American Fund

QUARTERLY UPDATE

First Quarter 2017

Brown ADVISORY
Thoughtful Investing.

Review & Outlook

The American Fund aims to achieve capital appreciation through a combination of Brown Advisory in-house U.S. equity strategies. For the quarter the Fund returned 5.1% vs. 5.7% for the Russell 3000 benchmark. The strategy allocation for the Fund is a fixed apportionment of 75% to Flexible Equity and 25% to Small-Cap Blend.

U.S. FLEXIBLE EQUITY STRATEGY

The Flexible Equity Strategy slightly exceeded the results of the benchmark S&P 500® Index which returned 6.1% in the first quarter of 2017 and 17.2% for the one-year period.

The market results were, in our view, great and they reflect what we believe to be a very favorable environment for equity returns – low interest rates, general economic expansion, and post-election expectations of a pro-business administration ushering in lower taxes and less regulation. We see no immediate reason why great should change; but, neither "great" nor its opposite are one-way streets in investment markets or human affairs. Whatever the current market sentiment or recent results, they should always be tempered by some expectation for change.

Our long-term equity market return expectations are between 6% and 9% annually - below the past one-year result. Our expectations are based on a combination of the S&P 500 Index's current 2% dividend yield, 5% to 7% company earnings growth across a cycle, and a slight downward bias to valuations related to long-term higher interest rate expectations. A significant tax cut would likely boost earnings, but could also boost interest rates further. Equity valuations are high by historic standards, but not in relation to current low interest rates which elevate valuations across all investment alternatives.

The portfolio changed only slightly during the first quarter. We added one new holding, Hanesbrands, on what we believe to be a bargain basis and added slightly to our existing financial holdings. We expect rising interest rates to positively impact the future earnings of banking companies and we believe their capital positions are strong after eight years of enhancing capital levels and reducing risk exposures. We sold retailer Best Buy, a long-term holding, and trimmed several other successful investments. The lone detractor was Teva Pharmaceuticals, which we trimmed at a loss given a change in management and several recent disappointments.

Using portfolio turnover to measure change, the portfolio has remained largely unchanged in the quarter and year-over-year; 2.6% difference between March 31, 2017 and December 31, 2016 and 13.5% from March 31, 2016. The inverse of the annual turnover approximates the average holding period; in our case 13.5% equates to 7.4 years. This confirms our long-term approach to stock selection. Our turnover has ranged from 10% to 40% in any single year with higher numbers occurring when there are big changes in the investment landscape and market prices.

With a low turnover approach, it is rare that any action in a short period will have a major impact on investment results relative to the market. Price movements tend to dominate any changes we make in the portfolio short-term; but in the long-term, aligning with good businesses priced attractively should dominate erratic short-term price movements. For taxable portfolios, low turnover has a further advantage of potentially greater tax efficiency through delayed timing of tax and reduced rates for individuals.

We search for investment bargains, particularly among attractive businesses over the long-term with shareholder-oriented management. These businesses typically have competitive advantages that produce good economic results, management that allocates capital well, capacity to adjust to changes in the world, and the ability to grow in value over time. Bargains in these types of stocks arise for many reasons, but are often due to short-term investor perceptions, temporary business challenges that will improve, as-yet-undiscovered or unrecognized opportunities, and changes for the better. Despite the occasional investment that will go awry, we are optimistic about the long-term outlook for equities of good companies purchased at reasonable prices and our ability to find them.

PERFORMANCE (%)

	RETURNS NET OF FEES*	RUSSELL 3000® INDEX
3 Mos.	5.10	5.74
1 YR	18.03	18.07
3 YR	4.98	9.76
5 YR	9.23	13.18
ITD	7.20	8.62

*American Fund B USD share class net of fees.

CHARACTERISTICS

	AMERICAN FUND	RUSSELL 3000® INDEX
Weighted Avg. Market Cap.	$133.3 B	$137.7 B
Weighted Median Market Cap.	$48.5 B	$59.9 B
Earnings Growth 3-5 Year Est.	13.4%	11.9%
P/E Ratio (FY2 Est.)	17.1x	16.6x
PEG Ratio	1.3x	1.4x

TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa Inc. Class A	3.9
Berkshire Hathaway Inc. Class B	3.8
Alphabet Inc. *	3.4
Wells Fargo & Company	3.1
Priceline Group Inc.	2.8
Mastercard Incorporated Class A	2.8
Lowe's Companies, Inc.	2.5
Apple Inc.	2.5
Charles Schwab Corporation	2.5
CarMax, Inc.	2.4
TOTAL	**29.7**

*Alphabet Inc. represents a 1.9% holding in Class C shares, and a 1.5% holding in Class A shares.

