U.S. Small-Cap Blend Fund

QUARTERLY UPDATE

Brown ADVISORY
Thoughtful Investing.

Second Quarter 2019

Review & Outlook

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The U.S. Small-Cap Blend Fund aims to achieve capital appreciation through a combination of the Brown Advisory U.S. Small-Cap Growth and U.S. Small-Cap Value strategies. The allocation is currently 50%-50%. This is not a fund of funds. The Fund is diversified and style-agnostic making it more reflective of the broad U.S. small-cap universe. For the quarter the Fund returned 4.82% vs. 1.99% for the Russell 2000 benchmark.

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.

PERFORMANCE (%)

	RETURNS NET OF FEES*	RUSSELL 2000® INDEX
3 Mos.	4.82	1.99
1 YR	5.50	-3.70
3 YR	12.48	11.86
5 YR	8.94	6.64
ITD (8 Jul 2013)	10.16	8.68

*U.S. Small-Cap Blend Fund B USD share class net of fees.

CHARACTERISTICS

	SMALL-CAP BLEND FUND	RUSSELL 2000® INDEX
P/E Ratio (FY2 Est.)	17.7x	14.3x
Earnings Growth 3-5 YR Estimate	13.4%	12.6%
Weighted Avg. Market Cap.	$4.4 B	$2.2 B
Weighted Median Market Cap.	$2.9 B	$2.0 B
PEG Ratio	1.3x	1.1x

TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Waste Connections, Inc.	2.4
GCI Liberty, Inc. Class A	2.3
Bright Horizons Family Solutions, Inc.	2.2
Albany International Corp. Class A	2.0
Genpact Limited	1.6
Extended Stay America, Inc.	1.6
Eagle Materials Inc.	1.6
Catalent Inc.	1.6
Mimecast Limited	1.5
Charles River Laboratories International, Inc.	1.4
TOTAL	**18.2**

Characteristics and holdings include cash and cash equivalents.

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

- Our weighting in industrials increased as we built new positions in **Continental Building Products, WageWorks** and **Viad Corp**.
- Our weighting in financials increased due to the positive performance of our holdings in the sector.

SECTOR	U.S. SMALL-CAP BLEND FUND (%)	RUSSELL 2000® INDEX (%)	DIFFERENCE (%)	U.S. SMALL-CAP BLEND FUND (%)	
	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Communication Services	4.88	2.56	2.32	5.41	6.04
Consumer Discretionary	17.00	11.01	5.99	17.50	13.26
Consumer Staples	2.57	2.79	-0.21	2.74	2.73
Energy	1.65	3.98	-2.33	2.14	2.74
Financials	18.32	17.95	0.37	16.34	16.84
Health Care	10.98	17.20	-6.21	10.34	8.82
Industrials	19.60	16.13	3.47	18.03	21.31
Information Technology	16.16	13.04	3.13	18.18	20.09
Materials	1.79	3.93	-2.15	1.59	0.64
Real Estate	2.35	7.63	-5.28	2.84	3.78
Utilities	0.40	3.78	-3.38	0.37	0.31
Cash	4.29	--	4.29	4.51	3.42

Sector diversification includes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- There was positive performance across multiple sectors in the second quarter.
- Selection effect drove results during the quarter, which is consistent with our bottom-up investment process.
- Comparative strength between one sector and another was dictated primarily by a few holdings—a couple of them being larger in weight.
- Health Care, Information Technology and Industrials were the best-performing sectors for the fund during the quarter.

SECTOR	U.S. SMALL-CAP BLEND FUND		RUSSELL 2000® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	5.16	3.39	3.22	-5.89	-0.15	0.50	0.35
Consumer Discretionary	17.02	2.58	11.96	-0.69	-0.13	0.52	0.39
Consumer Staples	2.76	7.88	2.74	-3.18	0.01	0.31	0.32
Energy	1.99	-18.38	3.42	-9.07	0.17	-0.21	-0.04
Financials	17.64	6.41	17.73	5.19	-0.03	0.20	0.17
Health Care	10.45	6.38	15.44	-0.20	0.17	0.65	0.82
Industrials	19.04	9.61	15.08	8.78	0.26	0.15	0.41
Information Technology	17.02	6.75	15.34	2.62	0.05	0.65	0.70
Materials	1.70	9.65	3.73	-0.75	0.06	0.17	0.24
Real Estate	2.61	-0.55	7.53	0.97	0.08	-0.04	0.04
Utilities	0.39	5.43	3.81	5.24	-0.09	0.01	-0.08
Cash	4.18	0.56	--	--	-0.06	--	-0.06
Total	**100.00**	**5.37**	**100.00**	**2.10**	**0.36**	**2.91**	**3.27**

Sector attribution includes cash and cash equivalents.

