

# GLOBAL SUSTAINABLE TOTAL RETURN BOND REVIEW (GBP)

Fourth Quarter and Calendar Year 2023

## Economic Review

2023 was the year of a widely anticipated recession that did not happen. Elevated levels of inflation and interest rates were expected to sour the moods of both businesses and consumers, leading to reduced economic activity and job losses. Instead, GDP growth was better than expected, and employment markets remained healthy as firms hoarded employees due to the extreme difficulty of hiring during and after the COVID-19 era. Additionally, household consumption was supported by the healthy job market along with ample, excess savings that accrued during the pandemic; excess savings that endured far longer than expected, particularly in the U.S. The world turned on its head for a year in 2020 thanks to a sui generis event that made navigating the global economic seas a challenging endeavour for all market participants.

The desire for goods during the pandemic pushed prices higher as massive supply chain and labour market disruptions could not keep pace with demand. The shift back to services was equally severe, in economic terms. The evolution of this economic cycle has rendered, in some cases, usually trustworthy data irrelevant. For example, the Conference Board Leading Index has historically been considered a gold standard economic cycle indicator, and as of November, it has printed an unprecedented twenty consecutive negative months. The output of this index relies heavily on the manufacturing sector and the shape of the yield curve, both subject to uneven sectoral growth and rapid central bank tightening.

Although a global recession was averted in 2023, there was significant dispersion of economic performance throughout the world. The largest source of unexpected outperformance happened in the U.S. Key factors supporting U.S. growth included excess consumer savings, highly supportive fiscal policy and an economy with a high degree of fixed-rate debt, particularly residential mortgages, which have yet to reset to higher prevailing levels of interest rates. Europe and the United Kingdom, on the other hand, performed more in line with weaker forecasts. Growth in both the Euro area and U.K. growth is estimated to have grown well below 1% in 2023. High and sticky levels of inflation, greater interest rate sensitivity and

	3-MONTH RETURN (%)	1-YEAR RETURN (%)	ITD ANNUALIZED RETURN (01/31/2022)
<b>Global Sustainable Total Return Bond (GBP) Composite (Gross of fees)</b>	4.9	4.2	-0.4
<b>Global Sustainable Total Return Bond (GBP) Composite (Net of fees)</b>	4.7	3.6	-0.8
<b>UK Sterling Overnight Interbank Average (SONIA)</b>	1.3	4.6	3.1
<b>Bloomberg Global Aggregate 1-10 Yr Total Return Index Hedged Index</b>	4.4	5.8	-1.0
<b>Bloomberg Global Aggregate (GBP Hedged)</b>	5.8	6.2	-2.8

a surprising reluctance to spend savings were factors hindering output. Growth also slumped in economies like Canada and Sweden, where in the past year, headwinds from higher interest rates likely slowed GDP to just around 1% in the former, and below 0% in the latter.

Emerging markets, taken together, also showed resiliency, but with similar dispersion across countries and regions. Asia, China, India and Indonesia, are all likely to show broadly unchanged or better growth year-over-year, while countries like Malaysia and South Korea slowed sharply. In Latin America, Brazil and Mexico held up very well, while Chile and Colombia slowed to growth levels somewhere between 0% and 1%. Lastly, the CEEMEA region underperformed most, with economies like Poland, Saudi Arabia, and South Africa experiencing sharp deteriorations in growth over the course of 2023.

In our view, the global tightening cycle ended in 2023. It has been an unprecedented campaign to tackle inflation both in terms of speed and magnitude. The debate has now shifted to the timing and degree of policy easing and whether soft landings can occur in economies like the U.S.

