

Second Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	S&P 500 INDEX
3 Mos.	4.07	4.01	3.09
YTD	10.65	10.51	9.34
1 YR	23.89	23.50	17.90
3 YR	9.11	8.71	9.61
5 YR	15.46	15.03	14.63
10 YR	7.18	6.63	7.18
25 YR	11.91	11.19	9.57
ITD (12/31/84)	13.37	12.63	11.16

The composite performance shown above reflects the Brown Advisory Institutional Flexible Equity Composite, 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 end of this presentation for a GIPS compliant presentation.

REP. ACCOUNT CHARACTERISTICS

	FLEXIBLE EQUITY REP. ACCT.	S&P 500 INDEX
Wtd. Avg. Market Cap.	\$185.3 B	\$168.8 B
Wtd. Median Market Cap	\$81.6 B	\$87.8 B
P/E Ratio (FY2 Est.)	17.3x	16.8x
Price/Book Value	5.7x	14.4x
Earnings Growth (3-5 Year Est.)	13.4%	12.0%
Return on Equity (ROE)	22.4%	19.8%
Portfolio Turnover (3-Yr. Average)	15.6%	--
Active Share	75.7%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa Inc. Class A	5.3
Berkshire Hathaway Inc. Class B	5.0
Alphabet Inc.* (Class A & C)	4.8
Wells Fargo & Company	4.1
Cash & Equivalents	4.1
Mastercard Incorporated Class A	3.8
Priceline Group Inc	3.5
Charles Schwab Corporation	3.3
CarMax, Inc.	3.3
Apple Inc.	3.2
TOTAL	40.4

*Alphabet Inc. represents a 2.1% holding position in class A and 2.7% in class C shares of the stock.



R. HUTCHINGS VERNON, CFA
Portfolio Manager



MANEESH BAJAJ, CFA
Associate Portfolio Manager

Review & Outlook

In the second quarter, the Flexible Equity Strategy exceeded the results of its benchmark, the S&P 500® Index.

Recent results reflect a favorable environment for equities – low interest rates, general economic expansion and business, investor and consumer confidence that is rising or already high. We see no immediate reason for this to change, but history shows that it does. Owning stocks of quality companies at sensible prices is a wise investment over time. However, owning them without the disposition and financial capacity to keep or add to them in less favorable environments can present problems if you are not prepared for market shifts when they occur.

Flexible Equity results in the last year benefited from rising interest rates and a shift in investor preferences from income-oriented investments (like those found in the utilities and consumer staples sectors of the economy) toward more growth sensitive sectors (like financials, information technology and industrials). We had relatively more of the latter and less of the former as we believed interest rates would eventually rise from historic lows and valuations were stretched in the income-driven sectors relative to the others.

One of our basic beliefs as investors is that opportunities are spread unevenly across the market and time. Seeking the clusters of opportunity as they occur gives us the opportunity to outperform when we are right in our judgment or underperform when we are wrong in our judgment or wrong in our timing. As investors with a value philosophy—that is, seeking a lot for our money—an “opportunity” for us is more often an investment whose price we believe will appreciate in the future to reflect its value than one that is moving up quickly already. Different investors will define opportunity differently—there is a buyer for every seller and that is what makes markets. A key aspect of successful portfolio management is keeping the right balance between allocating capital into new opportunities with the potential to increase in price, from past opportunities that have already delivered their investment potential.

It would take Superman (or Superwoman) to keep this in perfect balance and outperform the indices all the time. Clearly Super Beings don't exist in the investment world but the belief in them is strong. The illusion of their existence is created because most investment managers do look “Super” at times across their careers. Investors looking for investment managers often hire the managers whose recent results look most like Superman's and often move on to a new Super Being when the prior one falters for a bit.

In recent years investors, with a growing number of dollars, have taken up index funds that match the market all the time based on the evidence that the average manager underperforms the market overtime. This evidence is indisputable—the average of all managers who collectively own all the stocks is, after fees, going to underperform the index average of all stocks with no fees assessed, or in the case of an index fund, a much lower fee.

