

2021

SUSTAINABLE SMALL-CAP CORE STRATEGY

IMPACT REPORT

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

Brown Advisory has made a deep commitment to sustainable investing, across a wide range of its equity and fixed income strategies. 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 Impact Report for the Brown Advisory Sustainable Small-Cap Core strategy.

The report includes a review of our environmental, social and governance (ESG) research and integration approach, and examines how we use both fundamental and ESG research to identify compelling long-term investments. We also discuss the positive environmental and social outcomes being created by our portfolio companies, and report on our engagement and proxy voting activity during the year.

We are pleased to report continued progress and advancement of our sustainable investment initiatives at the firm, particularly our work to develop new investment strategies for our clients. We have launched several new sustainable strategies in the past few years—one being this small-cap strategy, which reached its five-year anniversary on June 30, 2022. More recently (i.e., in 2021 and so far in 2022), we launched our Sustainable International Leaders strategy using the same philosophy as our Global Leaders strategy while investing exclusively outside the U.S.; we also launched the Sustainable Income strategy, emphasizing dividend income. In fixed income, we launched our first global bond strategy, the Global Sustainable Total Return Bond strategy, and built it from the ground up as a sustainable solution for clients.

Further, we have continued to build our team and expertise internally, further integrating fundamental and ESG analysis by adding several new ESG research analysts that act as industry-sector specialists within our process.

We thank our ESG research team for its contribution to this report and our work in general. The team works tirelessly to ensure that our investment decisions are informed by solid ESG data and clear insights about how that data may affect a company's prospects. We also thank our fundamental equity research colleagues, and all of our colleagues across the firm, for embracing sustainable investing principles so enthusiastically.

Most importantly, we are deeply grateful to our clients, who trust us as stewards of their capital and serve as our partners as we learn, innovate and improve over time. We hope you find this report informative, and we welcome a continuing conversation with you about our work and continuing evolution as investors.

Sincerely,

Emily Dwyer
Portfolio Manager

Tim Hathaway, CFA
Portfolio Manager;
CIO and Head of U.S. Institutional Business



INVESTMENT PHILOSOPHY & RESEARCH APPROACH

The purpose of this report is to talk about the impact being generated by our portfolio companies, so we will not spend a great deal of time discussing how we use fundamental research to identify good investment candidates with attractive return potential. But we want to be clear: Sustainable research is wholly integrated with fundamental due diligence in our process, and we believe this approach gives us an informational edge that helps us identify compelling investment opportunities. This is especially true in the small-cap segment, where ESG data on companies is often lacking and primary research is critical.

Our portfolio companies are selected on their investment merits—including the sustainable drivers that we believe propel their business models—and they also generate positive social and environmental impact in many cases, through their responsible business practices, the examples they set for their peers and the positive outcomes that result from their business activities.

Our firm and this strategy's investment team have many years of experience in small-cap investing, sustainable investing and ESG research, all of which is invaluable in supporting our research-intensive approach.

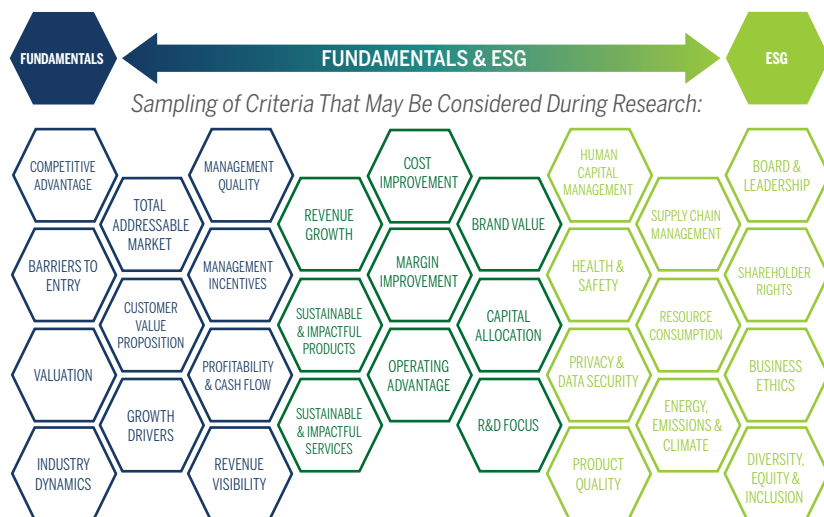
OBJECTIVES & INVESTMENT PROCESS

Our objective is to outperform the Russell 2000® Index over a full market cycle. To pursue this goal, we combine our firm's proprietary small cap and ESG research methods within an integrated research process.

