

Tax-Exempt Sustainable Fixed Income

STRATEGY FACT SHEET

Second Quarter 2018

PHILOSOPHY

The Brown Advisory Tax-Exempt Sustainable Fixed Income team believes that an actively managed portfolio of tax-exempt bonds, constructed through a combination of fundamental analysis and ESG research, has the potential to deliver attractive after-tax returns over time while maintaining a core stability of principal. We believe that our sustainable investment approach strengthens our fundamental research, and helps us identify bonds that fund projects with a positive environmental impact.

STRATEGY INCEPTION DATE: 09/30/2014

IMPACT FACTORS

Affordable Housing: Aiding low-and moderate- income families

Clean Energy: Investing in projecting that develop, build or provide renewable energy

Clean Water & Sanitation: Solving critical water quality and sanitation problems

Diversity, Inclusion & Equality: Driving racial and gender equality and improving minority populations

Economic Mobility & Community Development: Supporting community economic development and improving quality of life

Education: Supporting schools, especially those in underserved areas that eliminate barriers to education

Efficient Production and Conservation: Enhancing company operations through resource efficiency, renewable energy use, recycling and smart logistics

Food, Water & Sustainable Agriculture: Healthier, safer and more responsible farming and food production

Health & Wellness: Promoting health and well-being and providing access to health care services

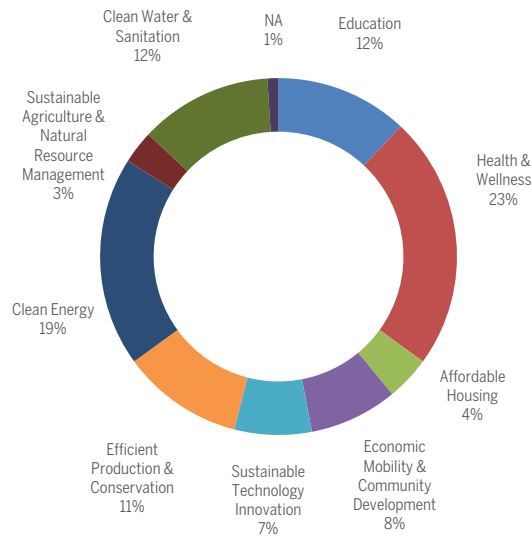
Innovative Technologies & Climate Awareness: Support eco-friendly technologies

Multi Sector: Bonds that finance a range of projects across one or more themes

Sustainable Agriculture & Natural Resource Management: Engaging in sustainable farming and natural resource management, ensuring long-term ecosystem productivity

Sustainable Technology Innovation: Producing innovative products and services that help solve critical sustainability needs

IMPACT ANALYSIS²



PORTFOLIO CHARACTERISTICS²

	REP. ACCOUNT	BLOOMBERG BARCLAYS MUNI BOND 1-10YR BLEND INDEX
Avg. Credit Quality	Aa3	AA2/AA3
Effective Duration (years)	3.9	4.0
Yield to Worst (%)	2.5	2.2
Avg. Life (years)	5.0	5.8

SECTOR BREAKDOWN (%)²

	REP. ACCOUNT	BLOOMBERG BARCLAYS MUNI BOND 1-10YR BLEND INDEX
Cash & Equivalents	0.6	--
Muni - Revenue	71.5	54.5
Muni - Pre-Refunded	5.7	12.7
Muni - ARS	11.7	--
Muni - GO	10.5	32.7

