

Brown Advisory Global Leaders Strategy

The strategy invests in 30 to 40 leading companies that we believe deliver exceptional customer outcomes. We perform fundamental analysis to identify global companies that have a high return on invested capital and are able to compound performance over long periods of time.

April 2017 Monthly Report

Performance Contributors

TOP FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
EW	Edwards Lifesciences Corporation	Health Care	3.05	16.58	0.49
GOOG	Alphabet Inc. Class C	Information Technology	4.85	9.21	0.46
B058TZ	Safran SA	Industrials	3.19	10.52	0.33
B4TX8S	AIA Group Limited	Financials	3.36	9.81	0.31
SHW	Sherwin-Williams Company	Materials	3.19	7.90	0.25

BOTTOM FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
SCHW	Charles Schwab Corporation	Financials	2.77	-4.80	-0.14
658248	Sun Pharmaceutical Industries Limited	Health Care	1.95	-5.69	-0.12
FLT	FleetCor Technologies, Inc.	Consumer Discretionary	1.64	-6.80	-0.10
JPM	JPMorgan Chase & Co.	Financials	3.89	-0.39	-0.02
TJX	TJX Companies Inc	Consumer Discretionary	3.26	-0.56	-0.02

Monthly Portfolio Activity

NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
	None	

DELETION

TICKER	NAME	REASON FOR DECISION
AULRF	AURELIUS Equity Opportunities SE & Co. KGaA	Failed to get adequate clarity from management on a number of key issues and lacked the conviction to add to our position, so we exited.

Top 10 Equity Holdings (%)

Cash and equivalents: 5.4%

1. Alphabet Inc. Class C	4.9	6. Estee Lauder Companies Inc. Class A	3.8
2. Microsoft Corporation	4.4	7. Taiwan Semiconductor Manufacturing Co., Ltd.	3.3
3. Unilever PLC	4.0	8. Mastercard Incorporated Class A	3.3
4. Visa Inc. Class A	3.9	9. AIA Group Limited	3.2
5. JPMorgan Chase & Co.	3.9	10. Edwards Lifesciences Corporation	3.2



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INSIDE THE STRATEGY: FACTS & TYPICAL PORTFOLIO FIGURES

Inception: 05/01/2015	Top 10 Weight: 30%-40%
Benchmark: Russell® Global Large-Cap Net Index	Position Limits: 2.5% position size at initiation, maximum 5%; >40% non-U.S. positions
Portfolio: 30-40 Holdings	Cash Position: 0%-10%

Portfolio Comments

The Brown Advisory Global Leaders Strategy outperformed its benchmark, the Russell Global Large Cap Index, during the month of April.

It was a busy month for the Global Leaders team as many of our companies updated investors on their progress in the first quarter of 2017. A quarter is an incredibly short period of time for long-term investors like us, but results releases inevitably generate price action. In this vein, a positive update from Edwards Lifesciences resulted in the company being the most meaningful contributor to performance during the period. The medical device manufacturer silenced investors who had been skeptical about the sales prospects for its TAVR heart valves in the U.S. with a strong report and an encouraging assessment of the future. Elsewhere Alphabet, AIA and Sherwin Williams released solid first-quarter results that contributed to positive performances during the period. Although gratifying over this short time period, we believe that our focus on franchises that provide special goods and services to their customers should result in them returning again and again, driving durable long-term growth and attractive economics. Although Safran released robust first-quarter sales during the period, the company's positive share price performance was largely driven by expectations that it was going to revise the terms of its polemical bid for rival Zodiac Aerospace. We continue to monitor these developments whilst Safran ramps up production of its new LEAP engine.

On the negative front, concerns about the pace of economic reforms under the new administration trumped the reality of positive trading updates from JP Morgan and Charles Schwab as U.S. financials underperformed. Elsewhere, our fuel card specialist FleetCor suffered from a sensationalist attack from short sellers. We continue to engage with FleetCor management and see the majority of the accusations as unfounded.

*Source: FactSet®. 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. 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 month. Top five and bottom five contributors exclude cash and cash equivalents. 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 top 10 equity holdings include cash and equivalents. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. This representative account may differ from specific client portfolios. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

The only significant portfolio activity during the period was the sale of recently added position Aurelius Equity Opportunities. Such a short holding period is highly unusual for the Global Leaders strategy, but we take comfort that we diligently followed our investment process by conducting an investment review after Aurelius shares dropped more than 20% below our initial purchase price. After extensive research, we failed to get adequate clarity from management on a number of key issues and lacked the conviction to add to our position, so we exited. As long-term investors, such a short holding period makes us naturally feel uncomfortable, but the automatic review and decision

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

Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested. 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. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client. Please see composite disclosure statements for additional information.

The Russell Global Large-Cap® Net Index offers investors access to the large-cap segment of the entire global equity universe. The Russell Global Large Cap 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® when related to the Russell indexes is a trademark of the London Stock Exchange Group of companies. An investor cannot invest directly into an index. FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)", "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's.

Terms and Definitions for Representative Account Calculations

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. **Contribution To Return** is calculated by multiplying a security's beginning portfolio weight by its daily return and geometrically linking the security's daily contribution to return over the entire reporting period. **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. **FCF/EV** is the enterprise value of a company divided by its free cash flows.

procedure is a core part of our investment process that is designed to limit the damaging effects of loss aversion on our clients' capital. In the case of Aurelius, our lack of conviction to add to the position on weakness meant that we would have been straying into loss aversion territory if we kept holding the shares. However uncomfortable this action is at the time, history has shown us that this facet of our investment process more often than not preserves our clients' capital by combating loss aversion. [B](#)

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.
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