Brown ADVISORY
Thoughtful Investing.

2020

SUSTAINABLE CORE FIXED INCOME STRATEGY

IMPACT REPORT

TABLE OF CONTENTS

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

At Brown Advisory, we are deeply committed to sustainable investing. Our firm managed more than $16 billion* in client assets under various sustainable investment mandates for individuals, families and institutions, as of Dec. 31, 2020. We firmly believe that there does not have to be a trade-off between strong performance and smart investments that help address society's trickiest sustainability challenges.

For a number of our sustainable investment strategies, we issue formal reports each year to keep clients informed about how those strategies are generating positive impact. Enclosed is our 2020 Impact Report for the Sustainable Core Fixed Income strategy.

This report includes a review of how we conduct and use ESG research, and how the investments in our portfolio are creating positive environmental and social outcomes—with a particular focus on racial injustice and the COVID-19 pandemic, two momentous challenges at the forefront of our minds in 2020. We also discuss how we engage with issuers—sometimes for ESG due diligence and impact purposes, other times in an advisory capacity with issuers seeking guidance on structuring labeled bond offerings—and how we participate in the broader sustainable investing community.

We are pleased to report continued progress and advancement of our sustainable investment initiatives at the firm. To support our growth, we named Carey Taylor as the new head of the sustainable investing business at the firm, and also added Angela Wilson and Danny Trocchia as new ESG research analysts and Sarah Yang as a new sustainable investing business analyst. We published policy documents covering our institutional approach to sustainable investing and engagement, as well as a summary document that describes our firm's formal proxy voting policy. We remain focused on developing helpful client-focused reporting, with recent developments including impact reporting tools for our fixed income strategies and for our private client portfolios.

As always, we thank our fundamental and ESG research teams, who work tirelessly to ensure that our investment decisions are informed by trustworthy ESG data, and by clear viewpoints about what we can infer from that data. Additionally, we thank all of our colleagues across the firm for embracing sustainable investing principles so enthusiastically, and most importantly our clients for entrusting us with their capital.

We hope you find this report informative, and we welcome a conversation with you about the work we are doing.

Sincerely,

Thomas D. D. Graff

Tom Graff, CFA
Portfolio Manager

Amy Hauter

Amy Hauter, CFA
Portfolio Manager

*Brown Advisory entities included are: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd. and Brown Advisory Trust Company of Delaware, LLC.

INVESTMENT PHILOSOPHY & RESEARCH APPROACH

There is a growing belief that government and philanthropic sources of capital will likely fall far short of what is needed in the coming decades to solve the most pressing social and environmental challenges of our time. Hence, many investors are increasingly eager to find ways to generate positive impact through their investments, motivated by not only a desire to align their investments with their values but also a pragmatic aspiration to make a tangible, measurable difference in society with their capital.

At Brown Advisory, we believe we can play a valuable role in helping our clients generate positive impact. In our security selection process, we seek to integrate environmental/social/governance (ESG) research, fundamental research and careful examination of how bonds' proceeds will be used. This allows our clients to simultaneously pursue their long-term investment goals and their goals for driving meaningful changes in society.

We find that sustainable investing principles are especially well-suited for fixed income investing. From a performance standpoint, understanding downside risk is a primary goal of both ESG research and fundamental credit research. Moreover, fixed income securities in similar sectors with similar durations and credit ratings tend to have a high return correlation—meaning that all else being equal, a labeled green bond, a labeled sustainability bond and a bond offering minimal impact should produce the same financial results. And from an impact standpoint, bond issuers often can offer investors a high degree of clarity regarding use of proceeds, so those investors can essentially lend money to an issuer and see with reasonable transparency what is being done with that money. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles, have further enhanced this transparency regarding use of proceeds.

OBJECTIVES & INVESTMENT PROCESS

The strategy's return objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over a full market cycle. Our impact objective is not as easy to measure, but it is equally clear to us. **We seek to invest primarily in bonds that produce positive social and environmental impact through the specific use of the bond's proceeds as well as the general activities of the issuer.** Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our approach to sustainable investing can enhance our returns by steering us to responsible and forward-thinking issuers.

We seek to conduct fundamental and ESG research within a single, unified due diligence process, which helps ensure that impact and ESG considerations are a core part of our investment thesis. Our ESG research approach involves both quantitative and qualitative analysis, and is supported by a proprietary ESG rating framework we use to stratify issuer risk. (For more information on Brown Advisory's ESG research approach, please review our firm's Sustainable Investing Policy, found on our website.) When possible, our ESG research team incorporates third-party data into the analysis, though this remains just one component of the process. Because we often invest with fixed income issuers and asset classes that are not currently covered by ESG data providers, we rely heavily on our ESG research team's deep due diligence.

This process helps us identify bonds and issuers that are capitalizing on sustainable business opportunities, which helps us avoid major ESG risks and manage those risks with prudence and focus. We have also found that this integrated approach has a positive influence on our investment decision-making. Our process gives us a better understanding of an issuer's ESG profile and its intended use of proceeds, and we believe this knowledge helps us allocate capital to bonds with a higher likelihood of producing desirable returns.

INTEGRATING FUNDAMENTAL AND ESG RESEARCH

Our investment process seeks to place equal emphasis on fundamental research and ESG research. When we are confident that a security meets and exceeds our requirements on both fronts, then and only then do we invest.

