



# Brown Advisory National Municipal Bond 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

# Investment Philosophy

We believe that an **actively managed portfolio of tax-exempt bonds**, invested in a concentrated portfolio of **high conviction positions** has the potential to deliver attractive after-tax returns over time while maintaining a **core stability of principal**.

## Distinctive Features

1. Stable allocation forms portfolio foundation
2. Alpha allocation utilizes fundamental credit analysis
3. Customized portfolio in an effort to maximize after-tax return

# Fixed Income Team Biographies

## Portfolio Manager



### **STEPHEN M. SHUTZ, CFA**

#### *Fixed Income Portfolio Manager*

- Frostburg State University, B.S.
- Vice President and Assistant Portfolio Manager, Cavanaugh Capital Management; Portfolio and Research Analyst, Merrill Lynch

Integrated team approach

Credit research supported  
by Brown Advisory's  
equity analyst team

## Fixed Income Team

### **TY ANDREWS**

#### *Fixed Income Portfolio Analyst*

- Towson University, BS
- Financial Associate, Morgan Stanley; Investment Services, T. Rowe Price
- Investment experience since 2016; Joined Brown Advisory 2014

### **TOM BANDUROWSKI, CFA**

#### *Fixed Income Research Analyst*

- Boston University, B.S.B.A., B.A.
- Manager, Credit Restructuring Advisory at EY; Associate, Restructuring & Special Situations Group at Macquarie Capital

### **PAUL CORBIN**

#### *Fixed Income Portfolio Manager*

- George Washington University, M.B.A.; University of Virginia, B.A.
- Senior Portfolio Manager, First Maryland Asset Management

### **JAMES DAVIE, CFA**

#### *Fixed Income Research Analyst*

- Boston University, M.B.A.; Ithaca College, B.A.
- Investment experience since 2010; Joined Brown Advisory in 2015

### **THOMAS D.D. GRAFF, CFA**

#### *Fixed Income Portfolio Manager*

- Loyola University, B.A.
- Managing Director, Cavanaugh Capital Management

### **AMY HAUTER, CFA**

#### *Associate Portfolio Manager, Fixed Income ESG Research Analyst*

- Old Dominion University, B.S.
- Fixed Income Client Service, Morgan Stanley

### **JOHN HENRY IUCKER**

#### *Associate Portfolio Manager, Fixed Income Research Analyst*

- Johns Hopkins University, B.A.

### **KELLY McCONKEY**

#### *Fixed Income Portfolio Analyst*

- Coastal Carolina University, B.S.B.A.; Coastal Carolina University, B.A.

### **JOSHUA PERRY, CFA, CAIA, FRM**

#### *Associate Portfolio Manager, Fixed Income Research Analyst*

- University of Chicago, M.B.A.; Princeton University, B.S.E.
- Analyst, Driehaus Capital Management

### **STEPHEN SHUTZ, CFA**

#### *Fixed Income Portfolio Manager*

- Frostburg State University, B.S.
- Vice President and Assistant Portfolio Manager, Cavanaugh Capital Management; Portfolio and Research Analyst, Merrill Lynch

### **ROBERT SNYDER**

#### *Fixed Income Portfolio Manager*

- Cornell University, B.A.
- Principal, Kingsland Capital; Senior Analyst, Katonah Capital; Securities and Lending, Chase Manhattan Bank; Cash Management, Morgan Stanley Trust Company

### **TORY SZCZAWINSKI**

#### *Fixed Income Research Analyst*

- Loyola University Maryland, B.B.A.
- Investment experience since 2017; Joined Brown Advisory 2014

### **DAVID THOMPSON, CFA, CFP**

#### *Fixed Income Portfolio Manager*

- Babson College, M.B.A.; University of Denver, B.S.B.A.
- Investment experience since 1972; Joined Brown Advisory in 2015

### **LYN WHITE, CFA**

#### *Fixed Income Research Analyst*

- University of Delaware, B.S.
- Investment experience since 2003; Joined Brown Advisory in 2015

### **JASON VLOSICH**

#### *Associate Portfolio Manager, Head Trader and Credit Analyst*

- Loyola University, M.B.A.; University of Baltimore, B.S.
- Taxable Fixed Income Trader, Ferris, Baker Watts, Inc.; Taxable Fixed Income Trader, Deutsche Bank Alex. Brown