The process seeks out companies with 1) fundamental business strengths, 2) compelling valuations, and 3) what we refer to as *sustainable drivers*, defined as ESG-related traits or strategies that drive meaningful results for the company in terms of revenue, profit, market share or other key financial metrics. Our ESG research analysts are industry sector specialists, and they spend as much time working closely with their fundamental research counterparts as they do with each other. The overall process involves four or five (or more) people on our research team looking at a company from their unique perspectives, and then combining their views to offer a comprehensive evaluation. In this way, our deep integration of ESG research is simply an expansion of our traditional bottom-up approach to investing.

Within this process, we review companies comprehensively across a spectrum of evaluation factors—some rooted in fundamental analysis, some in ESG research and in many cases both (see diagram below for a non-exhaustive list of factors we may consider in our work).

OUR RESEARCH APPROACH: FINDING SYNERGY BETWEEN ESG AND FUNDAMENTALS



SELECTION CRITERIA

- Attractive fundamentals and valuation profile
- Strong or improving Sustainable Drivers
- Appropriate ESG risk management systems in place

SOURCES

- Company filings and reports
- Interviews with management
- Interviews with suppliers, customers and industry experts
- Public/private databases, business publications, opinion leaders
- Brown Advisory's network

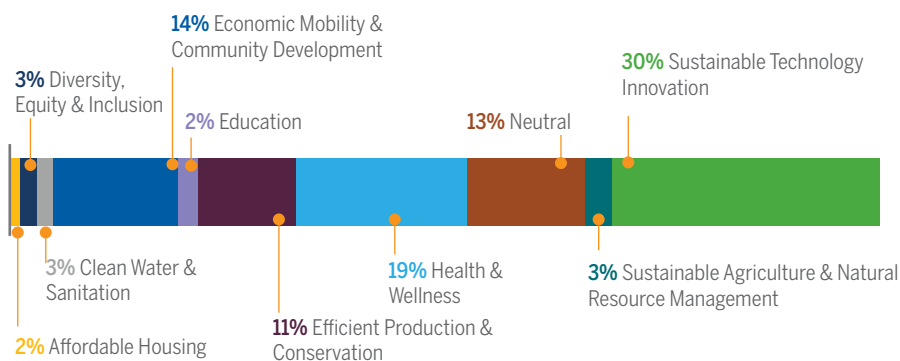
IMPACT REVIEW: THEMATIC DIVERSIFICATION

We categorize our holdings according to a series of impact themes to illustrate the variety of challenges and opportunities that our portfolio is designed to address. We do not target any particular impact mix, and we have found ample opportunity to invest in companies that address a wide range of social and environmental issues.

These themes align well with the U.N. Sustainable Development Goals (SDGs), a widely used framework for categorizing impact. Our impact themes are broadly aligned with these SDGs, but our categorization helps us better distinguish between different kinds of impact (for example, companies within four of our thematic categories are, in our view, positively impacting SDG 13, “Climate Action”).

IMPACT THEME ANALYSIS

Sustainable Small-Cap Core Holdings as of Dec. 31, 2021



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme information is based on a Brown Advisory Sustainable Small-Cap Core representative account as of Dec. 31, 2021, and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

Case Study: *Eastern Bankshares*

Two Hundred Years of Social Impact

IMPACT THEME: Economic Mobility & Community Development

PRIMARY SDGs:



Before recently going public, 200-year-old Eastern Bankshares was the nation's largest mutual bank—a financial institution originally designed to be community-oriented.