Issuer Analysis

- Determine business drivers/ key risks via financial statement analysis
- Understand structural considerations via detailed reading of indentures

Financial Modeling

- Build detailed financial model for each issuer
- Quantify free cash flow and its sustainability
- Develop downside scenarios

Macroeconomic Dynamics

- Understand competitive and economic factors
- Develop "through-the-cycle" analysis to test resiliency

ATTRACTIVE INVESTMENT

Sector and Thematic Research

- Identify sector-level ESG risks and opportunities
- Understand best practices in the sector
- Track sector trends

Proprietary ESG Assessment

- Analyze potentially material ESG risk factors, and assess issuer's ability to manage those risks
- Evaluate sustainable merits of issuer's operations and/or offerings
- Rate ESG risk and opportunity using proprietary framework
- Evaluate specific use of proceeds of the bond, and ensure adherence to ICMA Principles for labeled bonds

Engagement

- Probe quality and depth of sustainable initiatives
- Address controversies
- Assess intent and capacity if issuer has attested to impactful use of proceeds

PORTFOLIO-LEVEL IMPACT ANALYSIS: DIVERSIFICATION BY THEME, SOURCE AND SECTOR

A primary goal of the strategy is to provide a *diversified approach to impact.* We believe that this approach helps our portfolio drive progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by impact themes illustrates the variety of issues and causes that our holdings are seeking to address through their use of proceeds and/or general business strategies and practices. As shown on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment, health and well-being, and economic development/social inclusion—each with several subcategories. (We also are invested in a small number of bonds that fund projects spanning many impact categories; we refer to these as "multisector" bonds.)

Categorizing each security's impact is not an exact science—our research is based on both objective data and subjective analysis, and many securities produce impact on multiple fronts.

DIVERSIFICATION BY IMPACT SOURCE

We also seek to diversify the strategy by "impact source"—by this, we mean the manner in which a given bond generates impact, whether from the projects funded by the bond's proceeds, the general activities of the issuer or a combination of both (see chart on page 8).

As we've discussed in this report, many of our bonds generate impact by deploying proceeds on specific social and environmental initiatives. A growing number of these bonds are being issued as "labeled" green, social or sustainability bonds, and follow the principles outlined formally by the ICMA that allow them to carry a clear label that attests to the bond's legitimacy and quality as an impact investment.

We also find through our research many bonds that aren't issued under the ICMA Principles but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabeled bonds as "targeted use of proceeds" bonds.

As of Dec. 31, 2020, 55% of the portfolio was invested in labeled and unlabeled bonds whose proceeds are being deployed on projects and initiatives that produce positive environmental or social impacts.

The rest of the portfolio is primarily invested in bonds from "impactful issuers," or issuers that we believe are generating environmental or social impacts within their general operations or offerings.

DIVERSIFICATION BY FIXED INCOME SECTOR

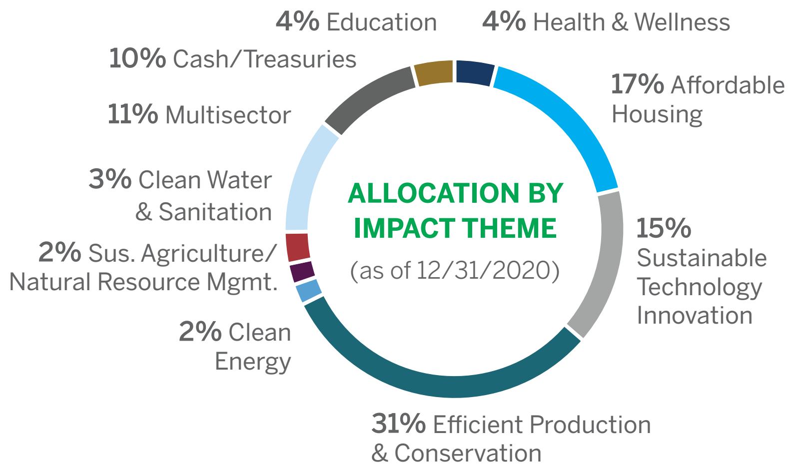
Finally, we seek to diversify the strategy's portfolio from a fundamental as well as an impact standpoint. As shown on page 9, the portfolio covered a range of traditional fixed income sectors as of the end of 2020—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on our ongoing assessment of fixed income markets).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. The taxable municipal space alone offers a healthy mix of bonds that fund education, health care, clean energy, water, community development and other initiatives. Corporate bonds are being used more and more often to fund clean energy and green building projects, and the mortgage market is, in our view, an excellent source of bonds that support affordable housing. We are currently invested in a wide range of corporate bonds from companies we consider to be leaders in their industries with regard to ESG. In short, we find that our focus on general portfolio diversification naturally increases the range of issues and causes that the strategy addresses from an impact perspective.

Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION BY IMPACT THEME

As of this report, the portfolio's investments are generating positive activity across the impact spectrum. While we do not target any particular impact mix, we have found ample opportunity in the areas of affordable housing, as well as investments that help to improve energy and resource efficiency.



IMPACT DIVERSIFICATION ACROSS THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Sustainable Development Goals, were established in 2015 by the United Nations General Assembly, as a "blueprint to achieve a better and more sustainable future for all." The SDGs, as they are known, have become a common framework for categorizing projects and investments that seek to generate positive societal impact.

