

Large-Cap Growth

QUARTERLY STRATEGY UPDATE

First Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 1000® GROWTH INDEX
3 Mos.	9.66	9.55	8.91
1 YR	8.52	8.11	15.76
3 YR	7.33	6.89	11.27
5 YR	9.80	9.34	13.32
10 YR	9.38	8.90	9.13
ITD (05/31/96)	8.52	7.85	7.52

Provided as supplemental information.

REP. ACCOUNT CHARACTERISTICS

	LARGE-CAP GROWTH REP. ACCT.	RUSSELL 1000® GROWTH INDEX
Weighted Avg. Market Cap.	\$104.3 B	\$176.5 B
Weighted Median Market Cap.	\$36.2 B	\$83.3 B
Earnings Growth (3-5 Year Est.)	17.3%	13.8%
P/E Ratio (FY2 Est.)	22.9x	18.2x
PEG Ratio	1.3x	1.3x
Portfolio Turnover (3 Yr. Avg.)	28.9%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Amazon.com, Inc.	4.7
Cash & Equivalents	4.7
Visa, Inc.	4.7
Alphabet Inc.# (Class A & C)	4.7
Facebook, Inc.	4.2
Adobe Systems, Inc.	3.8
Danaher Corp.	3.8
Amphenol Corp. Cl A	3.7
Ecolab, Inc.	3.6
Costco Wholesale Corp.	3.6
TOTAL	41.5

*Alphabet Inc. represents a 1.4% holding position in class A and 3.3% in class C shares of the stock.



KENNETH STUZIN, CFA
Portfolio Manager, Large-Cap Growth

Review & Outlook

The Large-Cap Growth portfolio rebounded in the first quarter, outperforming its benchmark, the Russell 1000® Growth Index. Stock market exuberance persisted into the New Year, as investors anticipated positive results from the incoming administration's pro-business policy stance. Market leadership shifted back to several sectors that had underperformed in last year's post-election rally, including technology and health care. The Fed raised short-term interest rates and looks poised to continue hiking as the economy shows signs of strength and looming inflationary pressure. The impact that rising rates will have on the stock market this year is unclear, but the yield stocks that led the market last year did not enjoy the same broad-based support in the first quarter.

As noted, technology stocks led the market during the quarter; the portfolio's technology holdings generally performed well but did not keep pace with the sector as a whole. That said, five of our technology holdings were up more than 10% during the quarter. **Adobe Systems** executed well and results beat expectations as licensing revenue came in stronger than forecasted. **Akamai** was the only technology stock that was down and consequently was one of the bigger drags on the portfolio for the quarter. We believe that the company is positioned well to capitalize on growing market opportunities, however it tempered expectations for near-term profit margins as it steps up investments to address several adjacent markets. **Under Armour** was also a notable detractor, and we exited the stock during the quarter.

Health care was the biggest positive contributor from a relative standpoint. **DexCom** jumped nearly 42% in the quarter on the back of several announcements, the most important being the approval of its continuous glucose monitor for Medicare reimbursement for both Type 1 and Type 2 diabetes. We are encouraged by this confirmation of DexCom's technology advantage—its device is the only one of its kind approved for reimbursement by Medicare.

We initiated two new health care positions and eliminated one position this quarter. **Edwards Lifesciences** is a leading medical device company with an minimally invasive solution for the repair and replacement of tissue heart valves. Its market-leading trans-catheter heart valve delivery (TAVR) technology is less invasive than traditional procedures, and is proven to both improve patient outcomes and lower overall health care spending. The second new position is **Thermo Fisher**, a best-in-breed distributor of laboratory and scientific equipment and supplies catering to academic, industrial and health care end markets. Its expertise and broad portfolio approach gives it an edge over competitors as it can offer a broad spectrum of equipment and supplies and support capabilities demanded by its customers. We eliminated our position in **DaVita** which was a long-time portfolio holding given the strength of its core kidney dialysis business. However, its unsuccessful transition from primarily renal care to holistic care was highlighted by several failed acquisitions, and a reset of expectations. That, combined with legislative uncertainty that has clouded portions of the health care landscape, eroded our confidence in DaVita's growth trajectory and solidified our desire to exit the name.

