U.S. Flexible Equity SRI Fund

QUARTERLY UPDATE

Brown ADVISORY
Thoughtful Investing.

Second Quarter 2017

PERFORMANCE (%)

	RETURNS NET OF FEES*	S&P 500 INDEX
3 Mos.	3.7	3.1
1 YR	22.1	17.9
3 YR	5.6	9.6
5 YR	11.6	14.6
ITD (23 May 2011)	9.4	12.9

*U.S. Flexible Equity SRI Fund B USD share class net of fees.

CHARACTERISTICS

	U.S. FE SRI FUND	S&P 500 INDEX
Weighted Avg. Market Cap.	$189.0 B	$168.8 B
Weighted Median Mkt. Cap	$81.6 B	$87.8 B
P/E Ratio (FY2 Est.)	17.3x	16.8x
Dividend Yield	1.3%	1.9%
Earnings Growth 3-5 Year Est.	13.8%	12.0%

TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa Inc. Class A	5.5
Berkshire Hathaway Inc. Class B	5.2
Alphabet Inc.*	5.0
Wells Fargo & Company	4.3
Mastercard Incorporated Class A	4.0
Priceline Group Inc.	3.6
Charles Schwab Corporation	3.5
CarMax, Inc.	3.4
Apple Inc.	3.3
JPMorgan Chase & Co.	3.3
TOTAL	**41.1**

*Alphabet Inc. represents a 2.8% holding in Class C and a 2.2% holding in Class A shares.

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Review & Outlook

The Flexible Equity SRI Fund returned 3.68% vs the S&P 500® Index which returned 3.09% in the second quarter of 2017.

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. The graphic on the following page shows how dramatic the shift has been in performance over the past two years with what we now know as the turning point coming roughly in June a year ago. We think this shift can continue so we have not materially altered our exposures.

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.

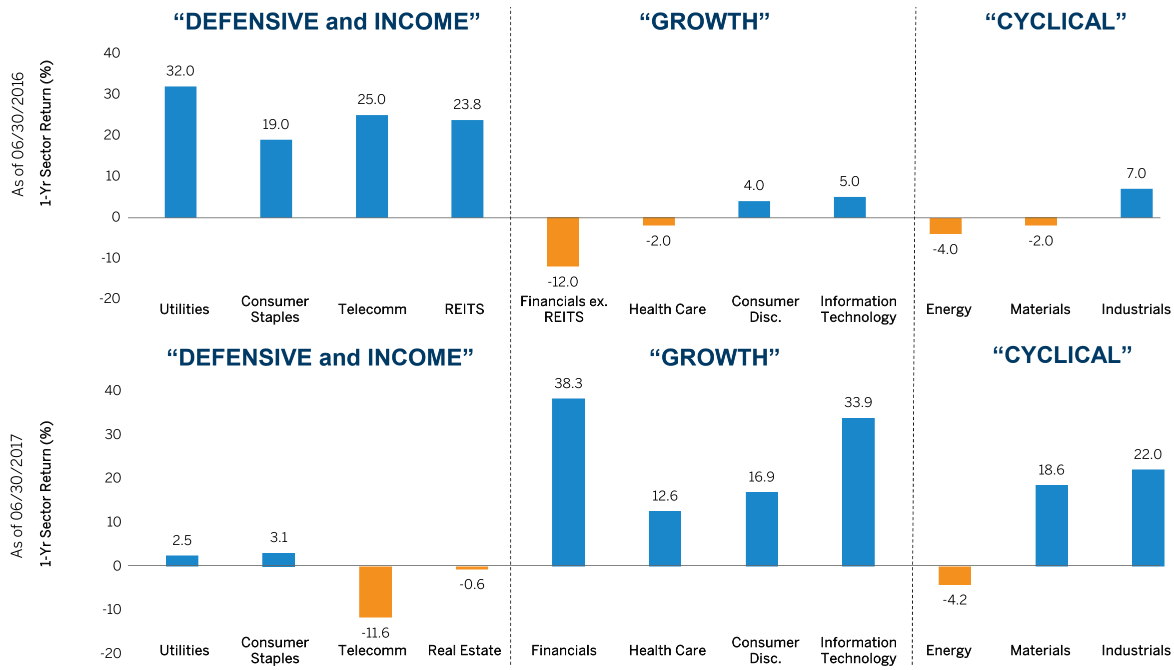
Do index funds beat all managers? No, and the good news for managers who have added value over time is we don't have to be Super Beings to do so. Normal beings organized for the investment game and sticking to their knitting with knowledge of the past and respect for the future still do fine over time 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.