U.S. SMALL-CAP GROWTH STRATEGY

The Brown Advisory Small-Cap Growth Equity Strategy posted a nearly in-line first quarter when compared to its primary benchmark, the Russell 2000® Growth Index. Equity market dynamics normalized during the period following the post-election histrionics. Due to our philosophical bias toward secular vs. cyclical growth, the strategy welcomed this development. Overall, the portfolio experienced a modest tailwind from stock selection and its relative average market capitalization, while its bias toward quality and relative sector allocation produced a headwind. Over the long-term, we continue to expect stock selection to be the overwhelming driver of both absolute and relative returns.

The first quarter of 2017 might be described as a period of "digestion" for small-cap equities. Coming off a historic flurry of activity and fund flows in Q4 2016, the Russell 2000® Index posted a solid, but unspectacular return of +2.5%, enabling large-caps to reclaim market leadership. Within small-caps, the recent massive outperformance of value ended, with growth besting value by well over 500 basis points. The likely cause of these reversals is a market moving from a mostly speculative to a now real-world view of the Trump administration's policy priorities in both magnitude and timing. As investors digest the reality of Washington D.C., it will be interesting to watch the market unfold over the balance of the year.

We are very much bottom-up, fundamental investors. We would posit that thinking and acting differently against a universe of ideas where one possesses a unique or non-consensus view best produces attractive risk-adjusted returns. However, we are ardent believers that to fully understand the micro, one must appreciate the macro. We visualize the world of smaller company investment as being composed of a periodic table of small-cap elements. Each of these building blocks has the potential to create either a more or less favorable environment for small-cap equities in the future. Although a comprehensive, quantitative list is outside the bounds of these pages, the following provides a brief, qualitative summary:

FAVORABLE ENVIRONMENT	UNFAVORABLE ENVIRONMENT
+Improving US economy	-Historically high valuations
+ Recovering earnings growth	-Lower systemic liquidity (i.e. Fed policy)
+ Less regulation	-Increasing leverage
+ Lower (pending) corporate taxes	-Improved sentiment
+ Improved confidence	-Low volatility

Despite the present environment for small-caps appearing fairly balanced, our team is spending most of its time thinking and preparing for greater volatility ahead. The combination of market calm and high valuations usually breeds short- to intermediate-term dislocations that can rapidly change the prevailing opportunity set. Successfully navigating these periods is a critical factor in enabling long-term outperformance.

As always, we appreciate your support and interest in the strategy and look forward to updating you on our progress following Q2. Until then, we will focus on putting the portfolio in a position to navigate whatever world lies ahead and continue to seek out the "fat pitches" that produce favorable risk-adjusted returns.

U.S. SMALL-CAP VALUE STRATEGY

While small-cap value companies dominated the U.S. markets during the fourth quarter of 2016 following the election, they materially lagged the broader market and especially large-cap growth companies during the first quarter of 2017. Small-cap stocks rose dramatically at the end of the year on heightened expectations for tax reform and other anticipated, business-friendly regulatory shifts; weaker results for small-caps so far in 2017 reflect anxiety about the prospects and timing of tax and regulatory reform as well as the broader economic climate.

During the quarter, our strategy produced a modest gain on an absolute basis, and outperformed its benchmark, the Russell 2000® Value Index, which declined slightly during the period. Our relative performance was strongest during January and March, the two months that the benchmark posted negative returns.

The strategy benefited from a number of developments. Our financial stocks were strong relative contributors vs. the benchmark's holdings (many of which are more asset-sensitive banks that performed well last year but reversed course during the quarter). Several of our financial holdings, especially Primerica, benefited from positive earnings performance. Our energy holdings also performed well; similar to the situation in financials, broader sentiment dampened performance of the benchmark's energy roster, while our investment in Parr Pacific posted positive results. Relatively weak quarterly results from several of our larger consumer discretionary investments and one materials investment weighed on our performance. The strongest sector within the benchmark was health care and technology was second strongest, consistent with the broader rotation in the market towards growth.