For this reason, Eastern has a long history as a mission-driven organization, addressing social justice issues impacting the communities it serves. We believe its deep roots in its local communities has strengthened its brand value, and this

differentiation has helped it carry a stable deposit base and lower deposit cost than peers. It is committed to maintaining branches in underserved communities that, in recent decades, have seen bank branch closures. Eastern has also created a team to develop new products and services that, in our view, can better serve a broader range of customers, starting with women and minority-owned small businesses.

#1 FROM 2009 TO 2019:

For eleven straight years, Eastern Bank was named by the U.S. Small Business Administration as the #1 SBA lender in New England.

Case Study: *Workiva*

The Next Generation of ESG Reporting

IMPACT THEME: Sustainable Technology Innovation

PRIMARY SDGs:



Workiva's main product is Wdesk, a software solution enabling users to more effectively manage and file regulatory and compliance paperwork—a task that many firms consider essential but well outside of their core expertise. Wdesk integrates data from various forms and filings, into a single cloud-based report; this enables a much smoother compliance process for users managing everything from Sarbanes-Oxley reporting to SEC Filings to sustainability reporting.

The long-term impact potential of Wdesk, in our view, stems from its ability to help accelerate the adoption of improved ESG disclosures at the regulatory level. With growing momentum for ESG reporting requirements in the EU, U.S., and several other markets around the world, Workiva conservatively estimates that its total addressable market could grow by \$3 billion.

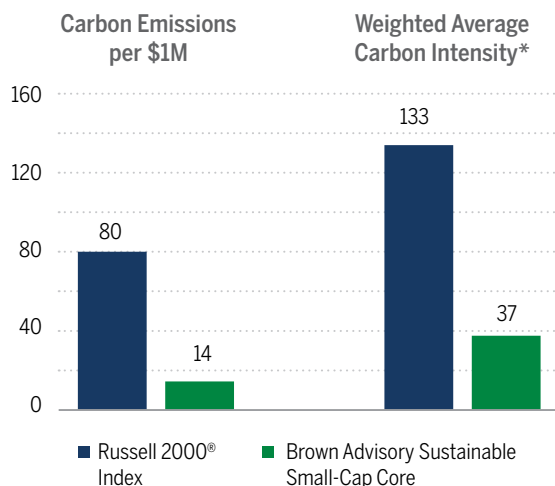
Source: Brown Advisory research, Eastern Bankshares and Workiva. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue 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 Small-Cap Core representative account and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

As noted throughout this report, our investment approach is fundamentally driven; we do not seek to meet a set of top-down screens or quantitative targets.

That being said, the investment process historically has led to a portfolio with minimal exposure to many practices and business activities that are common targets of social and environmental screens. Notably, it has also **led to a portfolio characterized by lower carbon emissions than its benchmark** (see below).

CARBON EMISSIONS DATA

Sustainable Small-Cap Core Holdings as of Dec. 31, 2021



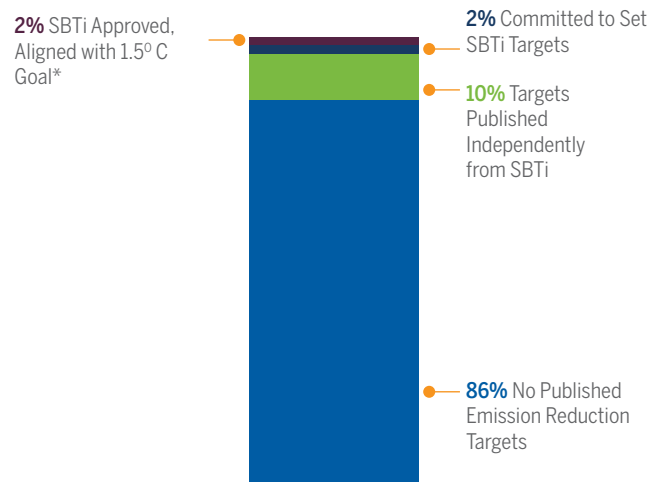
Source: MSCI ESG Manager. *Tons CO₂e/\$M revenue of portfolio holdings, adjusted based on relative weighting of each holding. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account and provided as Supplemental Information. Please see the end of the report for a GIPS compliant presentation and a complete list of term and index definitions.

