U.S. Small-Cap Blend Fund

QUARTERLY UPDATE

Brown ADVISORY
Thoughtful Investing.

Second Quarter 2017

Review & Outlook

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The U.S. Small-Cap Blend Fund aims to achieve capital appreciation through a combination of the Brown Advisory U.S. Small-Cap Growth and U.S. Small-Cap Value strategies. The allocation is currently 50%-50%. This is not a fund of funds. The Fund is diversified and style-agnostic making it more reflective of the broad U.S. small-cap universe.

U.S. SMALL-CAP GROWTH STRATEGY

The U.S. equity market is being driven by a number of forces and factors which propelled stocks higher once again. During the second quarter of 2017 our strategy kept pace with its primary benchmark, the Russell 2000® Growth Index, for the period, and it appears our risk-adjusted return so far in 2017 is reasonably solid as we keep one eye on absolute; and one eye on relative returns.

So, what are the factors moving the market? Clearly, the economy is performing well and earnings are chugging along just fine. But, while this is the headline, below the fold is a more interesting story. In a quasi self-reinforcing manner, extraordinarily easy monetary policy, the ascendency of index and exchange traded funds, the collapse in publicly listed companies, and the existential risk faced by active managers have moved equity valuations to ever increasing levels.

For almost a decade, The Federal Reserve and other global central banks have dramatically increased the supply of money – liquidity – in order to save and then support the global economy. An intended byproduct of such policies is the hoped for creation of a wealth effect – higher asset prices driving greater economic activity (i.e. consumption). At the same time and for a variety of reasons, despite much higher nominal levels of GDP, the number of listed companies in the U.S. has been roughly cut in half. Simply put, greater investment demand + lower public investment supply = higher prices. The Fed has engineered its wealth effect.

This increased investment demand is importantly accessing supply through emerging channels. Throughout history, the vast majority of investment decisions were made by human beings attempting to balance fundamentals, expectations and valuations to build a responsible portfolio for themselves or clients. While this certainly still occurs, machines have become the incremental investor, caring mostly about index construction and factors (i.e. market capitalization, momentum, volatility, etc.), and less about valuation and risk. Although many investors laud the attributes of passive investing, even a good thing can be taken too far.

As equity prices continue to drift higher and higher, and volatility lower and lower, the dividends paid to the remaining "active" human investors for valuation and risk management plummet. The outcome has become what many are viewing as an existential threat to human-based analysis and decision making.

What is the response of the remaining set of active managers? Rightly believing that their careers are at risk, many of those still occupying their desk chairs have concluded that owning anything that is "not working" is unacceptable. Thus, both passive and active managers over time continue to buy a similar list of securities, driving their prices ever higher. This is dangerous territory. Instead of asking if they are getting good value, managers are asking if their investment is going to continue "working" this quarter. When managers fear the loss of their seat in the short term, the motivation to think about the long term fades quickly, so in short, many of them are simply selling what is going down and buying what is going up.

PERFORMANCE (%)

	RETURNS NET OF FEES*	RUSSELL 2000® INDEX
3 Mos.	3.1	2.5
1 YR	17.8	24.6
3 YR	8.3	7.4
ITD (8 Jul 2013)	10.3	10.4

*U.S. Small-Cap Blend Fund B USD share class net of fees.

CHARACTERISTICS

	SMALL-CAP BLEND FUND	RUSSELL 2000® INDEX
P/E Ratio (FY2 Est.)	20.0x	17.1x
Earnings Growth 3-5 YR Estimate	15.2%	11.6%
Weighted Avg. Market Cap.	$4.0 B	$2.0 B
Weighted Median Market Cap.	$2.9 B	$1.9 B
PEG Ratio	1.3x	1.5x

TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Waste Connections, Inc.	2.5
Albany International Corp. Class A	2.3
EchoStar Corporation Class A	2.2
Broadridge Financial Solutions, Inc.	2.1
Synovus Financial Corp.	1.9
Forest City Realty Trust Inc Class A	1.7
Core-Mark Holding Company, Inc.	1.7
Charles River Laboratories Intl., Inc.	1.6
MAXIMUS, Inc.	1.6
Bright Horizons Family Solutions, Inc.	1.5
TOTAL	**19.1**

