

Large-Cap Growth

QUARTERLY STRATEGY UPDATE

Second Quarter 2017

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 1000® GROWTH INDEX
3 Mos.	5.74	5.64	4.67
YTD	15.95	15.73	13.99
1 YR	14.84	14.39	20.42
3 YR	8.63	8.19	11.11
5 YR	12.80	12.33	15.30
10 YR	9.70	9.23	8.91
ITD (05/31/96)	9.02	8.43	7.66

Provided as supplemental information.

REP. ACCOUNT CHARACTERISTICS

	LARGE-CAP GROWTH REP. ACCT.	RUSSELL 1000® GROWTH INDEX
Weighted Avg. Market Cap.	\$116.0B	\$190.5B
Weighted Median Market Cap.	\$38.5B	\$86.0B
Earnings Growth (3-5 Year Est.)	17.2%	15.1%
P/E Ratio (FY2 Est.)	24.8x	19.3x
PEG Ratio	1.5x	1.3x
Portfolio Turnover (3 Yr. Avg.)	32.0%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa, Inc.	4.5
Facebook, Inc.	4.5
Alphabet, Inc (Class A & C)*	4.4
Amazon.com, Inc.	4.2
Cash & Equivalents	4.0
Adobe Systems, Inc.	3.9
Danaher Corp.	3.8
Zoetis, Inc.	3.8
PayPal Holdings, Inc.	3.7
Intuitive Surgical, Inc.	3.6
TOTAL	40.5

*Alphabet Inc. represents a 3.4% holding position in class C and 1.0% in class A shares of the stock.



KENNETH STUZIN, CFA
Portfolio Manager, Large-Cap Growth

Review & Outlook

Despite a minor retreat in the month of June, the Russell 1000® Growth Index rose in the second quarter of 2017, marking the seventh consecutive positive quarter for the benchmark. The Large-Cap Growth Strategy outpaced the benchmark for the second consecutive quarter, driven in large part by the technology sector which, on a relative basis, remains one of the more attractive areas of the market.

While earnings for more than 75% of the S&P 500® Index companies beat expectations for the quarter and growth is at its highest pace since the third quarter of 2011, we are mindful that broad market valuations are expanding at a slightly faster rate.

Legislative health care reform efforts pushed the sector higher in Q2. The portfolio is overweight health care and generally our holdings performed well. One of the exceptions was biotech company **Alexion**, which pulled back after the recently hired CFO announced his resignation. This was disappointing as the company's fundamentals were improving after a difficult last six months. Sudden and unexpected departures of senior management can signal deeper problems, and in this case we eliminated our position on the news. On the positive side, **Edwards Lifesciences** advanced considerably during the quarter. We initiated this position last quarter following a meaningful correction in the stock. Edwards develops and markets a revolutionary minimally invasive treatment for heart disease. Underlying procedure growth rebounded in the quarter as the company maintained market leadership in bringing innovation to structural heart disease.

The consumer staples sector posted a modestly positive return for the quarter, but it was the worst performing sector of those with meaningful weights in the Russell 1000 Growth Index. Many grocery and packaged food companies' stocks sold off on the surprise and well-publicized announcement by **Amazon** that it would acquire **Whole Foods**. Amazon has had a profound effect on the consumer landscape over the last several years, and this acquisition puts it in position to disrupt the nearly one trillion dollar U.S. grocery market. We believe there are, however, some consumer business models still able to succeed despite Amazon's increasing dominance; **Estee Lauder** is a good example. Despite declining shopping mall traffic, Estee Lauder produced strong results for the quarter due to excellent execution, brand management and their omni-channel distribution strategy. In response, the stock rebounded sharply.

Technology posted another strong quarter and was the biggest contributor on both a relative and absolute basis. The positive results were fairly broad based across software services and consumer technology. **PayPal** demonstrated the power of its business model, handily beating expectations and widening the moat around its platform by partnering and strengthening relationships with both major credit card companies and with consumers and merchants. Conversely, **Akamai** disappointed investors with continued weakness from the media delivery segment. While parts of Akamai are doing well, the lack of visibility for this important business led to our sell decision.

