

# GLOBAL LEADERS FUND

JULY 2017

The Global Leaders Strategy is focused on delivering long-term performance by building a concentrated portfolio of high-quality companies that uniquely satisfy their customers resulting in attractive economics for shareholders.

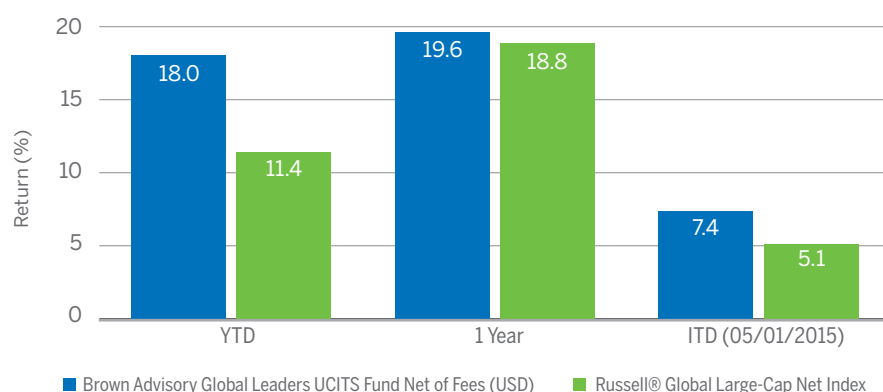
## Performance

The past two years have seen a China boom and bust, the global hunt for yield from any underlying source, a vote for Brexit, the Trump trade and a host of other macro-economic and political events that impacted global markets. With so much news flow it has been easy for investors to be distracted by market commentators. However we try to keep it simple by focusing on the special outcome a business delivers as it serves its customers. We believe the best businesses serve their customers in some unique way and over time they will compound their superior return profiles to deliver outperformance for shareholders.

We are pleased to have reached our two-year track record on 1st May with the fund in the top quartile versus its peers since inception and we believe our current positioning and thinking is reflective both of our long-term approach and our rigorous bottom-up research.

## Global Leaders UCITS Fund Performance

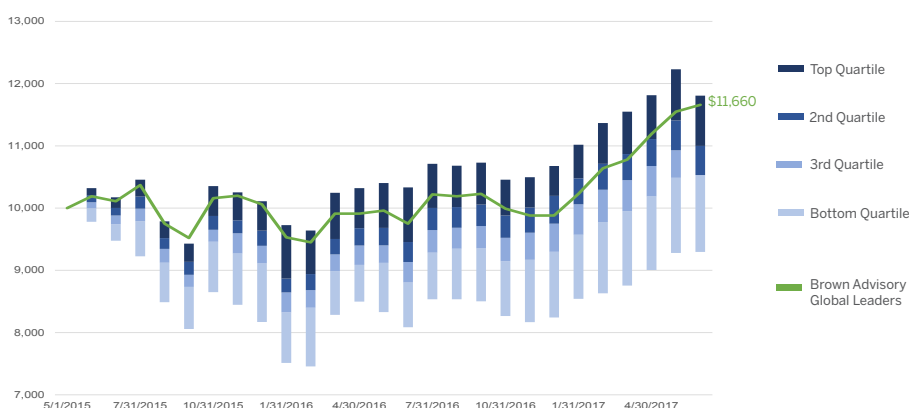
Fund Inception: May 1, 2015 | Data as of June 30, 2017



Source: Morningstar. All returns greater than one year are annualized. Past performance is not indicative of future results. Performance shown above reflects the Global Leaders UCITS Fund.

## Growth of \$10,000

Peer Group (5-95%): Open End Funds - Europe/Africa/Asia · Global Large-Cap Blend Equity Fund Inception: May 1, 2015 | Data as of June 30, 2017



Source: Morningstar. Past performance is not indicative of future results. Performance shown above reflects the Global Leaders UCITS Fund C USD net of fees. Please see page 4 for a full disclosures.

## MANAGEMENT TEAM



**MICK DILLON, CFA**  
Lead Portfolio Manager  
Global Leaders



**BERTIE THOMSON, CFA**  
Co-Portfolio Manager  
Global Leaders

### Total Returns (%) as of 06/30/2017

	YTD	1YR	ITD
Brown Advisory Global Leaders C USD (net of fees)	18.02	19.59	7.35
Russell® Global Large-Cap Net Index	11.39	18.84	5.07
Excess Return vs. Index (net)	+6.63	+0.75	+2.28
MSCI ACWI Index (net)	11.48	18.78	4.95
Morningstar Global Equity Large-Cap Blend Median	11.61	18.41	3.99
Quartile Ranking	1st	2nd	1st
# of Managers in Universe	4,553	4,221	3,581

Source: Morningstar. All returns greater than one year are annualized. Past performance is not indicative of future results. Performance shown above reflects the Global Leaders UCITS Fund. Global Large-Cap Blend Equity funds invest principally in the equities of large-cap companies from around the globe. Most of these funds divide their assets among many developed markets and invest at least 20% of equity assets in North America and 15% in Greater Europe. Equities in the top 70% of the capitalisation of each of the seven regional Morningstar style zones are defined as large-cap (the style zones are Europe, US, Canada, Latin America, Japan, Asia ex-Japan, and Australia/New Zealand). The blend style is assigned to funds where neither growth nor value characteristics predominate. At least 75% of total assets are invested in equities.