We are certainly not immune from these natural behavioral triggers. However, we rely on our philosophical underpinnings to guide us through short-term temptations, and we focus our time and attention on generating solid risk-adjusted returns through the long-term power of compounding. We take comfort in our results over the last decade; our process, rooted firmly in fundamental research, has worked, and we trust it will continue to work over time. We are also comforted by the mindset of our clients; they broadly share our long-term focus and that gives us a very strong foundation for making the right decisions on their behalf. We believe that our philosophy can generate excellent results over time, but it takes a sufficient scale and runway to practice that philosophy, and our clients provide us with both.

For the first half of the year, the strategy has continued to vacillate from slight outperformance to slight underperformance. We see a number of reasons why we may begin to see more tailwinds for our approach vs. the headwinds of recent years, but we know that a laser focus on execution—building our investment pipeline, exercising careful due diligence and engaging in robust debate about our ideas—will be the key to success moving forward.

In sum we believe that, valuations are high, volatility will come, and we hope to leverage the hard work of our team to use it to our advantage.

U.S. SMALL-CAP VALUE STRATEGY

During the second quarter of 2017, small-cap value stocks continued to underperform both small-cap growth stocks and the broader market on a relative basis, despite generally decent reported results. While investors have grown increasingly concerned about a lack of progress on tax and other policy efforts in Washington, these have been overshadowed by a weakening oil price and a flattening yield curve. Small-cap value ETF outflows accelerated during the second quarter and represented approximately 20% of the inflows those ETFs received during the fourth quarter of 2016.

During the quarter, our strategy generated a decent absolute return and outperformed relative to its benchmark, the Russell 2000® Value Index. April returns were more or less flat both on an absolute and relative basis. During May, the Index was down 3.1% and then rebounded 3.5% in June. We generated most of our outperformance during May and were able to slightly outperform the Index in June.

The most notable sector during the quarter was energy, which declined more than 20%. As oil prices slid, small-cap exploration and production companies fell meaningfully, especially those with levered balance sheets. Amazingly, the market participants continued to grow production budgets, fueled by a seemingly never-ending supply of capital. Energy was a positive contributor to our strategy's results and was our single largest source of alpha during the quarter. Within the energy sector, we made one new investment in an entity that recently emerged from bankruptcy. Our industrial investments were also a positive contributor due to individual company results.

Consumer discretionary was our worst-performing sector for the quarter. This was partially due to one company-specific performance issue with exposure to mall traffic. Nexstar was another poor performer, impacted by concern that it would acquire one of its sizable competitors. Financials were also a material detractor. The biggest detractor within financials was Capital Bank Financial Corp., after an announcement was made regarding its potential acquisition. Its shares had been up in the previous quarter based on merger & acquisition rumors. Unfortunately, the premium announced in the stock-for-stock transaction was modest and, more damaging, the shares of the acquiring company fell on the announcement.

In addition to our new energy investment, we also made an investment in a specialty insurance company. As we were building our position, M&A rumors drove its share price up before we could build out our full position. A final addition to the portfolio was Cars.com, which was spun out of Tegna as anticipated.

We sold our small investment in Green Plains, as it had reached our target price and had achieved a solid total return from both its share price appreciation and sizable quarterly dividend payments. Air Methods' announced sale to private equity also closed early in the quarter.

During the quarter, small-cap shares were impacted by a number of macroeconomic factors and the resulting ETF flows that seemed to rapidly follow. While we are aware of the potential positive and negative impacts that these may have, we remain focused on the current and prospective cash flows of each of our individual investments.

Sector Diversification

- Our energy names performed well during the quarter. We also made a new purchase in the space, Linn Energy, increasing the weighting as of the end of the quarter.
- Within information technology, we received a new position in Cars.com after it was spun off from Tegna, a current portfolio holding.
- Our overweight in industrials stems mostly from Waste Connections, our largest holding, although we believe our holdings are less cyclical than the benchmark's.

