

Small-Cap Fundamental Value

STRATEGY FACT SHEET

Third Quarter 2018

WHY INVEST IN BROWN ADVISORY SMALL-CAP FUNDAMENTAL VALUE?

The strategy seeks to invest primarily in equity securities of small companies that we believe are mispriced relative to our assessment of their underlying value. Managers David Schuster and Michael Poggi believe, at times, the market price of a stock does not necessarily equate to a company's value. We focus on identifying companies that have sustainable free cash flow and management teams that demonstrate effective use of capital.

Our managers and investment team have backgrounds that support our unique research-intensive approach. Many members, of our investment team, including David, have extensive investment banking backgrounds. They seek to assess classic value-oriented opportunities or special business situations where the market is overlooking or mispricing a company's entire worth. These valuation gaps may provide a margin of safety and the potential for relative outperformance over the long term.

Portfolio Manager/Associate Portfolio Manager: J. David Schuster; Michael Poggi, CFA

Benchmark: Russell 2000® Value Index

STRATEGY PROFILE AS OF 09/30/2018

BENCHMARK

Russell 2000® Value Index

STRATEGY ASSETS

\$2.0 billion

VEHICLES AVAILABLE

Separately Managed Account (SMA)

Model Only

Mutual Fund

PERFORMANCE (% AS OF 09/30/2018)

	3 MOS.	YTD	1 YR.	3 YR.	5 YR.
Small-Cap Fundamental Value Composite (Gross of Fees)	3.67	6.77	11.72	15.72	11.10
Small-Cap Fundamental Value Composite (Net of Fees)	3.46	6.12	10.83	14.80	10.23
Russell 2000® Value Index	1.60	7.14	9.33	16.12	9.91

TOP 10 PORTFOLIO HOLDINGS %

Albany International Corp. CI A	4.7
Cash & Equivalents	3.9
Echostar Corp.	3.4
Simpson Manufacturing Co., Inc.	3.2
Extended Stay America, Inc.	3.1
Nexstar Media Group, Inc.	2.9
MRC Global, Inc.	2.6
McGrath RentCorp	2.6
Assurant, Inc.	2.4
Virtus Investment Partners, Inc.	2.4

SECTOR BREAKDOWN (%)

	REP. ACCT	INDEX
Communication Services	7.1	2.9
Consumer Discretionary	14.0	9.6
Consumer Staples	2.1	2.5
Energy	5.5	7.5
Financials	29.7	28.2
Health Care	3.0	5.0
Industrials	22.3	11.9
Information Technology	6.9	10.4
Materials	1.2	4.5
Real Estate	7.5	11.5
Utilities	0.8	6.0

CHARACTERISTICS AS OF 09/30/2018

	SMALL-CAP FUNDAMENTAL VALUE REP. ACCT.	RUSSELL 2000 VALUE INDEX
Weighted Avg. Market Cap.	\$2.6 B	\$2.1 B
Weighted Median Market Cap.	\$2.6 B	\$2.0 B
Earnings Growth (3-5 Yr. Est.)	10.4%	11.2%
P/E Ratio (FY2 Est.)	15.8x	13.9x
Portfolio Turnover (3 Yr. Avg.)	34.1%	--

PORTFOLIO MANAGER PROFILES

J. DAVID SCHUSTER

David Schuster is the portfolio manager for the Small-Cap Fundamental Value strategy. Prior to joining Brown Advisory in 2008, he was a managing director for the financial institutions mergers and acquisition advisory group of Citigroup and a managing director in the M&A practice of Lazard Freres. After graduating from college, David served as an officer in the United States Army. David earned his BSBA degree from Georgetown University in 1992.

MICHAEL W. POGGI, CFA

Michael Poggi is an associate portfolio manager and equity research analyst covering both the industrial and media/telecommunications sectors. He earned his BSBA degree from the University of Richmond in 2003.

Source: FactSet®. The portfolio information provided is based on a representative Brown Advisory Small-Cap Fundamental Value account as of 09/30/2018 and is provided as supplemental information. 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. Sector breakdown and portfolio characteristics exclude cash and equivalents; top 10 portfolio holdings exclude cash and equivalents. Composite performance is based on the Brown Advisory Small-Cap Fundamental Value Composite. Returns greater than one year are annualized. Past performance is not indicative of future results. Numbers may not total due to rounding. Please see the Brown Advisory Small-Cap Fundamental Value Composite performance disclosure on the reverse side for additional information and a complete list of terms and definitions. The composite performance shown above reflects the Small-Cap Fundamental Value Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this Fact Sheet 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 Small-Cap Fundamental Value

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	13.3	12.4	7.8	12.2	14.0	47	0.3	1,806	33,155
2016	23.4	22.4	31.7	13.0	15.5	46	0.3	1,660	30,417
2015	-4.6	-5.3	-7.5	12.3	13.5	45	0.2	1,186	43,746
2014	7.1	6.3	4.2	10.7	12.8	41	0.4	1,002	44,772
2013	42.0	41.0	34.5	14.1	15.8	32	0.3	693	40,739
2012	23.0	21.9	18.1	17.7	19.9	13	0.1	269	26,794
2011	2.9	1.9	-5.5	20.6	26.1	9	0.6	190	19,962
2010	28.3	26.7	24.5	NA	NA	Five or fewer	N/A	61	16,859
2009	25.7	24	20.6	NA	NA	Five or fewer	N/A	30	11,058

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 Small-Cap Fundamental Value Composite includes all discretionary portfolios invested in the Small Cap Fundamental Value Strategy. The strategy invests primarily in U.S. smaller market capitalization equities that generate high levels of free cash flow and are currently undervalued by the market. The minimum account market value required for composite inclusion is \$1.5 million.
- This composite was created in 2009.
- The benchmark is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value 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: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 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, 2009 and December 31, 2010 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 is not indicative of 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

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 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:** equals 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. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, 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. **Portfolio Turnover (3 yr. avg.)** 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. 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.