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

Sector Diversification

- There were no sizable sector reallocation changes during the quarter. Our weighting to the consumer discretionary sector increased by about 230 basis points with the addition of **Priceline** and **Alibaba**. The benchmark weight came down about the same amount which decreased our underweight. Overall the portfolio exposure to both of the consumer sectors changed very little as opposed to the Index which dropped by about 380 basis points between the two.
- The portfolio weighting to health care increased by about 200 basis points as a result of strong relative performance and the addition of **Zoetis**.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	LARGE-CAP GROWTH REP. ACCOUNT (%)	
	Q2 '17	Q2 '17	Q2 '17	Q1 '17	Q2 '16
Consumer Discretionary	14.22	18.58	-4.36	11.90	15.28
Consumer Staples	6.21	7.63	-1.42	8.89	11.13
Energy	--	0.82	-0.82	--	--
Financials	--	3.36	-3.36	--	1.04
Health Care	18.56	13.66	4.89	16.50	19.95
Industrials	11.68	12.30	-0.63	12.91	4.42
Information Technology	42.24	36.22	6.02	42.87	41.94
Materials	3.77	3.86	-0.10	3.78	3.65
Real Estate	3.33	2.60	0.73	3.16	2.60
Telecommunication Services	--	0.95	-0.95	--	--
Utilities	--	0.01	-0.01	--	--

Quarterly Attribution Detail by Sector

- Technology was the biggest positive contributor on both an absolute and relative basis for the quarter. The strong performance was fairly broad based, however **PayPal** was a positive standout as they handily beat expectations for the quarter. The gains were partially offset by **Akamai** which disappointed with weak results from their media delivery segment.
- The consumer space has become fairly volatile recently with winners and losers being defined by how much perceived exposure a business model has to Amazon. In terms of our holdings, **Costco** and **TJX** are among those with a greater degree of perceived risk, a sentiment that pulled their stocks lower this quarter.

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	12.73	-0.29	20.59	2.75	0.17	-0.40	-0.23
Consumer Staples	7.18	5.27	8.87	1.58	0.08	0.27	0.35
Energy	--	--	0.49	-8.89	0.05	--	0.05
Financials	--	--	2.85	6.85	-0.07	--	-0.07
Health Care	18.35	7.28	15.66	7.87	0.06	-0.07	-0.02
Industrials	12.08	7.54	10.69	5.46	-0.04	0.24	0.20
Information Technology	42.67	6.96	33.59	5.34	0.13	0.64	0.77
Materials	3.73	6.20	3.55	5.82	--	0.01	0.01
Real Estate	3.26	12.07	2.72	3.42	--	0.27	0.26
Telecommunication Services	--	--	0.96	-7.13	0.12	--	0.12
Utilities	--	--	0.02	1.00	--	--	--
Total	100.00	6.12	100.00	4.67	0.50	0.96	1.45

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Quarterly Contribution to Return

- **Intuitive Surgical** blew right past the quarterly expectations that analysts set for them. Additionally, the FDA cleared a new version of the company's da Vinci® robotic tool earlier than expected.
- **PayPal** rallied after beating expectations across the board; analysts underestimated the underlying strength of PayPal's business model.
- **Edwards Lifesciences** posted attractive results as expectations were that the underlying market would be soft in the quarter. Their unique heart valve replacement procedure did not cede market share despite expectations for it to do so.
- Concerns that advertisers would pull back from YouTube proved to be overblown and **Alphabet**—parent company of Google—beat consensus expectations for the quarter, showing no signs of deceleration.
- **Amazon's** impressive results continue to surprise investors, they grew EPS 39% for the quarter. Even the acquisition of a brick and mortar grocery store helped to drive the stock higher.
- **Alexion** pulled back after a surprising announcement that the recently hired CFO would be resigning. We eliminated our position in the stock given the potential that a deeper problem may exist at the biotech company.
- **Akamai** reported weak results for their media delivery business which has been struggling for several quarters. The company seems to lack good visibility into this part of their business which remains their largest and most important segment.
- **TripAdvisor** drifted lower as they tweak their marketing strategy and rollout a new user interface. The important metrics for revenue per hotel shopper continue to show positive trends, but the stock has reacted more to noise and management's clumsy communication.
- **Acuity** fell after reporting another quarter of weak results. We eliminated the stock from the portfolio as the business seems to have become more cyclical than we originally anticipated.