While we normally would expect to underperform during a rotation toward growth stocks, corporate actions on the part of Air Methods and EchoStar enabled us to outperform in those sectors during the quarter. In March, Air Methods finally announced its sale to American Securities, a private equity firm. Recall that in the fourth quarter of 2015, Air Methods announced that it had hired Goldman Sachs to evaluate its strategic options. By the first quarter of 2016, the board announced that they had completed their review and were going to remain independent. We and other shareholders pointed out that the process could not have been thorough given the modest duration of time dedicated to it. The decline in the stock only further widened the gap between the public equity value and the valuation at which KKR purchased Air Methods' largest competitor. A re-started process culminated in the announcement in March. From the proxy however, there was at least one potential and legitimate bidder that was excluded for regulatory reasons. The share price has increased above the deal price in the hopes of a potential topping bid. In response, we have sold the bulk of our stake and will hold the remainder for the potential that a topping bid materializes.

Echostar, a spin-off from Dish, announced that it was purchasing the retail broadband business from Dish in exchange for its set-top box business. We believe Dish may have entered into the transaction for broader strategic objectives. We are thrilled about the outcome for Echostar because it is shedding a low-margin, low-growth business for one that, in our view, has very attractive financial characteristics.

American Capital completed its sale of Ares Capital. Northstar Realty Finance and Northstar Asset Management also completed their three-party merger with Colony. In both cases, we believe the cash flows and post closing valuations are attractive. However, given the weighting in the portfolio we trimmed our Colony investment and modestly added to our Ares investment.

Within financials, we sold our remaining stake in Maiden Holdings due to its valuation and business prospects. Early in the quarter, we also took advantage of the rising valuations of many of our smaller bank investments and trimmed a number of positions. We are bullish on the prospects for heightened M&A activity within the bank sector and re-invested a portion of these proceeds into two new banks. One has materially lagged the rally over the past 18 months, so was very attractive from a valuation perspective, in our view, and the other was attractively priced with a well-defined plan to create shareholder value.

Besides the two new investments in financials, we made two investments in cyclical companies, both of which generate attractive free cash flow with what we view as material upside, and we also invested in two companies that are embarking on meaningful strategic repositioning in order to unlock shareholder value. One of these is a REIT and the other is a broadcast media company in the consumer discretionary sector. Besides the one financial investment, we also sold one consumer discretionary investment due to valuation.

While we have a robust pipeline of new ideas, it is heavily weighted towards investments that need to see some price decline in order to meet our return objectives. We are keenly interested in the upcoming earnings season to give us a better indication of economic activity. Given the continued high valuation of the markets, we are approaching the rest of 2017 with caution.

Sector Diversification

- We base our investment approach on individual company selection and incorporate a reasonable balance of sector exposures as part of risk management. Companies in the same economic sectors can vary as greatly in their business economics and profiles as companies in completely different sectors.
- Our consumer discretionary weighting increased with our new investment in Hanesbrands and TEGNA.
- The information technology weighting was higher as a result of the sector's strong performance in the portfolio.

SECTOR	AMERICAN FUND (%)	RUSSELL 3000® INDEX (%)	DIFFERENCE (%)	AMERICAN FUND (%)	
	Q1 '17	Q1 '17	Q1 '17	Q4 '16	Q1 '16
Consumer Discretionary	18.46	12.70	5.76	17.73	13.72
Consumer Staples	1.54	8.34	-6.80	1.54	6.73
Energy	3.80	6.04	-2.25	4.05	2.82
Financials	22.86	14.96	7.91	22.81	14.67
Health Care	9.83	13.36	-3.53	10.78	14.66
Industrials	10.03	10.76	-0.74	10.04	9.94
Information Technology	29.45	21.13	8.32	28.40	30.58
Materials	0.89	3.38	-2.49	1.03	2.30
Real Estate	2.32	4.00	-1.67	2.65	3.77
Telecom. Services	0.75	2.18	-1.43	0.91	0.80
Utilities	0.06	3.15	-3.09	0.06	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- We saw outperformance in numerous sectors during the first quarter. Our holdings in consumer staples, financials, energy, industrials, and real estate all outperformed those of the benchmark.
- Our underweight in energy was also a positive contributor during the quarter.