Have investors buying index funds given up their belief in Super Beings? While possible, we think the surge in index funds versus active managers reflects active managers having performed particularly poorly in recent years. Said differently, index funds have performed particularly well in recent years versus active managers. This has happened before and reflects an ebb and flow in the markets. With this strong performance relative to the active manager universe, indexes appear to be the new Super Beings that some investors are seeking for the moment.

Do index funds beat all managers? No, and the good news for managers who have added value over time is we don't have to be Super Beings to do so. Normal beings organized for the investment game and sticking to their knitting with knowledge of the past and respect for the future still do fine over time versus an index. We do need to do a better job of educating our investors that we don't and can't outperform all the time even as we can outperform over time.

We search for investment bargains, particularly among long-term attractive businesses with shareholder-oriented management. These businesses typically have competitive advantages that produce good economic results, managers who allocate 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 company or industry 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.
- We trimmed **Priceline** which reduced our weighting in the consumer discretionary sector.
- We added to **Bank of America**, **Regions Financial** and **Wells Fargo**, increasing our financials weighting. In addition, Yahoo! completed the sale of its namesake business, changed its name to **Altaba**, and changed its organization to an investment holding company. These changes resulted in Altaba being reclassified into the financial sector from information technology. A key driver of Altaba going forward will be the success of Alibaba due to its 15% ownership. Alibaba can be succinctly described as the “Amazon of China.”
- The information technology weighting increased due to the sector's strong performance in the portfolio and our addition to **Facebook**. Among our information technology investments, only **Qualcomm** failed to increase 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	18.32	12.19	6.13	19.37	18.05
Consumer Staples	1.37	9.05	-7.67	1.39	1.56
Energy	4.01	6.01	-2.00	4.63	5.38
Financials	27.22	14.55	12.67	26.54	23.17
Health Care	10.18	14.51	-4.32	10.20	14.03
Industrials	6.50	10.28	-3.78	6.76	9.33
Information Technology	30.55	22.35	8.20	29.31	26.49
Materials	--	2.85	-2.85	--	--
Real Estate	1.84	2.93	-1.08	1.81	1.98
Telecommunication Services	--	2.14	-2.14	--	--
Utilities	--	3.16	-3.16	--	--

Quarterly Attribution Detail by Sector

- The portfolio return exceeded the return of the S&P 500 Index. Information technology was our strongest contributor due to both our higher sector weighting and higher return. Health care was our best performing sector and our second largest contributor to return.
- Our worst performing sector on a relative basis was consumer discretionary due to our higher sector weighting and its lower return versus the Index holdings. Except for energy which declined in the quarter, all portfolio sectors provided a positive return.

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	18.88	0.47	12.28	2.25	-0.04	-0.33	-0.37
Consumer Staples	1.39	3.96	9.28	1.57	0.11	0.03	0.14
Energy	4.24	-8.87	6.25	-6.34	0.20	-0.13	0.07
Financials	26.60	3.75	14.24	4.39	0.16	-0.17	-0.01
Health Care	9.97	12.96	14.02	7.09	-0.16	0.55	0.39
Industrials	6.59	5.35	10.16	4.75	-0.06	0.03	-0.03
Information Technology	30.48	6.30	22.55	4.10	0.06	0.65	0.71
Materials	--	--	2.83	3.17	--	--	--
Real Estate	1.84	7.06	2.93	2.76	0.00	0.08	0.08
Telecommunication Services	--	--	2.25	-7.05	0.24	--	0.24
Utilities	--	--	3.21	2.21	0.03	--	0.03
Total	100.00	4.32	100.00	3.08	0.54	0.71	1.24

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Quarterly Contribution to Return

