

Second Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL GLOBAL LARGE-CAP NET INDEX®
3 Mos.	8.5	8.3	4.3
1 YR	20.4	19.4	18.9
ITD (1 May 2015)	8.5	7.6	5.3

Provided as supplemental information.

REP. ACCOUNT CHARACTERISTICS

	GLOBAL LEADERS REP. ACCT.	RUSSELL GLOBAL LARGE-CAP NET INDEX
P/E (NTM) Wtd Average	21.7x	21.9x
ROIC (LFY) Median (%)*	17.9	8.8
Hist 3Yr Sales Growth (Wtd Average) (%)	9.4	5.4
FCF (LFY ex. financials) Wtd Average (%)	4.6	4.4
NTM EV/EBIT (Wtd Average)	16.2x	27.5x

*Excludes Financials

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Alphabet Inc. Class C	4.6
Microsoft Corporation	4.4
JPMorgan Chase & Co.	4.0
Unilever PLC	4.0
Estee Lauder Companies Inc. Class A	3.9
Visa Inc. Class A	3.8
Safran S.A.	3.4
Schindler Holding AG	3.3
Taiwan Semiconductor Manufacturing Co., Ltd.	3.3
Henkel AG & Co. KGaA	3.3
TOTAL	38.0



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Review & Outlook

The Global Leaders Strategy outperformed its benchmark, the Russell Global Large-Cap Index, in the second quarter of 2017.

Despite persistent criticism about the efficacy and feasibility of the Trump administration's economic policies, investors embraced encouraging corporate earnings and continued signs of a long-awaited European economic recovery to push global equity markets to new highs in the second quarter.

We were encouraged to see a number of the companies we own report healthy first quarter results and the largest positive contributions came from businesses that reminded investors of their strong operational health. **Edwards Lifesciences** silenced doubters with strong first quarter results. As our research suggested, Edwards gained share in the U.S. transcatheter aortic valve replacement (TAVR) market in the first three months of 2017 and the company was the largest single contributor to performance during the period. Elsewhere, **Safran** released encouraging first quarter results propelled by strong aftermarket sales growth. The aerospace company's shares were boosted further by a revised lower bid for rival Zodiac Aerospace. Finally, **Estee Lauder**, **AIA** and **Alphabet** all posted first quarter results that contributed positively to performance in the period.

On the negative front, **Sun Pharmaceutical** continued its weakness following fourth quarter results which highlighted intensifying price pressure in the U.S. We exited the position following our drawdown review process and our research identifying the material shift the U.S. generic demand and supply-side pictures made against the company.

Bargain retailer **TJX** was the other main detractor from performance during the quarter, after results stoked investor concerns about declining same-store-sales growth. We continue to see this as a timing issue and we believe that TJX's business model remains intact.

In other portfolio activity, we initiated a new position in insurance specialist **Hiscox** during the quarter. Given Hiscox's niche focus and impressive underwriting track record, we see significant opportunities for long-term premium growth at some of the highest margins in the industry.

We also exited our remaining position in **Aurelius Equity Opportunities**. After shares dropped more than 20% below our initial purchase price, we diligently followed our investment process and conducted an investment review. After extensive research, we exited the position after we failed to get adequate clarity from management on a number of key issues and lacked the conviction to add to our position – meaning straying into loss aversion territory to continue holding the shares. As long-term investors, such a short holding period makes us naturally uncomfortable; however, the automatic review and decision procedure is a core part of our investment process aimed at limiting loss of capital. More often than not, this facet of our process preserves our client's capital by combatting loss aversion.

Finally, we also liquidated our position in **NXP Semiconductors** as the shares nudged closer to the bid price offered by rival Qualcomm.

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

Sector Diversification

Global Leaders is a concentrated global strategy that focuses on investing in a small number of franchises that we believe deliver exceptional outcomes for their customers and outstanding economics for shareholders. Accordingly sector and country diversification is an output of stock-picking with the team more focused on business models and end-market economics than in which sector a company resides.

- While the strategy aims to have differentiated exposures, it will not compromise philosophically and will avoid companies in sectors such as energy, telecoms, real estate or utilities, that do not satisfy its investment criteria.
- The strategy's large overweight to information technology is a function of a number of attractive high-quality franchises such as **Mastercard**, **Microsoft** and **Facebook** being classified in that sector.

SECTOR	GLOBAL LEADERS REP. ACCOUNT (%)	RUSSELL GLOBAL LARGE-CAP NET INDEX (%)	DIFFERENCE (%)	GLOBAL LEADERS REP. ACCOUNT (%)	
	Q2 '17	Q2 '17	Q2 '17	Q1 '17	Q2 '16
Consumer Discretionary	10.65	13.57	-2.92	12.18	14.89
Consumer Staples	13.28	9.02	4.26	12.89	13.84
Energy	--	5.91	-5.91	--	--
Financials	19.23	18.98	0.25	14.50	11.55
Health Care	6.20	11.19	-4.99	5.42	14.06
Industrials	14.54	10.29	4.26	12.60	7.14
Information Technology	29.95	16.04	13.91	31.30	28.64
Materials	6.14	5.33	0.82	6.20	6.31
Real Estate	--	3.57	-3.57	--	--
Telecommunication Services	--	2.98	-2.98	--	--
Utilities	--	3.11	-3.11	--	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- Encouraging first quarter results from **Alphabet** and **PayPal** contributed to information technology being one of the biggest sector contributors to performance during the period.
- Elsewhere, favourable results from **Estee Lauder** combined with ongoing strength in Unilever shares to give a strong positive contribution from consumer staples. **Unilever** continues to be buoyed by the news of the company's operational improvement.
- On the negative side, investor disappointment in **TJX's** first quarter results resulted in consumer discretionary being the main area of underperformance during the quarter.

