Equity Income

STRATEGY FACT SHEET

Second Quarter 2018

Brown ADVISORY
Thoughtful Investing.

WHY INVEST IN BROWN ADVISORY EQUITY INCOME?

Above-average dividend yield and growth potential can add stability to a core portfolio. Manager seeks to produce a dividend yield higher than the S&P 500® Index, and initiate positions only in stocks that yield at least as much as the Index. We emphasize firms that are likely to raise dividends in the future and companies with growth that have the potential to compound time. This combination of above-average yield and growth can help to potentially lower a portfolio's overall volatility over a full market cycle.

Our process. The strategy uses a bottom-up approach to security selection. Initial screens filter for the following traits: dividend yield, payout ratio and growth, earnings growth, stock valuation, capital structure and return on equity (ROE). Then, the manager performs fundamental analysis and assess management. The portfolio typically holds 35-45 securities and strives for over low turnover.

Portfolio Manager: Brian Graney, CFA
Benchmark: S&P500® Index

STRATEGY PROFILE AS OF 06/30/2018

BENCHMARK INDEX
S&P 500® Index

STRATEGY ASSETS
$394 million

VEHICLES AVAILABLE
Separately Managed Account (SMA)
Model Only
Mutual Fund

PERFORMANCE (% AS OF 06/30/2018)

	3 MOS.	YTD	1 YR.	3 YR.	5 YR.	ITD (09/30/2010)
Equity Income Composite (Gross of Fees)	2.90	-0.17	10.49	8.92	9.95	12.37
Equity Income Composite (Net of Fees)	2.76	-0.45	9.88	8.30	9.33	11.73
S&P 500® Index	3.43	2.65	14.37	11.93	13.42	14.22

CHARACTERISTICS AS OF 06/30/2018

	EQUITY INCOME REP. ACCT.	S&P 500 INDEX
Weighted Avg. Market Cap.	$187.2 B	$217.3 B
P/E Ratio (FY2 Est.)	15.8x	15.6x
Active Share	77.4%	--
Dividend Yield	2.7%	1.9%
Portfolio Beta (Since Inception)	0.9	--
Return on Equity (ROE)	20.9%	19.6%

TOP 10 PORTFOLIO HOLDINGS %

Cash & Equivalents	5.7
Microsoft Corp.	5.1
Apple, Inc.	4.2
Cisco Systems, Inc.	3.9
Altria Group, Inc.	3.8
Merck & Co, Inc.	3.3
McDonald's Corp.	3.2
JPMorgan Chase & Co.	3.2
Automatic Data Processing, Inc.	3.1
United Technologies Corp.	2.8

SECTOR BREAKDOWN (%)

	REP. ACCT	INDEX
Consumer Discretionary	12.8	12.9
Consumer Staples	11.9	7.0
Energy	5.8	6.3
Financials	15.1	13.8
Health Care	12.8	14.1
Industrials	8.5	9.5
Information Technology	21.8	26.0
Materials	3.7	2.6
Real Estate	7.6	2.9
Telecommunication Services	--	2.0
Utilities	--	3.0

PORTFOLIO MANAGER PROFILE

BRIAN E. GRANEY, CFA

Brian Graney is an equity research analyst and portfolio manager for the Equity Income strategy. Prior to joining Brown Advisory in 2008, he was a portfolio manager for Alex. Brown Investment Management as well as a writer/analyst at *The Motley Fool*. Brian earned his BA degree George Washington University.

Source: FactSet®. The portfolio information provided is based on a representative Brown Advisory Equity Income account as of 06/30/2018 and is provided as supplemental information. Sector breakdown and portfolio characteristics exclude cash and equivalents; top 10 holdings include cash and equivalents. 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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Composite performance is based on the Brown Advisory Equity Income Composite and was obtained through FactSet. Returns greater than one year are annualized. Past performance is not indicative of future results. Numbers may not total due to rounding. The composite performance shown above reflects the Equity Income, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the final page for a GIPS compliant presentation. Please see the Brown Advisory Equity Income Composite performance disclosure on the reverse side for additional information and a complete list of terms and definitions.

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.

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Brown Advisory Equity Income

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	21.5	20.8	21.8	8.7	9.9	49	0.3	289	33,155
2016	10.5	9.9	12.0	9.7	10.6	44	0.2	252	30,417
2015	-4.4	-5	1.4	10.1	10.5	53	0.2	331	43,746
2014	11.3	10.7	13.7	8.3	9.	72	0.3	446	44,772
2013	29.2	28.5	32.4	8.6	11.9	84	0.3	450	40,739
2012	12.8	12.0	16.0	NA	NA	67	0.2	350	26,794
2011	11.6	11.0	2.1	NA	NA	43	0.2	120	19,962
2010*	6.5	6.5	10.8	NA	NA	8	N/A	22	16,859

*Return is for period October 1, 2010 through December 31, 2010.

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, 2017. 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.

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 Equity Income Composite includes all discretionary portfolios invested in the equity income strategy. The strategy invests primarily in U.S. equities that exhibit above-average dividend yields, dividend growth and return on equity. The minimum account market value required for composite inclusion is $1.5 million.
3. This composite was created in 2010.
4. The benchmark is the S&P 500® Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks that is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Standard & Poor's, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc..
5. 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.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions. 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 $10 million; 0.65% on the next $15 million; 0.50% on the next $25 million; and 0.40% on the balance over $50 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.
7. 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 three-year annualized standard deviation is not presented as of December 31, 2010, 2011 and 2012 because 36 month returns for the composite were not available (N/A).
8. Valuations and performance returns are computed and stated in U.S. dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.
10. Past performance does not indicate future results.
11. 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

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. 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. The **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. **Weighted Average Market Capitalization** of a portfolio 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). **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. **Beta** is a measure of the volatility of a security or 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. **Active Share** measures the percentage of holdings in a manager's portfolio that differ from those in the benchmark index. An active share of 0% means that the portfolio is identical to the benchmark, while an active share of 100% means that the portfolio has no common holdings with the benchmark. **Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price. **Return on equity (ROE)** is equal to a company's net income for a full fiscal year, divided by total shareholder equity.