*(Continued on the following page)*

# GLOBAL SUSTAINABLE TOTAL RETURN BOND REVIEW (GBP)

## Market Review & Portfolio Performance

We are reminded of the 1819 short story “Rip Van Winkle”, by the American author Washington Irving. In that story, the eponymous protagonist drinks deeply from a draught of what we would call “moonshine” today and falls asleep for twenty years, waking up to a world that has totally changed. If our friend Rip had gone back to the jug at the end of 2022 and woken up at the end of 2023 and used bond yields as his barometer to assess whether anything had happened during his extended slumber, he could be forgiven for extrapolating that it was a boring twelve months while he was away. Incredibly, for those of us navigating the volatility of the last twelve months, global sovereign yields changed little over the year; indeed, the 10-year U.S. Treasury closed 2023 exactly where it started the year, at 3.88%. U.K. 10-year gilts were 14 basis points lower year-over-year, ending at 3.53%. All this despite the U.S. banking tumult early in the year that pushed yields lower on systematic risk concerns; despite the immediate easing by central bank officials to stem contagion; despite the quick market shift to focus on the still elevated levels of inflation that drove 10-year U.S. Treasury rates to 5.0% and the need to keep rates restrictive for longer. And finally, despite market participants judging in the last six weeks of the year that the global tightening cycle had concluded, driving rates lower again. Indeed, global rates traded in a particularly wide range over the year: U.S. 10-years had a peak-to-trough range of 168bps over the year, U.K. 10-years 174bps, and German 10-years 107bps. These ranges were, on average, nearly 60% higher than the previous ten years from 2012 to 2021.

The shapes of global yield curves followed a similar volatile path, with most jurisdictions finishing the year inverted, as front-end yields remained higher than longer maturities. Corporate credit performed well in 2023, with the Bloomberg Global Corporate spread declining from 147 basis points to 115, while Global Corporate High Yield spreads declined from 545 basis points to 423. The Bloomberg Global High Yield, Bloomberg Global Corporate, Bloomberg Global Aggregate and Bloomberg Global Treasury indices all produced strong positive total return of 14.0%, 9.6%, 6.22%, and 4.2% respectively.

Over 2023, the fund returned 3.80%, underperforming the Bloomberg Global Aggregate 1-10 GBP hedged return of 5.77% by 1.97%. Since inception on 31

January 2022, the fund has outperformed the Bloomberg Global Aggregate 1-10 (GBP hedged) by a total of 0.63% and the Bloomberg Global Aggregate (GBP hedged) by 3.89%, or an annualized 0.33% and 2.07%, respectively. Relative underperformance for the year was largely driven by curve positioning in the U.S. during the initial steepening of the yield curve in the first half of the year, a long position in the Japanese yen, and no allocation to Chinese rates over the course of the year. A note on Chinese duration through a sustainability lens: We have spent extensive time assessing China and its associated risks as it relates to human rights, civil liberties, and the shifting global world order. We continue to monitor for opportunities within China that are consistent with our sustainable investment approach, though these risks are likely to remain challenges at the sovereign level in the near term. Finally, security selection in corporate credit was a strong contributor to returns, adding 43bps of performance over the year.

## Outlook

Global growth is set to decelerate from the surprising resilience of the past year, and our central economic scenario calls for a sustained period of below-trend output. We anticipate the sharpest slowdown to be felt in the U.S. This weakness will first hit lower-income consumers that rely on credit and are already showing signs of stress, which we anticipate accelerating in 2024. This will serve as a catalyst to weaken demand - and the labour market - as company revenues and profits are pressured. European activity may have troughed, but tight monetary and fiscal conditions will keep regional growth below potential. Japan is an outlier in the developed world as the Bank of Japan is likely to tighten monetary policy. This, coupled with a weak external environment, will lead to a sharply lower growth rate in the coming year.

In completing our year ahead outlook, we debated the significance of a global recession versus below trend growth. Our conclusion for markets in 2024 is that there will be a distinction without a difference. We forecast yield curves to steepen in most economic outcomes. In a more traditional recessionary or low-growth environment, front end yields decline materially as central banks aggressively cut rates. In a softer landing scenario, global central banks still ease as inflation falls, thus maintaining the same level of restrictiveness as

*(Continued on the following page)*

Fourth Quarter 2023

# GLOBAL SUSTAINABLE TOTAL RETURN BOND REVIEW (GBP)



measured by real interest rates. We also expect little to no decline in longer-term interest rates. The long end of global developed market yield curves will be under pressure from the overwhelming amount of sovereign supply that is expected to support fiscal deficit spending in the year ahead and valuations are not overly compelling as compared to nominal GDP expectations. In our view, corporate credit is likely to underperform risk-free sovereign bonds, particularly given the recent rally in credit spreads that are well through 20+ year averages/medians in most geographies. Credit fundamentals have begun to deteriorate in a trend that will likely continue in 2024. Significant levels of leverage, weakening interest coverage from higher interest rates, top-line revenue weakness, and pressure on margins will all weigh on credit quality.