Our impact themes are broadly aligned with the U.N. Sustainable Development Goals. We choose to use our own categorization scheme for reporting our "impact theme allocation," primarily because the U.N. categories are highly interdependent, and any given investment may produce impact in many different SDG categories. As such, we use a categorization scheme with fewer, more distinct categories that we feel are better suited for portfolio allocation reporting.

The mapping between our themes and the SDGs is depicted in the graphic to the right.

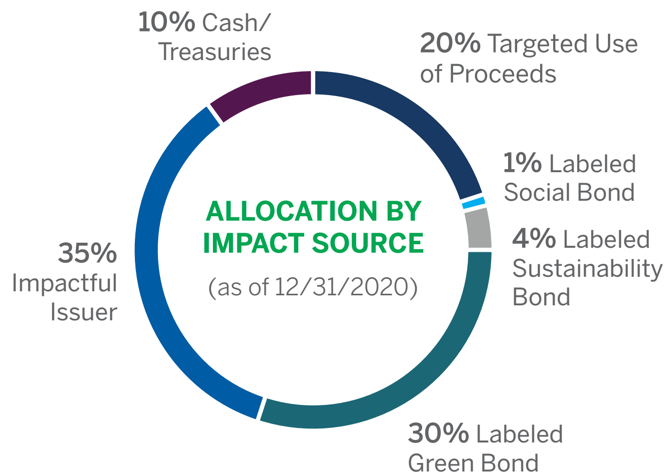
Economic Development & Social Inclusion	
Affordable housing	1, 10, 11
Economic mobility & community development	1, 2, 4, 8, 10, 11, 16
Education	4, 8, 10
Diversity, inclusion, equality	5, 10, 16
Health & Well-Being	
Health & wellness	2, 3
Clean water & sanitation	3, 6, 9, 14, 15
Environment	
Sustainable technology innovation	7, 9, 11, 13
Efficient production & conservation	7, 9, 12, 13, 14, 15
Clean energy	7, 9, 13
Sustainable agriculture/ natural resource management	2, 3, 12, 13, 14, 15

Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION AND CASE STUDIES BY IMPACT SOURCE

The bonds in our portfolio generate impact in several different ways. Some create impact via the projects funded by those bonds, while others do so via the general conduct and activities of the issuer. As of Dec. 31, 2020, the portfolio's investments were fairly evenly split across these categories:

- Labeled green, social or sustainability bonds whose proceeds are funding specific environmental and/or social projects in adherence with the ICMA Principles. The bulk of our labeled investments are in labeled green bonds but we are building allocations in social and sustainability labeled bonds as well.
- "Targeted use of proceeds" bonds that are not officially labeled but are funding environmental or social projects that meet our criteria for investment.
- Bonds from "impactful issuers" that we believe are generating environmental or social impacts through their products, services and business activities.



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding.

LABELED BOND CASE STUDY: CENTURY HOUSING SUSTAINABILITY BOND

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Labeled Sustainability Bond	Taxable Municipal	Affordable Housing	

Century Housing specializes in financing for affordable multifamily housing in California. It bridges the financing gap early in these projects, before developers can receive funding from low-income housing tax credits (to even apply for LIHTC funding, developers must already control the development site). Few lenders provide this financing, which creates a compelling opportunity for Century. Its loan portfolios generally provide a highly favorable mix of attractive return and fairly short weighted-average maturities, in comparison to typical longer-term mortgage portfolios.

Since 1995, Century has deployed more than $2 billion in impact-oriented loans, creating more than 45,000 units of affordable housing in 29 counties as of the end of 2020. Century has strong relationships with its borrowers (78% of outstanding loans are to repeat borrowers), which in our view helps it to mitigate risk while also playing a helpful long-term role that supports affordable housing broadly in the state.

Use of Proceeds: 100% of proceeds from Century's labeled sustainability bond will finance loans for the development of affordable multifamily housing units in California, many of which also have positive environmental characteristics and further reduce emissions via proximity of the units to public transportation options.

46%
Century financed 4,278 apartment homes in 2019, which were affordable, on average, for residents earning less than 46% of area median income.

78%
Percentage of outstanding loans to repeat borrowers—evidence of Century's long-term partnerships with affordable housing developers.

Source: Brown Advisory research and Century Housing. Sectors are based on Bloomberg's classification system. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

TARGETED USE OF PROCEEDS CASE STUDY: CNH INDUSTRIAL

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Targeted Use of Proceeds	Asset-Backed Securities (ABS)	Sustainable Agr. & Natural Resource Mgmt.	

To address hunger globally, we need farms to increase yields while reducing inputs. CNH's agricultural equipment helps farmers do just that, through connectivity and automation technologies and use of alternative fuels. By 2022, CNH aims to help customers increase field productivity by up to 25% compared to 2015.

Further, CNH has made efforts to improve the sustainability of its own operations; results of its work on this front include a 34% reduction in CO_2 emissions across its manufacturing plants from 2014 to 2018.

Use of Proceeds: CNH's 2019-B securities financed the purchase of new and used agricultural and construction equipment—89.7% of the pool is backed by agricultural equipment and 10.3% by construction equipment. The CNH 2020-A securities were similar with 89% of the pool backed by agricultural equipment. These lending pools help farmers obtain the agricultural equipment they need to improve productivity, optimize inputs, and improve environmental sustainability within the food supply chain.

25% increase
in productivity by 2022 vs. 2015 (stated goal of CNH for farms utilizing their equipment).