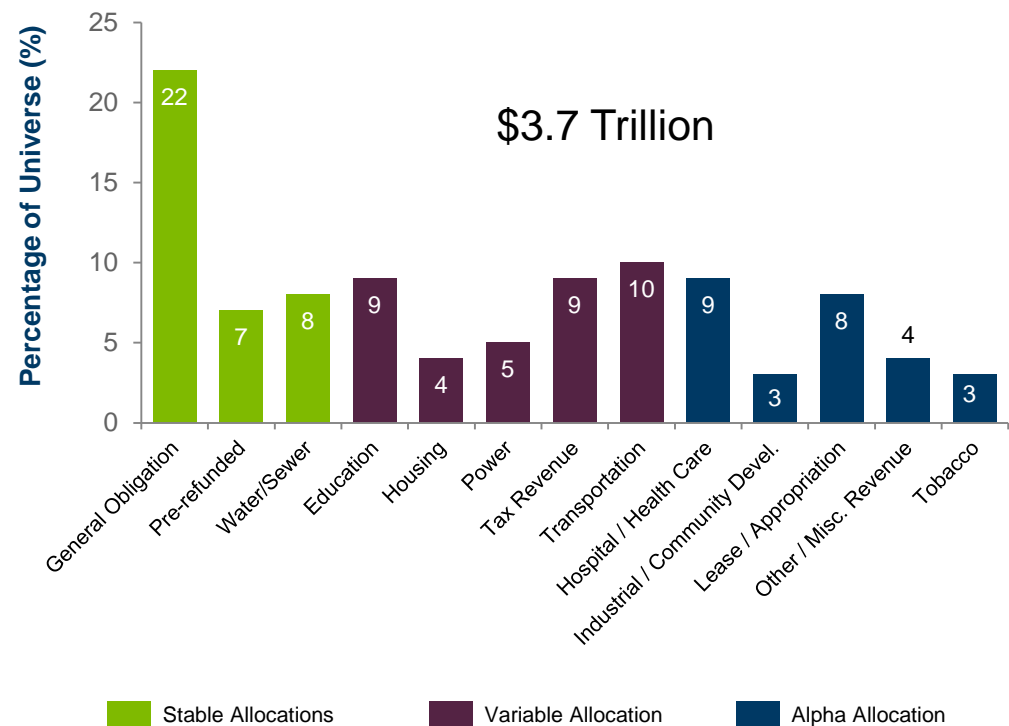
# Investment Process



## Municipal Bond Universe

As of 12/31/2017

- Broad universe of municipal and federal government-backed bonds
- All portfolio components are strategically selected in an effort to maximize after-tax returns
- Portfolio construction geared toward identifying stable sectors versus alpha generated opportunities



Source: Bloomberg

# Investment Process

Universe



Sector  
Selection



Security  
Selection



Portfolio  
Construction



Sell  
Discipline

- Ongoing team analysis of the macro environment results in themes surrounding:
  - Interest rate direction
  - Yield curve shape
  - Credit spread comparison
- **Develop sector strategy**
  - Understand upside potential
  - Assess potential downside risk
  - Structure sector strategy to be in line with stable and alpha allocation objectives

## Stable Allocation

- State General Obligations
- Essential Service Bonds
- Pre-refunded Bonds
- State Universities and Colleges
- U.S. Treasuries
- Federal Agency Bonds and Discount Notes
- Treasury Inflation Protected Securities (TIPS)



## Alpha Allocation

- Health Care Facility Bonds
- Hospital Bonds
- Tobacco Bonds
- Airport Bonds
- Zero Coupon Municipals
- Housing Bonds
- Private Universities and Colleges
- Local General Obligation Bonds
- Toll Facility Bonds

# Investment Process

Universe



Sector  
Selection



Security  
Selection



Portfolio  
Construction

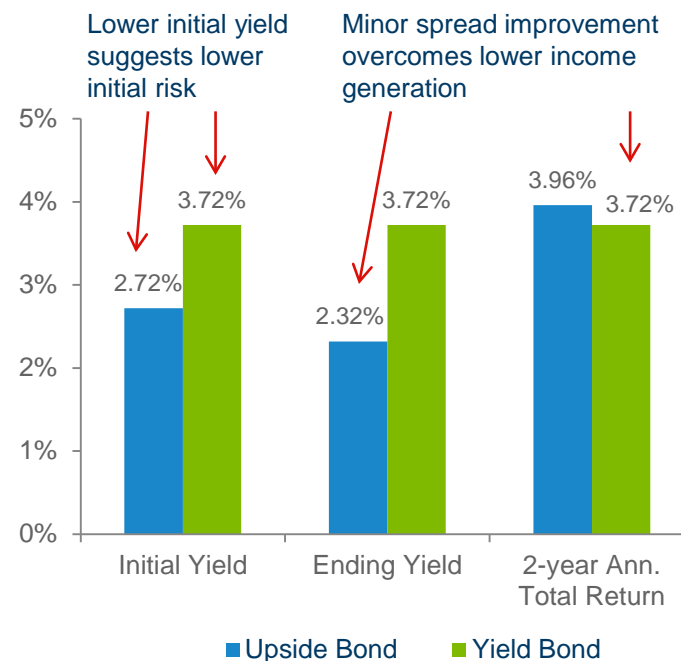


Sell  
Discipline

- Our security selection process is bottom-up
- Stable Allocation securities selected based on limiting credit risk
  - Highly liquid, limited political risk
  - Favor operating entities with durable revenue sources
- We seek to **produce alpha through price appreciation of our credit positions**, as opposed to simple yield generation
  - Only consider credits we believe can develop a clear upside thesis for every name held
- Upside potential is compared to downside risk

We believe this can result in higher returns with lower risk over time.

## Price appreciation vs. Yield



Note: Calculations based on two hypothetical 10-year bonds with initial yields as shown. Returns calculated assuming yield shifts as shown. This analysis is not representative of positions held in an actual account. It is presented to illustrate a possible outcome and not meant to be a forecast of future events.

# An Example of the Process

To illustrate our focus on price appreciation, we compare two lower-rated municipal bonds to show how important fundamental research is in the security selection process. This graphic compares the yield spread of a portfolio holding in a non-rated CCRC to the yield spread of Puerto Rico GO—a widely held credit in the marketplace.

