

First Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	S&P 500 INDEX
3 Mos.	6.32	6.25	6.07
1 YR	18.77	18.33	17.17
3 YR	9.08	8.68	10.37
5 YR	13.67	13.24	13.30
10 YR	7.51	6.94	7.51
25 YR	11.65	10.93	9.52
ITD (12/31/84)	13.35	12.60	11.15

Provided as supplemental information.

REP. ACCOUNT CHARACTERISTICS

	FLEXIBLE EQUITY REP. ACCT.	S&P 500 INDEX
Wtd. Avg. Market Cap.	\$175.9 B	\$163.9 B
Wtd. Median Market Cap	\$74.3 B	\$87.6 B
P/E Ratio (FY2 Est.)	16.6x	16.4x
Price/Book Value	3.0x	3.0x
Earnings Growth (3-5 Year Est.)	13.1%	11.8%
Return on Equity (ROE)	22.1%	11.7%
Portfolio Turnover (3-Yr. Average)	18.7%	--
Active Share	76.8%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa, Inc.	5.2
Berkshire Hathaway, Inc. Cl B	5.1
Cash & Equivalents	4.3
Wells Fargo & Co.	4.1
Priceline Group, Inc.	3.7
Mastercard, Inc.	3.7
Lowe's Companies, Inc.	3.3
Apple, Inc.	3.3
Charles Schwab Corp.	3.3
CarMax, Inc.	3.2
TOTAL	39.2



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Review & Outlook

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. We trimmed Teva Pharmaceuticals 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.

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

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**.
- Our trim of **Teva Pharmaceuticals** and its stock price decline resulted in a lower weighting in health care.
- The information technology weighting was higher as a result of the sector's strong performance in the portfolio. All of our technology holdings, except **Qualcomm**, increased in price during the quarter.

SECTOR	FLEXIBLE EQUITY REP. ACCOUNT (%)	S&P 500 INDEX (%)	DIFFERENCE (%)	FLEXIBLE EQUITY REP. ACCOUNT (%)	
	Q1 '17	Q1 '17	Q1 '17	Q4 '16	Q1 '16
Consumer Discretionary	19.37	12.25	7.11	18.33	18.27
Consumer Staples	1.39	9.30	-7.91	1.39	1.51
Energy	4.63	6.59	-1.96	5.03	4.58
Financials	24.22	14.36	9.86	24.25	20.40
Health Care	10.20	13.91	-3.71	11.51	13.08
Industrials	6.76	10.08	-3.32	7.06	9.11
Information Technology	31.63	22.16	9.48	30.65	31.58
Materials	--	2.84	-2.84	--	--
Real Estate	1.81	2.94	-1.13	1.78	1.47
Telecommunication Services	--	2.38	-2.38	--	--
Utilities	--	3.19	-3.19	--	--

Quarterly Attribution Detail by Sector

- The portfolio return exceeded the return of the S&P 500 Index. On a relative basis, energy was our strongest contributor due to our lower sector weighting and its performance versus the larger decline in the Index holdings. Despite our relative underweight, industrials were a strong contributor due to strong individual company performance. The health care sector detracted from returns with a flat result for our holdings versus a strong return of the sector in the S&P 500 Index.
- Our comparative results, to both the upside and the down, in energy, industrials and health care demonstrate the idiosyncratic nature of our company selections versus broader sector themes.

SECTOR	FLEXIBLE EQUITY REP. ACCOUNT		S&P 500 INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	19.19	7.84	12.11	8.44	0.14	-0.11	0.03
Consumer Staples	1.35	7.64	9.33	6.36	-0.02	0.01	-0.01
Energy	4.80	-0.44	6.92	-6.73	0.29	0.34	0.63
Financials	24.31	3.65	14.68	2.53	-0.33	0.28	-0.05
Health Care	10.68	0.08	13.86	8.42	-0.07	-0.89	-0.96
Industrials	6.86	9.46	10.20	4.57	0.05	0.33	0.37
Information Technology	31.07	10.62	21.57	12.56	0.58	-0.55	0.03
Materials	--	--	2.86	5.84	--	--	--
Real Estate	1.74	10.00	2.87	3.42	0.03	0.11	0.14
Telecommunication Services	--	--	2.47	-3.88	0.26	--	0.26
Utilities	--	--	3.14	6.39	-0.01	--	-0.01
Total	100	6.51	100	6.08	0.92	-0.48	0.44

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Quarterly Contribution to Return

- **Priceline** reported strong growth and quarterly results that exceeded investors' expectations.
- **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.
- **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.
- **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.
- Our initial investment in new holding **Hanesbrands** came after the stock fell due to investors' unsustainable growth expectations. After our purchase, the stock fell further due to softer-than-expected fourth-quarter earnings. At roughly 10x forward earnings estimates, a management team with a great long-term record of creating value, and a smart capital allocation plan, we believe the risk/reward is highly favorable and we added to our position.
- **Occidental Petroleum** shares declined following its fourth-quarter earnings report which did not meet investors' expectations.

