

Third Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL® GLOBAL LARGE-CAP NET INDEX
3 Mos.	5.7	5.5	5.2
YTD	25.3	24.5	17.2
1 YR	21.2	20.2	18.7
ITD (1 May 2015)	10.1	9.2	7.0

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.



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Review & Outlook

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

The advent of the quieter summer months in the northern hemisphere and heightening geopolitical tensions did little to quell investors' appetite for equities with global indices reaching new highs in the third quarter. The Global Leaders Strategy is focused on delivering long-term performance by buying a concentrated portfolio of outstanding companies that uniquely satisfy their customers and generate outstanding economics for shareholders. Although we are attuned to the ebbs and flows of the prevailing macroeconomic environment, we are primarily bottom-up stock-pickers looking for these special franchises trading at discounts to intrinsic value. Accordingly, we were encouraged by the operational performances of a number of our companies that reported their second quarter results in the period and in many cases we were rewarded with strong share price performances.

Our core payments holdings Visa and MasterCard were very much in this vein with robust second quarter updates resulting in positive contributions to performance. MasterCard shares were further buoyed after management upgraded their full-year outlook at the company's investor day late in the period.

Estee Lauder and Atlas Copco's fortunes in the period were emblematic of the importance of maintaining a long-term vision in the face of the market's schizophrenic disposition and associated short-term share price volatility. Estee Lauder shares were propelled after it released strong results underpinned by healthy sales growth and profitability improvements. The luxury cosmetics specialist had a torrid time in 2016 as myopic investors fixated on the seemingly endless malaise of bricks and mortar retail and overlooked the company's brand power and opportunities for self-help. Atlas Copco's shares were weak earlier in the quarter despite the company releasing encouraging results. In this instance overly optimistic market expectations were the main driver of this negative price action. Occasionally the market serves up opportunities for the long-sighted investor. We recognized that the weakness in Atlas Copco shares was driven by short-term investor perceptions rather than long-term fundamentals and we added to our position. We were rewarded with a sharp rebound after management meetings repositioned investor perspectives and Atlas Copco was a meaningful contributor to performance during the period.

On the negative front, Edwards Lifesciences detracted from performance after its shares drifted against the backdrop of a rising equity market. The heart valve specialist released what we saw as solid second quarter results and we continue to monitor our position. Elsewhere, Starbucks shares were weak on the back of investor speculation that the coffee maker's management team is intending to downgrade long-term earnings guidance in their upcoming results.

Finally, Ecolab and Priceline were marginal detractors from performance during the period as investors had mixed reactions to their results.

We initiated a new position in ticketing and live event specialist CTS Eventim during the quarter. The company has a dominant position in ticketing in Western Europe with a quasi-monopoly in Germany, Austria and Switzerland. CTS Eventim has multiple economic moats and significant optionality to monetize its extensive database of concert goers and sports fans.

We eliminated both Nike and Verisk due to the existence of more attractive risk-reward opportunities elsewhere. Both of these franchises have attractive attributes, but we struggled to find meaningful upside and crucially adequate margin of safety relative to other opportunities in the strategy.

REP. ACCOUNT CHARACTERISTICS

	GLOBAL LEADERS REP. ACCT.	RUSSELL GLOBAL LARGE-CAP NET INDEX
P/E (NTM) Wtd Average	21.9x	23.9x
ROIC (LFY) Median (%)*	20.5	8.8
Hist 3Yr Sales Growth (Wtd Average) (%)	9.7	5.4
FCF (LFY ex. financials) Wtd Average (%)	4.8	4.3
NTM EV/EBIT (Wtd Average)	16.3x	21.5x

*Excludes Financials

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Alphabet Inc. Class C	4.8
Microsoft Corporation	4.7
Visa Inc. Class A	4.2
Atlas Copco AB Class B	4.2
JPMorgan Chase & Co.	4.2
Estee Lauder Companies Inc. Class A	3.8
Mastercard Incorporated Class A	3.7
Safran S.A.	3.7
Unilever PLC	3.6
Taiwan Semiconductor Manufacturing Co., Ltd.	3.5
TOTAL	40.4

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.

- Global Leaders is a concentrated global strategy that focuses on investing in a small number of franchises that 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 into which sector a company is pigeon-holed.
- At the same time the strategy is keen to have differentiated exposures but it will not compromise philosophically and is happy to have no exposure in areas such as energy, telecoms, real estate or utilities, that don't satisfy its investment criteria.
- The strategy's largest overweight position in information technology is a function of a number of attractive high-quality franchises such as MasterCard, Microsoft and Facebook being located in that sector.