## Continuing Care Retirement Community (CCRC) vs. Puerto Rico GOs

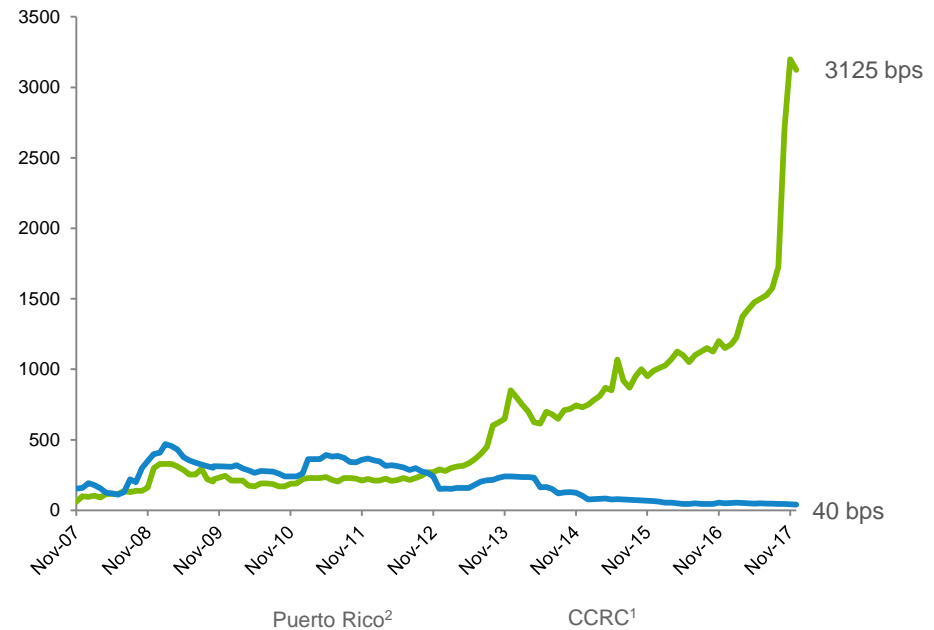
### ■ Continuing Care Retirement Community

- Well-established facility, sold non-rated bonds as part of an expansion
- Our financial analysis and meetings with management gave us comfort that construction costs would be well managed and new units would have high occupancy
- It took time for the market to believe in the strong operational performance post-financial crisis, but our deep fundamental analysis gave us comfort to hold through the panic

### ■ Puerto Rico GO

- Problems are political/structural, especially deeply underfunded pension which has not been addressed by legislature
- Investment thesis that “U.S. won’t let Puerto Rico default” has no upside catalyst nor price discipline
- Therefore bond drifts wider and wider over time: value trap

**Yield Spread**  
**11/30/2007 – 12/31/2017**



Source: 1. Advent Portfolio Exchange. 2. Bloomberg

Note: The information provided above illustrates the conversion of a narrative, or potential scenario, into an investment idea. It is not necessarily representative of a current investment idea utilized in our fixed income portfolios. 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. Please see the end of the presentation for important disclosures.



# Investment Process



Portfolios are constructed by beginning with a core of highly liquid, stable-credit municipal bonds.

## 1. Clearly articulate client objectives

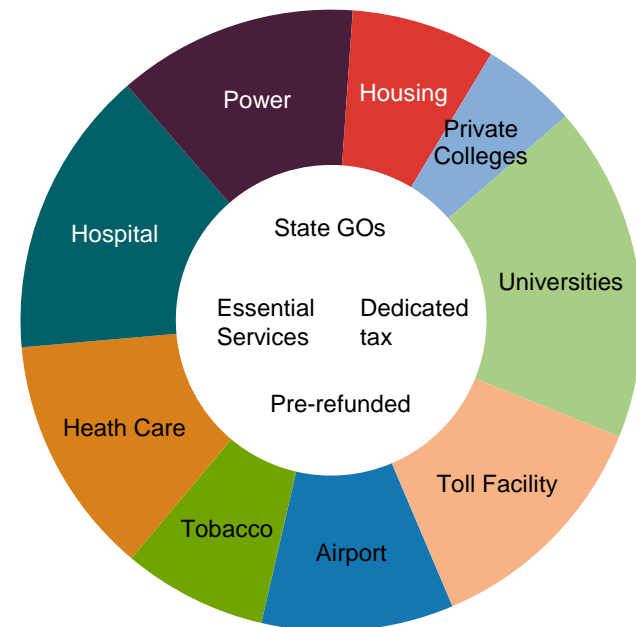
- Liquidity needs and portfolio duration target
- State of residency and client tax bracket

## 2. Determine allocations for:

- **Stable Allocation**—allows portfolio to be nimble as well as meeting any client draw needs at a low cost
- **Alpha Allocation**—identify risk; determine return drivers and risks to return of all positions

## 3. Position management

- Separate accounts generally hold between 30-50 securities
- Positions are diversified by revenue source
- Credit-sensitive securities are weighted based on risk/reward profile



# Investment Process



## We generally sell bonds for four reasons:

### 1 Outlook Changes

- Changes in macro-economic themes increases or decreases risk, alters outlook
- Threats are emerging to base scenario which may change the attractiveness of a sector

### 2 Thesis Realized

- Better opportunities exist in other sectors/issuers relative to risk

### 3 Increased Risk

- Decrease in revenue stability and/or an increase in risk

### 4 After-tax Return

- Where applicable, tax and/or accounting consequences of transaction are always considered when selling

# Investment Process—Summary

- Stable allocation forms portfolio foundation
- Alpha allocation utilizes fundamental credit analysis
- Macro environment review provides guidance on interest rate direction, yield curve and credit spreads
- Credit analysis is a fundamental bottom-up process
- We seek to produce alpha through price appreciation of our credit positions
- Credit positions are diversified by revenue source, but concentrated in our best ideas
- Portfolios constructed to provide both stability and excess return opportunities
- Customized portfolio to maximize after-tax return