SECTOR	U.S. SMALL-CAP BLEND FUND (%)	RUSSELL 2000® INDEX (%)	DIFFERENCE (%)	U.S. SMALL-CAP BLEND FUND (%)	
	Q2 '17	Q2 '17	Q2 '17	Q1 '17	Q2 '16
Consumer Discretionary	14.99	12.59	2.39	15.29	14.65
Consumer Staples	2.33	2.68	-0.35	2.09	2.37
Energy	1.20	3.28	-2.07	0.93	1.38
Financials	15.66	18.16	-2.50	16.39	16.24
Health Care	9.75	15.05	-5.30	9.95	10.46
Industrials	21.04	14.87	6.18	20.41	17.39
Information Technology	24.02	16.94	7.08	23.82	26.14
Materials	3.02	4.41	-1.39	3.31	4.45
Real Estate	4.88	7.50	-2.61	4.49	3.65
Telecom. Services	2.84	0.86	1.97	3.09	3.24
Utilities	0.25	3.66	-3.41	0.21	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- We saw outperformance in numerous sectors during the second quarter. Energy, industrials, information technology, real estate, health care, utilities and materials all outperformed the benchmark.
- We saw underperformance in consumer discretionary, financials, materials, and telecommunications.

SECTOR	U.S. SMALL-CAP BLEND FUND		RUSSELL 2000® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	15.28	-1.03	12.48	2.79	0.02	-0.60	-0.58
Consumer Staples	2.02	-4.27	2.84	-4.42	0.06	0.00	0.06
Energy	0.94	6.94	2.66	-20.24	0.41	0.27	0.68
Financials	15.81	-0.53	19.04	0.84	0.08	-0.23	-0.14
Health Care	9.91	8.98	13.25	8.91	-0.20	0.02	-0.18
Industrials	20.85	7.39	14.63	2.30	-0.02	1.03	1.01
Information Technology	24.16	6.30	17.66	4.11	0.12	0.50	0.61
Materials	3.06	-1.85	4.92	-0.61	0.07	-0.04	0.03
Real Estate	4.75	6.25	7.98	3.33	-0.03	0.13	0.10
Telecom. Services	2.97	-3.75	0.80	14.86	0.30	-0.58	-0.28
Utilities	0.23	19.21	3.75	2.84	-0.01	0.04	0.02
Total	**100.00**	**3.80**	**100.00**	**2.46**	**0.80**	**0.53**	**1.33**

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- **Albany** performed well during the quarter after the company reported first-quarter results in line with expectations. While near-term prospects remain favorable, management also commented on the earnings call that the low end of their 2020 revenue guidance for the Engineered Composites business could be conservative given the current pipeline of new business development.
- **Catalent** gained after the company released positive third-quarter results and reported that each of its segments were performing well.
- **Medidata** moved higher on strong first-quarter earnings and announcements highlighting new customer wins.
- **Waste Connections**, a long-term holding in the portfolio, showed solid momentum. Positive highlights include its financially attractive acquisition of Progressive Waste and its ability to benefit from a solid economic backdrop.
- **Liberty TripAdvisor** is still integrating its relatively new Instant Booking functionality on its website. The functionality will create greater long-term optionality, but the integration is producing near-term disruption and uncertainty.
- **Cavium** pulled back with the broader semiconductor space, and over concerns about AMD's potential entrance into the ARM data-center market. We will monitor the latter to see if the concern is warranted.
- In May, First Horizon National (FHN) announced the acquisition of **Capital Bank (CBF)** in an 80% stock / 20% cash deal. The deal was done at a minimal premium to CBF's share price, which, along with subsequent weakness in FHN stock, led to a decline in CBF shares.
- Shares of **Altisource Residential** fell following news that the North Carolina Commissioner of Banks, along with mortgage regulators from 20 states, had issued Cease-and-Desist orders to Ocwen Financial (OCN). While Altisource no longer utilizes Ocwen for non-performing loan servicing, Ocwen does account for more than half of revenues at RESI's property manager, Altisource Portfolio Solutions.
- **Nexstar** fell on investor fears that it would make a large broadcast acquisition. Management reiterated to us that any acquisition would have to produce materially better economics than repurchasing the company's own stock. Given that its stock currently produces a free cash flow yield in excess of 15%, we think a very large scale acquisition is unlikely at these prices.