34% reduction
in CO_2 emissions by CNH's manufacturing plants, from 2014 to 2018.

IMPACTFUL ISSUER CASE STUDY: NEXTERA ENERGY

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Impactful Issuer	Corporate	Clean Energy	

NextEra is the world's largest generator of wind and solar energy, with approximately 21% of U.S. market share in onshore wind origination and 18% in solar origination. Over the last decade, NextEra's Energy Resources business (NEER) has invested more than $30 billion in wind and solar, helping states and companies to achieve their emissions reduction and renewable energy targets. Solar and wind have been the major drivers of energy capacity growth in the U.S. in recent years, and NextEra expects the renewable energy market to grow at approximately 15% per year over the next decade.

Renewable producers like NextEra have been beneficiaries of favorable regulatory policies, but the importance of those policies decreases each year as the cost of solar and wind production has declined. Today, wind and solar are among the cheapest sources of energy throughout the U.S. Moreover, through the use of advanced analytics, NextEra has developed a wind and solar site design optimization tool that has allowed it to reduce wind operating and maintenance costs per MWh by approximately 25% since 2014, and expects a further 20% reduction by 2022; for solar, it expects a 30% reduction by 2022.

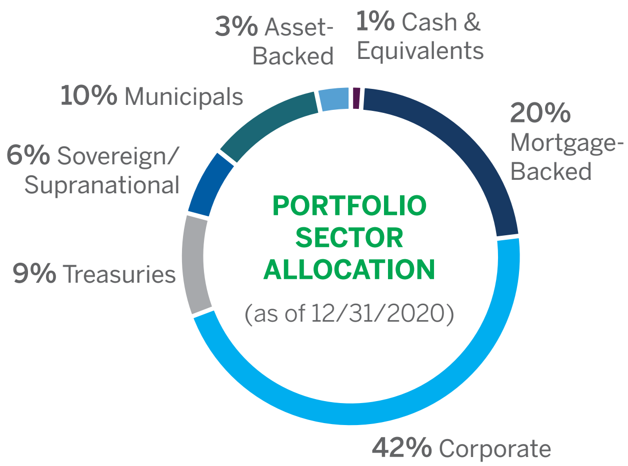
28 GW
NextEra's total reported renewable energy portfolio, inclusive of existing capacity and signed projects.

25% reduction
Drop in operating and maintenance costs at NextEra's wind facilities since 2014, thanks to a proprietary site design optimization tool.

Source: Brown Advisory research, CNH Industrial and NextEra Energy. Sectors are based on Bloomberg's classification system. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION BY FIXED INCOME SECTOR

We believe that a fundamentally diverse portfolio, spanning a full range of fixed income sectors, naturally increases the range of issues and causes that the strategy targets. Taxable municipals offer a healthy mix of bonds that fund education, health care, clean energy, water, community development and other initiatives. Corporate bonds often fund clean energy and green building projects. We view the mortgage market as an attractive source of bonds that support affordable housing.



Source: Brown Advisory analysis. Sectors are based on Bloomberg's classification system. Numbers may not total to 100% due to rounding. Sector allocation information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Corporate: Companies that have embedded sustainability into core operations or offerings

Taxable Municipal: State/local governments, hospitals, utilities, universities, etc. providing environmentally/socially impactful services

Mortgage-Backed Securities (MBS/CMBS): Mortgages focused on low-income homeowners, affordable multifamily housing units, commercial buildings with strong sustainability profiles, or environmental improvement projects

Asset-Backed Securities (ABS): Securities backed by collateral that provide environmental or social impact

Sovereign/Supranational/Agency: Funding an assortment of socially and environmentally impactful projects

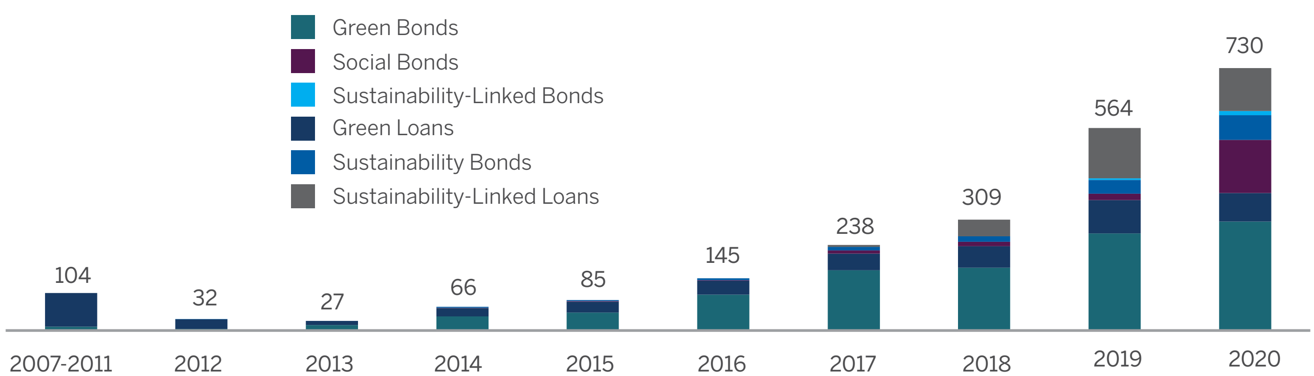
U.S. Government: Generally are not intended to produce impact, and are held for diversification and liquidity purposes

A MATURING AND EVOLVING MARKET

Labeled bonds have been a part of the fixed income market for more than a decade, and the market has grown and evolved dramatically since the first green bond was issued in 2007. In 2020, the global labeled green bond market exceeded $1 trillion in total cumulative issuance, and when social and sustainability labeled bonds are taken into account, total cumulative issuance exceeded $2 trillion.

