Global Leaders

QUARTERLY STRATEGY UPDATE

Fourth Quarter 2016

PERFORMANCE (%)

	RETURNS NET OF FEES	RUSSELL GLOBAL LARGE-CAP NET INDEX®
3 Mos.	-3.42	1.32
1 YR	-1.79	8.05
ITD (04/30/2015)	-0.72	-0.04

*Performance is based on the Represenative Global Leaders Account. The rep account is the Brown Advisory Global Leaders Fund C USD share class which was launched under the firm's Dublin UCITS umbrella on 1st May 2015.

REP. ACCOUNT CHARACTERISTICS

	GLOBAL LEADERS REP. ACCT.	RUSSELL GLOBAL LARGE-CAP NET INDEX
P/E Ratio (FY2 Est.)	18.7x	15.4x
ROIC (LFY) Median	21.8%	10.4%
Earnings Growth 3-5 Year Est.	13.7%	10.6%
PEG Ratio	1.4x	1.5x

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Alphabet Inc. Cl C	4.5
Visa Inc.	4.2
MasterCard Inc.	4.0
Unilever PLC	4.0
Taiwan Semiconductor Manufacturing Co., Ltd. Spd ADR	3.9
Estee Lauder Companies Inc. Cl A	3.8
Microsoft Corp.	3.6
JPMorgan Chase & Co.	3.6
Starbucks Corp.	3.4
TJX Companies Inc.	3.3
TOTAL	**38.3**

Review & Outlook

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Lead Portfolio Manager, Global Leaders

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Co-Portfolio Manager, Global Leaders

For most of 2016 the equity markets were consumed with chasing dividend yield, pushing high-yielding sectors such as telecoms, utilities, real estate and consumer staples to valuations far above historical averages. We struggled in this environment. We held a zero weighting in three of these four sectors and have a dividend yield significantly below our benchmark. Our yield mismatch is due in large part to the value we see in names with high return on invested capital (RoIC) and sustainable growth but low or zero dividend -- **Alphabet**, **Visa**, **Priceline**, **Cognizant**, **Starbucks**, **Edwards Lifesciences**, **TJX** and even **Estee Lauder**. We believe that these companies all share great customer outcomes with industry-leading positions that should enable them to compound their excess economics over time. While this did not prove out in results over 2016, we feel very confident in the long-term prospects of these companies and our strategy. As Warren Buffet reminds us: "Time is the friend of the wonderful business, the enemy of the mediocre."

We grappled with elevated valuations across the globe in 2016. The world has not seen a rising cost of capital for nearly 10 years, with the Fed having raised rates only twice in the past decade (both in the past 12 months). While initially this indicates a healing within the global financial system, we believe the yield trade will struggle in 2017 as some conservatism on weighted average cost of capital (WACC) comes into forward valuations. Inflation is stirring across the globe: wage-push in the U.S. and energy-driven producer pricing increases in China and Europe will change the tide of global rates policies. With this in mind we are continuing with our long-held allocation to quality compounders that have the ability to pass though input cost rises. We remain overweight the consumer staples and technology sectors and have added to industrials in 4Q16, but continue to struggle to find interesting ideas within energy. Our zero weight in energy was a drag to performance right through 2016. We would happily invest in an energy name and have looked at many potential ideas but are yet to find one we think offers real value. Nonetheless, energy related equites are typically 2/3rds correlated to the oil price, so as OPEC tightens supply the equites have risen in anticipation.

We will leave Brexit and U.S. election commentary to others more qualified, however, both will reverberate through equity markets in 2017. In the 4th quarter of 2016 we saw a sharp reversal to value, out of both yield and more importantly for us, quality. When growth becomes easier to find (albeit of lower quality), and economies reflate, then growth itself becomes less valuable, as does the need for quality. This materially impacted our performance in 4Q16 as expectations for a U.S.-led global revival took hold post-election. Mooted changes to the U.S. tax regulations could dramatically reshape returns to investors (& RoIC) in 2017 so we are keenly watching developments here. 2016 was a tough year for the strategy, however, we remain convinced of the long-term value in our investments.

