American Fund

QUARTERLY UPDATE

Second Quarter 2019

PERFORMANCE (%)

	RETURNS NET OF FEES*	RUSSELL 3000® INDEX
3 Mo.	4.71	3.95
1 YR	7.58	8.37
3 YR	14.90	13.39
5 YR	8.15	9.57
ITD (9 May 2008)	8.30	8.63

*American Fund B USD share class net of fees.

CHARACTERISTICS

	AMERICAN FUND	RUSSELL 3000® INDEX
Weighted Avg. Market Cap.	$212.9 B	$203.8 B
Weighted Median Market Cap.	$72.6 B	$72.6 B
Earnings Growth 3-5 Year Est.	14.2%	12.0%
P/E Ratio (FY2 Est.)	16.5x	16.2x
PEG Ratio	1.2x	1.3x

TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Visa Inc. Class A	5.0
Mastercard Incorporated Class A	4.1
Microsoft Corporation	3.4
Alphabet Inc. *	3.3
Berkshire Hathaway Inc. Class B	3.3
Facebook, Inc. Class A	3.0
CarMax, Inc.	3.0
Lowe's Companies, Inc.	2.6
Edwards Lifesciences Corporation	2.5
JPMorgan Chase & Co.	2.4
TOTAL	**32.6**

*Alphabet Inc. represents a 1.9% holding in Class C shares, and a 1.4% holding in Class A shares.

Characteristics and Holdings include cash and cash equivalents.

Review & Outlook

The American Fund aims to achieve capital appreciation through a combination of Brown Advisory in-house U.S. equity strategies. For the quarter the Fund returned 4.71% vs. 3.95% for the Russell 3000 benchmark. The strategy allocation for the Fund is a fixed apportionment of 75% to U.S. Flexible Equity and 25% to U.S. Small-Cap Blend.

U.S. FLEXIBLE EQUITY STRATEGY

The U.S.'s broader market index, the S&P 500® Index, which is also the Flexible Equity strategy's benchmark, returned 4.3% during the second quarter of 2019. For the first half of 2019, the gains in the S&P 500 Index were even more sizable at 17%, the Index's strongest showing since 1997. We are pleased to report that the Flexible Equity Strategy kept pace with the recent market gains and finished ahead of its benchmark for both the first half and the second quarter of 2019.

The gains in the equity market are set against a backdrop of an escalating trade dispute between the U.S. and China, and heightening concerns related to a slowing global economy. Fears related to a potential economic slowdown are reflected by a surge in demand for U.S. Treasuries, which is associated with a sharp decline in bond yields—the 10-year yield is below 2%, a level that was last observed in 2016. Despite the wall of worry, which has varied in nature and has beset many investors since the financial crisis of 2009, the bull market in U.S. equities continues to march on and is now in its 10th year—it is on track to be the longest rally in history. For a brief period in December last year, equity markets declined sharply when investors fretted over a possible policy decision made by the Federal Reserve when it decided to tighten interest rates. These fears continued to subside in June when the short-term interest rates held steady and central bankers took a more dovish position. It was almost unthinkable a few months ago that bond markets would be pricing in a rate cut later this year, signaling lower short-term rates. Against this backdrop of lower interest rates, both short and long term, equities remain an attractive asset class, in our view.

The Flexible Equity strategy seeks to invest in businesses that have good economics and sustainable business advantages. Tollbooth-like business models tend to have these characteristics. An operator of a traditional tollbooth is in an enviable position, as it collects a small toll from thousands of travelers who are willing to pay the small charge for using the road as other alternate routes are often inconvenient and/or uneconomical. These small tolls can add up to a meaningful sum for the tollbooth operator. In addition, customers tend to be sticky as they get used to their commuting patterns. The tollbooth operator often enjoys pricing power and lower incremental capital needs, which are powerful components that may help businesses to compound in value. Parallels to the tollbooth business model exist in other parts of the economy in which Flexible Equity has invested successfully over many years. The most notable examples of such investments are Visa and Mastercard. They have established ubiquitous payment networks that serve as rails for electronic transactions that cumulatively run into trillions of dollars and for which they collect a small "toll" (interchange) in basis points. These businesses generally enjoy wonderful economics and continue to compound in value.

