

Third Quarter 2018

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL® GLOBAL LARGE-CAP NET INDEX
3 Mos.	5.02	4.85	4.29
YTD	11.67	11.11	3.94
1 YR	20.43	19.59	9.94
3 YR	16.70	15.80	13.51
ITD (1 May 2015)	13.00	12.13	7.82

Provided as supplemental information. The composite performance shown above reflects the Brown Advisory Global Leaders Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS compliant presentation.

REP. ACCOUNT CHARACTERISTICS

	GLOBAL LEADERS REP. ACCT.	RUSSELL GLOBAL LARGE-CAP NET INDEX
ROIC (LFY ex. financials) Average (%) *	31.2	11.7
Hist 3Yr Sales Growth (Wtd Average) (%)	9.8	6.9
NTM EV/EBIT (ex. financials Wtd Average)	18.3x	19.0x
FCF (LFY ex. financials) Average (%) *	4.1	3.7
P/E (NTM) Wtd Average	22.4x	22.1x

* Due to data availability, ROIC and FCF Yield are shown as of December 31, 2017.

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Microsoft Corporation	6.5
Alphabet Inc. Class C	4.9
Visa Inc. Class A	4.4
Unilever PLC	4.2
Safran S.A.	3.8
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.6
Mastercard Incorporated Class A	3.6
JPMorgan Chase & Co.	3.5
Sherwin-Williams Company	3.2
Wolters Kluwer NV	3.1
TOTAL	40.8



MICK DILLON, CFA
Portfolio Manager



BERTIE THOMSON, CFA
Portfolio Manager

Review & Outlook

The Global Leaders strategy outperformed its benchmark, the Russell Global Large-Cap Index, in the third quarter of 2018.

The Global Leaders strategy is focused on delivering long-term performance by buying a concentrated portfolio of companies that uniquely satisfy their customers and generate attractive economics for shareholders. In the context of long-term compounding, one quarter is an incredibly short space of time, but nevertheless, we were pleased to see positive performance in the third quarter despite ongoing volatility stemming from heightened global trade disputes.

Given its concentrated nature, the Global Leaders strategy's performance is an output of our stock picking and third quarter relative performance benefited from our holdings in the industrials, technology and materials sectors. Microsoft was the largest single positive contributor to performance during the period. The company reported strong fourth-quarter results and continues reaping the benefits of its transformation, in addition to a strong macro and information technology spending environment.

Other top contributors were Taiwan Semiconductor and Visa, both in the technology sector, and Flowserve and Safran, both in industrials. They all posted strong results during the quarter with encouraging operational performances.

Ctrip.com was the top detractor to performance during the quarter. Ctrip underperformed alongside other China-related internet stocks, as macro concerns about China's economic growth and regulatory fears overshadowed second-quarter earnings that were in line with expectations. The company has faced slower revenue growth this year due to a new regulation requiring Ctrip to unbundle the sale of ancillary travel products from airline tickets, among other transitory issues. We expect revenue growth to reaccelerate in coming quarters as these issues are lapped, and in the longer term, we see the increasing propensity to travel across the Chinese middle class as a massive opportunity for Ctrip.

We initiated two new positions during the quarter, Marvell Technology Group and Tencent Holdings. Marvell Technology Group makes semiconductors for storage, communications and consumer product companies. It has undergone a corporate renewal since new management took over in 2016 and is a leader in storage semiconductors for cloud data centers, PCs and solid-state drives. With the recent acquisition of smaller rival Cavium and an attractive risk/reward profile, we decided to initiate a position in the stock. Tencent Holdings is China's largest gaming and social messaging platform. Tencent is among the most powerful two-sided network business models in the world and is in the early stages of addressing its largest long-term opportunities in advertising and payments. We bought Tencent on rare weakness based on issues that we think will not impact the company in the long term. A mix shift from gaming to new platforms of advertising, payments and video is just ramping up, albeit at the cost of margins in the short term.