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Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Sector Diversification

- Our allocation to industrials increased by about 2.6% due to the addition of **Acuity Brands**.
- Our consumer discretionary and consumer staples weightings decreased by 1.9% and 1.4%, respectively. This was primarily due to our sale of **Under Armour**, and our decision to trim several other consumer names that have performed well.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	LARGE-CAP GROWTH REP. ACCOUNT (%)	
	Q1 '17	Q1 '17	Q1 '17	Q4 '16	Q1 '16
Consumer Discretionary	11.90	20.86	-8.96	13.77	14.58
Consumer Staples	8.89	9.12	-0.23	10.27	10.54
Energy	--	0.50	-0.50	--	--
Financials	--	2.82	-2.82	--	3.02
Health Care	16.50	15.92	0.58	15.65	17.95
Industrials	12.91	10.73	2.18	10.34	7.79
Information Technology	42.87	32.74	10.13	43.17	40.82
Materials	3.78	3.54	0.24	3.85	3.37
Real Estate	3.16	2.74	0.42	2.95	1.92
Telecommunication Services	--	1.02	-1.02	--	--
Utilities	--	0.03	-0.03	--	--

Quarterly Attribution Detail by Sector

- Technology stocks led the market higher in the first quarter. **Apple**, which now represents over 6% of the benchmark, was up nearly 25% in the quarter and contributed a meaningful portion of the technology sector's return. Five of the portfolio's technology holdings were up double digits, yet the group as a whole trailed the sector.
- Despite the cloudy regulatory backdrop, health care stocks also performed well this quarter, mounting a modest recovery after underperforming since mid-summer of last year. **DexCom** was a notable positive health care contributor.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	12.36	2.89	20.73	9.66	-0.04	-0.75	-0.79
Consumer Staples	9.38	11.26	9.28	4.31	-0.02	0.65	0.63
Energy	--	--	0.55	-8.42	0.10	--	0.10
Financials	--	--	2.86	7.24	0.04	--	0.04
Health Care	16.42	13.69	16.00	8.27	0.02	0.76	0.78
Industrials	12.35	5.15	10.87	5.24	-0.03	-0.02	-0.05
Information Technology	42.80	10.58	32.29	13.05	0.42	-0.94	-0.53
Materials	3.75	7.24	3.58	6.26	-0.01	0.03	0.02
Real Estate	2.94	16.57	2.75	5.75	--	0.29	0.29
Telecommunication Services	--	--	1.07	-5.70	0.16	--	0.16
Utilities	--	--	0.03	2.28	--	--	--
Total	100	9.56	100	8.91	0.64	0.02	0.65

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Quarterly Contribution to Return

- **Facebook** performed well during the quarter. The company is innovating impressively, extending its core platform with applications like Instagram in order to stay ahead of the competition and drive engagement.
- **DexCom's** continuous glucose monitor received approval for Medicare reimbursement, setting it apart from the competition.
- **Adobe's** quarterly earnings announcement beat expectations, as licensing revenue came in better than forecasted.
- While many brick and mortar retailers are struggling, **Amazon** is the beneficiary of strong consumer confidence and labor markets.
- Procedure growth remains robust for **Intuitive Surgical**. The da Vinci robotic surgical system is gaining traction with general surgeons, particularly for abdominal procedures such as hernia repair.
- **Under Armour** announced another weak quarter and that its recently hired CFO was departing the company.
- **Akamai** pulled back after tempering expectations for near-term profit margins as they invest for growth in several adjacent markets.
- **Acuity Brands**, a new position in the portfolio, continues to work through an extended sluggish period. We bought the stock on weakness which has continued despite reduced expectations.
- **TripAdvisor** continues to be a volatile holding, as its business model transition has proven to be bumpy. We think fundamentals are strong at TripAdvisor and see a great deal of upside in the stock.
- **Wabtec** missed expectations for the quarter, primarily due to its electronic control systems segment. A large customer order was unexpectedly delayed, fueling concerns that growth is slowing.

LARGE-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
FB	Facebook Inc. Class A	4.46	23.47	0.99
DXCM	DexCom Inc.	2.22	41.93	0.90
ADBE	Adobe Systems Incorporated	3.67	26.40	0.88
AMZN	Amazon.com Inc.	4.80	18.23	0.83
ISRG	Intuitive Surgical Inc.	3.72	20.86	0.72
LARGE-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
UA/UAA	Under Armour Inc. Classes A and C*	0.31	-24.52	-0.44
AKAM	Akamai Technologies, Inc.	2.67	-10.47	-0.28
AYI	Acuity Brands, Inc.	1.70	-14.00	-0.16
TRIP	TripAdvisor, Inc.	2.58	-6.92	-0.15
WAB	Westinghouse Air Brake Technologies Corporation (Wabtec)	2.57	-5.94	-0.14