We made a new investment this quarter in Stericycle, whose business has some tollbooth-like aspects. Stericycle's primary business is removal and disposal of medical waste (e.g., needles, syringes, blood) from hospitals and other health care providers (e.g., physicians, dental practices), which is a regulated area that requires proper handling. Stericycle helps customers maintain compliance and thus protects their brands. Stericycle enters into long-term contracts with customers and has a network of trucks, transfer sites and processing sites (e.g., incinerators and autoclaving units) to get the job accomplished. A few years ago, it also entered the business of document destruction (i.e., collection and shredding of paper) by acquiring Shred-it.

Stericycle enjoyed exceptional growth and enviable stock returns from the late 1990s until 2015 as it rolled up the industry by acquiring smaller players. Since then, however, problems have emerged due to slowing growth, misallocation of capital, poor integration of acquisitions and the lack of strong leadership. Previous investors in Stericycle exited in droves, and the company lost nearly two-thirds of its market value. We have followed the events unfolding at Stericycle closely for the last four years. Our interest was sparked when we noticed a change in the leadership of the board of directors, which helped bring in a new management team. Our in-person meetings with the incoming CEO, Cindy Miller, and the chairman of the board, Robert Murley, have instilled confidence that the new management team intends to bring the required change and increased discipline to revive the prospects of an attractive business model that was being run poorly, in our view.

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As the turnaround progresses over time, we believe there is an attractive return potential relative to the risks of any further shortcomings.

We also intend to share our notes from the Berkshire Hathaway shareholders' meeting, which several of us from the Flexible Equity strategy team attended, shortly. An interesting focus is on the topic of value investing and captures Buffett's response to a question posed on Berkshire's recent purchase of Amazon stock.

The Flexible Equity team searches for investment bargains among long-term attractive businesses with shareholder-oriented managers—those with productive assets and productive managers. These businesses should have or develop competitive advantages that result in good business economics, managers who allocate capital well, capacity to adjust to changes in the world and the ability to grow business value over time. Bargains in these types of stocks can arise for various reasons but are often due to short-term investor perceptions, temporary business challenges that should improve, and company or industry changes for the better or as-yet-unrecognized potential for long-term growth and development. Despite the occasional investment that will go awry and stretches when the general stock market is unrewarding, we are optimistic about the long-term outlook for equities of good businesses purchased at reasonable prices and our ability to find them.

U.S. SMALL-CAP GROWTH STRATEGY

The Brown Advisory Small-Cap Growth strategy outperformed its benchmark, the Russell 2000® Growth Index, during the second quarter of 2019. The solid absolute and relative results were driven almost wholly by balanced stock selection across sectors. The period caps off a positive first half of 2019 that was catalyzed by strong team productivity over the past 18 to 24 months. As we gaze into the back half of the year, we are bracing for moments of volatility and preparing to take advantage of them.

As a departure from the typical quarterly review and commentary, we thought we would share a part of a Small-Cap Growth Weekly Update e-mail that goes out to the team each Monday. The comments are meant to be candid and spark conversation with the goal of thinking not about what the world looks like today, but what it *might* look like in 18 months.

The following is from our June 24, 2019, memo:

"The right question is usually more important than the right answer to the wrong question." - Alvin Toffler

Cheap money spurs a market rally. The S&P 500® Index hit a new all-time high last week—small-caps are still a bit below that mile marker—on the back of a more dovish stance by the Federal Reserve. The market has priced in a near 100% chance of a rate cut later this summer.

Pavlov's dogs. The rationale for the likely lowering of rates in the short run is based on somewhat unattractive recent economic data, below target inflation measures, and concerns that a trade war will exacerbate the deceleration in growth. Although I acknowledge that the historical pattern is dovish tone=higher market, there was a strong piece of me that doubted the return of Pavlov's dogs. In fact, I thought there was a decent, but less than 50% chance, that the market would view the continuation of the Fed pivot as confirmation of underlying economic weakness. This has not occurred... yet. We will have to wait and see.

Everyone is on one side of the boat. After spending 48 hours last week with 20 other small- and mid-cap portfolio managers from around the country, it is clear that everyone generally is aligned (or at least too scared to think/act differently). The economy should continue to grow slowly, inflation should remain low, rates should continue to remain low and growth stocks should continue to beat value stocks—paying up for the secular disruption, and no price is too inexpensive for those being disrupted! It is unclear what changes this view, but the most important thing is to realize that this is a crowded trade and thus the potential payoff from some differentiated positioning remains massive (despite said payoff being ever illusive).