We eliminated two positions during the quarter. In June, we received shares of Epiroc, a spinoff from Atlas Copco's mining division. We decided to sell our remaining position in Epiroc after it reached our sell price. It is a highly cyclical company, and we would rather invest the capital back into Atlas Copco. We also exited our position in PayPal. The stock's performance has been strong, nearly doubling since we first invested, but now we see more attractive risk/reward profiles in Booking Holdings and Tencent.

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 is classified.
- At the same time, the strategy seeks differentiated exposures but will not compromise philosophically. The portfolio managers are happy to have no exposure in areas such as energy, real estate or utilities that do not satisfy their investment criteria.
- Historically, the strategy's largest overweight position has been in information technology. However, due to the GICS reclassification, industrials has become the largest relative overweight.

SECTOR	GLOBAL LEADERS REP. ACCOUNT (%)	RUSSELL GLOBAL LARGE-CAP NET INDEX (%)	DIFFERENCE (%)	GLOBAL LEADERS REP. ACCOUNT (%)	
	Q3 '18	Q3 '18	Q3 '18	Q2 '18	Q3 '17
Communication Services	14.15	8.45	5.70	13.05	10.14
Consumer Discretionary	10.03	10.37	-0.34	11.13	6.78
Consumer Staples	8.50	7.66	0.85	8.89	12.38
Energy	--	6.60	-6.60	--	--
Financials	17.60	17.07	0.52	19.16	19.70
Health Care	3.19	11.86	-8.67	3.27	5.98
Industrials	19.45	11.10	8.35	17.96	15.82
Information Technology	22.23	15.54	6.68	21.94	23.60
Materials	4.85	5.09	-0.24	4.62	5.61
Real Estate	--	3.32	-3.32	--	--
Utilities	--	2.86	-2.68	--	--

Sector diversification excludes cash and cash equivalents. The GICS® classification system renamed the Telecommunication Services sector to Communication Services and broadened its composition. The renamed sector encompasses all former telecommunication companies in addition to select companies from the Consumer Discretionary and Information Technology sectors. These changes took effect Friday, Sept. 28, 2018. For more information on this reclassification, please visit the MSCI website.

Quarterly Attribution Detail by Sector

- Industrials, our largest sector overweight, was the top performing sector, on a total effect basis, driven primarily by **Flowserve**, **Safran** and **Schindler**.
- Strong stock performance in technology and materials positively benefited performance.
- Communication services was the largest detractor of relative performance.

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 (%)
Communication Services	13.67	-6.21	8.61	-0.44	-0.25	-0.83	-1.08
Consumer Discretionary	10.73	-4.46	10.45	2.60	-0.01	-0.81	-0.81
Consumer Staples	8.66	1.28	7.77	1.95	-0.02	-0.06	-0.08
Energy	--	--	6.49	2.45	0.13	--	0.13
Financials	18.14	3.00	17.41	2.46	-0.01	0.10	0.09
Health Care	2.78	19.60	11.54	10.90	-0.54	0.23	-0.31
Industrials	19.11	12.62	10.97	5.93	0.14	1.20	1.34
Information Technology	22.14	11.94	15.20	9.78	0.36	0.42	0.78
Materials	4.76	11.94	5.15	0.09	0.03	0.53	0.56
Real Estate	--	--	3.42	-1.00	0.18	--	0.18
Utilities	--	--	2.92	0.85	0.10	--	0.10
Total	100.00	5.19	100.00	4.29	0.11	0.79	0.90

