

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.

B Brown ADVISORY
Thoughtful Investing.

September 2018 Monthly Report

Performance Contributors

TOP FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
EW	Edwards Lifesciences Corporation	Health Care	3.01	20.70	0.59
LOW	Lowe's Companies, Inc.	Consumer Discretionary	3.63	5.58	0.20
MA	Mastercard Incorporated Class A	Information Technology	5.03	3.27	0.16
AVGO	Broadcom Inc.	Information Technology	1.19	13.47	0.15
V	Visa Inc. Class A	Information Technology	6.13	2.18	0.13

BOTTOM FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
WFC	Wells Fargo & Company	Financials	3.34	-10.12	-0.36
FB	Facebook, Inc. Class A	Communication Services	3.33	-6.41	-0.22
KMX	CarMax, Inc.	Consumer Discretionary	3.60	-4.33	-0.15
RF	Regions Financial Corporation	Financials	2.41	-5.03	-0.12
SU	Suncor Energy Inc.	Energy	1.87	-6.05	-0.12

Monthly Portfolio Activity

NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
XEC	Cimarex Energy Co.	The company has a shareholder-friendly management team and will likely realize the return from a higher price per barrel of oil.

DELETION

TICKER	NAME	REASON FOR DECISION
CMG	Chipotle Mexican Grill, Inc.	The stock has had a strong run with a change of leadership and offers limited upside from its current price level in our view.

Top 10 Equity Holdings (%)

Cash and equivalents: 1.6%

1. Visa, Inc.	6.1	6. Microsoft Corp.	3.8
2. Mastercard, Inc.	5.0	7. Lowe's Companies, Inc.	3.6
3. Berkshire Hathaway, Inc. Cl B	4.9	8. Edwards Lifesciences Corp.	3.4
4. Alphabet, Inc. (Class A & C)#	4.9	9. CarMax, Inc.	3.3
5. Apple, Inc.	3.9	10. Facebook, Inc.	3.3

*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 2.8% 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.



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 was up 0.3% (net of fees) for the month of September, slightly underperforming its benchmark, the S&P 500® Index which was up 0.6% for the month.

Edwards Lifesciences Corporation, the largest contributor to performance, engages in patient-focused medical innovations for heart disease and critical care monitoring. The stock price advanced in reaction to positive clinical outcome data on a competing mitral repair device (Abbot's MitraClip COAPT trial), offering solid validation to a relatively controversial therapy option in an undertreated (no viable alternative to drug therapy), but large patient opportunity.

Lowe's Companies, Inc. was another leading contributor to performance. Marvin Ellison impressed on his first earnings call as Lowe's CEO. He is someone for whom people want to work and, more importantly for us, with whom people like to invest alongside. Ellison's retail knowledge is tremendous, particularly with respect to operations, and he has already identified areas for improvement and is developing a comprehensive strategic plan to address them. In the meantime, current macro trends support continued consumer spending on home improvement.

Wells Fargo & Company's stock price declined due to continued negative press related to the recent account opening scandal. Wells Fargo's push to improve its "operational risk" profile and to remove the Fed-imposed growth restriction is taking more time than many investors anticipated, leading to impatience.

We eliminated Chipotle Mexican Grill, Inc. from the portfolio to deploy capital in areas that we believe offer better risk/reward. In the recent past, the stock struggled due to concerns related to food safety. However, this year the stock has had a strong run with a change of leadership and offers limited upside from the current price level in our view.

We added Cimarex to the portfolio during the month. Cimarex is an oil and gas exploration and production company with production assets primarily in the Permian Basin and Mid-Continent region. Our investment thesis is based on a shareholder-friendly management team as well as higher realization of the price per barrel of oil for the company. Currently, the company is being compelled to discount due to limited takeaway capacity of oil in the Permian region. By 2020, this discount is likely to be eliminated due to additional pipeline capacity coming online.

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

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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. An investor cannot invest directly into an index. S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC. FactSet® is a registered trademark of FactSet Research Systems, Inc. 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.

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.