Final thought. The world is awash in debt, and $12.5 trillion of fixed income securities have negative yields. This is not the way it is supposed to be. The reaction by investors has been to gradually (over the last several years) move out of the risk curve to seek yield/return. In small-cap growth land, it is important to remember that we are close to the end of that return-seeking journey, thus driving the volatility of the asset class as investor perceptions change. The tide has continued to rise on faith in the Fed and a goldilocks economy. We hope that the tide continues to come in, but we believe we are prepared for when it goes out.

As investors, we feel it is good to operate with a cautiously optimistic, or perhaps a constructively paranoid, mentality. Things are usually never as good or as bad as they seem but the pendulum can sometimes feel as though it is always at extremes. It is from this view that we find comfort in operating as bottom-up, long-term business owners, attempting to take advantage of the extremes with the goal of generating meaningful alpha for our clients over a multiyear time horizon.

U.S. SMALL-CAP VALUE STRATEGY

While small-cap shares posted another solid period of performance during the second quarter, they still materially trail the year-to-date performance of larger-cap companies. Sales growth has generally remained comparable, but earnings growth lagged for the group during the first quarter and is expected to be weak during the second quarter due to margin pressures. Among small-cap companies, growth company shares, led by technology, generally performed better than value. This only served to expand the material difference in year-to-date performance and relative valuation gap between growth and value. From a macro perspective, small-cap investors are focused on the potential relief from a trade deal with China benefiting cyclicals as well as the potential impact from an interest rate cut for financials. Within the quarter, small-cap shares saw both a positive and a negative 5% monthly move, the Russell 2000® Index was down approximately 8% quarter and then rallied by 6% during June. This heightened volatility demonstrates the ongoing debate surrounding the macro environment and questions about a potential second half earnings rebound.

The Brown Advisory Small-Cap Fundamental Value strategy posted a decent quarter both on an absolute basis and relative to its benchmark, the Russell 2000® Value Index. Our strategy generated the bulk of the positive relative performance during April and, to a lesser extent May, but trailed during the sharp June rally. Similar to last quarter, we were generally pleased with the operating performance of our companies.

Dispersion of performance for the Index across sectors was wide, with three sectors posting mid-single-digit positive performance and five posting mid-single-digit negative performance. Energy was the worst performing sector, and industrials were the strongest. Health care was weak, but technology was positive. Our strategy's relative performance was strongest within IT and financials but trailed in energy and consumer discretionary. Smart Global and EchoStar were the two best-performing stocks in the IT sector for the quarter. EchoStar announced an asset swap with DISH. Both EchoStar and Smart Global also benefited from low expectations for earnings coupled by low absolute levels of valuation, which drove the performance.

Within financials, both Washington Federal and Assurant posted solid results. Within energy, all four of our investments traded down under the pressure within the sector. We exited our investment in Roan Resources, which was part of the Linn Energy split late last year, after it became clear that operational missteps had materially impacted the cash flow profile.

Eagle Materials completed its strategic review with an announcement that it would spin off its wallboard division and sell its oil and gas proppant business. This breakup, combined with a sizable buyback (20% of the outstanding shares), was well received by the market. Magellan Health continues its strategic review and was rumored to be in exclusive discussions with a private equity company. Extended Stay's strategic review also continues, but our expectation is that a final announcement will not end in a sale but a division between the property company and the management company. This should free the company to restart its buyback program. Finally, Roan announced that it had hired advisors to respond to potential interest; however, we decided to proceed with the sale of our investment.

New investment activity was strong during the quarter, with five new investments, although all of the positions were small due to liquidity and/or size, so the overall impact to the portfolio was muted. We made two investments in previously held companies: Culp and Continental Building Products. Both companies' shares had fallen meaningfully following our sales. We also made two new small investments in special purpose acquisition companies (SPACs). In the first case, Capital Investment Corp. announced a transaction with a specialty leasing company serving utility contractors. In the second, South Mountain Merger Corp. will be pursuing a transaction in the financial technology sector.

Our last investment was in Viad Corp., a company focused on unique destination properties and conventions. As we were starting to build our position, the shares rapidly appreciated, so we paused our buying.

The market continues to consider the operating performance and the challenges that companies face from a potential recession, as well as the positive impacts that are hoped for in a rate cut and possible tariff relief. The diversion between the broader fixed income markets and the equity markets seem to be giving investors contradictory indications, and the rapid changes in high-yield spreads just furthers the confusion for market participants. Given such an environment, we remain steadfast that an opportunistic approach focused on cash flows, valuation and capital allocation will continue to produce attractive risk-adjusted returns for our investors.

