

Brown Advisory Large-Cap Growth Strategy

We believe that our strategy can produce excess risk-adjusted returns over a full market cycle by investing in a concentrated portfolio of diversified companies with 14% or higher earnings growth purchased at attractive valuations.

October 2018 Monthly Report

Performance Contributors

TOP FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
SBAC	SBA Communications Corp. Class A	Real Estate	3.22	0.96	0.06
TJX	TJX Companies Inc	Consumer Discretionary	3.07	-1.91	-0.04
COST	Costco Wholesale Corporation	Consumer Staples	3.27	-2.66	-0.07
ZTS	Zoetis, Inc. Class A	Health Care	4.75	-1.54	-0.08
EL	Estee Lauder Companies Inc. Class A	Consumer Staples	2.61	-5.42	-0.08

BOTTOM FIVE CONTRIBUTORS*

TICKER	NAME	SECTOR	AVG. WEIGHT (%)	MONTHLY RETURN (%)	CONTRIBUTION TO RETURN (%)
AMZN	Amazon.com, Inc.	Consumer Discretionary	4.87	-20.22	-1.09
EA	Electronic Arts Inc.	Communication Services	3.12	-24.49	-0.85
CRM	Salesforce.com, inc.	Information Technology	3.68	-13.70	-0.53
ADSK	Autodesk, Inc.	Information Technology	2.69	-17.21	-0.49
SHW	Sherwin-Williams Company	Materials	3.33	-13.56	-0.48

Monthly Portfolio Activity

NEW INVESTMENT

TICKER	NAME	REASON FOR DECISION
	None	

DELETION

TICKER	NAME	REASON FOR DECISION
AOS	A. O. Smith Corporation	The recent deceleration of the Chinese economy, alongside housing market pressures, is likely to limit the company's growth potential.

Top 10 Equity Holdings (%)

Cash and equivalents: 3.4%

1. Zoetis, Inc.	4.7	6. PayPal Holdings, Inc	3.7
2. Visa, Inc.	4.4	7. Thermo Fisher Scientific, Inc.	3.6
3. Amazon.com, Inc.	4.3	8. Roper Technologies, Inc.	3.5
4. Intuitive Surgical, Inc.	4.2	9. Alphabet, Inc. Class C	3.5
5. Intuit, Inc.	4.1	10. Salesforce.com, Inc.	3.4



KENNETH STUZIN, CFA
Portfolio Manager

INSIDE THE STRATEGY: FACTS & TYPICAL PORTFOLIO FIGURES

Inception: 05/31/1996
Benchmark: Russell 1000® Growth Index
Concentrated Portfolio: 30–35 Holdings
Top 10 Weight: 35%–50%
Position Size: 1.5%–5%
Cash Position: 1%–3.5%

Portfolio Comments

Geopolitical tensions, coupled with concern over midterm elections and rising interest rates, elicited tremors across U.S. equity markets. October was a rough month for the markets as the Russell 1000® Growth Index fell 8.9%. Solid fundamental results from several portfolio holdings helped the Brown Advisory Large-Cap Growth Composite remain in line with the benchmark, falling 8.9% for the month.

The sell-off was fairly broad based across sectors. However, the consumer discretionary, industrial and energy sectors all fell double digits for the month. The initial sell-off primarily involved stocks with above-average growth rates and valuations, as the market rotated into value stocks.

Health care was again the portfolio's largest relative contributor for the month, as companies with meaningful business—such as Zoetis and Thermo Fisher—proved their resiliency to investors.

Communication services was the portfolio's largest relative detractor for the month, as video game company Electronic Arts disappointed investors with weaker-than-expected growth in its live services segment.

We eliminated A.O. Smith from the portfolio during the month, as the company derives a significant portion of its growth from China. The recent deceleration of the Chinese economy, alongside housing market pressures, is likely to limit the company's growth potential. We do not have the confidence A.O. Smith can meet the hurdle rate for this strategy going forward. 

*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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. 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. Numbers may not total due to rounding. Portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. The composite performance shown above reflects the Large-Cap Growth Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS Compliant firm and is a division of Brown Advisory LLC. Please see the Brown Advisory Large-Cap Growth disclosure statement at the end of this presentation for a GIPS compliant presentation.

Brown Advisory Large-Cap Growth 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)*
2017	33.7	33.1	30.2	11.7	10.5	130	0.3	10,073	33,155
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 claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory has been independently verified for the periods from January 1, 1993 through December 31, 2017. 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.

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 above for additional information.

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 that new and growing equities are included and that the represented companies continue to reflect growth characteristics. Russell 1000® Growth Index and 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. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC.

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.

- The Large-Cap Growth Equity Composite includes all discretionary portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. 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. For calendar year end 2006-2009, the percent of the composite composed of carve-outs was 85%, 38%, 33% and 5% respectively
- This composite was created in 1997.
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- The dispersion of annual returns is measured by the equal weighted standard deviation of 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 69%, 62%, 56%, and 23% 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.