



Brown Advisory Limited Duration Strategy

AS OF DECEMBER 31, 2017



The Brown Advisory Advantage

- Independent investment firm, founded in 1993
 - Partnership culture
 - All colleagues have equity ownership
- Consistent, continuous team of experienced investors
 - Dedicated team of investment professionals
 - Culture of collaboration and teamwork
 - Compensation aligned with client results
- Portfolio advantage
 - Independent, rigorous and repeatable investment process
 - Valuation discipline promotes better preservation of capital in down markets
 - Focused portfolios of high-quality business models, diversified across sectors

Brown Advisory Fixed Income Investment Team

We have a focused team with diverse skills, investment experience and sector expertise. All members actively contribute to idea generation and credit research.

FIXED INCOME INVESTMENT TEAM

Corporate Credit



TOM BANDUROWSKI, CFA
Credit Analyst



JAMES DAVIE, CFA
Credit Analyst



ROBERT SNYDER III
Portfolio Manager



LYN WHITE, CFA
Credit Analyst

Securitized Products



THOMAS GRAFF, CFA
Head of Fixed Income,
Portfolio Manager



JOHN HENRY IUCKER
Associate Portfolio
Manager, Securitized
Products Analyst



TORY SZCZAWINSKI
Securitized Products
Analyst

Municipal Credit



KELLY MCCONKEY
Portfolio Analyst



JOSHUA PERRY, CFA, CAIA, FRM
Associate Portfolio Manager,
Credit Analyst



STEPHEN SHUTZ, CFA
Portfolio Manager



DAVID THOMPSON, CFA CFP, Portfolio Manager

Portfolio Management & Analysis



TY ANDREWS
Portfolio Analyst



PAUL CORBIN
Portfolio Manager



AMY HAUTER, CFA
Associate Portfolio
Manager,
ESG Research Analyst



JASON VLOSICH
Associate Portfolio
Manager,
Analyst and Trader

Brown Advisory's Limited Duration Strategy

- Typically invested in a mix of high-quality bonds with maturities ranging from 0–5 years
- Strategy designed for clients who cannot tolerate significant principal volatility but are looking to improve on cash and/or money-market yields
- Ideal for clients with periodic but unpredictable liquidity needs
- Current clients are utilizing the strategy for:
 - Cash reserves for operating entities, including municipalities, nonprofits and corporations
 - Funding source for long-term capital projects, such as new construction
 - Debt-service reserve accounts
 - Real estate and/or private equity investors awaiting future projects
 - Collateral for loans and/or swaps
 - Insurance companies with relatively short-duration liabilities

Sector Explanation and Detail—Limited Duration

■ U.S. Treasury Bonds

- Treasuries are held as a source of funds for other opportunistic investments and as a safe harbor investment. Treasuries tend to perform particularly well during times of crisis.

■ Treasury Inflation-Protected Securities (TIPS)

- TIPS are held as a hedge against inflation. TIPS pay a fixed interest rate plus an adjustment for realized inflation. TIPS frequently rise in value during periods of rising interest rates.

■ Federal Agency Securities

- Agency debentures are issued by FHLB, FNMA, FHLMC, FFCB and other agencies of the U.S. government. Agencies generally offer modest yield enhancement over U.S. Treasury securities with little additional risk.

■ Corporate Bonds

- Potentially significant source of enhanced yield in exchange for credit risk and less liquidity.

■ Mortgage-Backed Securities (MBS)

- Potentially significant source of cash flow and enhanced income generation. Principal amortization and prepayments can be an excellent source of funds in a rising-rate environment. Similar credit status to Federal Agency securities.

■ Commercial MBS (GNMA project loans)

- Potentially significant source of enhanced income. Corporate bond-like principal return with a generally small degree of call risk. Full faith and credit of the U.S. government.

■ Taxable Municipal Bonds

- Limited liquidity in exchange for a vehicle with above-average credit profile relative to enhanced income. High credit quality and excess income opportunity.

Limited Duration – Target Allocations

As of 12/31/2017

Sector	Target (%)	Range (%)	Estimated Yield Spread (bps)
U.S. Treasury	20	5 – 30	0
TIPS	0	0 – 10	0
Federal Agencies	0	0 – 20	5 - 20
Corporate Bonds	27	20 – 40	75 -125
Mortgage-backed Securities	37	10 – 40	100 -150
Commercial MBS/ABS	8	0 – 5	100 -150
Municipal Bonds	8	5 – 25	40 -100

Limited Duration

The Brown Advisory Limited Duration team believes a portfolio of short-term fixed income securities, identified through fundamental analysis and focused on core stability of principal, has the potential to deliver attractive and stable total returns over time.