# Portfolio Attributes

As of 12/31/2017

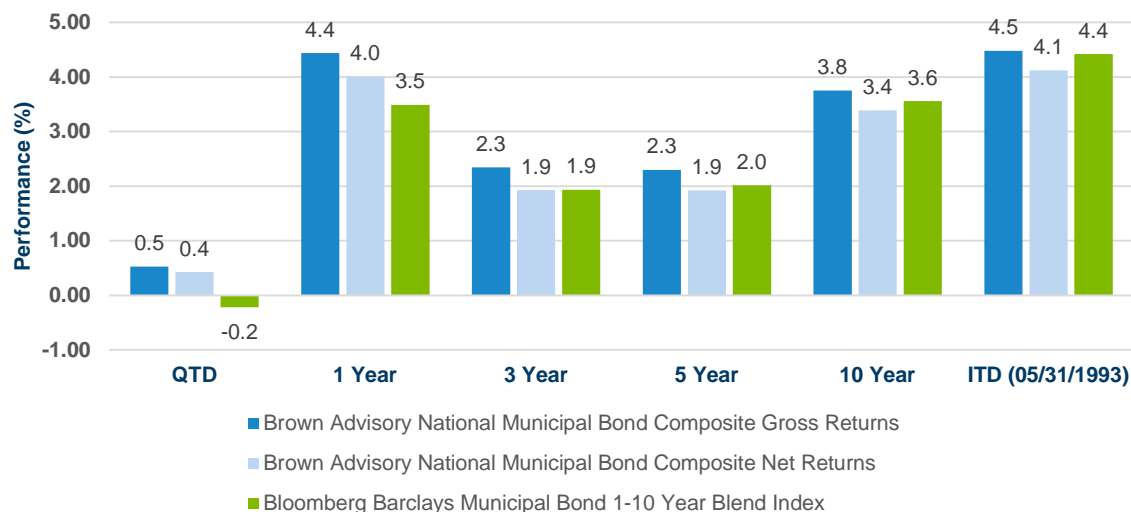
# Fourth Quarter 2017

## National Municipal Bond

The Brown Advisory Municipal Bond team believes a concentrated portfolio of our best municipal fixed income ideas identified through fundamental analysis has the potential to deliver attractive and tax-efficient risk-adjusted returns over time.

### Composite Returns (As of 12/31/2017)<sup>1</sup>

Strategy Inception Date: 05/31/1993



### FIXED INCOME CHARACTERISTICS<sup>2</sup>

	Rep. Account	Benchmark
Avg. Credit Quality	A3	AA2/AA3
Effective Duration (years)	4.1	4.2
Yield to Worst (%)	2.5	2.0
Avg. Life (years)	6.4	5.9

### FIXED INCOME SECTORS (%)<sup>2</sup>

	Rep. Account	Benchmark
Cash & Equivalents	2.1	--
Muni – Revenue	74.2	54.4
Muni – Pre Refunded	0.8	13.0
Muni – VRDN	4.3	--
Muni – ARS	10.7	--
Muni – GO	7.9	32.6

### QUALITY DISTRIBUTION (%)<sup>2</sup>

	Rep. Account	Benchmark
AAA/Aaa	7.1	17.0
AA/Aa	27.2	55.1
A	22.8	22.5
BBB/Baa	24.0	5.4
High Yield	8.6	--
Other	10.3	--

### DURATION DISTRIBUTION (%)<sup>2</sup>

	Rep. Account	Benchmark
Less than 1 Year	29.3	3.7
1 to 3 Years	10.2	32.1
3 to 5 Years	15.9	27.3
5 to 7 Years	22.8	24.7
7 to 10 Years	19.3	11.8
Greater than 10 Years	2.5	0.4

1. 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 National Municipal Bond 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.
2. Source: FactSet®. The portfolio information on the right is based on a representative National Municipal Bond account and is provided as supplemental information. Benchmark shown is the Bloomberg Barclays Municipal Bond 1-10 Year Blend Index. Portfolio level information includes cash and cash equivalents. Fixed income sectors, quality distribution and duration distribution may not total 100% due to rounding.
3. Please see the Brown Advisory National Municipal 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.



# Appendix

# Research & Investment Team

**PRIYANKA AGNIHOTRI, CFA**  
Financial Services Research Analyst

- Columbia University, M.B.A.
- Analyst, Bernstein Research; Analyst, Phoenix Asset Management Partners
- Investment experience since 2009; Joined Brown Advisory 2015

**TY ANDREWS**  
Fixed Income Portfolio Analyst

- Towson University, BS
- Financial Associate, Morgan Stanley; Investment Services, T. Rowe Price
- Investment experience since 2016; Joined Brown Advisory 2014

**MANEESH BAJAJ, CFA**  
Flexible Equity Associate Portfolio Manager

- University of Pennsylvania, The Wharton School, M.B.A.; University of Kentucky, M.S.
- Senior Associate, McKinsey & Company; Senior Associate, Standard & Poor's
- Investment experience since 2003; Joined Brown Advisory 2005

**TOM BANDUROWSKI, CFA**  
Fixed Income Research Analyst

- Boston University, B.S.B.A., B.A.
- Manager, Credit Restructuring Advisory, EY; Associate, Restructuring & Special Situations Group, Macquarie Capital
- Investment experience since 2006; Joined Brown Advisory 2016