LARGE-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ISRG	Intuitive Surgical	3.79	22.04	0.78
PYPL	PayPal Holdings Inc.	3.46	24.76	0.76
EW	Edwards Lifesciences Corporation	2.10	25.69	0.49
GOOGL/GOOG	Alphabet Inc. (Class A & Class C) [#]	1.42	9.66	0.49
AMZN	Amazon.com Inc.	4.90	9.19	0.45
LARGE-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
ALXN	Alexion Pharmaceuticals Inc.	1.47	-19.35	-0.39
AKAM	Akamai Technologies, Inc.	1.10	-20.55	-0.36
TRIP	TripAdvisor Inc.	2.37	-11.49	-0.34
AYI	Acuity Brands Inc.	0.90	-20.08	-0.33
DXCM	DexCom Inc.	1.63	-13.67	-0.27

[#]The average weight shown in the table above for Alphabet Inc. is 1.42% and represents the average weight for Alphabet Inc. Class A shares. The average weight for Alphabet Inc. Class C shares was 3.64%. The return shown in the table above for Alphabet Inc. is 9.66% and represents the return for Alphabet Class A shares. The return for Alphabet Inc. Class C shares was a 9.54%. The contribution of Alphabet Inc. represents the combination of a 0.15% contribution to return in Class A shares and a 0.34% contribution in Class C Shares.

Portfolio Activity

- We continue to believe that travel is one of the most attractive verticals in the consumer space, benefitting from a number of secular trends. TripAdvisor has been a disappointing investment, but the platform (traffic, hotel supply, content) is fundamentally stronger than ever. The successful transition to a hybrid meta-search and booking model is on track, as evidenced in recent results. However, in light of the price volatility we have trimmed back our position in TripAdvisor and initiated a new position in **Priceline**. Given Priceline's exposure to European travelers it represents a complementary way to capitalize on the travel theme.
- **Alibaba** is the leading Chinese ecommerce company and is positioned well for growth as an increasing amount of Chinese consumers transition to shopping online. We eliminated **Mead Johnson** as it had been acquired by another consumer products company.
- We sold our position in technology outsourcing firm **Cognizant** to fund a new position in **Intuit**. Cognizant was an excellent performer over the course of our nearly nine-year ownership period; however, we believe the business has matured. We invested the proceeds into Intuit, which is a leading tax and accounting software franchise. Continuous innovation has resulted in a strong market position and the unique scalability of their business model should lead to durable double-digit earnings growth over the next several years, as well as strong returns on capital.

LARGE-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
BABA	Alibaba Group Holding Ltd. Sponsored ADR	Consumer Discretionary
INTU	Intuit Inc.	Information Technology
PCLN	Priceline Group Inc	Consumer Discretionary
ZTS	Zoetis, Inc. Class A	Health Care
DELETIONS		SECTOR
AYI	Acuity Brands, Inc.	Industrials
AKAM	Akamai Technologies, Inc.	Information Technology
ALXN	Alexion Pharmaceuticals, Inc.	Health Care
CTSH	Cognizant Technology Solutions Corporation Class A	Information Technology
MJN	Mead Johnson Nutrition Company	Consumer Staples

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 Large-Cap Growth Institutional Composite and was obtained through FactSet®. All information and returns shown are as of 06/30/2017 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 Large-Cap Growth 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.

The S&P 500® Index represents the large-cap segment of the U.S. equity markets and consists of approximately 500 leading companies in leading industries of the U.S. economy. Criteria evaluated include market capitalization, financial viability, liquidity, public float, sector representation and corporate structure. An index constituent must also be considered a U.S. company. Standard & Poor's, S&P, and S&P 500® are trademarks/service marks of MSCI and Standard & Poor's

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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.