

U.S. All-Cap Socially Responsible

QUARTERLY STRATEGY UPDATE

First Quarter 2019

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COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 3000® GROWTH INDEX
1 MO.	2.36	2.30	1.46
3 MO.	16.62	16.43	14.04
ITD (8/31/2018)	-2.01	-2.37	-2.11

The composite performance shown above reflects the Brown Advisory U.S. All-Cap Socially Responsible Equity Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS-compliant presentation.

Review & Outlook

The Brown Advisory All-Cap Socially Responsible Investing (SRI) portfolio leverages the power of our proprietary fundamental and environmental, social and governance (ESG) research to pursue strong returns and align investments with investors' values. Our portfolio selection process begins with a negative screen to identify the universe of stocks that satisfy specific SRI guidelines. We then look to isolate stock selection as a key driver of performance relative to the market by combining fundamental judgment with objective portfolio analysis in a thoughtful and efficient portfolio construction process. We aim to generate consistency and low tracking error to the Russell 3000® Index, thus isolating outperformance through our team's fundamental bottom-up stock selection process.

The broader equity markets performed well in the first quarter. Investor sentiment markedly improved from the fourth quarter. As trade tensions ostensibly have eased and the Federal Reserve seems intent on maintaining a dovish stance, investor optimism has returned. The U.S. economy continues to march ahead driven by low unemployment and benign inflation. Even wage growth appears to have accelerated. While growth in Europe remains tepid and China continues to slow, investors may look back at the downward move in the fourth quarter as a tremendous buying opportunity.

During the first quarter, the All-Cap SRI portfolio outperformed the Russell 3000 Index, which posted strong returns for the first quarter. The positive result relative to our benchmark was driven almost entirely by strong stock selection, principally in the financials and health care sectors. Some of our largest weighted stocks (Alibaba, Microsoft, American Tower and Zoetis) contributed to the absolute performance, while our detractors were for the most part smaller positions.

Our process, as outlined above, looks to minimize sector and factor variation against the market while maximizing our idiosyncratic upside opportunities. Given the nature of the portfolio, we would expect stock picking to be the dominant driver of our relative performance against the market, both on the upside and downside. While minor sector or factor bets may exist in the portfolio from time to time, we do not expect that they will have a meaningful impact on performance. That held true this quarter, where no sector or factor meaningfully influenced our relative performance one way or the other.

Within health care, the outperformance relative to the market was broad based, with two-thirds of the stocks we own outperforming both the market and health care stocks in general. Our stock picking was particularly strong in the biotechnology area, with strong performance from Agios, Biohaven and Coherus.

Within financials, performance was largely driven by SunTrust and Ameriprise. SunTrust Banks was up nearly 30% in the quarter as general optimism for regional banks was compounded by the announcement of a merger between SunTrust and competitor BB&T, which sent the stock higher still. Ameriprise rebounded strongly after a weak fourth quarter on the backs of solid net inflows in its "crown jewel" advice and wealth management business.

Other notable highlights in the quarter were strong performance from two of our largest holdings, Alibaba and American Tower. Alibaba was up over 30% in the quarter as results in its core commerce segment helped beat low expectations and as sentiment around the Chinese market broadly recovered. American Tower was up nearly 25%, driven by accelerating earnings growth, early excitement over potential 5G rollouts and an increasing view that interest rate rises are likely to stall or reverse.

We had a couple of notable detractors in the quarter, although fortunately they were average- to lower-weight positions. Conagra Brands was eliminated from the portfolio after a meaningful drop. Our conviction in the company fell after results of a recent large acquisition (Pinnacle Foods) came in well below expectations. Henry Schein and a business that spun off from it, Covetrus, also fell in the quarter on weak animal health results and lack of disclosure on the new business.

REP. ACCOUNT CHARACTERISTICS

	U.S. ALL-CAP SOCIALY RESPONSIBLE REP. ACCT.	RUSSELL 3000® GROWTH INDEX
Wtd. Avg. Market Cap.	\$176.6B	\$194.6B
P/E Ratio (FY2 Est.)	17.8x	15.5x
Active Share	82.6	--
Dividend Yield	1.26	1.85

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Microsoft Corporation	4.1
Alphabet Inc. Class A	4.0
Alibaba Group Holding Ltd.	3.4
Zoetis, Inc. Class A	3.4
Visa Inc. Class A	3.1
American Tower Corporation	3.1
Apple Inc.	3.1
Home Depot, Inc.	2.8
Linde plc	2.7
Bank of America Corp	2.6
TOTAL	32.3

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Sector Diversification

- Our portfolio selection process aims to generate consistency and low tracking error to the Russell 3000 Index, thus isolating outperformance through our team's fundamental bottom-up stock selection process. We look to minimize sector and factor variation against the market while maximizing our idiosyncratic upside opportunities. As a result, we do not expect meaningful divergence between sector weights in the portfolio and those in the benchmark.
- The SRI nature of this portfolio gives it a natural tilt away from hydrocarbon-producing and -consuming companies, typically in the energy and utilities sectors. Offsetting those underweights are matching overweights in sectors with similar risk and macro factor exposures: industrials and materials (offsetting energy) and real estate (offsetting utilities).