**CHRISTOPHER BERRIER**  
Small-Cap Growth Portfolio Manager; Mid-Cap Growth Portfolio Manager

- Princeton University, A.B.
- Vice President, T. Rowe Price Group
- Investment experience since 2000; Joined Brown Advisory 2005

**JOHN BOND, CFA**  
Technology Equity Research Analyst

- Harvard University, A.B.; Columbia Business School, M.B.A.
- Senior Analyst and Assistant Portfolio Manager, Nicusa Capital
- Investment experience since 1999; Joined Brown Advisory 2012

**JOHN CANNING, CFA**  
Technology Equity Research Analyst

- Dartmouth College, B.A.
- Investment experience since 2014; Joined Brown Advisory 2014

**ERIN CAWLEY**  
Risk Equity Research Analyst

- Loyola University, B.S.
- Investment experience since 2017; Joined Brown Advisory 2012

**ERIC CHA, CFA**  
Consumer Equity Research Analyst

- University of Virginia, B.A.; New York University, M.B.A.
- Equity Analyst, Bethlehem Steel Pension Fund; Equity Analyst, Oppenheimer Funds
- Investment experience since 2000; Joined Brown Advisory 2007

**PAUL CHEW, CFA**  
Chief Investment Officer

- Mount St. Mary's, B.A.; Duke University, Fuqua School of Business, M.B.A.
- International Asset Management Department, J.P. Morgan & Co.
- Investment experience since 1989; Joined Brown Advisory 1995

**KENNETH COE, CFA**  
Financial Services Equity Research Analyst

- Wake Forest University, B.A.
- Analyst, First Annapolis Consulting; Research, Independent Financial Econometrics Study
- Investment experience since 2010; Joined Brown Advisory 2013

**PAUL CORBIN**  
Fixed Income Portfolio Manager

- University of Virginia, B.A.; George Washington University, M.B.A.
- Senior Portfolio Manager, First Maryland Asset Management
- Investment experience since 1977; Joined Brown Advisory 1991

**JAMES DAVIE, CFA**  
Fixed Income Research Analyst

- Boston University, M.B.A.; Ithaca College, B.A.
- Performance Analyst, State Street Investment Analytics
- Investment experience since 2010; Joined Brown Advisory in 2015

**MICK DILLON, CFA**  
Global Leaders Portfolio Manager

- University of Melbourne, B.A.
- Co-Head of Asian Equities & Portfolio Manager, HSBC Global Asset Management; Analyst, Arete Research
- Investment experience since 2000; Joined Brown Advisory 2014

**EMILY DWYER**  
Equity ESG Research Analyst

- Smith College, B.A.
- Investment experience since 2014; Joined Brown Advisory 2014

# Research & Investment Team

## **DOUGLAS FALK**

### General Equity Research Analyst

- Goucher College, B.A.
- Investment Analyst and Financial Advisor Merrill Lynch
- Investment experience since 2014; Joined Brown Advisory 2016

## **THOMAS FITZALAN HOWARD**

### Industrial Research Analyst

- University of Edinburgh, M.A.
- Investment experience since 2016; Joined Brown Advisory 2016

## **MICHAEL FOSS, CFA**

### Flexible Equity Research Analyst

- Virginia Tech, B.A.; University of Pennsylvania, The Wharton School, M.B.A.
- Equity Research, Alex. Brown Investment Management; Managing Director & Portfolio Manager, JP Morgan Fleming; Equity Analyst, Gabelli & Co.; Retail Broker, Tucker Anthony
- Investment experience since 1987; Joined Brown Advisory 2004

## **KARINA FUNK, CFA**

### Head of Sustainable Investing; Large-Cap Sustainable Growth Portfolio Manager

- Purdue University, B.S.; MIT, Masters in Civil & Environmental Engineering; MIT, Masters in Technology & Policy; École Polytechnique - France, Post-Graduate Diploma in Management of Technology
- Manager, Massachusetts Renewable Energy Trust; Principal, Charles River Ventures
- Investment experience since 2003; Joined Brown Advisory 2009

## **ERIC GORDON, CFA**

### Energy Equity Research Analyst

- University of North Carolina, Chapel Hill, B.A.
- Equity Research, Alex. Brown Investment Management; Investment Banking Analyst, Deutsche Bank Alex. Brown, Merrill Lynch & Co.; Equity Research, Citigroup
- Investment experience since 1998; Joined Brown Advisory 2008

## **THOMAS GRAFF, CFA**

### Head of Fixed Income; Fixed Income Portfolio Manager

- Loyola University, B.A.
- Managing Director, Cavanaugh Capital Management
- Investment experience since 1999; Joined Brown Advisory 1999

## **BRIAN GRANEY, CFA**

### Equity Income Portfolio Manager

- George Washington University, B.A.
- Portfolio Manager, Equity Research, Alex. Brown Investment Management; Writer/Analyst, The Motley Fool
- Investment experience since 1996; Joined Brown Advisory 2001

## **TIMOTHY HATHAWAY, CFA**

### Director of Equity Research

- Randolph-Macon College, B.A.; Loyola University, M.B.A.
- Co-Portfolio Manager of Small-Cap Growth Strategy, Brown Advisory; Investor Relations, T. Rowe Price
- Investment experience since 1993; Joined Brown Advisory 1995