CONTINUED

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.

SECTOR ANALYSIS: MARKET ROTATION

S&P 500® Index Returns as of 06/30/2016 and 06/30/2017



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	U.S. FLEXIBLE EQUITY SRI FUND (%)	S&P 500 INDEX (%)	DIFFERENCE (%)	U.S. FLEXIBLE EQUITY SRI FUND (%)	
	Q2 '17	Q2 '17	Q2 '17	Q1 '17	Q2 '16
Consumer Discretionary	18.95	12.19	6.77	20.01	18.40
Consumer Staples	1.42	9.05	-7.62	1.43	1.62
Energy	4.14	6.01	-1.87	4.78	5.59
Financials	28.16	14.55	13.62	27.44	23.94
Health Care	10.54	14.51	-3.97	10.54	14.37
Industrials	3.26	10.28	-7.02	3.63	6.58
Information Technology	31.61	22.35	9.26	30.29	27.42
Materials	--	2.85	-2.85	--	--
Real Estate	1.91	2.93	-1.02	1.88	2.06
Telecom. Services	--	2.14	-2.14	--	--
Utilities	--	3.16	-3.16	--	--

Sector diversification & analysis excludes cash and cash equivalents.

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	U.S. FLEXIBLE EQUITY SRI FUND		S&P 500 INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	19.54	0.46	12.28	2.25	-0.04	-0.35	-0.39
Consumer Staples	1.44	3.96	9.28	1.57	0.11	0.03	0.14
Energy	4.39	-8.87	6.25	-6.34	0.18	-0.13	0.05
Financials	27.47	3.80	14.24	4.39	0.17	-0.16	0.02
Health Care	10.33	12.38	14.02	7.09	-0.15	0.50	0.36
Industrials	3.35	3.02	10.16	4.75	-0.11	-0.07	-0.18
Information Technology	31.56	6.32	22.55	4.10	0.08	0.68	0.76
Materials	--	--	2.83	3.17	-0.00	--	-0.00
Real Estate	1.91	7.06	2.93	2.76	0.00	0.08	0.08
Telecom. Services	--	--	2.25	-7.05	0.24	--	0.24
Utilities	--	--	3.21	2.21	0.03	--	0.03
Total	**100.00**	**4.17**	**100.00**	**3.08**	**0.51**	**0.59**	**1.09**

Sector attribution excludes cash and cash equivalents.

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.
- **United Rentals,** probably the most volatile stock in the portfolio, retreated after large gains over the last year.

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
U.S. FLEXIBLE EQUITY SRI FUND TOP FIVE CONTRIBUTORS				
EW	Edwards Lifesciences Corporation	3.02	25.69	0.69
AABA	Altaba Inc.	2.46	17.39	0.40
AET	Aetna Inc.	2.20	19.50	0.40
PYPL	PayPal Holdings Inc.	1.73	24.76	0.39
MA	Mastercard Incorporated Class A	4.14	8.20	0.34
U.S. FLEXIBLE EQUITY SRI FUND BOTTOM FIVE CONTRIBUTORS				
KMI	Kinder Morgan Inc. Class P	2.81	-11.33	-0.36
LOW	Lowe's Companies, Inc.	3.50	-5.30	-0.18
DIS	Walt Disney Company	2.65	-6.30	-0.17
URI	United Rentals, Inc.	1.10	-9.87	-0.13
TJX	TJX Companies Inc.	1.54	-8.38	-0.13

- **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.

Quarterly 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. McInerney 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.

U.S. FLEXIBLE EQUITY SRI FUND PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
DELETIONS		SECTOR

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.

Exclusions

The exclusions from the U.S. Flexible Equity SRI Fund at the end of the second quarter are as follows:

- **General Dynamics Corporation**: involvement in controversial weapons and over 5% turnover from military equipment.
- **United Technologies Corp.**: involvement in controversial weapons.

Portfolio information is based on the Brown Advisory U.S. Flexible Equity SRI Fund. 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.

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 the Brown Advisory U.S. Flexible Equity SRI Fund 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. **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. Portfolio-level statistic equals the weighted average of the ratios of all holdings in the portfolio. **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. **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. Beta is provided for a three-year trailing period. **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.