SECTOR	U.S. ALL-CAP SOCIOALLY RESPONSIBLE REP. ACCOUNT (%)	RUSSELL 3000® GROWTH INDEX (%)	DIFFERENCE (%)
	Q1 '19	Q1 '19	Q1 '19
Communication Services	7.19	9.08	-1.89
Consumer Discretionary	12.92	10.37	2.55
Consumer Staples	3.72	6.53	-2.80
Energy	--	5.06	-5.06
Financials	13.70	13.18	0.52
Health Care	13.84	14.34	-0.50
Industrials	14.15	10.13	4.03
Information Technology	21.77	21.11	0.66
Materials	5.26	2.95	2.31
Real Estate	7.44	4.03	3.41
Utilities	--	3.22	-3.22

Quarterly Attribution Detail by Sector

- Within health care, the outperformance relative to the market was broad based, with two-thirds of the stocks we own outperforming both the market and health care stocks in general. Our stock picking was particularly strong in the biotechnology area, with strong performance from Agios, Biohaven and Coherus.
- Within financials, performance was largely driven by SunTrust and Ameriprise. SunTrust Banks was up nearly 30% in the quarter as general optimism for regional banks was compounded by the announcement of a merger between SunTrust and competitor BB&T, which sent the stock higher still. Ameriprise rebounded strongly after a weak further quarter on the backs of solid net inflows in its "crown jewel" advice and wealth management business.

SECTOR	U.S. ALL-CAP SOCIOALLY RESPONSIBLE REP. ACCOUNT		RUSSELL 3000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	7.53	13.34	9.20	13.87	0.08	-0.07	0.01
Consumer Discretionary	12.56	18.42	10.31	14.68	-0.04	0.49	0.45
Consumer Staples	4.24	17.31	6.45	11.67	0.01	0.23	0.24
Energy	--	--	5.09	16.61	-0.12	--	-0.12
Financials	14.82	15.58	13.80	8.86	0.03	1.11	1.15
Health Care	13.67	17.80	14.57	8.20	0.08	1.23	1.31
Industrials	14.28	17.60	10.20	16.73	0.14	0.13	0.28
Information Technology	20.81	18.32	20.25	20.78	0.07	-0.46	-0.38
Materials	5.35	13.64	2.99	11.65	-0.04	0.09	0.05
Real Estate	6.75	21.85	3.96	17.28	0.11	0.29	0.40
Utilities	--	--	3.19	11.40	0.12	--	0.12
Total	100.00	17.53	100.00	14.04	0.45	3.04	3.49

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Quarterly Contribution to Return

- **Alibaba** was up considerably in the quarter as results in its core commerce segment helped beat low expectations and as sentiment around the Chinese market broadly recovered.
- **SunTrust Banks** was up strongly in the quarter as general optimism for regional banks was compounded by the announcement of a merger between SunTrust and competitor BB&T, which offset lower interest rate expectations sending the stock higher when peers' performance waned late in the quarter.
- **American Tower's** outperformance was driven by accelerating earnings growth, early excitement over potential 5G rollouts and an increasing view that interest rate rises are likely to stall or reverse.
- **Microsoft** gained after reporting earnings that were inline with expectations, despite a slowdown in sales of its Windows and Office software. The company's cloud-related software for businesses continued to perform well, however, in terms of sales growth and margin expansion.
- **Zoetis** outperformed as the company reported strong fourth-quarter results, with revenue growth accelerating sequentially and earnings ahead of street estimates.
- Following its spin-off from Henry Schein and merger with Vets First Choice, **Covetrus** fell on weak Schein animal health results and lack of disclosure on the new combined business. 2019 will be a transition year as Covetrus adjusts to being a stand-alone company, but revenue growth should accelerate in 2020. Related to the spin-off, **Henry Schein** also underperformed this quarter.
- **Washington Federal** experienced net interest margin compression in the quarter, leading to a reduction in full-year estimates and underperformance of its equity.
- **Bank of America** is considered one of the most interest rate-sensitive banks, which drove underperformance of the shares when the Federal Reserve moved to a more dovish interest rate stance during its March meeting. We expect stronger business trends will help offset lower rates and have confidence in the holding.
- **EchoStar** shares underperformed in the quarter after a disappointing earnings report driven by lower revenue from enterprise and wholesale customers. The consumer broadband business, the key to our thesis, continues to perform as expected.