As investor demand has grown, the market has evolved the concept of labeling to encompass a wider array of asset classes and impact types, from green bonds to sustainability and social bonds, and more recently to green loans and sustainability-linked loans. Here, we provide an updated review of this segment's development over time, and some examples from our portfolio that demonstrate the many different ways that labeled bonds are producing positive impact on society.

LABELED BOND MARKET GROWTH OVER TIME *($ billions)*



2007–2009
- European Investment Bank and World Bank issue first green bonds
- Climate Bond Initiative launched

2013–2014
- Massachusetts issues first green municipal bond
- First sizable corporate green bonds (e.g., EDF, BofA)
- Green Bond Principles published
- First green bond indexes launched
- Toyota issues first green asset-backed security (ABS)

2015–2016
- Green Bond Principles updated to include investor and issuer guidelines
- Apple becomes the first tech company to issue green bond
- Poland issues the first sovereign green bond
- Moody's and S&P release green bond rating methodologies

2017–2018
- Social Bond, Sustainability Bond and Green Loan Principles launched
- Cumulative green bond issuance surpasses $200bn
- Fannie Mae becomes the world's largest issuer of green bonds

2019-2020
- Social and sustainability bonds gain popularity
- Sustainability-Linked Loan, Sustainability-Linked Bond Principles launched
- Green bond issuance surpasses $1 trillion, total labeled bond issuance surpasses $2 trillion (cumulative)

Source: Bloomberg New Energy Finance. Impact source information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Verizon Communications Green Bond

Impact Theme: Sustainable Technology Innovation

Verizon's 2019 green bond, which raised $1 billion in net proceeds, was the first green bond issued by a U.S. telecom company.

Renewable Energy:

- $493.7 million allocated across renewable energy projects; 4 solar energy and 3 wind energy facilities
- Anticipated 913,089 metric tons of CO_2 emissions avoided annually

Green Buildings:

- $319.34 million allocated
- 446,000 square feet contracted for LEED Platinum certification

Energy Efficiency:

- $36.65 million allocated across energy efficiency projects
- $30 million committed to upgrade LED lighting in real estate portfolio

Fannie Mae Green Bonds

Impact Theme: Efficient Production and Conservation

Fannie Mae is the world's largest historical issuer of green bonds, with more than $75 billion in volume as of the end of 2020.

Fannie Mae Multifamily Green Bonds, 2012-2019:

- ***Energy Savings:*** estimated 7.8 billion kBTUs (thousands of British thermal units) of source energy saved
- ***Water Savings:*** 7.7 billion gallons
- ***Emissions:*** 528,000 metric tons of GHG emissions prevented
- ***Cost Savings:*** $126 million in tenant costs saved—$178 per family per year
- ***Green Buildings:*** 770,000 units retrofitted or green building certified

Conservation Fund Green Bond

Impact Theme: Sustainable Agriculture and Natural Resource Management

Conservation Fund issued $150 million in green bonds in 2019, aimed at forest and river conservation as well as associated sequestration of carbon. The data at right summarizes the impact of these bonds (as of Nov. 19, 2020).

- ***Proceeds invested:*** ~$131 million, into 8 Working Forest Fund projects
- ***Total project acres:*** 223,760
- ***Metric Tons of CO_2 emissions sequestered:*** 54,696,908
- ***Miles of streams/rivers protected:*** 444

International Finance Corp. (IFC) Green Bond

Impact Theme: Multisector

IFC has been issuing green bonds for many years. It surpassed $10 billion in cumulative issuance in FY2020; the data at right aggregates the estimated impact of its green bond activity as of Dec. 31, 2020.

- ***GHG emission reduction:*** 21.8 million metric tons annually
- ***Renewable Energy:*** 25.4 GWh produced, and 9.2 GW of renewable energy capacity constructed
- ***Energy Savings:*** 749 GWh annually
- ***Green Buildings:*** 598,685 square meters of green building space

Source: Brown Advisory research, Verizon, Fannie Mae, Conservation Fund and International Finance Corp. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

2020 was a year that shook our lives to the core for a variety of reasons. Among these challenges were the immediate threat of the COVID-19 pandemic, and the tipping-point moment experienced across the U.S. during the summer of 2020, related to long-festering problems with racial injustice.

These challenges are complex, multifaceted, and wide-ranging in their imprint. In many ways they are intersectional, given the outsized impact that the pandemic has had on underserved minority communities. Effective solutions in both cases will require considerable action from both the private and public sector. Through our fixed income investments, we are able to provide capital to a broad array of issuers that are addressing these issues from multiple angles.

Pandemic-Related Impact

World Bank
(Sustainability Bond/ Sustainable Development Bond)

Many low- and middle-income countries are still in the early stages of grappling with COVID-19. With fewer resources, risks are especially high for those who live in poverty or recently emerged from it.

The International Bank for Reconstruction and Development (part of the World Bank Group) issued $8 billion in financing for COVID-19 emergency health support in low- and middle-income nations, as part of a $160 billion World Bank Group COVID relief program.