SECTOR	GLOBAL LEADERS REP. ACCOUNT (%)	RUSSELL GLOBAL LARGE-CAP NET INDEX (%)	DIFFERENCE (%)	GLOBAL LEADERS REP. ACCOUNT (%)	
	Q3 '17	Q3 '17	Q3 '17	Q2 '17	Q3 '16
Consumer Discretionary	10.36	13.39	-3.03	10.65	12.66
Consumer Staples	12.56	8.58	3.99	13.28	14.46
Energy	--	6.18	-6.18	--	--
Financials	19.41	18.69	0.71	19.23	15.07
Health Care	6.07	10.95	-4.88	6.20	12.38
Industrials	13.70	10.22	3.48	14.54	9.47
Information Technology	32.21	16.79	15.42	29.95	29.95
Materials	5.69	5.58	0.11	6.14	6.01
Real Estate	--	3.60	-3.60	--	--
Telecommunication Services	--	2.94	-2.94	--	--
Utilities	--	3.08	-3.08	--	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- Encouraging second quarter results from MasterCard, Visa, PayPal, Facebook and Microsoft contributed to information technology being the biggest single sector contributor to performance during the period.
- Elsewhere, strong results from Estee Lauder contributed to a positive performance from consumer staples.
- On the negative front, materials was the main sector, on a return basis, that detracted from performance after Ecolab shares weakened following results. In addition, metals and mining company shares—where we have no exposure—rallied on the back of rising minerals prices.

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	9.70	-2.74	13.47	4.17	0.04	-0.69	-0.65
Consumer Staples	12.88	7.80	8.88	0.01	-0.22	0.99	0.77
Energy	--	--	5.93	9.39	-0.24	--	-0.24
Financials	19.43	4.63	18.64	5.68	0.00	-0.20	-0.20
Health Care	6.17	2.02	11.00	2.44	0.14	-0.03	0.11
Industrials	14.47	7.55	10.13	5.05	0.00	0.35	0.35
Information Technology	31.51	10.46	16.64	8.62	0.49	0.55	1.03
Materials	5.85	0.01	5.54	8.75	0.02	-0.53	-0.51
Real Estate	--	--	3.66	2.97	0.08	--	0.08
Telecommunication Services	--	--	2.97	4.32	0.03	--	0.03
Utilities	--	--	3.14	3.75	0.04	--	0.04
Total	100.00	6.01	100.00	5.19	0.37	0.45	0.82

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- As mentioned **MasterCard**, **Visa** and **Estee Lauder** all outperformed following strong results releases.
- **Atlas Copco** shares rallied after investors reacted negatively to second quarter results. We viewed the price action as unwarranted and added to our position which resulted in the Swedish industrial contributing positively to performance as the company's shares rebounded.
- **Microsoft** also provided an encouraging update underpinned by strong demand for its cloud products.
- **Edwards Lifesciences's** shares drifted against a rising equity market despite the valve maker reporting what we saw as decent second quarter results. We continue to monitor our position.
- Elsewhere, **Starbucks** shares were weak on the back of investor speculation that the coffee maker's management team are intending to downgrade long-term earnings guidance at their upcoming results.
- **Ecolab**, **Verisk** and **Nike** were marginal detractors from performance during the period as investors had mixed reactions to each company's results.

GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	
MA	Mastercard Incorporated Class A	3.66	16.47	0.58
BXC8BW	Atlas Copco AB Class B	3.47	12.10	0.54
V	Visa Inc. Class A	4.25	12.40	0.51
EL	Estee Lauder Companies Inc. Class A	3.96	12.72	0.47
MSFT	Microsoft Corporation	4.87	8.64	0.42
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
EW	Edwards Lifesciences Corporation	2.96	-7.55	-0.23
SBUX	Starbucks Corporation	1.60	-7.47	-0.13
NKE	NIKE, Inc. Class B	0.92	-6.86	-0.12
ECL	Ecolab Inc.	2.74	-2.84	-0.08
VRSK	Verisk Analytics Inc.	0.81	-4.41	-0.07

Portfolio Activity

- We initiated a new position in ticketing and live event specialist **CTS Eventim** during the quarter. The company has a dominant position in ticketing in Western Europe with a quasi-monopoly in Germany, Austria and Switzerland. CTS Eventim has multiple economic moats and significant optionality to monetize its extensive database of concert goers and sports fans.
- We eliminated both **Nike** and **Verisk** due to the existence of more attractive risk-reward opportunities elsewhere. Both of these franchises have attractive attributes but we struggled to find meaningful upside and crucially adequate margin of safety relative to other opportunities in the strategy.

GLOBAL LEADERS REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
588185	CTS Eventim AG & Co. KGaA	Consumer Discretionary
DELETIONS		SECTOR
NKE	NIKE, Inc. Class B	Consumer Discretionary
VRSK	Verisk Analytics Inc.	Industrials

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)
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, 2016. 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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Composite performance is based on the Brown Advisory Global Leaders Composite and was obtained through FactSet®. All information and returns shown are as of 09/30/2017 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. This information is based on a representative Global Leaders account and is provided as supplemental information. Account characteristics exclude 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.