## Key Highlights

As of June 30, 2017

- Total strategy AUM: \$50 million
- Strong outperformance vs. broad Global Large-Cap index (Russell Global Large-Cap Net Index) over YTD and ITD periods.
- Global Leaders Fund ranks in the top quartile vs. Morningstar peer universe since inception.
- Quality bias has provided meaningful downside protection since launch.
- Stock selection has driven outperformance vs. the benchmark.
- High active share (94%) with low turnover.

# Portfolio Positioning

## Regional Allocation: Europe

The Global Leaders strategy's performance is an output of our stock-picking and we remain focused on searching all four corners of the globe for outstanding companies that trade at a significant discounts to intrinsic value. We are excited to have found several companies over the last year that satisfy our investment criteria.

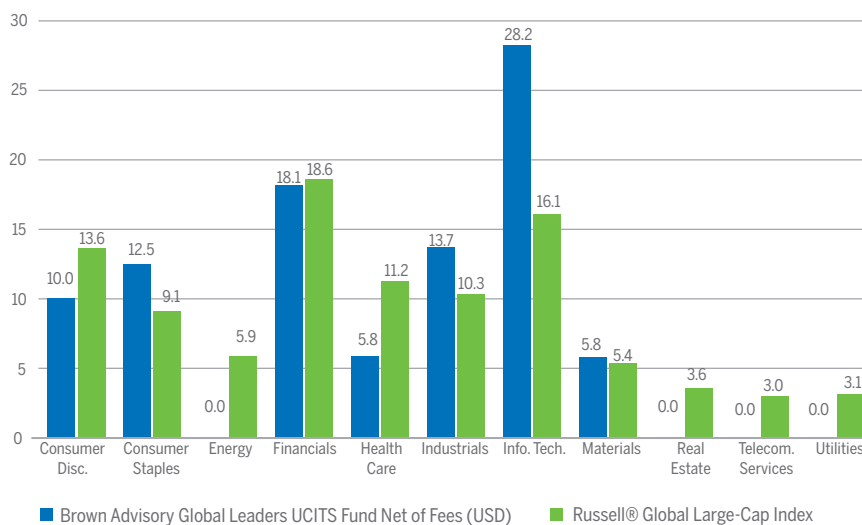
We are encouraged by improving corporate earnings and continued signs of a European economic recovery. Recently we have initiated new positions across Europe in Swiss escalator and elevator company **Schindler**, French aero-engine manufacturer **Safran** and UK based specialist insurer **Hiscox**. These are global companies that deliver exceptional goods and services to their customers and remain attractively valued relative to international peers.

## Sector Allocation: Technology

Sector allocations are an output of our bottom-up investment process and we frequently find attractive business models in certain sectors. If there is one common thread throughout the portfolio it is businesses that use technology to disrupt their industries and in doing so bring a better experience or cheaper price to their customers. These disruptive, capital-light businesses are often classified as technology companies but we think of **Alphabet**, parent company of Google, primarily as a media company, **Visa** as a financial business and **Priceline** as a consumer discretionary investment. While they may all be classified in the index as technology companies, their main source of cash flow is not through selling technology. We look for businesses that derive their competitive advantages from multiple sources and each of these franchises has more than one type of economic moat.

## SECTOR BREAKDOWN

As of 06/30/2017. Source: Factset®



Source: FactSet®. The portfolio information provided is based on a representative Global Leaders account as of 06/30/2017 and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system and not aligned to how the portfolio manager views the business models. Sector breakdown includes cash and equivalents. 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.

## HOW TO INVEST

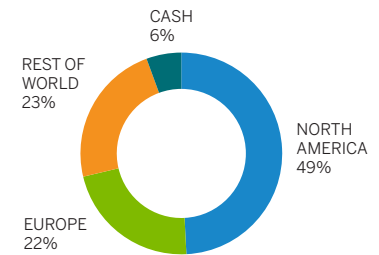
LAUNCHED SHARE CLASSES	ISIN	TICKER	AMC
Dollar C Class	IE00BVVHP670	BRAGLBC	seed
Hedged Sterling C Class	IE00BYJQVP87	BRAGCGH	seed

ADMINISTRATOR	CONTACT	SETTLEMENT	REGISTERED FOR SALE
Brown Brothers Harriman (Ireland)	Tel: +353 1603 6490	T+3	DEU, ESP, GBR, IRL, ITA