Quarterly Contribution to Return

- **Catalent** continued its merger and acquisition-driven push into the high-growth area of biologics with the acquisition of Paragon Bioservices. Currently, demand in the area is robust, and manufacturing capacity for these complex therapies is limited. Management now believes its longer-term growth outlook has improved.
- **Array BioPharma** announced its intent to be acquired by Pfizer at a sizable premium during the period.
- **Bright Horizons Family Solutions** reported strong first-quarter results and increased annual guidance on better-than-expected growth across all segments.
- **HEICO** delivered a strong quarter, with 15% organic growth driven by strong aerospace aftermarket and defense demand, along with margin improvement. Continued strong free cash flow conversion enables the company to continue to deploy capital into niche, accretive merger and acquisition opportunities.
- **TopBuild** beat quarterly estimates and raised annual guidance due primarily to an improved outlook for the housing market and continued share gains.
- **2U** is a business we have owned for many years. In the middle of 2018, we cut our position size materially due to excessive valuation. Following a material pullback in the stock, we have slowly increased our position, but it still remains relatively small. The company recently disclosed a slowdown in the growth rate of its graduate programs due to the stagnation/decline of enrollments in a couple large programs for a variety of reasons. While we do not believe 2U's long-term growth algorithm is impaired, it is unlikely that the market will afford it the premium multiple it once garnered anytime soon, thus our more measured weighting in the name.
- **Roan Resources** was a meaningful detractor to performance during the quarter after the company announced weaker-than-expected first-quarter 2019 results and lowered its production guidance for the full year. This was very disappointing, as it came just eight weeks after the company had reiterated its recently lowered guidance for 2019. Operationally, Roan 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.
- **Covetrus** is continuing to see growing pains post spinoff from Henry Schein. The complexity of the transaction proved more challenging than expected and resulted in the company having to postpone its first quarterly report as a public company. While results were not overly negative, an early stumble by what was considered a solid management team was not well-received by investors.
- **Regis Corporation** shares declined after reporting quarterly results showed lower-than-expected EBITDA due to the company's transition from a company-owned store model to a franchise model. While the near-term results are disappointing, we continue to believe the asset-light franchise model is the right long-term strategy and will improve the company's free cash flow profile.
- **Providence Service Corporation** continues to work through transient cost pressures in its non-emergent patient transport business. Meanwhile, the consolidation of the holding company—that we believe will be a longer-term positive—proved more challenging to complete than management had anticipated. We expect margins to rebound in the second half of 2019 driven by visible rate increases and consolidation headwinds that should abate.

U.S. SMALL-CAP BLEND FUND
TOP FIVE CONTRIBUTORS

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CTLT	Catalent Inc.	1.66	33.56	0.48
ARRY	Array BioPharma Inc.	0.47	90.03	0.40
BFAM	Bright Horizons Family Solutions, Inc.	2.05	18.69	0.36
HEI	HEICO Corporation	0.89	41.12	0.33
BLD	TopBuild Corp.	1.14	27.68	0.28

U.S. SMALL-CAP BLEND FUND
BOTTOM FIVE CONTRIBUTORS

TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
TWOU	2U, Inc.	0.46	-46.87	-0.32
ROAN	Roan Resources, Inc.	0.18	-80.52	-0.25
CVET	Covetrus, Inc.	0.68	-23.20	-0.16
RGS	Regis Corporation	1.00	-15.61	-0.15
PRSC	Providence Service Corporation	0.90	-13.93	-0.13

Contribution includes cash and cash equivalents.

Quarterly Portfolio Activity

U.S. SMALL-CAP BLEND FUND PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
CIC	Capitol Investment Corp. IV Class A	Financials
CBPX	Continental Building Products, Inc.	Industrials
CULP	Culp, Inc.	Consumer Discretionary
IAA	IAA, Inc.	Consumer Discretionary
KURA	Kura Oncology, Inc.	Health Care
SMMCU.U	South Mountain Merger Corp.	Financials
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
ULTI	Ultimate Software Group, Inc.	Information Technology

- **Capital Investment Corp IV** is a leading specialty rental provider across the transmission and distribution, telecom, and rail end markets, with a fleet of over 4,000 units of specialty equipment. We believe the company is at an inflection point in growth due to (i) strong secular end market demand, and (ii) strengthened capital that should allow it to make a meaningful investment in its fleet to meet visible unmet demand.
- 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.
- 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.
- **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.
- **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.

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- 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.
- **Ultimate Software Group** was acquired during the period.

Disclosures

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. It is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure that larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000® Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment and is completely reconstituted annually. The Russell 2000® Growth Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. Contribution to return is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return for the reporting period. The portfolio information provided is based on the Brown Advisory U.S. Small-Cap Blend Fund and is provided as supplemental information. 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 include cash and cash equivalents. Sector diversification and attribution includes cash and cash equivalents. 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

Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Russell® is a service mark and trademark related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. **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. **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 brokerage firms, calculated according to each broker's methodology. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average**: 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. **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. **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. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. 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. **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. **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. Totals may not equal due to rounding.