U.S. SMALL-CAP BLEND FUND TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
AIN	Albany International Corp. Class A	2.24	16.36	0.35
CTLT	Catalent Inc.	1.39	23.94	0.31
MDSO	Medidata Solutions, Inc.	0.90	35.55	0.28
WCN	Waste Connections, Inc.	2.74	9.75	0.27
BR	Broadridge Financial Solutions, Inc.	2.25	11.69	0.26
U.S. SMALL-CAP BLEND FUND BOTTOM FIVE CONTRIBUTORS				
LTRPA	Liberty TripAdvisor Holdings Inc. Class A	1.63	-17.73	-0.33
CAVM	Cavium, Inc.	1.46	-13.30	-0.19
CBF	Capital Bank Financial Corp. Class A	1.09	-11.96	-0.18
RESI	Altisource Residential Corp. Class B	0.97	-14.18	-0.15
NXST	Nexstar Media Group, Inc. Class A	0.92	-14.34	-0.14

Quarterly Portfolio Activity

- **Appian Corp** is a provider of business process management (BPM) solutions. Its low-code software enables rapid and more cost-effective custom application development, and may be on the cusp of broader adoption as more applications move to the "cloud".
- **BWX Technologies** is a leading supplier of nuclear components and fuel to the U.S. government. It also provides technical, management and site services to support governments in the operation of complex facilities and environmental remediation activities, and it supplies precision manufactured components and services for the commercial nuclear power industry. The company is largely a sole source supplier to the U.S. for critical defense force structure needs. We believe that BWX has a large moat that protects its long-term profit generation potential.
- **Cars.com** was spun out of Tegna, a current investment. Cars.com sells subscriptions to auto dealers to list lot inventory on its website. With 75% of the website's traffic coming from organic sources and high incremental margins on upsells of additional products to dealers, we like the free-cash-flow characteristics of the business.
- **Carvana** is an e-commerce platform for buying used cars. The e-commerce model is potentially very disruptive to the current auto market, given its potential to deliver a superior experience in terms of convenience, seamless transactions and customer service.
- **Habit Restaurants, Inc.** owns and operates The Habit Burger Grill, which prepares made-to-order burgers and sandwiches. We believe that it possesses ample room for new unit expansion, broad demographic appeal, a compelling value proposition and strong unit economics. We think its valuation can rise from its current level as this experienced management team continues to execute its growth strategy.
- **Linn Energy** successfully reemerged from bankruptcy on February 28th of this year with a dramatically improved capital structure and liquidity profile. The distressed bond investors converted their debt for equity and now own 55% of the outstanding shares and control the board. Since reemerging, the company has sold four properties with net proceeds of over $1 billion (paying down all remaining debt), while three more properties are actively being marketed. We expect the new board to continue to maximize the value of Linn's diverse portfolio of assets through joint ventures, partnerships or outright sales. The recent announced partnership with Citizen Energy to form "Roan Resources" as a SCOOP/STACK/Merge pure play with sizable scale and a debt-free balance sheet is a meaningful step to realizing that value. This transaction not only helps to unlock the value of Linn's acreage in the region, but it also de-risks the capex and free cash flow profile of the remaining Linn assets. Even when assigning conservative multiples to Linn's interest in the new Roan entity, we believe we are purchasing the remaining Linn assets at a sizable discount to its peers and its sum of the parts analysis. Outside of the three properties currently being marketed, the board has various other assets (including near-completed Chisolm Midstream assets and Hugoton acreage) that could unlock tangible value for shareholders in the right transaction. Lastly, we believe that Linn provides a highly differentiated investment opportunity within small-cap energy (especially in exploration and production) given the company's debt-free balance sheet ($140 million net cash), recently upsized share repurchase program ($110 million authorization), and the board's relentless focus on asset sales/cash generation during a time when the vast majority of its peers are outspending their annual cash flow.