This strategy, and our firm in general, actively encourages portfolio holdings to seek long-term solutions for lowering their carbon emissions, as we believe that these steps are essential for the global economy's long-term success.

Science-based targets, which commit companies to reduce their net emissions over time in line with the Paris Agreement, gained traction among larger companies in 2021, but less so among smaller ones. In 2022, a number of companies in our portfolio set their first emission-reduction targets, generally doing so independently of the Science Based Targets initiative (SBTi); the current trend suggests the potential for rapid adoption of targets across our portfolio.

ADOPTION OF SCIENCE-BASED TARGETS

Sustainable Small-Cap Core Holdings as of Dec. 31, 2021



Source: MSCI ESG Manager. Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account and provided as Supplemental Information. Please see the end of the report for a GIPS compliant presentation.

Case Study: Ingevity

IMPACT THEME: Sustainable Technology Innovation

PRIMARY SDGs:



Ingevity created the active carbon market for gasoline emission control in the 1970s, and has approximately 90% market share today. These products capture evaporative gasoline emissions and return it for reuse as fuel. The company estimates these products help recapture 40 million tons of greenhouse gas equivalents each year from recovered gasoline emissions.

Ingevity has diversified over time with other solutions that similarly drive value

for customers through sustainability. For example, Ingevity's Evotherm pine chemical-based asphalt additive allows lower-temperature, lime-free paving that greatly reduces energy use and emissions from the paving process.

Broadly, we see Ingevity as a highly renewable chemicals company, owing to its usage of bio-based raw materials, including pine chemicals and activated carbon, as key inputs.

Source: Brown Advisory research and Ingevity. 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 Small-Cap Core representative account and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