The Global Leaders strategy invests in market-leading companies from across the globe that deliver an exceptional customer outcome. We believe that companies that combine a superior outcome for their customers with strong leadership can generate high and sustainable returns on invested capital (RoIC) which can lead to attractive shareholder returns. The reason for this is we believe that the essence of business is not to just make a profit, it is to serve your customer. Making money is the outcome. The most successful businesses you will ever find serve their customer in some unique way and their customers are glad to be doing business with them. This "win-win" firstly for customers and ultimately for shareholders is not easily achieved. While we acknowledge that our philosophy has not shone through over the past year, we still believe that a long-term focus on franchises that can compound excess economic profit at above-market growth rates for extended periods of time will deliver value to investors.

Sector Diversification

- The Global Leaders sector allocation is a result of our bottom-up investment process. We focus on buying high-return franchises at discounts to intrinsic value that we believe deliver exceptional customer outcomes. If we believe that there are few sufficiently attractive franchises that possess these qualities in a specific sector, then we are comfortable with having no exposure.
- Our largest underweight position continues be in energy. Try as we might through 2016 we have not yet found an energy-related name that passes both our valuation and our 20% RoIC (or pathway to 20% RoIC) criteria. We continue to zero weight in four sectors: energy, real estate, telecommunication services and utilities.
- Our ongoing overweight position in information technology stems from the large number of attractive franchises in that sector, such as **Alphabet**, **Visa** and **MasterCard**. We believe these companies trade on compelling long-term valuations given their value creation opportunities. We actually think of **Visa** and **MasterCard** as financial companies, albeit ones not directly exposed to difficult-to-forecast interest rates.

SECTOR	GLOBAL LEADERS REP. ACCOUNT (%)	RUSSELL GLOBAL LARGE-CAP NET INDEX (%)	DIFFERENCE (%)	GLOBAL LEADERS REP. ACCOUNT (%)	
	Q4 '16	Q4 '16	Q4 '16	Q3 '16	Q4 '15
Consumer Discretionary	13.10	13.50	-0.40	12.66	19.04
Consumer Staples	12.71	9.17	3.54	14.46	10.49
Energy	--	7.10	-7.10	--	--
Financials	15.78	18.73	-2.94	15.07	16.08
Health Care	7.44	10.84	-3.40	12.38	14.14
Industrials	13.49	10.24	3.25	9.47	5.26
Information Technology	31.49	15.01	16.48	29.95	28.86
Materials	6.00	5.41	0.58	6.01	6.13
Real Estate	--	3.57	-3.57	--	--
Telecommunication Services	--	3.29	-3.29	--	--
Utilities	--	3.13	-3.13	--	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- Our zero-weight positions in energy, telecoms, real estate and utilities were net positive but offset by cash drag which detracted from performance, as investors rotated into energy but out of high-yielding sectors during the fourth quarter.
- Stock picking in financials drove quarterly underperformance. Our large position in **Visa** impaired performance during the quarter but particularly so as we hold **Visa** and **MasterCard** in preference to traditional banks which rallied very hard after the U.S. election. Our consumer staples holdings were hit in the sector rotation mostly impacting us through **Estee Lauder** and **Unilever**.

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	13.36	1.00	13.67	-0.06	0.01	0.15	0.16
Consumer Staples	13.41	-10.69	9.43	-5.90	-0.32	-0.72	-1.04
Energy	--	--	6.88	7.41	-0.39	--	-0.39
Financials	15.11	3.05	18.03	12.37	-0.28	-1.29	-1.57
Health Care	8.95	-12.82	11.08	-5.49	0.08	-0.79	-0.70
Industrials	10.84	-1.00	10.18	3.25	-0.01	-0.40	-0.41
Information Technology	32.30	-0.59	15.32	-0.10	-0.28	-0.22	-0.50
Materials	6.03	-3.00	5.36	3.67	0.01	-0.38	-0.37
Real Estate	--	--	3.61	-5.85	0.27	--	0.27
Telecommunication Services	--	--	3.27	-2.40	0.13	--	0.13
Utilities	--	--	3.15	-2.85	0.14	--	0.14

Sector attribution excludes cash and cash equivalents.

Year-to-Date Attribution Detail by Sector

- Our zero-weight position in energy was very costly over 2016, initially as oil price reflated in the first half and then as OPEC signaled a supply contraction in 2017. We are still looking for a good value, energy-related name. Other zero weight sectors of telecoms, real estate and utilities were slightly net positive but offset by cash drag which detracted from performance in a rising market.
- Stock picking in in technology, health care and consumer drove material annual underperformance. Our health care names performed poorly across the board. Large holdings in **Nike** & **Estee Lauder** impaired performance during 2016. Our consumer staples holdings were hit in the sector rotation after the U.S. election to pro-cyclical names.