## **AMY HAUTER, CFA**

### Fixed Income Associate Portfolio Manager; ESG Research Analyst

- Old Dominion University, B.S.
- Fixed Income Client Service, Morgan Stanley
- Investment experience since 2011; Joined Brown Advisory 2012

## **SHA HUANG**

### Financials Equity Research Analyst

- Vassar College, B.A.
- Investment experience since 2016; Joined Brown Advisory 2016

## **JOHN HENRY IUCKER**

### Fixed Income Associate Portfolio Manager

- Johns Hopkins University B.A.
- Investment experience since 2013; Joined Brown Advisory 2013

## **MARK KELLY**

### Health Care Equity Research Analyst

- Johns Hopkins University B.A.; Johns Hopkins University M.H.S.
- Equity Research, Stifel Nicolaus; Managing Consultant, Navigant
- Investment experience since 2008; Joined Brown Advisory 2017

## **PATRICK MAHONEY**

### Consumer Equity Research Analyst

- University of Notre Dame, B.S.
- Associate Analyst, Oppenheimer & Co.
- Investment experience since 2007; Joined Brown Advisory 2013

## **KELLY MCCONKEY**

### Fixed Income Portfolio Analyst

- Coastal Carolina University, B.S.B.A.
- Investment experience since 2015; Joined Brown Advisory 2011

## **DAN MOONEY, CFA**

### Consumer Equity Research Analyst

- Georgetown University, B.S.; University of Virginia, M.B.A.
- Senior REIT Analyst, CB Richard Ellis Investors; Investment Banker, Barclays Capital; Equity Research Senior Associate, Green Street Advisors; Fixed Income Research Associate, Bear Sterns
- Investment experience since 2001; Joined Brown Advisory 2011



# Research & Investment Team

## **KEVIN OSTEN, CFA**

### Product Specialist

- Parks College of St. Louis University, B.S.; University of Missouri St. Louis, M.B.A.
- Senior Research Analyst, Summit Strategies; Institutional Consulting, Merrill Lynch Pierce, Fenner & Smith
- Investment experience since 1999; Joined Brown Advisory 2012

## **ADI PADVA**

### Industrials & Basic Materials Equity Research Analyst

- Harvard Business School, M.B.A.; Open University of Israel, B.A.
- Senior Research Analyst, Neuberger Berman
- Investment experience since 2005; Joined Brown Advisory 2015

## **SUNG PARK, CFA**

### Health Care Equity Research Analyst

- Johns Hopkins University, B.A.; University of Maryland, Smith School of Business, M.B.A.
- Associate Portfolio Manager and Research Analyst, Croft Leominster
- Investment experience since 2003; Joined Brown Advisory 2006

## **SIMON PATERSON, CFA**

### Industrials & Basic Materials Equity Research Analyst

- Queen's University, Ontario, Canada B.Sc. and B.A.; Princeton University, M.A.
- Senior Equity Analyst, MTB Investment Advisors
- Investment experience since 2002; Joined Brown Advisory 2011

## **JOSHUA PERRY, CFA**

### Fixed Income Associate Portfolio Manager

- Princeton University, B.S.E.; University of Chicago, M.B.A.
- Analyst, Driehaus Capital Management
- Investment experience since 2006; Joined Brown Advisory 2012

## **MICHAEL POGGI, CFA**

### Small-Cap Fundamental Value Associate Portfolio Manager

- University of Richmond, B.S.B.A.
- Investment experience since 2003; Joined Brown Advisory 2003

## **DAVID POWELL, CFA**

### Large-Cap Sustainable Growth Portfolio Manager

- Bowdoin College, B.A.
- Investor Relations, T. Rowe Price
- Investment experience since 1997; Joined Brown Advisory 1999

## **GEORGE SAKELLARIS, CFA**

### Mid-Cap Growth Portfolio Manager; Small-Cap Growth Associate Portfolio Manager

- Robert H. Smith School of Business, M.B.A.; University of Maryland, B.S.
- Portfolio Manager, Credo Capital Management; Director of Research, GARP Research & Securities
- Investment experience since 2001; Joined Brown Advisory 2014

## **J. DAVID SCHUSTER**

### Small-Cap Fundamental Value Portfolio Manager, Fundamental Long/Short Fund Portfolio Manager

- Georgetown University, B.S.B.A.
- Managing Director, Citigroup; Managing Director, Lazard Freres & Co.; Officer, U.S. Army
- Investment experience since 1995; Joined Brown Advisory 2008

## **RODDY SEYMOUR-WILLIAMS**

### General Equity Research Analyst

- University of Bristol, B.S.
- Investment experience since 2018; Joined Brown Advisory 2018

## **STEPHEN SHUTZ, CFA**

### Fixed Income Portfolio Manager

- Frostburg State University, B.S.
- Vice President and Assistant Portfolio Manager, Cavanaugh Capital Management
- Investment experience since 1996; Joined Brown Advisory 2003

## **ROBERT SNYDER**

### Fixed Income Portfolio Manager

- Cornell University, B.A.
- Principal, Kingsland Capital; Senior Analyst, Katonah Capital; Securities and Lending, Chase Manhattan Bank; Cash Management, Morgan Stanley Trust Company
- Investment experience since 1997; Joined Brown Advisory 2014

## **KENNETH STUZIN, CFA**

### Large-Cap Growth Portfolio Manager

- Columbia University, B.A.; Columbia Business School, M.B.A.
- Senior Portfolio Manager and Quantitative Strategist, J.P. Morgan
- Investment experience since 1986; Joined Brown Advisory 1996