FLEXIBLE EQUITY REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
PCLN	Priceline Group Inc	3.82	21.41	0.76
V	Visa Inc. Class A	5.31	14.12	0.72
AAPL	Apple Inc.	3.20	24.57	0.71
LOW	Lowe's Companies Inc.	3.26	16.15	0.49
AMP	Ameriprise Financial Inc.	2.68	17.60	0.45
FLEXIBLE EQUITY REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
QCOM	QUALCOMM Incorporated	2.03	-11.23	-0.28
KMX	CarMax Inc.	3.90	-8.03	-0.26
TEVA	Teva Pharmaceutical Industries Limited Sponsored ADR	1.82	-10.75	-0.24
HBI	Hanesbrands Inc.	1.46	-12.26	-0.22
OXY	Occidental Petroleum Corporation	1.72	-9.96	-0.19

Portfolio Activity

- We added one new investment, **Hanesbrands Inc.** – an industry leader in mass-market undergarments and sports apparel under brand names including, among others, Hanes and Champion. Despite selling underwear, there is nothing “sexy” about Hanes' business; 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.
- We eliminated **Best Buy, Inc.**, Inc. selling 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.

FLEXIBLE EQUITY REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
HBI	Hanesbrands Inc.	Consumer Discretionary
DELETIONS		SECTOR
BBY	Best Buy, Inc.	Consumer Discretionary

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*Some portfolios may not hold TEVA Pharmaceuticals due to restrictions.

Brown Advisory Institutional Flexible Equity 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)	Firm Assets (\$USD Millions)
2016	9.9	9.5	12	12.1	10.6	51	0.2	2,831	30,417
2015	-2	-2.4	1.4	11.1	10.5	56	0.2	3,147	43,746
2014	14	13.5	13.7	9.2	9	49	0.2	3,195	44,772
2013	37.5	36.9	32.4	11.9	11.9	44	0.4	2,247	40,739
2012	19.9	19.5	16	14.6	15.1	40	0.3	1,818	26,794
2011	5.8	5.4	2.1	18.5	18.7	43	1.1	1,714	19,962
2010	11.1	10.3	15.1	22.7	21.9	45	0.7	1,811	16,859
2009	37.1	36	26.5	21.3	19.6	48	3.4	1,905	11,058
2008	-36.5	-37	-37	16.6	15.1	51	1.9	1,541	8,547
2007	-6.7	-7.4	5.5	8.3	7.7	84	1.9	4,070	N/A

* Returns prior to 2008 were earned at ABIM, therefore firm assets are not applicable.

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, 2015. 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 Institutional Flexible Equity Composite includes all actual, discretionary, institutional accounts with a flexible value equity objective of 100%. The strategy seeks bargains in "value" as well as "growth" stocks and invests primarily in the common stock of domestic companies with market capitalizations greater than \$2 billion at the time of purchase. This composite has been examined for the periods from July 1, 2008 through December 31, 2009. The examination reports are available upon request. As of January 1, 2013, the minimum account market value required for composite inclusion is \$1.5 million. Prior to August 2013 the name of this composite was Institutional Flexible Value. The strategy remains the same.
3. Prior to January 1, 2000, this composite consisted of accounts based on their tax-exempt status, which would have included individual IRAs and excluded taxable corporation assets. Subsequent to January 1, 2000, the composite was redefined to include all institutional accounts regardless of taxable status. Rates of return for taxable accounts may vary due to tax considerations.
4. As of January 1, 1993, the composite calculation weights accounts based on assets under management. Previously, accounts were weighted on an equal basis in the composite calculation.
5. This composite was created in 1985.
6. 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.
7. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. From January 2000, through December 2008, dispersion is calculated using the asset-weighted standard deviation of the annual gross returns of those accounts included in the composite for the full year.
8. Between October 2006 and December 2008, a significant cash flow policy was adopted for this composite. A significant cash flow is defined as a single flow of cash or securities of more than 25% of the portfolio's market value at prior month end. Accounts with significant cash flows are excluded from the composite for a grace period, defined as the month during which the flow occurred. Additional information regarding significant cash flow policies are available upon request.
9. 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. Prior to 2011, net performance is based on a model fee using the highest fee in effect. Actual fees may vary, depending on, among other things, the applicable fee schedule and portfolio size. The highest applicable fee schedule is as follows: 0.60% on the first \$25 million; 0.50% on the next \$25 million; 0.45% on the next \$50 million; and 0.40% 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.
10. 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.
11. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
12. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
13. Past performance does not indicate future results.
14. 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.

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Composite performance is based on the Brown Advisory Institutional Flexible Equity Composite and was obtained through FactSet®. All information and returns shown are as of 03/31/2017 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Institutional Flexible Equity account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. *Contribution to return is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return for the reporting period. The portfolio information provided is based on a representative Institutional Flexible Equity account and is provided as supplemental information. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and attribution excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding. Please see composite disclosure statements above for additional information.

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**: 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. **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. **Price to Book Value** is a valuation ratio expressing the price of a security compared to its hard, or tangible, book value as reported in the company's balance sheet. The tangible book value number is equal to the company's total book value less the value of any intangible assets. Intangible assets can be such items as patents, intellectual property, goodwill etc. **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. 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. **ROE, or Return on Equity**, is equal to a company's net income for a full fiscal year, divided by total shareholder equity. **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. **Active share** is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two. 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.