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	15.19	-4.74	13.89	3.21	-0.09	-1.20	-1.29
Consumer Staples	13.16	-5.08	10.03	2.38	-0.41	-0.96	-1.37
Energy	--	--	6.60	29.15	-1.21	--	-1.21
Financials	14.14	6.84	17.23	11.46	-0.11	-0.77	-0.88
Health Care	13.66	-16.70	11.77	-6.08	-0.14	-1.47	-1.61
Industrials	7.66	12.51	10.03	13.62	-0.16	-0.24	-0.40
Information Technology	29.89	7.01	14.88	12.99	0.41	-1.63	-1.23
Materials	6.29	4.72	5.08	24.42	0.20	-1.09	-0.89
Real Estate	--	--	3.65	4.04	0.15	--	0.15
Telecommunication Services	--	--	3.51	4.92	0.07	--	0.07
Utilities	--	--	3.33	7.64	-0.01	--	-0.01

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- **JPMorgan Chase** rallied +30% after the Trump victory in the U.S. election. Hopes of reduced regulation and beneficial tax breaks lifted the stock to a 10-year peak in valuation based on both P/B and P/E. Meanwhile RoE has been gently fading over the past five years as capital buffers mount. JPMorgan could be a clear beneficiary of new U.S. policy, not to mention rising rates.
- **Charles Schwab** saw a +25% jump though the fourth quarter as hopes of rising rates from the Fed were reflected in forward EPS estimates. Schwab is one of the most levered U.S. names to domestic interest rates. It was a drag on performance earlier this year but outperformed during the second half. Schwab provides a great outcome to retail investors, particularly by way of low-cost access to a broad range of financial products.
- **Cognizant** rebounded +17% after a 15% fall on the last day of 3Q. We added to our holding early in the fourth quarter after the fall. **Cognizant** outperformed during the fourth quarter despite worries about U.S. visa policy (H1-B limitations) and how U.S. tax policy may hit the sustainability of its business. We continue to think the company's high RoIC, reasonable growth and cheap valuation make it a good long term investment especially as some of the 2016 headwinds to growth abate from its high exposure to both financials and customers tied to the health care sector. New U.S. tax policy is our main concern.
- **Microsoft** is one of two leading enterprise cloud vendors (with Amazon) and the leading office productivity software vendor globally. **Microsoft** has a long transition ahead as it migrates consumer and small and medium enterprise customers to software as a service (SaaS) on Office365 and enterprises embrace its Azure cloud. It may be better positioned than AMZN to win. Its high RoIC, solid long-term growth outlook at 7% free cash flow (FCF) yield and sub-market average P/E is compelling.
- **Starbucks** is winning in its two most important markets: The U.S. & China. We see no nationwide rival in China at this point and an emerging morning coffee culture. The opportunity for further store footprint, additional food offerings, brand extension to Reserve & Roastery, and digital (mobile order & pay) mean that **Starbucks** has multiple years for ~10% revenue growth based on mid-single digit comps to compound its high RoIC in our view.
- **Edwards Lifesciences** dropped sharply after expectations ran hard on the back of solid medical data outcomes from trials. Edward's transcatheter heart valve (TAVR) demonstrated superior outcomes in open heart surgery on medium-risk patients - a very positive outcome - which saw the stock rally in the 3rd quarter. After guiding investors to good but less exuberant growth than consensus, a swift reversion occurred. At their annual analyst day in December it was clear that the TAVR valve is still likely to become the default option instead of open heart surgery, it will just take time. We added more after the fall.
- **Estee Lauder** is a leading premium cosmetics company globally and it has transformed itself from cozy family management back in 2008 into a 20% RoIC company delivering products that keeps customers coming back for more. Estee sold off in sympathy with consumer staples but additionally from specific concerns over slowing growth at its heretofore high-growth MAC brand in North America. Although well-flagged by management, pressure is mounting for accelerating growth throughout the second fiscal half.