SECTOR	AMERICAN FUND		RUSSELL 3000® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	18.32	5.51	12.56	7.79	0.10	-0.39	-0.29
Consumer Staples	1.50	7.19	8.30	5.90	-0.01	0.02	0.01
Energy	3.92	0.48	6.39	-6.84	0.33	0.31	0.64
Financials	22.85	3.43	15.30	2.21	-0.26	0.28	0.03
Health Care	10.29	3.11	13.23	8.95	-0.08	-0.59	-0.67
Industrials	9.97	6.84	10.82	4.21	0.01	0.25	0.26
Information Technology	29.00	9.69	20.63	11.87	0.48	-0.59	-0.10
Materials	0.93	-5.10	3.40	6.15	-0.01	-0.12	-0.13
Real Estate	2.37	5.37	4.01	2.78	0.04	0.06	0.10
Telecom. Services	0.80	-3.35	2.25	-3.42	0.13	0.00	0.14
Utilities	0.06	-13.70	3.10	6.11	-0.01	-0.01	-0.02
Total	**100.00**	**5.71**	**100.00**	**5.74**	**0.74**	**-0.78**	**-0.03**

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- **Priceline** reported strong growth and quarterly results that exceeded investors' expectations.
- **Apple Inc.** shares rose following a better-than-expected earnings announcement and the news of Berkshire Hathaway's (Warren Buffett's) meaningful increase in its Apple investment.
- **Visa** also reported strong quarterly results and provided a positive outlook which includes mid-teens percentage revenue growth and adjusted earnings per share in 2017.
- **Lowe's** reported strong quarterly results and provided a positive outlook. We view Lowe's as a long-term investment, particularly given the recovery in housing investment and home improvement.
- **Ameriprise Financial** rallied sharply off of a low valuation as investors began to anticipate the Trump administration's rollback of the Department of Labor's (DOL) fiduciary rules.
- **Qualcomm** declined despite reasonable quarterly profit performance due to lawsuits it is facing from Apple and the Federal Trade Commission alleging anticompetitive behavior. We look forward to Qualcomm's acquisition of NXP Semiconductors later this year which we believe will be additive to future results.
- **CarMax** shares declined due to investors' concerns about lower used car prices and a less favorable credit environment.
- At the beginning of the year, **Teva Pharmaceutical** lowered their outlook for 2017 and announced the resignation of their CEO. Following a very challenging 2016, we expect improvement in their results this year based on better execution, efficiencies to be gained in its merger with Actavis, further diversification in its product line, the potential for its drugs under development, and its low valuation.
- **Core-Mark's** performance suffered from the announced loss of the Kroger Convenience contract in January (~680 stores) and disappointing earnings primarily due to higher expenses associated with ramping up newly won business. The contract loss came on the heels of another major contract loss announced last year. While Core-Mark has been – and we believe it will continue to be – a large share gainer, these high-profile losses and uncertainty about another major contract currently under negotiation has caused near-term sentiment to be very negative despite recent sizeable 7-11 and Wal-Mart account wins.
- **Occidental Petroleum** shares declined following its fourth quarter earnings report which did not meet investors' expectations.

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
AMERICAN FUND TOP FIVE CONTRIBUTORS				
PCLN	Priceline Group Inc	2.88	21.41	0.57
AAPL	Apple Inc.	2.41	24.57	0.54
V	Visa Inc. Class A	4.00	14.12	0.53
LOW	Lowe's Companies, Inc.	2.46	16.15	0.37
AMP	Ameriprise Financial, Inc.	2.03	17.60	0.33
AMERICAN FUND BOTTOM FIVE CONTRIBUTORS				
QCOM	QUALCOMM Incorporated	1.53	-11.23	-0.21
KMX	CarMax, Inc.	2.94	-8.03	-0.19
TEVA	Teva Pharmaceutical Industries Limited	1.38	-10.75	-0.19
CORE	Core-Mark Holding Company, Inc.	0.42	-27.38	-0.14
OXY	Occidental Petroleum Corporation	1.30	-9.96	-0.14