U.S. SMALL-CAP BLEND FUND PORTFOLIO ACTIVITY

ADDITIONS		SECTOR
APPN	Appian Corporation Class A	Information Technology
BWXT	BWX Technologies, Inc.	Industrials
CARS	Cars.com, Inc.	Information Technology
CVNA	Carvana Co. Class A	Consumer Discretionary
HABT	Habit Restaurants, Inc. Class A	Consumer Discretionary
LNGG	Linn Energy, Inc. Class A	Energy
SNC	State National Cos., Inc.	Financials
DELETIONS		**SECTOR**
AIRM	Air Methods Corporation	Health Care
GPP	Green Plains Partners LP	Energy
PEGA	Pegasystems Inc.	Information Technology
SNCR	Synchronoss Technologies, Inc.	Information Technology

- **State National Company** is an attractive and differentiated insurance franchise trading at a discount to peers. The company benefits from a profitable fronting business that provides an attractive stream of fee income with little underwriting risk, as well as a lender-placed / collateral protection insurance business that is short-tail, low-limit and predictable in nature which makes it less susceptible to reserve development than other non-standard players. Our analysis suggests that the company could post full-year EPS of up to $1.29, nearly 10% higher than the current guidance mid-point. Furthermore, two new relationships announced in May could add another 6 cents to 2017 EPS and up to 15 cents run-rate (12% accretion). While certain key client risks do exist, we believe a combination of organic growth and new relationships (similar to those announced in May) should offset the majority of the expected attrition, ultimately reducing an overhang on the stock. With roughly a quarter of the shares owned by founding family members and private equity funds, a history of capital return and with the stock trading at a discount to peers (despite a premium franchise with more stability in earnings), we find the shares attractive.
- **Air Methods** completed its announced sale to private equity firm American Securities.
- We sold **Green Plains,** as it had reached our target price and achieved an attractive total return from price appreciation and its sizable quarterly dividend.
- **Pegasystems** was sold due to high valuation.
- **Synchronoss** reported its intention to move away from its traditional activation business, and into the enterprise segment via the acquisition of Intralinks. After analyzing the transaction and management's commentary about the deal, we sold our position.

Disclosures

For institutional investors and professional clients only.

Performance data relates to the Brown Advisory U.S. Small-Cap Blend Fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance and you may not get back the amount invested. Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. This review is issued by Brown Advisory Limited, authorised and regulated by the Financial Conduct Authority. This is not an invitation to subscribe and is by way of information only.

Cancellation rights do not apply and UK regulatory complaints and compensation arrangements may not apply. This is not intended as investment advice. Investment decisions should not be made on the basis of this Review. You should read the Fund's prospectus in full to understand the features and risks associated with this Fund. The Fund's prospectus and Key Investor Information Document are available by calling 020 3301 8130 or visiting the Fund website.

Brown Advisory U.S. Small-Cap Blend Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2011 as may be amended, supplemented or consolidated from time to time) and a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. The Fund is managed by Brown Advisory LLC.

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The benchmark is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure that larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000® Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment and is completely reconstituted annually. The Russell 2000® Growth Index is a trademark/service mark of the Frank Russell Company. 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 that new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. 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 portfolio information provided is based on the Brown Advisory U.S. Small-Cap Blend Fund and is provided as supplemental information. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and attribution excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding. Please see composite disclosure statements above for additional information.

Terms and Definitions for Representative Account Calculations

Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Russell® is a service mark and trademark related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. **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. **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 brokerage firms, calculated according to each broker's methodology. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average**: 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. **P/E / Growth Ratio**, or **PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. **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. 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. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. 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. **Allocation Effect:** Measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect:** Reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions, i.e. did we overweight the sectors in which we underperformed. **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report. Totals may not equal due to rounding.