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS				
JPM	JPMorgan Chase & Co.	3.24	30.52	0.86
SCHW	Charles Schwab Corporation	2.80	25.28	0.64
CTSH	Cognizant Technology Solutions Corporation Class A	3.54	17.44	0.56
MSFT	Microsoft Corporation	2.40	9.26	0.24
SBUX	Starbucks Corporation	3.91	3.02	0.17
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
EW	Edwards Lifesciences Corporation	2.84	-22.28	-0.65
EL	Estee Lauder Companies Inc. Class A	4.27	-13.25	-0.62
B10RZP	Unilever PLC	3.94	-13.58	-0.56
B4TX8S	AIA Group Limited	2.96	-15.10	-0.44
B798FW	Novozymes A/S Class B	1.06	-26.44	-0.41

- **Unilever** underperformed along with all consumer staples following the U.S. election vote as risk appetite rapidly shifted to pro-cyclical names. Additionally the demonetization in India had a meaningful short-term impact on its important Hindustan **Unilever** subsidiary, which is #1 in India.
- **AIA Group** has been weak as the Chinese government clamps down to limit capital outflows. **AIA** serves a structural need for life insurance to cover the social welfare and private protection gap across Asia. It was the jewel within AIG before being spun off by the U.S. government in 2010. Growth expectations came down from high teens as the majority of recent growth has come from selling policies to mainland Chinese both in China and in Hong Kong. **AIA** remains the market leader and best-positioned pan-Asian insurer. We took the opportunity to buy more of a good company after it fell 20% during the quarter.
- **Novozymes** continued to underperform in the quarter after cutting guidance for the third time in just over a year. While selling enzymes to agriculture, energy and household care companies generates a solid customer outcome, buyers have become especially price conscious. There has been a change on the supply side with DuPont materially more aggressive, impacting Novozymes growth and research and development efficacy. We exited during the quarter.

Year-to-Date Contribution to Return

- **Taiwan Semiconductor (TSM)** was our top performer over 2016, rising 30% and adding 100bps to performance. TSM manufactures semiconductors for most of the world's major technology companies such as Apple & Qualcomm. TSM delivers a sensational outcome whereby it de-risks its customer's access to leading edge semis technology at a fraction of the cost of doing it themselves. TSM leads the global semis industry yet it trades on a significant discount to 3-year value. With RoIC over 20% and topline growth of 5-7% conservatively for the next 5 years, we still see three-year upside.
- **Edwards Lifesciences** outperformed because of solid medical data outcomes from trials and good operating results. Edwards's transcatheter heart valve (TAVR) demonstrated superior outcomes in open heart surgery on medium-risk patients. At their annual analyst day in December it was clear that the TAVR valve is still likely to become the default option instead of open heart surgery, but it will take time. We added more during 4Q after a pullback.
- **JPMorgan Chase** rallied 30% after the Trump victory in the U.S. Election. Hopes of reduced regulation and beneficial tax breaks lifted the stock to a 10-year peak in valuation based on both P/B and P/E. Meanwhile RoE has been gently fading over the past 5 years as capital buffers mount. JPMorgan could be a clear beneficiary of new U.S. policy, not to mention rising rates.
- **3M** is one of the highest quality industrials companies globally, featuring a return on invested capital (RoIC) exceeding 20%. The company's share price recovered from a low point in January to peak in the fourth quarter. While we love the franchise quality, the quantitative metrics and management quality, the valuation has become very rich for a company with little to no growth. We have started to trim our holding as the risk/return fades.
- **Priceline** is an online travel company that has attractive economics with an expanding, but not impenetrable, moat. It is one of Europe's most formidable online travel agency enabling hotel, rental car & flight bookings on mobile devices that were impossible 10 years ago. Driven by Booking.com, it derives over 65% of revenues from Europe. It has an RoIC above 20%, with potential for 10+% growth for many years and a valuation that, given these characteristics, is not expensive in our view.
- We exited **Alexion Pharmaceuticals** as we believed the franchise's future growth prospects were reflected in the company's share price once we saw the disappointing ramp of acquired treatments and the failure of a Phase 3 trail which led us to reduce long-term growth expectations. The GEVA acquisition was expensive at US$8bn for zero revenues and the slow ramp of acquired drugs gave us significant cause for concern on capital allocation. The rapid exit of the CEO and CFO later in the year would have shaken our confidence to the core at a notably worse price.
- **Novo Nordisk** has, for the first time since 1995, seen growth slow in its core diabetes franchise; investors sold the stock heavily leading to large underperformance. Despite an exciting pipeline of science from its R&D delivering better outcomes to diabetic patients, we became concerned that Novo Nordisk may not yield a sufficient return on its large R&D investments. The changing regulatory & competitive environment in the U.S., most notably forthcoming supply-side disruption from generic insulin entrants in the U.S., is changing Novo's ability to get paid for its science. We sold our position.