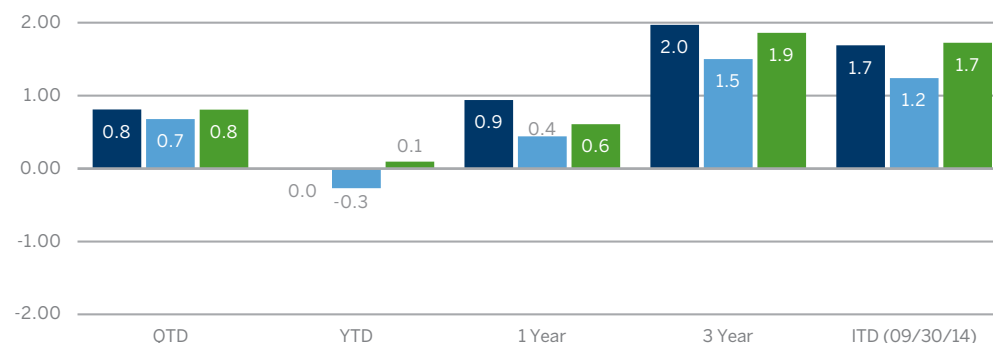
QUALITY DISTRIBUTION (%)²

	REP. ACCOUNT	BLOOMBERG BARCLAYS MUNI BOND 1-10YR BLEND INDEX
AAA/Aaa	11.1	24.3
AA/Aa	56.0	53.2
A	21.2	17.3
BBB/Baa	9.6	3.9
High Yield	--	--
Other	2.1	1.3

DURATION DISTRIBUTION (%)²

	REP. ACCOUNT	BLOOMBERG BARCLAYS MUNI BOND 1-10YR BLEND INDEX
Less than 1 Year	15.2	6.5
1 to 3 Years	22.9	30.2
3 to 5 Years	22.0	28.7
5 to 7 Years	33.5	24.0
7 to 10 Years	6.4	10.2
Greater than 10 years	--	0.4

PERFORMANCE (AS OF 06/30/2018)¹



■ Brown Advisory Tax-Exempt Sustainable Fixed Income Composite Gross Returns
■ Brown Advisory Tax-Exempt Sustainable Fixed Income Composite Net Returns
■ Bloomberg Barclays Municipal Bond 1-10 Year Blend Index

Notes:

- Source: FactSet®. Returns shown are through 06/30/2018 for each period. All returns greater than one year are annualized. Past performance is not indicative of future results.
- Source: FactSet®. The portfolio information on the right is based on a representative Tax-Exempt Sustainable Fixed Income account and is provided as supplemental information. Portfolio level information includes cash and cash equivalents. Fixed income sectors, quality distribution and duration distribution may not total 100% due to rounding.
- The composite performance shown above reflects the Tax-Exempt Sustainable Fixed Income 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 reverse side for a GIPS compliant presentation and complete list of terms and definitions.

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 fixed income strategies built from a foundation of stability coupled with fundamental credit research can seek to generate alpha and control risk. We have a culture and firm equity ownership structure that attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

INSTITUTIONAL AND INVESTMENT CONSULTANT SALES

Christopher Fearey
cfearey@brownadvisory.com
(410) 537-5549

FINANCIAL INTERMEDIARIES

Matt Pedicino
mpedicino@brownadvisory.com
(443) 873-5252

ENDOWMENTS AND FOUNDATIONS

Doug Godine
dgodine@brownadvisory.com
(410) 537-5585

Brown Advisory Tax-Exempt Sustainable 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)	Firm Assets (\$USD Millions)
2017	3.7	3.2	3.5	2.4	2.5	10	0.4	41	33,155
2016	-0.1	-0.5	-0.1	N/A	N/A	1	N/A	29	30,417
2015	2.1	1.7	2.5	N/A	N/A	1	N/A	7	43,746
2014*	0.8	0.7	0.6	N/A	N/A	1	N/A	7	44,772

*Return is for period October 1, 2014 through December 31, 2014.

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.

1. *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.
2. The Tax-Exempt Sustainable 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. Bonds in composite accounts are evaluated according to a variety of environmental, social and governance factors. These factors are used by the portfolio manager to seek holdings with attractive ESG risk profiles and or bonds whose uses of proceeds meet the standards of the Green Bond Principles. ESG factors are not used for the purposes of absolute negative screening in composite accounts. The minimum account market value required for composite inclusion is \$250,000. Prior to July, 2017 the minimum account market value required for composite inclusion was \$1 million.
3. This composite was defined and initially created on May 1, 2016.
4. 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 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. An investor cannot invest directly into an index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC.
5. 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.
6. 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.
7. 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, 2014, December 31, 2015 and December 31, 2016, because 36 month returns for the composite were not available (N/A) because the composite did not exist.
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
10. Past performance does not indicate future results.
11. 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.
12. 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.
13. Duration is a measure of interest rate risk.

Terms and Definitions for Representative Account Calculations

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 average 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. BondEdge® is a registered trademark of BondEdge Solutions LLC.