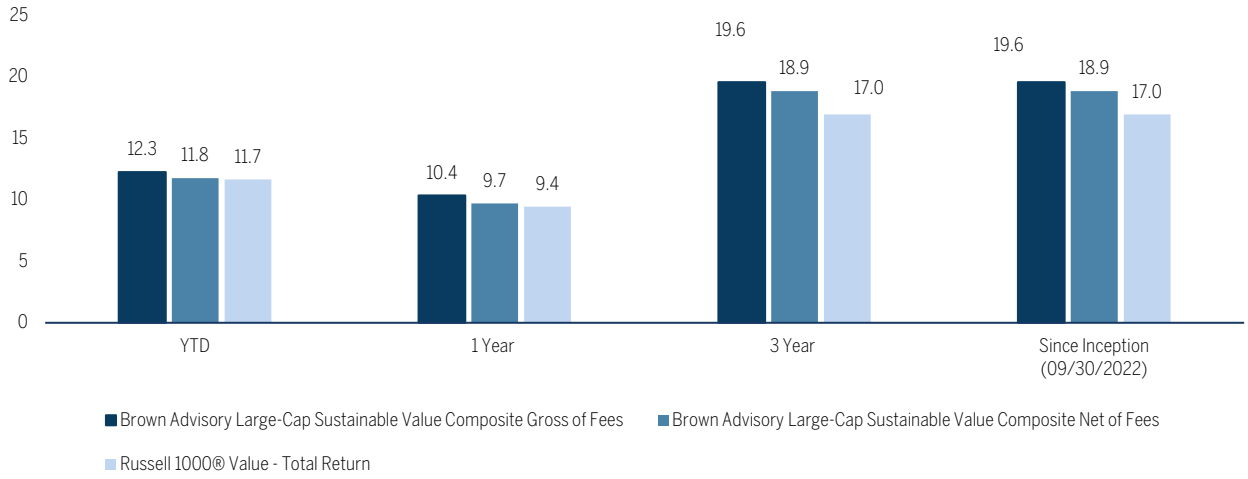
Large-Cap Sustainable Value Composite Performance[6]



1. Source: FactSet®, as of 08/31/2025

The listed companies represent current holdings within the Brown Advisory Large-Cap Sustainable Value strategy as of 9/30/2025. The portfolio information is based on a Brown Advisory Large-Cap Sustainable Value representative account and is provided as Supplemental Information:

2. Source: Brown Advisory analysis and CRH company reports.
3. Source: Brown Advisory analysis and Dell Technologies company report as of October 5, 2023.
4. Source: Brown Advisory analysis and Pentair company reports.
5. Source: Brown Advisory analysis and Citigroup company reports.
6. Source: FactSet® as of 9/30/2025. All returns greater than one year are annualized. Past performance is not indicative of future results and you may not get back the amount invested. The primary benchmark is the Russell 1000® Value Index. The composite performance shown above reflects the Large-Cap Sustainable Value 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 end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

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Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in evert strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. Certain strategies seek to identify companies that we believe may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, these strategies may invest in companies that do not reflect the beliefs and values of any particular investor. Certain strategies may also invest in companies that would otherwise be excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. These strategies incorporate data from third parties in its research process but do not make investment decisions based on third-party data alone.

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An investor cannot invest directly into an index.

The strategy's benchmark is the **Russell 1000® Value Index**. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value 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.

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Free Cash Flow (FCF) represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

LARGE-CAP SUSTAINABLE VALUE 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)*
2024	18.4	17.7	14.4	N/A	N/A	14	0.1	294	88,323
2023	16.1	15.4	11.5	N/A	N/A	7	0	171	78,241
2022**	10.8	10.6	N/A	N/A	N/A	Five or fewer	N/A	11	58,575

**Return is for period October 1, 2022 through December 31, 2022.

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, 2024. 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.

1. *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.
2. The Large-Cap Sustainable Value Composite (the Composite) includes all discretionary portfolios invested in the Large-Cap Sustainable Value strategy. The Large-Cap Sustainable Value strategy aims to invest in the equity securities of high-quality large-sized companies that have attractive and durable free cash flow yields, favorable capital structures, strong capital discipline, and which are listed or traded on the U.S. markets and exchanges. The minimum market value required for Composite inclusion is $1.5 million.
3. Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Large-Cap Sustainable Value Strategy ("Strategy") seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, the Strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The Strategy may also invest in companies that would otherwise be excluded from other strategies that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.
4. The Composite creation date is November 30, 2022. The Composite inception date is October 1, 2022.
5. The benchmark is the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value 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.
6. Composite dispersion is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
7. 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: 0.60% on the first $25 million; 0.50% on the next $25 million; and 0.40% on the next $50 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.
8. 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.
9. 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, 2022, December 31, 2023 and December 31, 2024 because 36 month returns for the Composite were not available (N/A).
10. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
11. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
12. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
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