Quarterly Portfolio Activity

- **Acxiom Corporation** engages in marketing database intelligence development. It operates through the following segments: Marketing Services, Audience Solutions, and Connectivity.
- **Altisource Residential Corp** owns a portfolio of over 10,000 single family rental properties. We established our position at what we view as a 35% discount to un-depreciated book value, and a 27% discount to our estimate of NAV. The company is in the midst of a transition from a non-performing loan purchaser to a pure-play, single-family rental REIT. As this multi-quarter conversion takes place, earnings should stabilize and we believe that its valuation should rise to the level of its peers, which trade on multiples of un-depreciated book value, NAV and funds from operations (FFO). In the meantime, our downside is protected by a 9% share buyback authorization and a ~5% dividend yield that is covered by the stabilized portfolio.
- **Hanesbrands Inc.** is an industry leader in mass-market undergarments and sports apparel under brands names including, among others, Hanes and Champion. Despite selling underwear, there is nothing sexy about Hanes' business; yet, Hanes is the market leader in a relatively stable business with recurring demand. It produces good profits and cash flows that it applies to acquisitions of similar businesses offering synergies and returning capital to shareholders through dividends and share repurchase. Two years ago, investors became excited about Hanes' acquisitions and bid the stock into the mid $30s. Some recent disappointments and investor worries, which we believe are temporary, have presented us with a bargain opportunity.
- **Howard Bancorp** is a $1bn asset bank headquartered in Ellicott City, MD. We initiated our position when the bank announced an equity offering in late January. The bank trades at only 1.3x pro-forma tangible book value and we believe the bank could achieve a 1% run-rate return on assets (ROA) with capital fully deployed. The raise could have an ancillary benefit as well, in that it may allow for inclusion in our benchmark index, based on the pro-forma market capitalization of the company. Given its geography and our discussions with other regional institutions, we believe that HBMD would make an attractive merger partner.
- **Jounce Therapeutics** is a clinical stage immunotherapy company specializing in developing therapies that enable the immune system to attack tumors.
- **National Bank Holdings Corp** is a Colorado-based bank trading at a discount to regional peers and to the small-cap bank universe. The company is at an inflection point in earning assets and profitability, which should allow them to reach their $2/share EPS and 1% return on total assets (ROTA) goal within the next 18-24 months, up from a $1.15 / 0.7% annualized as of Dec. 31, 2016. A combination of attractive geographical presence, robust loan growth and excess capital also make the franchise an attractive takeout candidate for a larger institution looking to expand in, or into, the Colorado and Missouri markets where NBHC operates. Our downside is protected by robust capital return; since 2013, the company has repurchased nearly 51% of shares outstanding.
- **Natural Gas Services Group** provides small to medium horsepower compression equipment to the natural gas industry. NGS manufactures rents, and services natural gas compressors that are primarily used at the wellhead in non-conventional oil and gas plays to enhance production levels. We think NGS presents an interesting opportunity for a number of reasons. After enduring over two years of one of the worst downturns in history, the recent increases in U.S. production levels should lead to a bottoming out in fleet utilization. With a young fleet and utilization rates that are down over 20% from 2014 levels, NGS is in a position to participate in an upcycle with little to no growth capex needed in the near future. We believe that NGS's combination of an overcapitalized balance sheet ($5/share in net cash), lack of future capex needs and continued free cash flow (FCF) generation creates a high likelihood that management will begin to return cash to shareholders in the near future, through either dividends or buybacks.
- **Simpson Manufacturing** manufacturers wood construction products such as connectors, fastening systems, truss plates and lateral systems that are used in residential and commercial light-frame construction. Relative to many of its industrial and building product peers, Simpson enjoys an enviable business model that is driven by selling "mission critical", low-absolute-cost products (typically <0.5% of total cost of a house), with strong pricing power, high gross margins (in excess of 45% in many cases) and little capital intensity. This combination has led to a self-sustaining business with very high FCF conversion (7-9% of sales excluding working capital) throughout its history. With over $225m of net cash on the balance sheet, we believe that the company can maintain a balanced capital allocation strategy between tuck-in M&A and returning 50% of operating cash flow to shareholders through buybacks ($50m spent each of last two years and $70m authorization) and dividends (1.7% yield). After years of heavy investment coming out of the downturn, we think selling, general and administrative costs will level out leading to high incremental margins going forward. Finally, we believe that the company's rollout of SAP, while not without risks, has the potential to drive meaningful cost savings and increase FCF through much-needed improvements in working capital management. Simpson's recent underperformance has left it trading at a discount to both its history as well as its peer group, giving us a rare opportunity to purchase a high-quality industrial at an attractive valuation and strong downside protection.