- **Training and supporting front-line health care workers**
- **Providing PPE, portable ventilators, and other vital medical equipment**
- **Building or expanding clinical care facilities**
- **Developing credible communication campaigns to keep the public informed**

Impact Related To Racial Injustice

Bank of America
(Sustainability Bond/Equality Progress Bond)

Bank of America issued a $2 billion sustainability bond to address racial equity and economic opportunity.

More than 50% of the proceeds from this bond will be used to fund social impact initiatives benefiting Black and Hispanic communities.

Affordable Housing:

- Mortgage lending with low down payment/low interest-rate products to first-time Black or Hispanic homebuyers in disadvantaged communities
- Low Income Housing Tax Credit (LIHTC) projects, including construction loans, permanent loans and equity investments

Access to Health Care:

- Financing for medical professionals to create or expand medical, veterinary and dental practices that effectively serve underrepresented communities

Economic empowerment of Black and Hispanic communities:

- Working capital financing for minority-owned businesses
- Long-term deposits invested in Black and Hispanic Minority Depository Institutions
- Strategic equity investments in Black and Hispanic owned/operated businesses

Intersectional Impact

Ford Foundation (Social Bond)

This $1 billion bond will be used for grants over and above the Foundation's normal grant-making activity, which ranges fairly widely but has focused historically on racial injustice. We were able to speak about this bond with the Foundation's CFO, who expressed the organization's deep concern about how the COVID-19 pandemic is deepening inequality, taking a disproportionate toll on the poor, people of color, and others who were already marginalized before the crisis hit. The nonprofit sector will be fundamentally upended and diminished by the virus and its economic fallout, with large amounts of funds redirected from longer-term investments to more immediate needs.

The proceeds of the bond are intended to build resilience and to help stabilize key nonprofit organizations essential to reducing inequality, so that those groups are in a position to influence recovery and make progress toward a "new normal" that is more just, inclusive, and equitable. Specifically, proceeds will generally be steered toward large, multiyear commitments to existing Ford grantees and single organizations capable of implementing big ideas, and special emphasis is being placed on addressing inequities in the nonprofit ecosystem that disadvantage organizations that serve and/or that are led by underrepresented segments of the population.

Source: Brown Advisory research, World Bank, Bank of America and Ford Foundation. Sectors are based on Bloomberg's classification system. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Creditors and bondholders play a key role in the capital structure of corporations, and as investors we can make our voice heard. Unlike equity shareowners, who can vote their proxies and/or speak out at annual corporate meetings, we have no formal public engagement venue, so we emphasize engagement as a core component of our due diligence and investment process. We use engagement to communicate our thinking to issuers and gather information for our own investment decisions, and we find that many investors are open to discussions with investors from whom they will seek additional debt funding in the future.

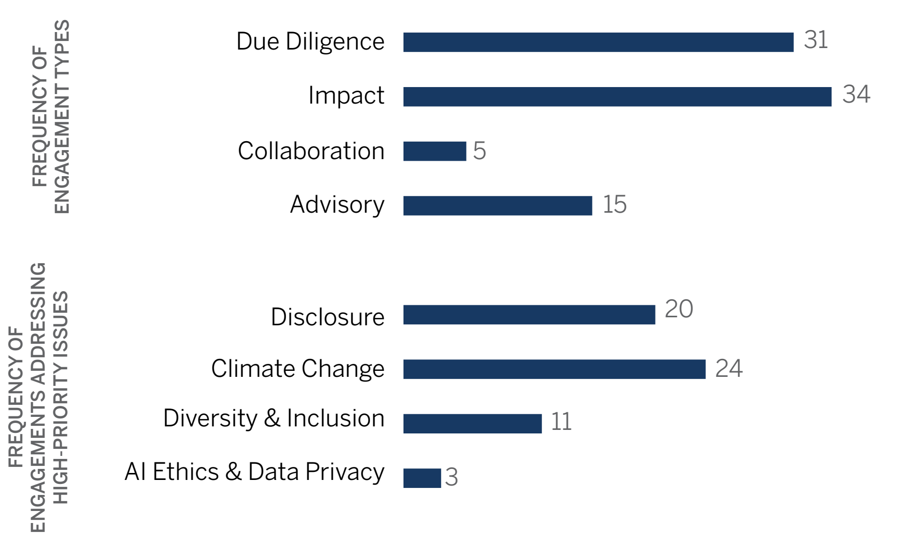
Our research teams engage in hundreds of discussions each year, with management teams and other stakeholders, as part of their overall research process, and most of these conversations include some discussion of environmental, social or governance matters. In 2020, 119 of these engagements across our firm's equity and fixed income strategies qualified in our view as "true" ESG-related engagements—defined loosely as ones that actively involved our ESG analysts, and covered one or more ESG topics as a primary focus of the engagement.

Our engagements fall into four categories: ***ESG due diligence, collaboration, impact,*** and ***advisory***. Each of these engagement types are important for different reasons. Most of our engagements are for the purpose of ESG research or encouraging a company or issuer to take action. Additionally, we are big believers in the effectiveness of multiparty collaborative engagement. In 2020, our firm formalized its support of ICCR, a leader in equity shareholder engagement, and we partnered with CDP on its project to engage with municipal bond issuers. These steps are additive to a number of ongoing collaborative projects from prior years, including our work to help evolve third-party data ratings, and our support of Climate Action 100+.

