

First Quarter 2019

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	FTSE ALL WORLD NET INDEX
3 Mos.	14.75	14.57	12.00
1 YR	8.30	7.63	2.30
3 YR	15.01	14.16	10.59
ITD (1 May 2015)	11.40	10.56	6.06

The composite performance shown above reflects the Brown Advisory Global Leaders 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.

REP. ACCOUNT CHARACTERISTICS

	GLOBAL LEADERS REP. ACCT.	FTSE ALL WORLD NET INDEX
ROIC (LFY ex. financials) Median (%)	24.4	10.2
Hist 3Yr Sales Growth (Median) (%)	9.0	5.7
NTM EV/EBIT (ex. financials) Median	16.8x	12.3x
FCF (LFY ex. financials) Median (%)	4.4	4.3
P/E (NTM) Median	20.7x	14.3x

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Microsoft Corporation	6.6
Visa Inc. Class A	5.6
Alphabet Inc. Class C	5.1
Unilever PLC	4.2
Mastercard Incorporated Class A	3.7
AIA Group Limited	3.5
Estee Lauder Companies Inc. Class A	3.4
Booking Holdings Inc.	3.3
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.0
JPMorgan Chase & Co.	3.0
TOTAL	41.1



MICK DILLON, CFA
Portfolio Manager



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Portfolio Manager

Review & Outlook

The Global Leaders Strategy outperformed its benchmark, the FTSE All-World Index, in the first quarter of 2019.

Global equities had a strong rally following weakness at the end of last year. The investor's fourth quarter preoccupation with an imminent global economic recession failed to materialize in the beginning of the year despite uncertainties stemming from trade disputes and slowing economic growth in China. Sentiment was buoyed by fourth quarter results that indicated steady demand for a variety of global corporates. Against this uncertain backdrop, we were pleased that the Global Leaders strategy outperformed its benchmark.

The Global Leaders Strategy is focused on delivering long-term performance by buying a concentrated portfolio of companies that uniquely satisfy their customers and generate attractive economics for shareholders. Given its concentrated nature, the Global Leaders strategy's performance is an output of our stock-picking and relative performance benefitted from our holdings in the communication services and health care sectors for the quarter.

We believe capital allocation is equally important as stock selection and we are pleased to see three of our top five biggest positions contributed the largest amount of alpha for the quarter. Core holdings Microsoft, Visa and MasterCard, all materially outperformed during the period.

Although we have not added any new positions since August 2018, we diligently have followed our drawdown review process back in the fourth quarter during the increased bout of market volatility. While it is very early days, we are pleased that five of the companies that we added to during this process were in our top 10 best performing companies during the first quarter. Through our drawdown process, we added to both Ctrip and Electronic Arts late in 2018. Ctrip's share price has returned over 61% in the first quarter and Electronic Arts' share price has returned over 28% during this period as well.

Despite macro economic uncertainty, the Global Leaders' team remains focused on executing on the investment process and scouring the globe for high quality companies. We remain very active on the research front and maintain extensive rate of review and ready to buy lists. Patience is an underrated virtue in investment and we remain disciplined on entry points for attractive assets. We feel that overpaying for good businesses is an ever present risk for quality focused investors. We subscribe to Warren Buffett's idea that investors can be busy fools- sometimes investments can feel like watching paint dry!

Sector Diversification

- Global Leaders is a concentrated global strategy that focuses on investing in a small number of franchises that we believe deliver exceptional outcomes for their customers and outstanding economics for shareholders. Accordingly, sector and country diversification are an output of stock-picking with the team more focused on business models and end-market economics than in which sector a company is classified.
- At the same time, the strategy seeks differentiated exposures but will not compromise philosophically. The portfolio managers are happy to have no exposure in areas, such as energy, real estate or utilities, that do not satisfy their investment criteria.
- The strategy's overweight position in information technology – its largest – is a function of a number of attractive high-quality franchises, such as MasterCard, Microsoft and Visa, located in that sector.

SECTOR	GLOBAL LEADERS REP. ACCOUNT (%)	FTSE ALL WORLD NET INDEX (%)	DIFFERENCE (%)	GLOBAL LEADERS REP. ACCOUNT (%)	
	Q1 '19	Q1 '19	Q1 '19	Q4 '18	Q1 '18
Communication Services	14.13	8.76	5.37	13.32	11.87
Consumer Discretionary	8.86	10.29	-1.43	7.39	7.75
Consumer Staples	10.50	8.52	1.98	11.27	12.24
Energy	--	6.26	-6.26	--	--
Financials	18.84	16.92	1.93	20.38	20.34
Health Care	2.94	11.83	-8.89	3.30	3.13
Industrials	15.71	10.50	5.21	17.30	16.89
Information Technology	24.28	15.46	8.82	22.31	22.96
Materials	4.73	4.99	-0.26	4.73	4.83
Real Estate	--	3.14	-3.14	--	--
Utilities	--	3.33	-3.33	--	--

Sector diversification excludes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- During the quarter communication services was the top performing sector driven primarily by our stock specific names within that sector such as **CTS**, **Eventim** and **Electronic Arts**.
- Health care, helped by **Edwards Lifesciences**, was the next top performing sector to relative outperformance.
- Our lack of energy exposure within the portfolio detracted from relative performance during the quarter.