Composite Returns (As of 12/31/2017)¹

Strategy Inception Date: 11/30/1994



FIXED INCOME CHARACTERISTICS ²

	Rep. Account.	Benchmark
Avg. Credit Quality	Aa2	AA1/AA2
Effective Duration (years)	2.6	2.7
Yield to Worst (%)	2.4	2.2
Avg. Life (years)	3.5	2.9

FIXED INCOME SECTORS (%) ²

	Rep. Account	Benchmark
Cash & Equivalents	2.6	--
Treasuries	27.4	60.8
Agencies	--	11.7
Corporates	32.0	27.5
Securitized	30.3	--
Muni - Revenue	--	--
Muni - GO	1.9	--
Taxable Municipals	5.8	--
Foreign Government	--	--

QUALITY DISTRIBUTION (%) ²

	Rep. Account	Benchmark
AAA/Aaa	37.0	68.7
AA/Aa	40.8	6.0
A	5.3	13.1
BBB/Baa	16.9	12.2
Other	--	--

DURATION DISTRIBUTION (%) ²

	Rep. Account	Benchmark
Less than 1 Year	30.4	0.3
1 to 3 Years	16.9	60.3
3 to 5 Years	52.7	39.4
5 to 7 Years	--	--
7 to 10 Years	--	--
Greater than 10 Years	--	--

- Source: FactSet®. Returns shown are through 12/31/2017 for each period. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Limited Duration 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 end of this presentation for a GIPS compliant presentation.
- Source: FactSet®. The portfolio information on the right is based on a representative Limited Duration account and is provided as supplemental information. Benchmark shown is the Bloomberg Barclays 1-5 Year Government/Credit Index. Portfolio level information includes cash and cash equivalents. Fixed income sectors, quality distribution and duration distribution may not total 100% due to rounding.
- Please see the Brown Advisory Limited Duration Composite performance disclosure statement at the end of this presentation for more information. For definitions of fixed income characteristics, please see the end of this presentation.

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.

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. FactSet® is a registered trademark of FactSet Research Systems, Inc.

The Bloomberg Barclays 1 – 5 Year Government/Credit Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, and corporate with maturities between 1 and 5 years. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC.

Effective Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

Yield to Worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Average Life is the period of time for all principal dollars to be returned to investors.

Limited Duration 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	1.4	1.2	1.6	1.2	1.3	20	0.2	260	30,417
2015	0.7	0.5	1.0	1.2	1.2	22	0.1	260	43,746
2014	1.8	1.6	1.4	1.2	1.1	20	0.2	257	44,772
2013	-0.7	-1.0	0.3	1.3	1.2	23	0.4	285	40,739
2012	3.0	2.8	2.2	1.3	1.3	22	0.3	234	26,794
2011	3.2	3.0	3.1	1.6	1.6	12	N/A	122	19,962
2010	5.0	4.8	4.1	2.4	2.5	Five or fewer	N/A	57	16,859
2009	4.6	4.4	4.6	2.3	2.5	Five or fewer	N/A	71	N/A
2008	3.3	3.1	5.1	2.1	2.4	13	0.8	101	N/A
2007	6.3	6.1	7.3	1.3	1.7	9	0.2	85	N/A

* Returns prior to 2010 were earned at Brown Advisory Cavanaugh, LLC previously named Cavanaugh Capital Management Inc., therefore firm assets are not applicable.

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 Limited Duration Composite is comprised of all discretionary accounts with no material investment restrictions, which invest primarily in fixed income securities that have a target duration between one and four years. At least 80% of the securities in each portfolio in this composite will have credit quality ratings of A or better at the time of purchase. The Composite is invested primarily in taxable securities. The minimum account market value required for composite inclusion is \$2 million. Prior to 2012 the minimum account market value required for composite inclusion was \$1 million.
- This composite was defined and initially created on March 1, 2006.
- The benchmark is the Bloomberg Barclays 1 – 5 Year Government/Credit Index. The Bloomberg Barclays 1 – 5 Year Government/Credit Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, and corporate with maturities between 1 and 5 years. An investor cannot invest directly into an index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. Benchmark returns are not covered by the report of the independent verifiers.
- The composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the composite for the entire calendar year period. 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: 0.375% on the first \$10 million; 0.25% on the next \$15 million and 0.20% on the balance over \$25 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.
- 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.
- Some portfolios may utilize derivative securities. To date, any derivatives used have been CMOs and range accrual notes. Any CMO at the time of purchase must pass the FFIEC volatility tests.
- Duration is a measure of interest rate risk.