Portfolio Activity

- **HOSHIZAKI Corp.** is a Japanese kitchen equipment supplier best known in the U.S. for its award-winning ice makers. It is #1 globally by revenue; its goal is to be #1 for profits too.
- **Microsoft's** move to Azure cloud and SaaS subscription software with Office365 gives it exceptional long-term cash-flow, in our view. At 7% free cash flow (FCF) that yield, we believe, represents good long-term value.
- **Safran** is a French aerospace company whose 50% JV with GE in jet engines for short-haul (single-aisle/narrow-body) aircraft has 75% share globally. Barriers to entry on engines & parts are very high. The new CEO took margins from 0% to 20% when heading the engine division. As he focuses on core (jet engines) the 75% of EBIT from engines & spares is set to rise. Short-haul air traffic growing steadily & new fuel efficient LEAP engine will secure long-term growth and cash-flows.
- **Apple** rallied during 4Q16 and we took the opportunity to exit. We like the high margin, predominantly iTunes, services business but elongating smartphone replacement cycles may see **Apple** struggle to rebalance its mix from hardware.
- **Novo Nordisk** saw growth slow in its core diabetes franchise for the first time since 1995. Despite first-class science & a very exciting R&D pipeline, we believe that both regulation and supply-side changes put **Novo Nordisk** at risk of failing to yield a sufficient return on its large R&D investments.
- **Novozymes** fell after the third cut in its growth outlook in just over a year as buyers have become price conscious. A supply-side change with a materially more aggressive DuPont impacts **Novozymes's** growth and R&D monetization ability.

GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	
TSM	Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.85	30.19	1.01
EW	Edwards Lifesciences Corporation	3.44	18.64	0.99
JPM	JPMorgan Chase & Co.	2.82	34.57	0.92
MMM	3M Company	2.94	21.72	0.59
PCLN	Priceline Group Inc.	3.37	14.99	0.45
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
ALXN	Alexion Pharmaceuticals, Inc.	1.40	-31.82	-1.01
BHC8X9	Novo Nordisk A/S Class B	2.42	-27.62	-0.82
435413	United Internet AG	1.43	-22.91	-0.67
320898	Next plc	0.61	-27.45	-0.61
NKE	NIKE, Inc. Class B	3.10	-17.71	-0.56

- **United Internet's** privileged position as the only credible low-cost provider of internet connectivity, both landline and mobile, in Germany weakened during 2016 as a lack of access to 4G LTE networks for its mobile customers and the entry of an aggressive 4G value-focused competitor undermined its competitive position. We liquidated our holding as our concern rose about long-term RoIC deterioration (in part due to capital allocation via M&A) and management's ability to compete with a change in the supply-side dynamics in 4G mobile.
- We eliminated our position in **Next plc** in 2Q16. Although impressed by Next's management team for many years, our worst fears about the company's competitive advantage in U.K. online clothing retail were born out. Its moat is narrowing as a relative comparative advantage (online-to-offline) is slowly replicated by peers. Next's exceptional RoIC will be hard to sustain and growth will be increasingly tough to find as differentiation diminishes.
- Having entered 2016 with a historically high valuation, **NIKE Inc.** de-rated all year despite good results as investors fretted over the U.S. resurgence of Adidas. We think Nike can sustain high single-digit constant currency revenue growth, driven by China although rejuvenated U.S. competition from Adidas will continue.

GLOBAL LEADERS REP. ACCOUNT PORTFOLIO ACTIVITY

ADDITIONS		SECTOR
6465	HOSHIZAKI Corp.	Consumer Discretionary
MSFT	Microsoft Corporation	Information Technology
B058TZ	Safran SA	Industrials
DELETIONS		**SECTOR**
AAPL	Apple Inc.	Information Technology
BHC8X9	Novo Nordisk A/S Class B	Health Care
B798FW	Novozymes A/S Class B	Health Care

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)
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.

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2. 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.
3. This composite was created in 2015.
4. 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.
5. Benchmark returns are not covered by the report of the independent verifiers.
6. 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.
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. 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.
8. 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.
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
11. Past performance does not indicate future results.
12. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation, or an offer to buy or sell a security, 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.