

# Large-Cap Sustainable Growth

## STRATEGY FACTSHEET

Third Quarter 2018

### WHY INVEST IN BROWN ADVISORY SUSTAINABLE GROWTH?

#### Sustainable business strategies can be a compelling source of long-term growth.

Managers Karina Funk and David Powell have years of experience uncovering large-cap companies that are building strong, successful business models by growing revenues, trimming costs and increasing enterprise values thanks to their sustainable business advantages (SBA).

**A sustainable process.** Due diligence focuses on both fundamental and sustainable business drivers. All portfolio decisions are guided by a detailed and constantly updated risk/reward analysis model. The portfolio will typically hold 30-40 securities; self-imposed "one in, one out" discipline is used to consistently test portfolio holdings against new ideas. Risk is managed through intensive research into business quality, as well as disciplined portfolio adjustment based on valuation considerations.

Portfolio Managers: Karina Funk, CFA; David Powell, CFA

Benchmark: Russell 1000® Growth Index

### PERFORMANCE (% AS OF 09/30/2018)

	3 MOS.	YTD	1 YR.	3 YR.	5 YR.
Large-Cap Sustainable Growth Composite (Gross of Fees)	8.19	19.91	28.50	20.68	16.97
Large-Cap Sustainable Growth Composite (Net of Fees)	8.04	19.42	27.80	20.04	16.34
Russell 1000® Growth Index	9.17	17.09	26.30	20.55	16.58

### TOP 10 PORTFOLIO HOLDINGS %

Microsoft Corp.	4.9
Visa, Inc.	4.7
UnitedHealth Group, Inc.	4.4
Amazon.com, Inc.	4.3
Danaher Corp.	4.2
Thermo Fisher Scientific, Inc.	4.1
American Tower Corp.	4.0
Alphabet, Inc. Class A	3.9
Adobe Systems, Inc.	3.6
Intuit, Inc.	3.5

### SECTOR BREAKDOWN (%)

	REP. ACCT	INDEX
Communication Services	6.7	12.0
Consumer Discretionary	13.5	15.4
Consumer Staples	2.0	5.5
Energy	--	0.9
Financials	--	4.2
Health Care	22.5	13.8
Industrials	14.6	12.0
Information Technology	31.0	32.7
Materials	5.6	1.7
Real Estate	4.1	2.0
Utilities	--	--

### STRATEGY PROFILE AS OF 09/30/2018

#### BENCHMARK

Russell 1000® Growth Index

#### STRATEGY ASSETS

\$1.8 billion

#### VEHICLES AVAILABLE

Separately Managed Account (SMA)

Model Only

Mutual Fund

Collective Investment Trust (CIT)

UCITS

### CHARACTERISTICS AS OF 09/30/2018

	LARGE-CAP SUSTAINABLE GROWTH REP. ACCT.	RUSSELL 1000 GROWTH INDEX
Wtd. Avg. Market Cap.	\$200.3 B	\$320.1 B
EV/FCF (FY2 Est)	26.3x	28.3x
Dividend Yield	0.7%	1.1%
Name Turnover (3Yr. Avg.)	22.0%	--

### PORTFOLIO MANAGER PROFILES

#### KARINA FUNK, CFA

Karina Funk is a portfolio manager of the Brown Advisory Large-Cap Sustainable Growth strategy. Karina joined Brown Advisory in 2009 and has extensive environmentally-oriented investment experience spanning early-stage ventures to debt and public equities. She was previously an equity research analyst for Winslow Management Company, a principal at Charles River Ventures, and an investment manager at the Massachusetts Renewable Energy Trust. Karina earned her post-graduate diploma from École Polytechnique in France.

#### DAVID POWELL, CFA

David Powell is a portfolio manager of the Large-Cap Sustainable Growth strategy. He joined Brown Advisory in 1999 as an equity research analyst with responsibility for identifying and recommending investment opportunities in the industrials and energy sectors. Prior to joining the firm, David held a position in investor relations at T. Rowe Price. David earned his BA degree from Bowdoin College in 1997.

Source: FactSet®. Numbers may not total due to rounding. The portfolio information provided is based on a representative Brown Advisory Large-Cap Sustainable Growth account as of 09/30/2018 and is provided as supplemental information. Sector breakdown and portfolio characteristics exclude cash and cash equivalents; top 10 portfolio holdings include cash and cash equivalents. 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. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Composite performance is based on the Brown Advisory Large-Cap Sustainable Growth Composite. Returns greater than one year are annualized. Past performance is not indicative of future results. The Brown Advisory Large-Cap Sustainable Growth Composite is managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC and Brown Advisory Institutional is a GIPS compliant division of BALLC. Please see the Brown Advisory Large-Cap Sustainable Growth Composite performance disclosure on the reverse side for additional information and for a GIPS compliant presentation.

# About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients by providing them first-rate investment performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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# Brown Advisory Large-Cap Sustainable Growth

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	29.1	28.4	30.2	10.6	10.5	32	0.2	762	33,155
2016	6.6	6.0	7.1	11.5	11.2	32	0.1	503	30,417
2015	13.7	13.1	5.7	11.1	10.7	23	0.3	405	43,746
2014	7.1	6.5	13.1	9.9	9.6	25	0.1	303	44,772
2013	34.5	33.7	33.5	12.1	15.5	24	0.2	288	40,739
2012	16.5	15.9	15.3	15.7	15.7	22	0.3	211	26,794
2011	5.4	5.0	2.6	--	--	21	0.3	37	19,962
2010	23.5	23.1	16.7	--	--	18	--	13	16,859

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, 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.
- The Large-Cap Sustainable Growth Composite includes all discretionary portfolios invested in the Sustainable Large Cap Strategy. The strategy invests primarily in large market capitalization companies with financially and environmentally sustainable business models. The minimum account market value required for composite inclusion is \$1.5 million. Prior to 2012, the minimum was \$100,000.
- This composite was created in 2010. Prior to 3/31/13, the strategy was named Large-Cap Sustainability. Prior to 12/31/2011 the strategy was named Winslow Green Large Cap. No changes have been made to the strategy since inception.
- 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. 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 \$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.
- 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, 2010 and December 31, 2011 because 36 month returns for the composite were not available (NA).
- 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.

## Terms and Definitions For Representative Account Calculations

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. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. **Weighted Average Market Cap** refers to 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). **Enterprise Value/Free Cash Flow (EV/FCF)** is the enterprise value of a company (defined as market value plus debt minus cash and minority interests) divided by its free cash flow (defined as operating cash flow minus net capital expenditure). EV/FCF 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. **Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price. **Name 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. Name turnover is provided for a three-year trailing period.