Finally, we have seen a growing number of bond issuers and underwriters reach out to us for thoughts and guidance as they consider their options for structuring impact-oriented bond deals, and our team uses those opportunities to further advocate for best practices in that segment of the fixed income market.

For more information, please refer to our Engagement Policy Statement and our 2020 Summary Engagement Report.

2020 ENGAGEMENT ACTIVITY BY THE NUMBERS



48 engagements in 2020 with 24 issuers, underwriters and other stakeholders

Source: Brown Advisory.

ESG Due Diligence/Impact Example:
Protecting Consumers at the Onset of the Pandemic

In early 2020, as the COVID-19 pandemic spread rapidly across the world, we engaged with a number of fixed income issuers whose securities we held about their exposure and lending practices related to low-income or more vulnerable populations. We spoke with these issuers—ranging from smaller lenders to government agency mortgage corporations—about their plans to help consumers through the economic hardship facing millions of Americans due to the pandemic.

We are looking at this situation from both an investment perspective and an impact perspective. While we have limited data regarding the ethnicity of these lenders' borrower populations, we know that underserved communities are experiencing disproportionate job losses and financial distress from the pandemic, so it has been important to us to evaluate the programs lenders are putting into place to help borrowers reschedule payments or otherwise avoid default. Robust programs, in our view, will benefit borrowers and lenders in the long run.

Advisory Engagement Example:
Expanding Labeled Issuance into High-Emission Industry Sectors

With the boom in the labeled bond market, we are hearing from more and more underwriters who are considering new issues in sectors that have yet to see meaningful labeled bond activity, such as aviation & aerospace, reinsurance, and traditional energy. When asked, we have been able to share our thoughts on what we view as key criteria for potential bond offerings in these sector.

In general, we are supportive of labeled bond issuance in high-emissions sectors, where sustainable projects can do a lot of good (as a reminder, these bonds are reviewed on a case-by-case basis to determine whether they are a good fit for our sustainable portfolios). Transparency is key: if the issuer is clear about the use of proceeds, then investors can make an educated investment choice. We often talk to underwriters about the potential to issue "transition bonds"—this emerging label refers to a subset of green bonds that finance projects that help issuers mitigate activity with adverse impacts.

Advisory Engagement Example:
Expanding Labeled Issuance into Sustainability-Linked Bonds

We also spoke frequently in 2020 with issuers and underwriters about sustainability-linked bonds. We have shared our views regarding the characteristics we want to see in these bonds.

The sustainability-linked bond structure differs from "traditional" labeled bonds; instead of requiring proceeds to be used for specific projects, the bonds are linked to specific sustainability performance targets (SPTs), and offer a mechanism to hold the issuer accountable if they do not achieve those SPTs by a given date (often a one-time step up in coupon rate). Companies with lower capital spending may not have enough eligible green or social projects for an earmarked labeled bond, so these linked bonds open the door to a broader array of sectors.

For bonds like this, we need a high degree of conviction that the issuer is credibly moving the sustainability needle, so we want to see SPTs that are truly meaningful relative to its core business. The ambition of the goal is also a factor; put simply, we do not want to invest in a linked bond if we think there is a good chance that the issuer will fail to meet the goal. Finally, we try to understand the potential for manipulation through merger or acquisition activity (for example, can the goal for the bond be met by buying a "cleaner" company, thus avoiding the need to address the adverse impacts of the core business).

INDUSTRY CONTRIBUTION AND COLLABORATION

Our work does not happen inside of a silo. We rely on support from and collaboration with a broad range of Brown Advisory colleagues and industry partners who help us build and manage our portfolio.

Our ESG research team develops and maintains ESG research and analysis spanning our firm's entire equity and fixed income coverage universe. Its members integrate and partner in various ways with the working groups and management teams that drive the investment decisions in individual Brown Advisory investment strategies. Their work is further informed by many other contributors, including collaborative work with our firm's fundamental research teams as well as input and insight from our Sustainable Investing Advisory Board. Our sustainable investing initiative is strongly supported by our CEO and senior executive staff, who are deeply engaged in driving sustainable principles throughout the firm's investment offerings.

We benefit greatly from our ability to participate in broader industry efforts sponsored by leading nonprofits, and we try to do our part to contribute our thinking back to the sustainable investing community.

Recent Articles:

COVID-19 Through an ESG Investing Lens

Emily Dwyer, Lisa Abraham

A summary of observations regarding COVID-19's impact on our portfolio investments, and examples of how several companies and bond issuers responded in the early months of the pandemic.

Oil and Water: Fossil Fuel Divestment in Sustainable Bond Portfolios

Amy Hauter, Tom Graff

A discussion about several factors to review when considering divestment, and a look at the multiple ways in which we express climate alignment in our portfolios.

How Municipal Bonds Influence Justice and Equality

Katherine Lee, Lisa Abraham

A review of how we think about justice matters in building our sustainable fixed income portfolios, focusing on some of the progressive trends that are gaining traction among municipal issuers to encourage and enforce fair and equal distribution of municipal resources and positive impact.

The Materiality of the "S" in ESG

Katherine Kroll

A look at why we believe that social factors can be every bit as salient as environmental or governance factors when it comes to investment decisions, with a focus on how we incorporate matters of racial justice into our research and engagement processes.