AMERICAN FUND PORTFOLIO ACTIVITY

ADDITIONS		SECTOR
ACXM	Acxiom Corporation	Information Technology
RESI	Altisource Residential Corp. Class B	Financials
ARCC	Ares Capital Corporation	Financials
HBI	Hanesbrands Inc.	Consumer Discretionary
HBMD	Howard Bancorp, Inc.	Financials
JNCE	Jounce Therapeutics, Inc.	Health Care
NBHC	National Bank Holdings Corporation Class A	Financials
NGS	Natural Gas Services Group, Inc.	Energy
SSD	Simpson Manufacturing Co., Inc.	Industrials
TGNA	TEGNA, Inc.	Consumer Discretionary
DELETIONS		**SECTOR**
ACAS	American Capital, Ltd.	Financials
BBY	Best Buy Co., Inc.	Consumer Discretionary
DPLO	Diplomat Pharmacy, Inc.	Health Care
INCY	Incyte Corporation	Health Care
LH	Laboratory Corporation of America Holdings	Health Care
MHLD	Maiden Holdings, Ltd.	Financials
MGPI	MGP Ingredients, Inc.	Consumer Staples
NRF	NorthStar Realty Finance Corp.	Real Estate
TDOC	Teladoc Inc	Health Care

- **TGNA**, the broadcasting arm of the former Gannett Co., is undergoing a strategic repositioning that we believe will unlock meaningful shareholder value. With the spin-off of Cars.com in the first half of 2017, and the completion of the strategic review of the CareerBuilder business (TGNA owns a majority stake), TGNA will be a standalone broadcasting company. Similar to our investment in Nexstar, this business offers high FCF conversion, and two trends in its industry provide opportunities for improving fundamentals: 1) continued growth in profits from affiliate revenues (or fees paid from cable operators to broadcast stations) after a one-time step-down in 2017, and 2) potential lessening of regulations around station ownership, allowing for greater flexibility to leverage costs across multiple stations in a given market. If we exclude the Cars.com and Careerbuilder businesses, we established our position at a price equivalent to 7-8 times EBITDA, a level that represents a discount to peers. TGNA has lower leverage than peers (though still 4x pro forma for the announced deals), and a history of both buybacks and dividends.
- On January 3rd, **Ares Capital Corporation** completed the previously announced acquisition of **American Capital (ACAS)**.
- We eliminated **Best Buy Co., Inc. s**elling the last of the shares that we first purchased four years ago. At the time of purchase Best Buy was widely viewed as a company doomed to fail given intense internet competition from Amazon; but, a management change at Best Buy led us to take a closer look. Bringing new ideas, cost discipline, and improving its own internet offering, Best Buy management stabilized sales, improved profit margins, returned capital to shareholders, and produced a large gain for shareholders. Despite the great improvements, Best Buy still operates in a highly competitive arena and we exited the holding based on price.
- We eliminated **Diplomat** due to a lack of start-up to intermediate-term fundamental visibility.
- **Incyte** reached market cap and price targets.
- Given the appreciation after its merger with Covance, we sold **Laboratory Corp of America**.
- We steadily trimmed **Maiden Holdings** during the back half of 2016 due to valuation concerns as well as its inability to achieve satisfactory returns in its diversified auto re-insurance business. Based on the most recent price increase, we sold the remainder of our investment.
- We exited **MGP Ingredients** after shares exceeded our price target on a very rich valuation that no longer offered an attractive risk/reward.
- In early January, **NorthStar Realty Finance** completed its merger-of-equals transaction with NorthStar Asset Management Group and Colony Capital, Inc. The new entity is listed under the ticker CLNS (Colony NorthStar, Inc.).

Disclosures

For institutional investors and professional clients only.

Performance data relates to the Brown Advisory American Fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance and you may not get back the amount invested. Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. This review is issued by Brown Advisory Limited, authorised and regulated by the Financial Conduct Authority. This is not an invitation to subscribe and is by way of information only.

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Portfolio information is based on the Brown Advisory American Fund. The S&P 500 Index represents the large-cap segment of the U.S. equity markets and consists of approximately 500 leading companies in leading industries of the U.S. economy. Criteria evaluated include market capitalization, financial viability, liquidity, public float, sector representation and corporate structure. An index constituent must also be considered a U.S. company. The Russell 3000® Index measures the performance of the U.S. equity universe. It measures the performance of 3,000 publicly held U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market The Russell 3000® Index is a trademark/service mark of the Frank Russell Company. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index is a trademark/service mark of the Frank Russell Company. 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® Index companies with lower price-to-book ratios and lower forecasted growth values. 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 that new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. Both indices are completely reconstituted annually. The Russell 2000® Growth Index and the Russell 2000® Index are trademarks/service marks of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index.

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Terms and Definitions for Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: **Weighted Average:** equals the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation). **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, calculated according to each broker's methodology. **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 FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **P/E / Growth Ratio, or PEG Ratio,** is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **Portfolio Turnover (3 yr. avg.)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period. **Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed). **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. Totals may not equal due to rounding. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report.