- **Edwards Lifesciences'** stock price rebounded following its first quarter earnings report, as results exceeded investors' expectations. U.S. transcatheter aortic valve replacement (TAVR) sales were better than estimates. We believe that the company is still in the early innings of penetrating the potential market for replacement heart valves delivered by catheters rather than open-heart surgery, such that its growth can continue for a long time.
- Yahoo! completed its sale of its core internet business to Verizon and renamed the company as "**Altaba, Inc.**" We expect to realize additional value in the company's holdings, namely Alibaba, the "Amazon of China".
- **Aetna, Inc.** reported strong 1st quarter results and raised their guidance for the balance of the year. The company appears to be well positioned for growth and profitability.
- **PayPal Holdings** continues to take share and add capabilities, such as Venmo, in the evolving mobile payments industry.
- **Mastercard** posted double-digit revenue and earnings growth, each was better than Wall Street estimates.
- **Kinder Morgan** declined in the quarter as investors worried that the company's Canadian pipeline project could be delayed due to a change in government in the province of British Columbia. The national government of Canada has given conditional approval of this project.
- **Lowe's** sales were impacted by unfavorable weather and the company reported first quarter results that missed analysts' estimates. We view Lowe's as a long-term investment, particularly given the recovery in housing investment and home improvement.
- **Walt Disney Co.** reported attractive second quarter results overall, but ESPN subscribers declined.
- **TJX Companies** fell along with other retailers which posted weaker results. While TJX reported comparable sales growth, it was less than investors' expectations. Investors continue to be concerned about the competitive threat from online or Internet retailers, but we believe that TJX has a defensible business model and a strong management team.
- **United Rentals**, probably the most volatile stock in the portfolio, retreated after large gains over the last year.

FLEXIBLE EQUITY REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
EW	Edwards Lifesciences Corporation	2.91	25.69	0.67
AABA	Altaba, Inc.	2.38	17.39	0.39
AET	Aetna Inc.	2.12	19.50	0.38
PYPL	PayPal Holdings Inc	1.67	24.76	0.37
MA	MasterCard Incorporated Class A	3.99	8.20	0.32
FLEXIBLE EQUITY REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
KMI	Kinder Morgan Inc. Class P	2.71	-11.33	-0.35
LOW	Lowe's Companies, Inc.	3.38	-5.30	-0.17
DIS	Walt Disney Company	2.56	-6.30	-0.17
TJX	TJX Companies Inc	1.49	-8.38	-0.13
URI	United Rentals, Inc.	1.07	-9.87	-0.13

Portfolio Activity

- There were no new investments or eliminations in the quarter but several trades among existing holdings and one name change described below. We added to several of our financial holdings (Bank of America, Regions Financial and Wells Fargo) and to Facebook. We trimmed **Anthem**, **Canadian National Railway**, **Priceline** and **United Rentals** based on price. We trimmed **Express Scripts** due to the uncertainty regarding the potential loss of a large contract.
- Existing holding, Yahoo!, completed the sale of its namesake Internet business to Verizon and renamed the company as "Altaba, Inc." Altaba's assets include significant cash, Alibaba (referred to as the "Amazon of China", China's leading e-commerce company) and Yahoo! Japan Corp. Altaba has registered with the SEC as a publicly traded, non-diversified, closed-end investment company. Yahoo! CEO Marissa Mayer resigned leading to Yahoo! director Thomas J. McNerney taking over as Altaba CEO. Today, Altaba trades at a meaningful discount to the pre-tax value of its holdings due to the potential tax consequences from its likely divestment of these holdings. We expect this discount to narrow in time as Altaba management determines the best strategies to realize the value of its assets for shareholders. We plan to maintain our ownership of Altaba for its future return potential driven by a favorable long-term view of Alibaba and prospects for narrowing the tax discount imbedded in the market price.

FLEXIBLE EQUITY REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
AABA	Altaba, Inc.	Financials
DELETIONS		SECTOR
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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.

- 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.
- 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.
- 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.
- 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.
- This composite was created in 1985.
- 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.
- 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.
- 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.
- 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.
- 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.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Past performance does not indicate future results.
- 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 06/30/2017 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.