Sector Diversification

- We base our investment approach on individual company selection and incorporate a reasonable balance of sector exposures as part of risk management. Companies in the same economic sectors can vary as greatly in their business economics and profiles as companies in completely different sectors.
- Our weighting in industrials increased as we built new positions in **Continental Building Products, Stericycle, Wage Works** and **Viad Corp**.
- We eliminated **T. Rowe Price** and trimmed **Regions Financial**, which reduced our weighting to financials.
- Price declines in **Cimarex Energy** and **Suncor Energy** impacted our energy sector weighting.

SECTOR	AMERICAN FUND (%)	RUSSELL 3000® INDEX (%)	DIFFERENCE (%)	AMERICAN FUND (%)	
	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Communication Services	8.76	9.24	-0.48	8.89	8.74
Consumer Discretionary	15.52	10.43	5.09	15.26	13.37
Consumer Staples	3.07	6.43	-3.36	3.19	3.57
Energy	3.76	4.70	-0.93	4.18	4.70
Financials	19.51	13.50	6.00	20.02	24.47
Health Care	9.51	14.05	-4.54	9.51	8.80
Industrials	10.34	10.15	0.19	8.93	9.88
Information Technology	23.94	21.28	2.66	24.49	22.10
Materials	1.33	2.96	-1.63	1.40	0.17
Real Estate	2.55	4.01	-1.46	2.65	2.79
Utilities	0.09	3.25	-3.16	0.09	0.08
Cash	1.62	--	1.62	1.39	1.32

Sector diversification includes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- Attribution is a tool that shows the effect of sector allocation and stock selection relative to benchmark performance. This tool does not reflect how we manage investments and we believe it has significant limitations, but it is frequently requested, and we share it for that reason.
- The portfolio outperformed the Russell 3000 Index.
- Information technology contributed the most to the portfolio's return as compared to the Russell 3000 Index. The strategy's information technology had a higher return and a larger weighting than the Index.
- The financials sector was the biggest detractor despite its positive return. The sector weighting was higher, but the return was lower than the Index.

SECTOR	AMERICAN FUND		RUSSELL 3000® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	8.98	5.15	9.25	4.35	--	0.07	0.08
Consumer Discretionary	15.11	3.89	10.46	4.55	0.03	-0.09	-0.07
Consumer Staples	3.21	2.49	6.50	3.29	0.04	-0.02	0.01
Energy	3.96	-4.08	4.79	-3.90	0.07	-0.01	0.06
Financials	19.82	5.59	13.60	7.63	0.22	-0.38	-0.15
Health Care	9.24	0.45	13.81	1.45	0.14	-0.09	0.05
Industrials	10.00	6.67	10.15	4.66	-0.00	0.18	0.18
Information Technology	23.99	8.84	21.29	5.67	0.07	0.69	0.75
Materials	1.36	-0.55	2.95	4.71	-0.01	-0.06	-0.07
Real Estate	2.58	6.31	4.00	1.72	0.03	0.12	0.15
Utilities	0.09	5.43	3.20	3.58	0.02	--	0.03
Cash	1.66	0.58	--	--	-0.05	--	-0.05
Total	**100.00**	**5.07**	**100.00**	**4.10**	**0.57**	**0.41**	**0.98**

Sector attribution includes cash and cash equivalents.

Quarterly Contribution to Return

- **CarMax** generated strong sales growth and profitability in the first quarter, exceeding analysts' earnings expectations.
- **Visa** and **Mastercard,** the two largest holdings in the portfolio and top contributors last quarter, continue to benefit from positive secular trends in the payments industry. Reported earnings from both companies were ahead of expectations.
- **Microsoft's** fiscal third-quarter results were attractive, as the increase in revenues in each of its businesses was robust.
- **Facebook's** revenues and profits were higher than estimates for the first quarter. The closely watched metrics of user growth and engagement were steady, and expense growth has moderated, a positive development, in our view.
- **Lowe's** revenue growth in the first quarter was in line with expectations, but expenses were higher and the company reduced its earnings guidance for the full year. We believe that the new CEO is focused on improving profitability.
- **Alphabet's** stock price declined as the company's earnings report included lower-than-expected advertising revenue growth at Google.
- **Alibaba**, a top contributor to the portfolio last quarter, reported better-than-expected sales and earnings driven by its accelerating core China marketplace businesses, but this was not enough to offset the headlines dominated by macro and trade war concerns. China is shifting to a consumer-driven economy, and Alibaba should be a big beneficiary of this trend, which is already evidenced by the tremendous growth in its core marketplace business.
- The strategy's new holding, **Stericycle**, fell after a disappointing earnings report that focused on a shortfall in operating metrics. However, the company made progress with its business improvement initiatives, including better cost allocation and revisions to its incentive plans. We added to our investment following the price decline.
- **Cimarex Energy** fell with the decline in the price of oil.