U.S. ALL-CAP SOCIALLY RESPONSIBLE REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
BABA	Alibaba Group Holding Ltd. Sponsored ADR	3.24	33.11	0.83
STI	SunTrust Banks Inc.	1.39	28.17	0.79
AMT	American Tower Corporation	2.95	24.57	0.69
MSFT	Microsoft Corporation	4.15	16.62	0.67
ZTS	Zoetis Inc. Class A	3.40	17.92	0.57
U.S. ALL-CAP SOCIALLY RESPONSIBLE REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
HSIC	Henry Schein Inc.	1.39	-1.16	-0.08
CVET	Covetrus Inc.	0.11	-26.02	-0.06
WAFD	Washington Federal Inc.	0.36	-5.93	-0.06
BAC	Bank of America Corp.	1.42	-2.32	-0.06
SATS	EchoStar Corporation Class A	0.40	-6.32	-0.03

Portfolio Activity

U.S. ALL-CAP SOCIALLY RESPONSIBLE REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		GICS SECTOR
ACN	Accenture Plc Class A	Information Technology
ARES	Ares Management Corporation	Financials
BAC	Bank of America Corp.	Financials
BHVN	Biohaven Pharmaceutical Holding Company Ltd.	Health Care
CVGW	Calavo Growers Inc.	Consumer Staples
CNI	Canadian National Railway Company	Industrials
CVET	Covetrus Inc.	Health Care
CTRP	Ctrip.com International Ltd Sponsored ADR	Consumer Discretionary
SATS	EchoStar Corporation Class A	Information Technology
ERIE	Erie Indemnity Company Class A	Financials
HAIN	Hain Celestial Group, Inc.	Consumer Staples
HQY	HealthEquity Inc.	Health Care
IART	Integra LifeSciences Holdings Corporation	Health Care
NXST	Nexstar Media Group Inc. Class A	Communication Services
PCH	PotlatchDeltic Corporation	Real Estate
SBAC	SBA Communications Corp. Class A	Real Estate
SPB	Spectrum Brands Holdings Inc.	Consumer Staples
TRU	TransUnion	Industrials
WAFD	Washington Federal Inc.	Financials
XHR	Xenia Hotels & Resorts Inc.	Real Estate

U.S. ALL-CAP SOCIALLY RESPONSIBLE REP. ACCOUNT PORTFOLIO ACTIVITY		
DELETIONS		GICS SECTOR
ALDR	Alder Biopharmaceuticals, Inc.	Health Care
AABA	Altaba Inc.	Financials
AMP	Ameriprise Financial Inc.	Financials
CHRS	Coherus BioSciences Inc.	Health Care
CAG	Conagra Brands Inc.	Consumer Staples
CLGX	CoreLogic Inc.	Information Technology
CCI	Crown Castle International Corp	Real Estate
EBAY	eBay Inc.	Consumer Discretionary
FB	Facebook Inc. Class A	Communication Services
PSMT	PriceSmart Inc.	Consumer Staples
ST	Sensata Technologies Holding PLC	Industrials
STI	SunTrust Banks Inc.	Financials
WBT	Welbilt Inc.	Industrials
PURCHASED & SOLD		
		GICS SECTOR
TCF	TCF Financial Corporation	Financials

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U.S. All-Cap Socially Responsible Equity 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 Assets (\$USD Millions)	GIPS Firm Assets (\$USD Millions)
YTD 2018*	0.25	0.20	0.17	N/A	N/A	Five or fewer	15.4	35,314

*Performance and Assets as of 9/30/2018

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 U.S. All Cap SRI Composite is composed of discretionary portfolios which invest primarily in the common stocks of U.S. small, medium, and large market capitalization companies. The strategy seeks to produce competitive risk-adjusted returns through a concentrated portfolio of high conviction names, which reflect both attractive fundamental characteristics and compelling ESG profiles. It is constructed using a combination of fundamental research and negative screens, and aims to maintain a low tracking error to the Russell 3000® Index.
3. The Composite creation date is 10-23-2018.
4. The Composite inception date is 8-31-2018.
5. The benchmark is the Russell 3000® Index. The Russell 3000® Index is composed of 3000 large U.S. companies, as determined by market capitalization. This portfolio of securities represents approximately 98% of the investable U.S. equity market. The Russell 3000® Index is comprised of stocks within the Russell 1000® and the Russell 2000® Indices. Benchmark returns are not covered by the report of the independent verifiers. The Russell 3000® Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
6. An investor cannot invest directly into an index.
7. Composite dispersion 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 currently presented because there is not five or more accounts in the composite for the entirety of the reported periods.
8. 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. The fee schedule is as follows: 0.40% on all assets with a minimum account size of \$250,000. Actual fees paid by accounts in the composite may differ from the current fee schedule.
9. 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 because 36 monthly returns for the composite were not available (N/A).
10. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
11. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
12. Past performance is not indicative of future results.
13. 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.

Disclosures

Past performance is not a guarantee of future performance and you may not get back the amount invested.

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Composite performance is based on the Brown Advisory U.S. All-Cap SRI Equity Composite and was obtained through FactSet®. All information and returns shown are as of 12/31/2018 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Large-Cap Sustainable Growth account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and sector attribution excludes cash and cash equivalents. Total portfolio return figures provided reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding.

Please see composite disclosure statements above for additional information.

Terms and Definitions For Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. **Weighted Average Market Cap** refers to the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation). The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. **Price-to-Earnings (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price.

Active Share is a measure of the stock holdings in a portfolio that differ from the stated benchmark index. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period. **Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed). **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. Totals may not equal due to rounding. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report.