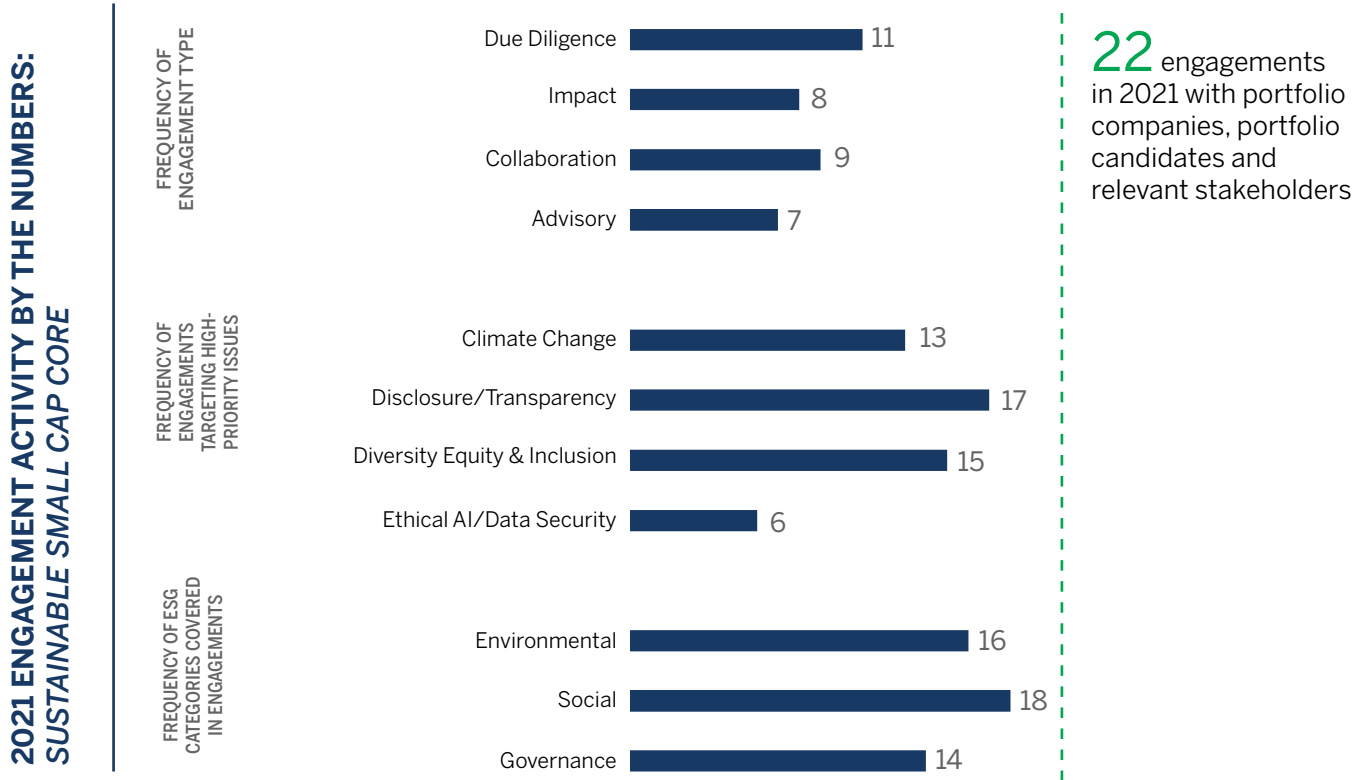


ENGAGEMENT

Engagement is an important element of our work. We engage with various portfolio companies and their various stakeholders; sometimes our goal is fundamental or ESG research, while other times our goal is to encourage action.

We made progress in 2021 on several fronts related to engagement. We started or continued partnerships with a number of large-scale engagement campaigns, including our work with CDP and Climate Action 100+ across multiple asset classes, and our collaborative work with the World Economic Forum, PRI and the American Institute of Certified Public Accountants on ethical issues related to artificial intelligence deployment.

Note that many of these collaborative initiatives tend to focus on larger companies, at least at the outset; over time, we expect to see the industry’s engagement outreach to the small-cap space continue to intensify. In our view, the benefit of engaging with small cap companies is that management teams are eager to listen, learn, and collaborate with large, long term, ESG-oriented investors like Brown Advisory. Further, we often find that companies will “turn the tables” on us in an engagement conversation, many are rapidly realizing the importance of addressing ESG challenges in their business, so they proactively seek out information or advice to help them accelerate their progress.



Engagement activity information is based on engagements related to the Brown Advisory Sustainable Small-Cap Core strategy during 2021. We do not engage with every issuer; we engage only when we believe engagement will be material to our investment decision making.

ENGAGEMENT EXAMPLES

COLLABORATION ON ESG DATA

ISSUE: Disclosure/Transparency

TYPE: Collaboration

Occasionally, when conducting primary due diligence on a company, we uncover discrepancies between third-party data and the realities of a company's current activities.

We consider such discrepancies unavoidable in a rapidly evolving field like sustainable investing; this is another reason why we focus so heavily on our own primary ESG research. But improving ESG data integrity is incredibly important for the future of sustainable investing, and we believe all ESG investors need to work together to help improve data quality in an arena where most reporting is still completely voluntary.

We often work with data providers to share our findings and rectify their reporting. One example from 2021 includes a company that had divested from a business that was heavily exposed to entertainment and gambling operations. Several quarters after divesting, the company was still flagged in third-party databases as having that ESG risk exposure. We bring examples like this to the data providers as one small part of our work to improve the flow of accurate and timely ESG information to investors.

SEMICONDUCTOR FIRM

ISSUE: Diversity, Equity and Inclusion

TYPE: Impact

We have been in an ongoing dialogue with this particular company for several years, regarding lack of diversity on its board and executive team.

Over the years, we have shared with the company why we believe that board diversity is important, including sharing research that shows that diversity, particularly at the board level, can be a competitive advantage.

The company has been receptive to our engagement on this issue, and in 2021, the company nominated a highly qualified woman to the company's board of directors. We are encouraged by this step and plan to maintain engagement to seek further diversification of the board.

Source: Brown Advisory. Engagement case studies are based on engagements related to the Brown Advisory Sustainable Small-Cap Core strategy during 2021.