SECTOR	GLOBAL LEADERS REP. ACCOUNT		RUSSELL GLOBAL LARGE-CAP INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	11.65	1.78	13.70	4.83	--	-0.40	-0.40
Consumer Staples	13.28	10.74	9.21	4.00	--	0.87	0.86
Energy	--	--	6.12	-5.54	0.63	--	0.63
Financials	17.51	11.23	18.32	5.09	0.02	1.01	1.04
Health Care	7.00	11.18	11.08	7.26	-0.14	0.29	0.15
Industrials	12.85	11.78	10.31	5.73	0.05	0.73	0.78
Information Technology	31.44	7.94	16.10	5.87	0.29	0.65	0.94
Materials	6.26	9.89	5.39	2.12	-0.01	0.49	0.47
Real Estate	--	--	3.58	3.74	0.02	--	0.02
Telecommunication Services	--	--	3.04	-0.90	0.16	--	0.16
Utilities	--	--	3.14	3.41	0.03	--	0.03
Total	100.00	8.94	100.00	4.25	1.04	3.65	4.69

Sector attribution excludes cash and cash equivalents.

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Quarterly Contribution to Return

- **Edwards Lifesciences** shares posted gains as first quarter results showed the heart valve specialist taking U.S. TAVR market share.
- Elsewhere **Safran**, **Estee Lauder**, **AIA** and **Alphabet** all outperformed following favourable results.
- **Safran** shares were further buoyed late in the period by a revised lower offer for rival Zodiac Aerospace.
- **Sun Pharmaceutical** shares were weak following disappointing results on the back of increased generic pricing pressure in the U.S.
- **TJX** underperformed following second quarter results that were poorly received by investors.
- **Fleetcor** underperformed after some market commentators questioned a number of its business practices. After extensive discussion with management, we remain committed to our investment in the fuel card specialist.
- **Aurelius Equities Opportunities** shares were weak following a bear raid by an influential short-seller with the sell-off exacerbated by management's unwillingness to address the concerns raised.
- **Starbucks** relatively underperformed following the release of its second quarter numbers as investors focused on poorly received U.S. same-store sales.

GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	
EW	Edwards Lifesciences Corporation	3.28	25.69	0.77
B058TZ	Safran S.A.	3.34	23.44	0.73
B4TX8S	AIA Group Limited	3.36	17.25	0.55
EL	Estee Lauder Companies Inc. Class A	4.21	13.61	0.55
GOOG	Alphabet Inc. Class C	5.19	9.54	0.51
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
658248	Sun Pharmaceutical Industries Limited	1.16	-16.68	-0.34
TJX	TJX Companies Inc.	3.12	-8.38	-0.28
FLT	FleetCor Technologies Inc.	1.87	-4.77	-0.04
B17NLM	AURELIUS Equity Opportunities SE & Co. KGaA	0.06	-0.94	0.00
SBUX	Starbucks Corporation	2.22	0.27	0.04

Portfolio Activity

- We initiated a new position in insurance specialist **Hiscox** during the month of May. We are attracted to Hiscox's niche focus and impressive underwriting track record. We see significant opportunities for long-term premium growth at some of the highest margins in the industry.
- We exited both **Sun Pharmaceutical** and **Aurelius Equity Opportunities** following our drawdown review process. After extensive research and reflection, we lacked conviction in both business models to add to our positions, so we exited.
- Elsewhere we also liquidated our final position in **NXP Semiconductors** as the shares nudged closer to the bid price offered by rival Qualcomm.

GLOBAL LEADERS REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
BVZHXQ	Hiscox Ltd.	Financials
DELETIONS		SECTOR
B17NLM	AURELIUS Equity Opportunities SE & Co. KGaA	Financials
NXPI	NXP Semiconductors NV	Information Technology
658248	Sun Pharmaceutical Industries Limited	Health Care

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Brown Advisory Global Leaders 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	-0.6	-1.4	8.1	N/A	N/A	2	N/A	38	30,417
2015*	1.23	0.68	-7.11	N/A	N/A	2	N/A	24	43,746

*Return is for period May 1, 2015 through December 31, 2015.

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 Global Leaders Composite aims to achieve capital appreciation by investing primarily in global equities. The strategy will invest in equity securities of companies that the portfolio manager believes are leaders within their industry or country, as demonstrated by an ability to deliver high relative return on invested capital over time.
- This composite was created in 2015.
- The benchmark is the Russell Global Large-Cap Net Index. This index offers investors access to the large-cap segment of the entire global equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to accurately reflect the changes in the market over time. Russell® is a trademark/service mark of the London Stock Exchange Group companies. One cannot invest directly in an index. Benchmark returns are not covered by the report of the independent verifiers. Benchmark returns are not covered by the report of the independent verifiers.
- The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the composite for the entire period.
- 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. The standard management fee schedule is as follows: 0.80% on the first \$25 million; 0.70% on the next \$25 million; 0.65% on the next \$50 million; and 0.50% 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. The 3 year annualized standard deviation is not presented as of December 31, 2015, because 36 monthly returns for the composite were not available (NA) and the composite did not exist.
- 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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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. **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. **Return on Invested Capital (ROIC)** is the percentage amount that a company is making for every percentage point over the Cost of Capital/ Weighted Average Cost of Capital (WACC). More specifically the return on investment capital is the percentage return that a company makes over its invested capital. **Sales growth** rate is based on FactSet reported company revenue for the past three years at the end of the current quarter, provided as a historical average. **EV/EBIT** is a financial ratio used to measure a company's return on investment. 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. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. **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.