SECTOR	GLOBAL LEADERS REP. ACCOUNT		FTSE ALL WORLD NET INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	14.01	19.12	8.88	8.80	-0.03	1.38	1.35
Consumer Discretionary	7.96	24.04	10.26	10.03	0.02	1.07	1.09
Consumer Staples	10.72	15.92	8.38	10.26	0.01	0.55	0.55
Energy	--	--	6.30	12.82	-0.18	--	-0.18
Financials	19.49	8.59	17.45	6.17	-0.03	0.39	0.36
Health Care	3.03	24.91	11.86	6.69	0.30	0.50	0.80
Industrials	16.99	13.08	10.58	10.94	0.12	0.37	0.50
Information Technology	23.09	17.85	14.88	15.85	0.48	0.46	0.93
Materials	4.71	15.00	5.04	7.75	0.03	0.34	0.37
Real Estate	--	--	3.07	10.18	0.01	--	0.01
Utilities	--	--	3.29	8.90	0.06	--	0.06
Total	100.00	15.67	100.00	12.15	0.83	2.68	3.52

Sector attribution excludes cash and cash equivalents.

Quarterly Contribution to Return

- **Ctrip**, the incumbent leader in China online travel, was the top contributor to performance in the first quarter. The company posted strong earnings and revenue growth which exceeded expectations.
- **Microsoft** reported positive results during the quarter. The company continues to effectively migrate its customers towards cloud-based solutions.
- **Visa** and **MasterCard** rebounded following results with both companies benefitting from the ongoing structural shift to the cashless global economy.
- **Estee Lauder** outperformed following solid results and guided its fiscal year results higher. Sales growth was particularly strong in both China and in travel retail.
- **Hiscox** was the largest detractor to performance. Investors were preoccupied with a deliberate downsizing of one of the company's US insurance lines. This overshadowed what we felt were respectable 2018 results. We remain confident in the management's underwriting ability and long-term focus.
- **Booking Holdings** gave a subdued outlook for 1Q19 in its 2018 results announcement. We view these issues as being transient and the company's competitive position continues to improve. We looked at this relative weakness as an opportunity to add to our position.

GLOBAL LEADERS REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CTRP	Ctrip.com International Ltd Sponsored ADR	2.66	61.46	1.36
MSFT	Microsoft Corporation	6.70	16.62	1.09
V	Visa Inc. Class A	5.42	18.59	0.98
EL	Estee Lauder Companies Inc. Class A	3.54	27.60	0.92
MA	Mastercard Incorporated Class A	3.75	25.02	0.89
GLOBAL LEADERS REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
HSX-GB	Hiscox Ltd	2.62	-1.54	-0.08
BKNG	Booking Holdings Inc.	3.12	1.31	0.07
SCHW	Charles Schwab Corporation	2.11	3.34	0.12
DB1	Deutsche Boerse AG	2.23	6.98	0.18
JPM	JPMorgan Chase & Co.	3.43	4.55	0.21

Contribution excludes cash and cash equivalents.

Portfolio Activity

- There were no additions or deletions during the period.

GLOBAL LEADERS REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
	None	
DELETIONS		SECTOR
	None	

Brown Advisory Global Leaders 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)*
2017	35.1	34.0	24.6	N/A	N/A	2	N/A	77	33,155
2016	-0.6	-1.4	8.1	N/A	N/A	2	N/A	38	30,417
2015**	1.2	0.7	-7.1	N/A	N/A	2	N/A	24	43,746

**Return is for period May 1, 2015 through December 31, 2015.

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 Global Leaders Composite aims to achieve capital appreciation by investing primarily in global equities. The strategy will invest in equity securities of companies that the portfolio manager believes are leaders within their industry or country, as demonstrated by an ability to deliver high relative return on invested capital over time.
3. This composite was created in 2015.
4. From 1st May, 2015 to 31st December, 2018 the benchmark was the Russell Global Large-Cap Net Index. This index offers investors access to the large-cap segment of the entire global equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to accurately reflect the changes in the market over time. Russell® is a trademark/service mark of the London Stock Exchange Group companies. As of 1st January, 2019 the benchmark is the FTSE All World Net Index. This index series is a stock market index that covers over 3,100 companies in 47 countries starting in 1986. It is calculated and published by the FTSE Group, a wholly owned subsidiary of the London Stock Exchange which originated as a joint venture between the Financial Times and the London Stock Exchange. One cannot invest directly in an index. Benchmark returns are not covered by the report of the independent verifiers.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the composite for the entire period.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.80% on the first \$25 million; 0.70% on the next \$25 million; 0.65% on the next \$50 million; and 0.50% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
7. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2015, because 36 monthly returns for the composite were not available (NA) and the composite did not exist.
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
10. Past performance does not indicate future results.
11. 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

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Composite performance is based on the Brown Advisory Global Leaders Composite and was obtained through FactSet®. All information and returns shown are as of 12/31/2017 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 and Brown Advisory calculations. This information is based on a representative Global Leaders account and is provided as supplemental information. Account characteristics include cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. The portfolio information provided is based on a representative Global Leaders account and is provided as supplemental information. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. 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 excludes cash and cash equivalents. Total portfolio return figures provided above 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 statement 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. **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. **Return on Invested Capital (ROIC)** is the percentage amount that a company is making for every percentage point over the Cost of Capital/ Weighted Average Cost of Capital (WACC). More specifically the return on investment capital is the percentage return that a company makes over its invested capital. **Sales growth** rate is based on FactSet reported company revenue for the past three years at the end of the current quarter, provided as a historical average. **EV/EBIT** is a financial ratio used to measure a company's return on investment. 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. **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.