## **TORY SZCZAWINSKI**

### Fixed Income Research Analyst

- Loyola University Maryland, B.B.A.
- Investment experience since 2017; Joined Brown Advisory 2014

## **BERTIE THOMSON, CFA**

### Global Leaders Portfolio Manager

- Edinburgh University, M.A.
- Senior Investment Manager, Aberdeen Asset Management
- Investment experience since 2002; Joined Brown Advisory 2015

# Research & Investment Team

**DAVID THOMPSON, CFA**

## Fixed Income Portfolio Manager

- Babson College, M.B.A.; University of Denver, B.S.B.A.
- Director of Fixed Income, North American Management; Senior Vice President, Director of Fixed Income, Hale and Dorr Capital Management
- Investment experience since 1972; Joined Brown Advisory 2015

**ALEX TREVINO**

## Consumer Equity Research Analyst

- University of Virginia, B.S.
- Investment experience since 2016; Joined Brown Advisory 2016

**R. HUTCHINGS VERNON, CFA**

## Flexible Equity Portfolio Manager

- University of Virginia, B.A.
- Portfolio Manager & Equity Research, Alex. Brown Investment Management; Portfolio Manager and Research Analyst, T. Rowe Price, Legg Mason and Wachovia Bank
- Investment experience since 1982; Joined Brown Advisory 1993

**JASON VLOSICH**

## Fixed Income Associate Portfolio Manager; Fixed Income Trader

- University of Baltimore, B.S.; Loyola University, M.B.A.
- Taxable Fixed Income Trader, Ferris, Baker Watts, Inc. and Deutsche Bank Alex. Brown
- Investment experience since 1998; Joined Brown Advisory 2008

**EMILY WACHTMEISTER, CFA**

## Technology Equity Research Analyst

- Washington & Lee University, B.A.
- Junior Associate, Morgan Stanley
- Investment experience since 2011; Joined Brown Advisory 2013

**LYN WHITE, CFA**

## Fixed Income Research Analyst

- University of Delaware, B.S.
- Senior Investment Analyst, Fidelity & Guaranty Life Insurance; Senior Portfolio Manager, Standard Insurance Company
- Investment experience since 2003; Joined Brown Advisory 2015

**NINA YUDELL**

## Portfolio Manager; Flexible Equity Generalist

- University of Baltimore, B.S., M.B.A.; Johns Hopkins University, M.S.B.
- Portfolio Manager and Investment Analyst, Alex. Brown Investment Management; Investment Assistant, Oppenheimer & Co., Inc.; Investment Assistant, T. Rowe Price
- Investment experience since 1986; Joined Brown Advisory 1992

# Brown Advisory Board of Directors



Our independent Board of Directors provides objective guidance and insights.

## **WILLIAM C. BAKER\***

- President and CEO, Chesapeake Bay Foundation
- Trustee: Johns Hopkins Medicine, Open Society Institute-Baltimore, The Clayton Baker Trust
- Director, Central Maryland Transportation Alliance
- Honorary Director: Garden Club of America, Baltimore Community Foundation
- Member, UMBC Board of Visitors

## **HOWARD E. COX, JR.**

- Advisory Partner, Greylock
- Board Member: Stryker Corporation (NYSE: SYK), In-Q-Tel, Secretary of Defense Business Board, Foundation Board of Forum of Young Global Leaders
- Member, The Council on Foreign Relations
- Investment Committee Member: Partners Healthcare, Dana-Farber Cancer Institute, Museum of Fine Arts, Brookings Institute
- Board of Fellows Member, Harvard Medical School
- Dean's Council Member, Harvard Kennedy School

## **JOHN O. DOWNING**

- Founder, CDK Investment Management
- Vice Chairman, Brown Advisory Incorporated
- Former General Partner, Goldman Sachs & Co.
- Director, The Medical University of South Carolina Foundation
- Investment Committee Member, The Hotchkiss School
- Co-Founder, Vermont 99 Foods

## **ROBERT J. FLANAGAN**

- President of Clark Enterprises, Inc.
- Chairman of the Board: Sagent Pharmaceuticals, Inc. (NASDAQ:SGNT); Federal City Council
- Board Member: Eagle Oil & Gas Co., Svelte Medical Systems

## **BENJAMIN H. GRISWOLD, IV\***

- Chairman, Brown Investment Advisory & Trust Company
- Director and Non-Executive Chairman, W.P. Carey Inc. (NYSE: WPC)
- Lead Director, Flowers Foods, Inc. (NYSE: FLO)
- Director, Signal Hill Capital Group LLC
- Board Member, Americas Advisory Board - Deutsche Bank
- Trustee Emeritus, The Johns Hopkins University
- Trustee Gilman School
- Dean's Advisory Committee, Johns Hopkins Carey Business School

## **MICHAEL D. HANKIN\***

- President and CEO, Brown Advisory
- Vice Chairman, Johns Hopkins Medicine
- Trustee: Johns Hopkins Medicine, The Johns Hopkins University, Chesapeake Conservancy
- Chairman of Board of Managers, Johns Hopkins University Applied Physics Lab
- Director: Stanley Black & Decker, Inc. (NYSE: SWK), Tate Engineering Services, Inc. and The Wills Group, Inc.
- Chairman, Baltimore Waterfront Partnership and Management Authority
- President, Land Preservation Trust Inc.
- Director: National Steeplechase Association, Center for Large Landscape Conservation

## **BEATRICE H.M. HOLLOND**

- Chair, UK family (Pearson) investment office, Millbank Investment Management, Ltd; Keystone Investment Trust; Pembroke College Endowment Fund; Audit Committee of Henderson Smaller Companies Investment Trust.
- Director, Templeton Emerging Markets Investment Trust
- Trustee, Esmeé Fairbairn Foundation
- Advisory Fellow, Pembroke College, Oxford
- Vice Chair, Soho Theatre, London
- Deputy Chair, The Philanthropy Workshop

\*Also a director of Brown Investment Advisory and Trust Company

# Brown Advisory Board of Directors



Our independent Board of Directors provides objective guidance and insights.