Portfolio Activity

- **Edwards Lifesciences** developed a leading technology for aortic heart valve replacement known as TAVR.
- **Thermo Fisher** is a leading distributor of laboratory equipment and supplies that caters to academic, industrial, and health care end markets.
- We sold our position in **DaVita** as its growth trajectory has slowed.
- We eliminated our position in **Under Armour** after it announced the departure of its recently hired CFO. Under Armour is going through a challenging period and the continued management turnover has caused us to lose confidence in the team.
- We used the proceeds from the Under Armour sale to buy **TJX Companies**, an exceptionally well-managed retailer, in our view, that has exhibited consistent growth throughout economic cycles. TJX is a leading off-price retailer, benefiting from an attractive value proposition as it leverages its buying organization to take advantage of market disruptions to offer desirable national brands at meaningful discounts. Continually refreshed assortments create a treasure-hunt experience in its stores, which helps make its business less susceptible to ecommerce intrusion. Growth is likely to come from continued North American market share gains, as well as international expansion (its model has succeeded outside North America).
- We also bought **Acuity Brands**, a leading lighting and building management solution firm that serves both commercial and residential applications. Continued penetration of LED and "internet-of-things" devices, such as smart controls and data analytics, are disrupting what has been a stable industry. We believe that Acuity is positioned well to capitalize on this growing market opportunity with its vast offering and best-in-breed distribution network. The stock recently pulled back as expectations got too frothy, resulting in a compelling entry point in which to start building a position.

LARGE-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
AYI	Acuity Brands, Inc.	Industrials
EW	Edwards Lifesciences Corporation	Health Care
TMO	Thermo Fisher Scientific Inc.	Health Care
TJX	TJX Companies Inc	Consumer Discretionary
DELETIONS		SECTOR
DVA	DaVita Inc.	Health Care
UA/UA	Under Armour, Inc. Class A and C	Consumer Discretionary

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Large-Cap Growth Institutional 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	-2.3	-2.7	7.1	11.2	11.2	148	0.1	9,786	30,417
2015	7.8	7.4	5.7	10.2	10.7	168	0.3	12,583	43,746
2014	7.1	6.6	13.1	11	9.6	181	0.2	14,674	44,772
2013	30.3	29.7	33.5	15.5	12.2	212	0.3	15,740	40,739
2012	16.7	16.2	15.3	18.7	15.7	148	0.4	8,525	26,794
2011	0.4	0	2.6	19.7	17.8	102	0.3	5,622	19,962
2010	25.7	25.3	16.7	22.5	22.1	65	0.5	3,936	16,859
2009	53.3	53	37.2	20	19.7	41	0.6	1,191	11,058
2008	-35.7	-36.3	-38.4	16.5	16.4	32	0.3	120	8,547
2007	12.1	11.8	11.8	8.9	8.5	30	0.3	160	7,385

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 Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. This composite has been examined for the periods from January 1, 2006 through December 31, 2009. The examination reports are available upon request. The minimum account market value required for composite inclusion is \$1.5 million.
- Through 2009, cash was allocated to carve-outs based on a strategic asset allocation percentage.
- This composite was created in 1997.
- The benchmark is the Russell 1000® Growth Index. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into 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. Prior to 2004 the dispersion of annual returns is measured by the range between the high and low portfolio returns.
- 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 \$10 million; 0.65% on the next \$15 million; 0.50% on the next \$25 million; and 0.40% on the balance over \$50 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.
- For calendar year end 2006-2009 the percent of the composite composed of carve-outs was 85%, 38%, 33% and 5% respectively.
- 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.
- 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 Small-Cap Fundamental Value Composite and was obtained through FactSet®. All information and returns shown are as of 03/31/2017 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. This information is based on a representative Small-Cap Fundamental Value 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 Large-Cap Fundamental Value account and is provided as supplemental information. 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. 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.

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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. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average:** 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); **Weighted Median:** the value at which half the portfolio's market capitalization weight falls above and half falls below; **Maximum and Minimum:** the market caps of the largest and smallest companies, respectively, in the portfolio. **Earnings Growth 3-5 Year Consensus Est.** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokerage firms, calculated according to each broker's methodology. **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. **P/E / Growth Ratio, or PEG Ratio,** is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. **Three-Year Annualized Portfolio Turnover** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. Portfolio turnover is provided for a three-year trailing period. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. 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. **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 in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.