## GEOGRAPHIC COMPOSITION BY COUNTRY OF REVENUE (% OF PORTFOLIO)

As of 06/30/2017. Source: Brown Brown Harriman



PORTFOLIO ATTRIBUTES AS OF 06/30/2017	GLOBAL LEADERS	RUSSELL GLOBAL LARGE-CAP INDEX
ROIC (LFY ex. financials) (Wtd. Avg.) <sup>1</sup>	20.7%	11.7%
P/E Ratio (NTM) (Wtd. average) <sup>1</sup>	21.7x	21.9x
P/E Ratio (NTM) (Median) <sup>1</sup>	22.7x	16.6x
Sales Growth (3-YR Wtd. Avg.) <sup>1</sup>	9.4%	5.4%
Sales Growth (3-YR Median) <sup>1</sup>	8.2%	4.3%
EV/EBIT (NTM) (Wtd. Average) <sup>1</sup>	16.2x	27.5x
EV/EBIT (NTM) (Median) <sup>1</sup>	16.5x	14.0x
FCF (LFY ex. financials) (Wtd. Avg.) <sup>1</sup>	4.6	4.4
FCF (LFY ex. financials) (Median) <sup>1</sup>	4.4	4.6
Market Cap., (Wtd. Average) <sup>1</sup>	\$141.1B	\$107.5B
Market Cap., (Wtd. Median) <sup>1</sup>	\$57.4B	\$45.9B
Annualized Upside Capture (ITD.) <sup>2</sup>	95.2%	--
Annualized Downside Capture (ITD.) <sup>2</sup>	75.9%	--

Source: FactSet®. <sup>1</sup>Portfolio characteristics are based on a representative Global Leaders account. <sup>2</sup>Performance statistics are based on the Global Leaders Composite. Portfolio attributes include cash and equivalents and are subject to change.

Top 10 Equity Holdings as of 06/30/2017	% of 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. Sponsored ADR	3.3
Henkel AG & Co. KGaA	3.3
<b>Total</b>	<b>38.0%</b>

Portfolio holdings include cash and equivalents, which were 5.7% of the portfolio. Source: FactSet®. The information provided in this material should not be considered a recommendation to buy or sell 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. Portfolio information is based on a representative Global Leaders account and is provided as supplemental information.

## 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.
- 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.

**Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. The Weighted Average Market Capitalization of a portfolio equals 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).

**ROIC** is a measure of determining a company's financial performance. It is calculated as NOPAT/IC; where NOPAT (net operating profit after tax) is (EBIT + Operating Leases Due 1-Yr)\*(1-Cash Tax Rate) and IC (invested capital) is Total Debt + Total Equity + Total Unfunded Pension + (Operating Leases Due 1-Yr \* 8) – Excess Cash. ROIC calculations presented use LFY (last fiscal year) and exclude financial services.

**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 NTM (next twelve months) earnings estimates.

**Sales growth** rate is based on 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. EV/EBIT calculations presented use NTM (next twelve months) estimates.

**FCF yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use LFY and exclude financial services.

**Active Share** is a measure of the stock holdings in a portfolio that differ from the stated benchmark index. **Upside capture ratio** is defined as how well a portfolio performs in time periods where the benchmark's returns are greater than zero. For example, if the benchmark's upside capture is 100% and the portfolio's is 94.01%, then when the benchmark is up 10% your portfolio is up 9.401%. This portfolio did not do as well when the market returns were up. **Downside capture** ratio is defined as how well a portfolio performs in time periods where the benchmark's returns are less than zero. For example, if the benchmark downside capture is 100% and the portfolio's is 71.28%, then when the benchmark is down 10% your portfolio is down 7.128%. This portfolio did better than the benchmark in down periods.

Performance data above relates to the Brown Advisory Global Leaders Fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance and you may not get back the amount invested. This communication is intended only for investment professionals and those with professional experience of investing in collective investment schemes. Those without such professional experience should not rely on it. Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. This factsheet is issued by Brown Advisory Ltd, authorised and regulated by the Financial Conduct Authority. This is not an invitation to subscribe and is by way of information only. Cancellation rights do not apply and UK regulatory complaints and compensation arrangements may not apply. This is not intended as investment advice. Investment decisions should not be made on the basis of this factsheet. The Fund will be available for subscription only in jurisdictions where they have been registered for distribution or may otherwise be distributed lawfully. You should read the Fund's prospectus in full to understand the features and risks associated with this Fund. The Fund's prospectus and Key Investor Information Document are available by calling 020 3301 8130 or visiting the Brown Advisory website.

The Brown Advisory Global Leaders Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2011 as may be amended, supplemented or consolidated from time to time) and a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. The Fund is managed by Brown Advisory LLC. Brown Advisory is the marketing name for Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities LLC, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware LLC, Highmount Capital LLC, Brown Advisory Investment Solutions Group, LLC and Blackhaw Wealth Management, LLC.

MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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## ABOUT BROWN ADVISORY

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, charities, families and individuals. Our mission is to make a material and positive difference in the lives of our clients by providing them first-rate investment performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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