## **EARL L. LINEHAN\***

- President, Woodbrook Capital Inc.
- Board Member: Heritage Properties Inc., AllTrust Networks
- Trustee/Director: Mercy Hospital, UMBC Board of Visitors, Cristo Rey Jesuit High School

## **GLENN R. MARTIN\***

- President, Clay County Port Inc.
- President, Universal Sales Corp.
- Trustee: Hospital for the Women of Maryland of Baltimore City, The Missionary Emergency Foundation, Richard S. Reynolds Foundation

## **ROBERT S. MURLEY**

- Vice Chairman—Senior Advisor and Chairman of Investment Banking for the Americas, Credit Suisse (NYSE: CS)
- Director, Apollo Education Group; Stone Energy Corporation (NYSE: SGY); Trustee, Princeton University; Princeton University Investment Company
- Vice Chair, Ann & Robert H. Lurie Children's Hospital of Chicago
- Chair, Lurie Children's Foundation; Board of Overseers of the UCLA Anderson School of Management
- Trustee, Museum of Science and Industry of Chicago

## **WALTER D. PINKARD, JR.\***

- Senior Advisor Cushman & Wakefield
- President and Investment Committee Member, France Merrick Foundation
- Trustee Emeritus: The Johns Hopkins University, Baltimore Community Foundation
- Trustee, Johns Hopkins Medicine
- Chairman: Hippodrome Foundation, National Advisory Council of Johns Hopkins School of Nursing
- Board Member: Stulman Foundation, Dome Corporation, Central Maryland Transportation Alliance
- Board of Directors, Chair of Finance and Investment Committee, Baltimore Life Companies

## **GORDON F. RAINEY, JR.\***

- Chairman Emeritus, Hunton & Williams
- Past Rector and Member of Board of Visitors, the University of Virginia
- National Chairman, Campaign for the University of Virginia
- Senior Trustee, The Colonial Williamsburg Foundation
- Trustee, Virginia Higher Education Business Council
- Life Trustee, Virginia Foundation for Independent Colleges

## **MARY M. "MEG" VANDEWEGHE\***

- Director, Brown Investment Advisory & Trust Company
- CEO of Forte Consulting Inc.
- Former Managing Director J.P. Morgan
- Former Senior Vice President of Finance, Lockheed Martin Corporation
- Former Director, Ecolab Inc. (NYSE: ECL); Nalco (NYSE: NLC); W.P. Carey Inc. (NYSE: WPC), B/E Aerospace (NYSE: BEAV)

\*Also a director of Brown Investment Advisory and Trust Company

# 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.

**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.

**Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk adjusted performance to a benchmark index.

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

Advent Portfolio Exchange® is a registered trademark of Advent Software, Inc.

The Bloomberg Barclays Municipal Bond 1-10 Year Blend Index consists of a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds with maturities of at least 1 year and less than 12 years. It is an unmanaged index representative of the tax-exempt bond market. 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. An investor cannot invest directly into an index.

BLOOMBERG is a trademark and service mark of Bloomberg Finance L.P., a Delaware limited partnership.

# National Municipal Bond Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Current 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	0.7	0.3	-0.1	2.5	2.4	134	0.3	883	30,417
2015	1.9	1.6	2.5	2.3	2.1	123	0.3	731	43,746
2014	5.7	5.4	4.7	2.4	2.2	45	0.5	415	44,772
2013	-1.1	-1.4	-0.3	2.5	2.5	24	0.4	283	40,739
2012	3.5	3.1	3.6	2.3	2.5	20	0.9	293	26,794
2011	6.8	6.5	7.6	3.4	3.2	9	0.8	48	19,962
2010	3.7	3.3	3.1	4.5	4.2	12	0.6	25	16,859
2009	8.6	8.3	7.2	4.4	3.9	12	0.7	31	N/A
2008	3.6	3.2	4.2	3.5	3.3	11	0.7	38	N/A
2007	4.5	4.2	4.8	1.9	1.8	8	0.2	25	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 National Municipal Bond Composite is comprised of all discretionary accounts with no material investment restrictions, which invest in tax-exempt fixed income securities of an intermediate target duration, and flexibility to invest in bonds from multiple states. 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 minimum account market value required for composite inclusion is \$2 million. Prior to October 2012 the name of this composite was Intermediate Municipal Bond (AMT-Free) Composite. The strategy remains the same except the maximum federal tax bracket requirement is relaxed. Prior to October 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 current benchmark is the Bloomberg Barclays Municipal Bond 1-10 Year Blend (1-12) Index. The Bloomberg Barclays Municipal Bond 1-10 Year Blend (1-12) Index consists of a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds with maturities of at least 1 year and less than 12 years. It is an unmanaged index representative of the tax-exempt bond market. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. An investor cannot invest directly into an index. 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.
- 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.