Brown Advisory Flexible Equity Strategy

We believe that our strategy of investing in companies with attractive business economics, shareholder-oriented managements and the potential for future growth, purchased at bargain prices, can outperform the S&P 500 Index with less risk over a full market cycle.

Brown ADVISORY
Thoughtful Investing.

October 2018 Monthly Report

Performance Contributors

TOP FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
CAG	Conagra Brands, Inc.	Consumer Staples	1.55	5.42	0.08
WFC	Wells Fargo & Company	Financials	3.29	1.27	0.05
MRK	Merck & Co., Inc.	Health Care	0.82	3.76	0.03
SBAC	SBA Communications Corp. Class A	Real Estate	1.18	0.96	0.02
PEP	PepsiCo, Inc.	Consumer Staples	1.04	0.52	0.01

BOTTOM FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
LOW	Lowe's Companies, Inc.	Consumer Discretionary	3.48	-16.66	-0.61
MA	Mastercard Incorporated Class A	Information Technology	4.98	-11.10	-0.57
V	Visa Inc. Class A	Information Technology	6.14	-8.16	-0.50
EW	Edwards Lifesciences Corporation	Health Care	3.11	-15.22	-0.49
GOOG	Alphabet Inc. Class C	Communication Services	2.78	-9.78	-0.49
GOOGL	Alphabet Inc. Class A	Communication Services	2.11	-9.65	

Monthly Portfolio Activity

NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
DWDP	DowDuPont Inc.	We believe that the company's opportunity for growth and savings potential given the combined synergies set the stage for outperformance with what has been a pessimistic outlook.

DELETION

TICKER	NAME	REASON FOR DECISION
	None	

Top 10 Equity Holdings (%)

Cash and equivalents: 1.7%

1.	Visa, Inc.	6.0	6.	Microsoft Corp.	3.8
2.	Berkshire Hathaway, Inc. Cl B	5.1	7.	Wells Fargo & Co.	3.4
3.	Mastercard, Inc.	4.8	8.	CarMax, Inc.	3.3
4.	Alphabet. Inc. (Class A & C)#	4.8	9.	Facebook, Inc.	3.3
5.	Apple, Inc.	4.1	10.	Lowe's Companies, Inc.	3.2

R. HUTCHINGS VERNON, CFA
Portfolio Manager

MANEESH BAJAJ, CFA
Portfolio Manager

INSIDE THE STRATEGY: FACTS & TYPICAL PORTFOLIO FIGURES

Inception: 12/31/1984	Top 10 Weight: 30%–50%
Benchmark: S&P 500® Index	Position Size: 1%–6%, max. 8%
Portfolio: 35–45 Holdings	Cash Position: 0%–5%, max. 10%

Portfolio Comments

The Brown Advisory Flexible Equity Composite fell 7.4% (net of fees) for the month of October, underperforming its benchmark, the S&P 500® Index which fell 6.8%. While we believe that our holdings have many long-term defensive characteristics, such as competitive strength, strong capital structure, recurring revenues and attractive valuation, we tend not to have many defensive, safe-haven stocks such as utilities, consumer staples or other high-yielding stocks. Therefore, we are not surprised when our portfolio sells off a bit more in a retreating market.

Mark Twain–a fabulous satirist but a poor investor–wrote that "October is one of the peculiarly dangerous months to speculate in stocks" and then proceeded to list the other 11 months, as well. He is right that all months are dangerous for speculators, i.e. short-term traders looking primarily to price action for returns. Investors, i.e. long-term capitalists looking primarily to business progress for returns, should take periodic price retreats in stride. In most years, the U.S. stock market has declines of 5% or more from prior highs without it turning into a major rout. So while investor anxieties naturally rise amidst declines, investors are best served by not giving them undue attention and, where possible, taking advantage of the price turmoil they produce.

The portfolio's largest contributor to performance for the month was Conagra Brands which, having sold off in September, rebounded during October. Given our long-term thesis in the name, we are not dismayed by short-term volatility, as we have conviction in this best-in-class management. Organic growth in key categories remained positive in a tough staples environment and we are excited about the pending Pinnacle Foods acquisition that we think will further strengthen its position in core categories.

Another contributor for the month was Wells Fargo. Given the negative market sentiment for the month we were pleased to have a top 10 holding post positive returns for the period. We still see long-term upside for this franchise as deposits remain intact and their loan book continues showing resilience in credit quality.

Merck & Co, also posted positive returns for the month. With a favorable patent profile, no sizable near-term expiry exposure and what we believe is underappreciated growth, we believe that Merck remains a long-term holding.

(Continued on next page)

*Source: FactSet®. 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The security returns listed represent the period of when the security was held during the month. Top five and bottom five contributors exclude cash and cash equivalents. 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 top 10 equity holdings include cash and equivalents #Alphabet Inc. represents a 2.1% holding in Class A shares of the stock and a 2.7% holding in Class C shares of the stock. Numbers may not total due to rounding. The portfolio information provided is based on a representative Flexible Equity account and is provided as supplemental information. This representative account may differ from specific client portfolios. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results. The composite performance shown above reflects the Flexible Equity Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS Compliant firm and is a division of Brown Advisory LLC. Please see the Brown Advisory Flexible Equity disclosure statement at the end of this presentation for a GIPS compliant presentation.

The largest detractor for the month was Lowe's Companies. With new CEO Marvin Ellison's restructuring efforts aimed at closing underperforming stores, the stock sold off for the period. We are optimistic that the new CEO has identified the important areas on which to focus and will be able to develop a clear plan to revitalize the company. We are excited for the home improvement retailer's next chapter with this charismatic leader at the helm.

We added DowDuPont this month. The merger between Dow Chemical and DuPont should finally hit its stride having been lackluster since its formation back in 2017. We believe that the company's opportunity for growth and savings potential given the combined synergies set the stage for outperformance with what has been a pessimistic outlook.

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 ($USD Millions)*	GIPS Firm Assets ($USD Millions)*
2017	25.1	24.6	21.8	11.4	9.9	50	0.3	2,912	33,155
2016	9.9	9.4	12.0	12.1	10.6	52	0.2	2,883	30,417
2015	-2.0	-2.4	1.4	11.1	10.5	56	0.2	2,686	43,746
2014	14.0	13.5	13.7	9.2	9.0	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	16.0	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	36.0	26.5	21.3	19.6	48	3.4	1,905	11,058
2008	-36.5	-37.0	-37.0	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, 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 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. 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. This composite was created in 1985.
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. From January 2007, 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.
6. 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.
7. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-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, 0.75% applied quarterly. The Actual fees may vary, depending on, among other things, the applicable fee schedule and portfolio size. The 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. For periods after 2011 actual fees are used to calculate net returns. Actual fees paid by accounts in the composite may differ from the current fee schedule.
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

Disclosures

Terms and Definitions for Representative Account Calculations

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. **Contribution to Return** is calculated by multiplying a security's beginning portfolio weight by its daily return and geometrically linking the security's daily contribution to return over the entire reporting period .