10 Lessons Learned After 10 Years

Karina Funk, David Powell

The LCSG portfolio managers look back and think ahead on the occasion of the strategy's 10-year anniversary.

Recent Reports:

Tax-Exempt Sustainable Fixed Income Impact Report

Large-Cap Sustainable Growth Impact Report

Global Leaders ESG Transparency Report

Brown Advisory Summary Engagement Report

Brown Advisory Sustainability Report

INDUSTRY INITIATIVES/MEMBERSHIPS

PRI Principles for Responsible Investment

Brown Advisory has been a signatory to the PRI since 2014; PRI is a global network of investors representing more than $103 trillion as of June 30, 2020. Each year, signatories complete a rigorous disclosure of sustainable investing practices; these disclosures, and the assessments of those disclosures by PRI's evaluation staff, are widely followed by investment decision-makers.

Our 2020 PRI Scorecard is provided at right. We received "A" grades and met or exceeded industry median scores in every category. We received the highest attainable score in the Strategy and Governance category; we see this as a strong external validation of our firm's and our senior leadership's commitment to sustainable investing.

We also received the highest attainable score in the area of engagement ("Listed Equity - Active Ownership"). We received a "B" grade here in 2019, and PRI's feedback was helpful as we focused on enhancing our engagement and proxy voting processes, as mentioned earlier in this report. We continued to engage actively with companies in 2020 as we have for many years.

Our full 2020 PRI Transparency Report: https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged)_Public_Transparency_Report_Brown%20Advisory_2020.pdf.

Module Name	Our 2020 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership Modules	
10. Listed Equity - Incorporation	A
11. Listed Equity - Active Ownership	A+
12. Fixed Income - SSA	A
13. Fixed Income - Corporate Financial	A
14. Fixed Income - Corporate Non-Financial	A
15. Fixed Income - Securitized	A

Source: PRI. For assessment methodology visit www.unpri.org/signatories/about-pri-assessment.

CDP DRIVING SUSTAINABLE ECONOMIES

Long-term signatory and supporter; Brown Advisory assisted in several 2020 CDP initiatives.

(WISE: Women Investing for a Sustainable Economy)

Members of the Boston, NYC and Washington, D.C. chapters; hosted 3 WISE events in 2019.

Ceres Sustainability is the bottom line.

Long-term member and supporter.

BASIC BOSTON AREA SUSTAINABLE INVESTMENT CONSORTIUM

Long-term member, supporter and event co-host/sponsor.

SRI Conference & Community a FolioFinancial company

Long-term conference supporter and collaborator.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Long-term supporter of this climate disclosure framework.

ICMA International Capital Market Association

Early signatory to the ICMA-guided Green Bond Principles; ongoing contributor to the "Principles" framework which now encompasses a variety of labeling categories.

Climate Action 100+ Global Investors Driving Business Transition

Signatory to this five-year, investor-led initiative to persuade the world's largest corporate greenhouse gas emitters to take action on climate change.

Intentional Endowments Network

Founding member, long-term supporter.

CONFLUENCE PHILANTHROPY

Member since 2019.

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

New member as of 2020, long-term supporter.

IMPACT MANAGEMENT PROJECT

Supporters as of 2020 of this organization that seeks to refine engagement and reporting practices.

Brown Advisory Sustainable Core Fixed Income Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets ($USD Millions)	GIPS Firm Assets ($USD Millions)
2019	9.5	9.1	8.7	2.9	2.9	14	0.2	265	42,426
2018	0.4	0.1	0.0	2.8	2.8	19	0.3	217	30,529
2017	3.7	3.4	3.5	2.8	2.8	11	0.3	113	33,155
2016	1.0	0.8	2.7	N/A	N/A	9	0.1	91	30,417
2015	1.2	0.8	0.6	N/A	N/A	Five or fewer	N/A	60	43,746
2014**	2.0	1.9	1.8	N/A	N/A	Five or fewer	N/A	5	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, 2018. 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 Sustainable Core Composite is comprised of all discretionary accounts with no material investment restrictions, which invest primarily in fixed income securities that have a target duration between four and seven years. At least 80% of the securities in each portfolio in this composite will have credit quality ratings of A or better at the time of purchase. Accounts included in the composite are invested primarily in taxable securities. The guidelines of accounts specifically indicate a preference for sustainability related investments. 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 $1 million. Prior to July 1, 2016 the minimum account market value required for composite inclusion was $2 million. Effective 1/1/2016 a significant cash flow policy was implemented for the Sustainable Core composite. Accounts with a greater than or equal to 14% external cash flow will be removed from the composite for the entire month that the external cash flow occurred. The account will be added back to the composite the following month if it meets the composite inclusion requirements. The external cash flow percentage is calculated using beginning market value.
3. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.
4. This composite was defined and initially created on November 1, 2015.
5. The benchmark is the Bloomberg Barclays Aggregate Bond Index. The Bloomberg Barclays Aggregate Bond Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate, asset-backed, and mortgage-backed securities between one and ten years. 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.
6. 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.
7. 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.
8. 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.)
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
11. Past performance is not indicative of future results.
12. 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.
13. 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.
14. Duration is a measure of interest rate risk.

The **Bloomberg Barclays US Aggregate Bond Index**, which until August 24, 2016 was called the Barclays Capital Aggregate Bond Index, and which until November 3, 2008 was called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Bloomberg L.P. since August 24, 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond index.