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- **Microsoft** posted strong, broad-based results with continued progress in its cloud-based offering.
- **Flowserve** had strong performance in the quarter, as end-market demand picked up (both sales and bookings) and the company's restructuring efforts started to bear fruit, which is showing up in increased profitability.
- **Taiwan Semiconductor** was up in the quarter on sentiment around second-half iPhone builds and prospects for share gains at leading nodes in 2019 and beyond due to competitor technology struggles.
- **Visa** once again delivered strong results. Fundamentally, we believe that the business is well-positioned for continued growth and profitability as it further develops its business-to-business capabilities.
- **Safran** had strong performance on the back of strong end markets, particularly commercial aircraft parts, and after providing a reassuring update on the progress on its integration of Zodiac aerospace.
- **Ctrip.com** traded off alongside other China-related internet stocks as macro concerns about China's economic growth and regulatory fears overshadowed second-quarter earnings that were in line with expectations.
- **Facebook** posted soft results, with revenue growth slowing more than expected. The company lowered guidance in light of the regulatory overhang.
- **Electronic Arts (EA)** reported lower-than-expected results in live services. The company also announced a delay in its Battlefield launch by one month. Battlefield is EA's second biggest franchise, and the stock declined in response to this announcement.
- **eBay** had lackluster results this quarter. Despite the pause in gross merchandise value growth acceleration during the quarter, eBay's long-term fundamentals are generally improving. We expect the internal self-help initiatives to bear fruit over time.
- **Tencent's** shares were weak during the quarter following their second quarter results in their gaming business. Chinese regulators have slowed the rate of approvals for new games, and worsening sentiment around the Chinese macro economy caused the company's share price to decline. We believe this to be an opportunity over the long term as the company has the potential to further monetize its internet platforms.

GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MSFT	Microsoft Corporation	6.42	16.43	0.98
FLS	Flowserve Corporation	2.09	35.83	0.65
TSM	Taiwan Semiconductor Manufacturing Co. Ltd. Sponsored ADR	3.50	20.79	0.65
V	Visa Inc. Class A	4.39	13.49	0.57
SAF-FR	Safran S.A.	3.65	15.40	0.55
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
CTRP	Ctrip.com International Ltd Sponsored ADR	2.13	-21.96	-0.54
FB	Facebook Inc. Class A	3.04	-15.37	-0.47
EA	Electronic Arts Inc.	2.40	-14.56	-0.34
EBAY	eBay Inc.	2.88	-8.94	-0.27
700-HK	Tencent Holdings Ltd.	1.12	-12.98	-0.24

Portfolio Activity

- We initiated a new position in **Marvell Technology Group**. Marvell makes semiconductors for storage, communications and consumer product companies. It has undergone a corporate renewal since new management took over in 2016 and is the leader in storage semiconductors for cloud data centers, PCs and solid-state drives. With the recent acquisition of smaller rival Cavium and an attractive risk/reward profile, we decided to initiate a position in the stock.
- We also added **Tencent Holdings** during the quarter. Tencent is China's largest gaming and social messaging platform. It is among the most powerful two-sided network business models in the world and is in the early stages of addressing its largest long-term opportunities in advertising and payments. We bought Tencent on rare weakness based on issues that we think will not impact it in the long term. A mix shift from gaming to new platforms of advertising, payments and video is just ramping up, albeit at the cost of margins in the short term.
- In June, we received shares of **Epiroc**, a spinoff from Atlas Copco's mining division. We decided to sell our remaining position in Epiroc after it reached our sell price. It is a highly cyclical company, and we would rather invest the capital back into Atlas Copco.

GLOBAL LEADERS REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
MRVL	Marvell Technology Group Ltd.	Information Technology
700-HK	Tencent Holdings Ltd.	Communication Services
DELETIONS		SECTOR
EPI.B-SE	Epiroc AB Class B	Industrials
PYPL	PayPal Holdings Inc.	Information Technology

- We also exited our position in **PayPal**. The stock's performance has been strong, nearly doubling since we first invested, but now we see more attractive risk/reward profiles in Booking Holdings and Tencent.

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)	GIPS Firm Assets (\$USD Millions*)
2017	35.1	34.0	24.6	N/A	N/A	2	N/A	77	33,155
2016	-0.6	-1.4	8.1	N/A	N/A	2	N/A	38	30,417
2015**	1.2	0.7	-7.1	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, 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.

- *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.

Disclosures

Past performance is not a guarantee of future performance and you may not get back the amount invested.

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Composite performance is based on the Brown Advisory Global Leaders Composite and was obtained through FactSet®. All information and returns shown are as of 12/31/2017 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet and Brown Advisory calculations. This information is based on a representative Global Leaders account and is provided as supplemental information. Account characteristics include cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. 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. 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 excludes cash and cash equivalents. Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. 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 statement 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. **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.