PROXY VOTING

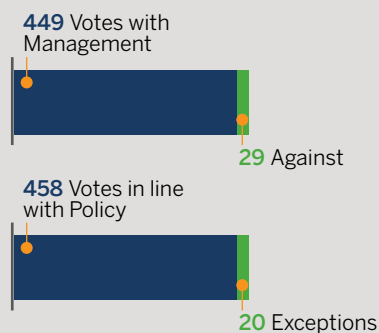
Brown Advisory has taken a number of steps recently to enhance its approach to proxy voting. Our process is now more collaborative than ever, with fundamental and ESG analysts coming together to evaluate proposals; we bolstered our proxy voting committee structure, adding representation from across the firm (including our CEO); and, we undertook a comprehensive review of our various policies related to sustainable investing, including our engagement and proxy voting policies (available on [our website](#)), and updated them in several areas.

Below we report on our voting record in 2021, compared to our policy's guidelines and to the votes of company management. Our case-by-case approach largely follows policy guidelines but also diverges on occasion. Shareholder proposal activity in the small cap universe is still in an embryonic state; in 2021, only two shareholder proposals (one social, one governance-related) were filed across our entire portfolio. We expect that activity will increase in future years as more ESG investors focus on this asset class.

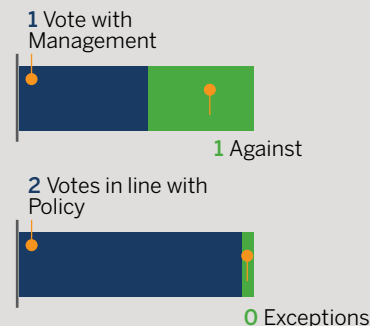
2021 PROXY VOTING BY THE NUMBERS

Sustainable Small-Cap Core Holdings, 2021 Calendar Year

PROPOSALS FROM MANAGEMENT



PROPOSALS FILED BY SHAREHOLDERS



Portfolio information is based on a Brown Advisory Sustainable Small-Cap Core representative account and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

Sustainable Small-Cap Core 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)*
2021	20.7	20.2	14.8	21.7	23.4	42	0.4	62	79,715
2020	25.8	25.3	20.0	23.7	25.3	33	1.2	16	59,683
2019	36.2	35.6	25.5	N/A	N/A	6	N/A	5	42,426
2018	-5.8	-6.3	-11.0	N/A	N/A	Five or fewer	N/A	1	30,529
2017**	9.8	9.6	9.2	N/A	N/A	Five or fewer	N/A	0.1	33,155

**Return is for period July 1, 2017 through December 31, 2017.

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- *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The U.S. Small-Cap ESG Composite (the Composite) is composed of all discretionary portfolios which invest primarily in the common stocks of U.S. small and medium market capitalization companies. Using both fundamental research & proprietary ESG analysis, the strategy takes a tax-sensitive approach to managing a concentrated portfolio of high-conviction companies while seeking to outperform the Russell 2000 Index over the long term.
- 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.
- The Composite creation date is August 31, 2017. The Composite inception date is July 1, 2017.
- 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. The Russell 2000® Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 2000® Index and FTSE Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- The composite dispersion presented is an equal-weighted standard deviation of portfolio gross 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.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions. Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Certain accounts in the Composite pay asset-based custody fees that include commissions. For these accounts, gross and net returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.85% on all assets with a minimum account size of \$250,000. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- The investment management fee for the Investor Shares of the Brown Advisory Sustainable Small-Cap Core (the Fund), which is included in the Composite, is 0.85%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2021) is not available as the Fund commenced operations on September 30, 2021. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- 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 three-year annualized standard deviation is not presented as of December 31, 2017, December 31, 2018 and December 31, 2019 because 36 month returns for the Composite were not available (N/A).
- Valuations and performance returns are computed and stated in U.S. dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
- 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.

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested.

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All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned.

ESG considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. ESG analysis may not be performed for every holding in the strategy.

ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Sustainable Small-Cap Core Strategy ("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.

Diversification does not assure a profit, nor does it protect against a loss in a declining market. It is not possible to invest directly in an index. Holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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. The Russell 2000® Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 2000® Index and FTSE Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.

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