AMERICAN FUND TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
KMX	CarMax, Inc.	2.73	24.40	0.61
V	Visa Inc. Class A	4.90	11.28	0.54
MA	Mastercard Incorporated Class A	4.18	12.51	0.50
MSFT	Microsoft Corporation	3.26	14.00	0.43
FB	Facebook, Inc. Class A	2.94	15.78	0.41
AMERICAN FUND BOTTOM FIVE CONTRIBUTORS				
LOW	Lowe's Companies, Inc.	2.74	-7.43	-0.19
GOOG	Alphabet Inc. Class C	2.07	-7.88	-0.17
BABA	Alibaba Group Holding Ltd. Sponsored ADR	1.87	-7.13	-0.14
SRCL	Stericycle, Inc.	0.78	-16.15	-0.14
XEC	Cimarex Energy Co.	0.82	-14.87	-0.13

Contribution includes cash and cash equivalents.

Quarterly Portfolio Activity

- **Capitol Investment Corp. IV** operates as a blank check company. It focuses on effecting a merger, share exchange, asset acquisition, share purchase and reorganization, or similar business combination, with one or more businesses or entities.
- We reestablished a position in **Continental Building Products (CPBX)** after exiting our original investment in the third quarter of last year. At the time, we used the proceeds from the sale to build our initial position in Eagle Materials, after Eagle began trading at a discount to Continental for the first time in history. We did not view anything being fundamentally wrong with Continental's business but felt that the market was pricing in the majority of any potential upside at the time. Fast forward a few quarters, and market sentiment on CBPX has reversed. The stock has sold off significantly since we exited our position over housing concerns and a less robust wallboard pricing environment. While we do not disagree with these concerns, we think the market is more than pricing them in, with Continental currently trading at a near 10% free cash flow yield and only 7x EBITDA. We do think the market is overlooking the current tailwinds that CBPX has on the cost side with the recent collapse in old carbon container pricing and a weakening freight market, which should provide a strong boost to EBITDA even if volumes disappoint.
- New holdings **Corteva** (agricultural products) and **Dow** (materials science) are spinoffs from DowDuPont (specialty products). We continue to hold these companies and believe that value will be realized from these and future business portfolio changes within the various DowDuPont companies.
- We repurchased **Culp** after our exit last year. We continued to actively follow the company and believe the shares have been oversold due to concerns around tariffs and perceived mattress industry headwinds. The company continues to produce strong free cash flow, and we believe it will return to EBITDA growth this year.
- **IAA** spun out of KAR Auction Services. The company engages in the provision of auction solutions for total loss, damaged and low-value vehicles. Its solutions focus on a diverse set of global customers, providing buyers with rebuild requirements, replacement of part inventory and scrap demand.
- **Kura Oncology** focuses on discovery and development of personalized therapeutics for the treatment of tumors and blood cancers. Kura offers development programs for cancers with high unmet need, including lung, colorectal, thyroid, blood and pancreatic cancers.
- **PagerDuty** provides wireless application solutions. The company offers on-call management, event intelligence, analytics and digital operations, as well as equipment. PagerDuty serves customers worldwide.
- **South Mountain Merger Corp.** is SPAC formed by an executive team out of the payments industry to make an acquisition in the financial technology sector. The cash raised through the offering has been placed in a trust and invested in Treasury securities. Once an acquisition has been announced, we will have an opportunity to either vote in favor of the acquisition or redeem our investment at the IPO price and our pro rata share of interest from the Treasury securities. Management fronts both the underwriting commission for the IPO as well as the operating costs to identify, perform due diligence and negotiate a transaction. By participating in the IPO, we also have a third option to redeem our investment and hold on to a warrant in the acquired entity. We view our investment in the SPAC as a low-risk way of obtaining access to a potentially attractive transaction in the financial technology sector.
- We initiated a new position in **Stericycle.** The company is in the business of regulated medical waste removal and document destruction. Its business is a tollbooth on medical and business activity with a highly recurring revenue base. The business had faced challenges due to poor management. A new management team is in place to revive the business prospects.

AMERICAN FUND PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
CIC	Capitol Investment Corp. IV Class A	Financials
CBPX	Continental Building Products, Inc.	Industrials
CTVA	Corteva Inc	Materials
CULP	Culp, Inc.	Consumer Discretionary
DOW	Dow, Inc.	Materials
IAA	IAA, Inc.	Consumer Discretionary
KURA	Kura Oncology, Inc.	Health Care
PD	PagerDuty, Inc.	Information Technology
SMMCU.U	South Mountain Merger Corp.	Financials
SRCL	Stericycle, Inc.	Industrials
TRHC	Tabula Rasa Healthcare, Inc.	Health Care
VVI	Viad Corp	Industrials
WAGE	WageWorks, Inc.	Industrials
DELETIONS		SECTOR
CCOI	Cogent Communications Holdings Inc	Communication Services
CNOB	ConnectOne Bancorp, Inc.	Financials
CLGX	CoreLogic, Inc.	Information Technology
COUP	Coupa Software, Inc.	Information Technology
ENV	Envestnet, Inc.	Information Technology
HCSG	Healthcare Services Group, Inc.	Industrials
LCUT	Lifetime Brands, Inc.	Consumer Discretionary
PCH	PotlatchDeltic Corporation	Real Estate
PSMT	PriceSmart, Inc.	Consumer Staples
ROAN	Roan Resources, Inc.	Energy
TROW	T. Rowe Price Group	Financials
ULTI	Ultimate Software Group, Inc.	Information Technology

- **Tabula Rasa Healthcare** designs and develops cloud-based health care software solutions. Tabula Rasa offers data-driven technology and solutions that enable health care organizations to optimize medication regimens.
- **Viad (VVI)** is a legacy conglomerate that has divested all but two remaining niche businesses: GES, a dominant player in the convention and exhibition services business, and Pursuit, a specialty travel lodge operator in national parks in the U.S. and Canada. Since the current CEO took over four years ago, VVI has invested substantially to refresh and grow the Pursuit business and has a number of projects coming online during 2019. As the capital requirements for these growth initiatives are completed, VVI's free cash flow is expected to increase to almost $4.50 per share in 2020. While the overall business trades at 9.7x 2018 and 8.8x 2019 EBITDA, management believes that value could be unlocked through an outright spin of Pursuit as a stand-alone entity. In the meantime, management completed its first sizable buyback program and has already started on its second in order to return capital to shareholders.
- **WageWorks** engages in administering consumer-directed benefits (CDBs) that helps empower employees to save money on taxes, and provides corporate tax advantages for employers in the U.S.
- We exited **Cogent Communications** when we finally concluded that the net-centric business (which had been underperforming for the last three to four years) would not return to high-single-digit or low-double-digit growth in the medium term, despite an improvement in traffic growth.

- We eliminated our positions in **ConnectOne Bancorp, Core-Mark, CoreLogic, PriceSmart** and **Envestnet** as better alternatives for the capital were discovered.
- **Coupa Software** was sold due to excessive valuation.
- **Healthcare Services Group** was sold due to our concern with management's ability to operate in the current environment.
- We sold our investment in **Lifetime Brands**, as we were concerned the projected cost savings and cash flow from an announced acquisition were not materializing. The company was unable to deliver organic growth from its legacy business, while also unable to filament the acquisition synergies and make the cost reductions we believed to be possible.
- We sold our small position in **PotlatchDeltic** due to weakening lumber prices and the potential for a dividend cut.
- Operationally, **Roan Resources** has struggled over the last few months as recent well results came in below expectations due to improper spacing. The weaker-than-expected production growth and resulting EBITDA placed increased risk to free cash flow generation for the second half of the year, and thus we eliminated the remaining position.
- **T. Rowe Price** is an attractive business, but the asset management industry is facing challenges, including fee compression as low-fee, passive investing continues to gain share. We purchased Stericycle with the proceeds from the sale of T. Rowe Price.
- **Ultimate Software Group** was acquired during the period.

Disclosures

Past performance may not be a reliable guide to future performance and you may not get back the amount invested.

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

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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. Statistics are calculated as follows: **Weighted Average:** equals the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation). **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, calculated according to each broker's methodology. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **P/E / Growth Ratio, or PEG Ratio,** is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **Portfolio Turnover (3 yr. avg.)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. 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.