The fund has approximately four and a half years of duration, primarily allocated to the developed world. The strongest conviction views currently expressed are long duration positions in the two-to-five-year area of yield curves in the U.S., Euro area, and the U.K., alongside underweight or short positions in longer dated maturities. We expect a more “normal” market environment where longer maturities should rightfully yield more than shorter

maturities. Our allocation to U.S. mortgage-backed securities increased over the course of 2023, and we continue to view the asset class as attractive for 2024. In our view, these securities are devoid of credit risk, provide additional yield above government bonds and have attractive valuations. Whilst we broadly view corporate credit as unattractive, we have found pockets of the credit market, particularly European financials, that fit within our risk-adjusted framework with more attractive fundamental-valuation alignment. In looking ahead, we are prepared to add more front-end sovereign duration if inflation continues to ease, and growth stays weak. We also maintain and continually add to a ready-to-buy list in corporate credit in anticipation of having better entry points for both investment grade and high yield bonds. Importantly, as interest rates have risen, fixed income has moved back to a world where coupon income will be a meaningful portion of future total returns, and the strategy will continue to focus on delivering strong risk-adjusted income for our clients.

As always, we thank you for your support and partnership. Our best wishes for a successful 2024.

## PORTFOLIO MANAGERS

---



**CHRIS DIAZ, CFA**  
**Partner and Portfolio Manager**  
Global Macro – Americas/Asia,  
Chicago



**RYAN MYERBERG**  
**Partner and Portfolio Manager**  
Global Macro – Europe/Asia,  
London



**COLBY STILSON**  
**Partner and Portfolio Manager**  
Global Credit, Denver

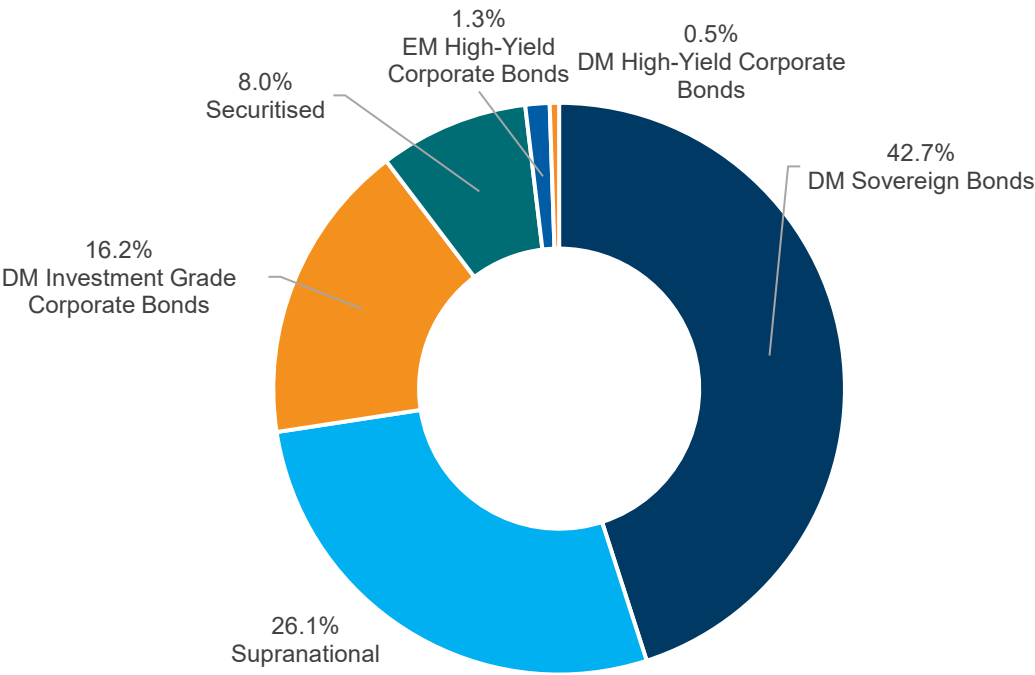
Source: FactSet® and Bloomberg. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Global Sustainable Total Return Bond Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Please see the Brown Advisory Global Sustainable Total Return Bond Composite disclosure statement at the end of this presentation for a GIPS compliant presentation. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# PORTFOLIO ATTRIBUTES

Global Sustainable Total Return Bond Representative Account as of 12/31/2023

## Asset Class Breakdown (% of portfolio)

As of 12/31/2023



## PORTFOLIO CHARACTERISTICS

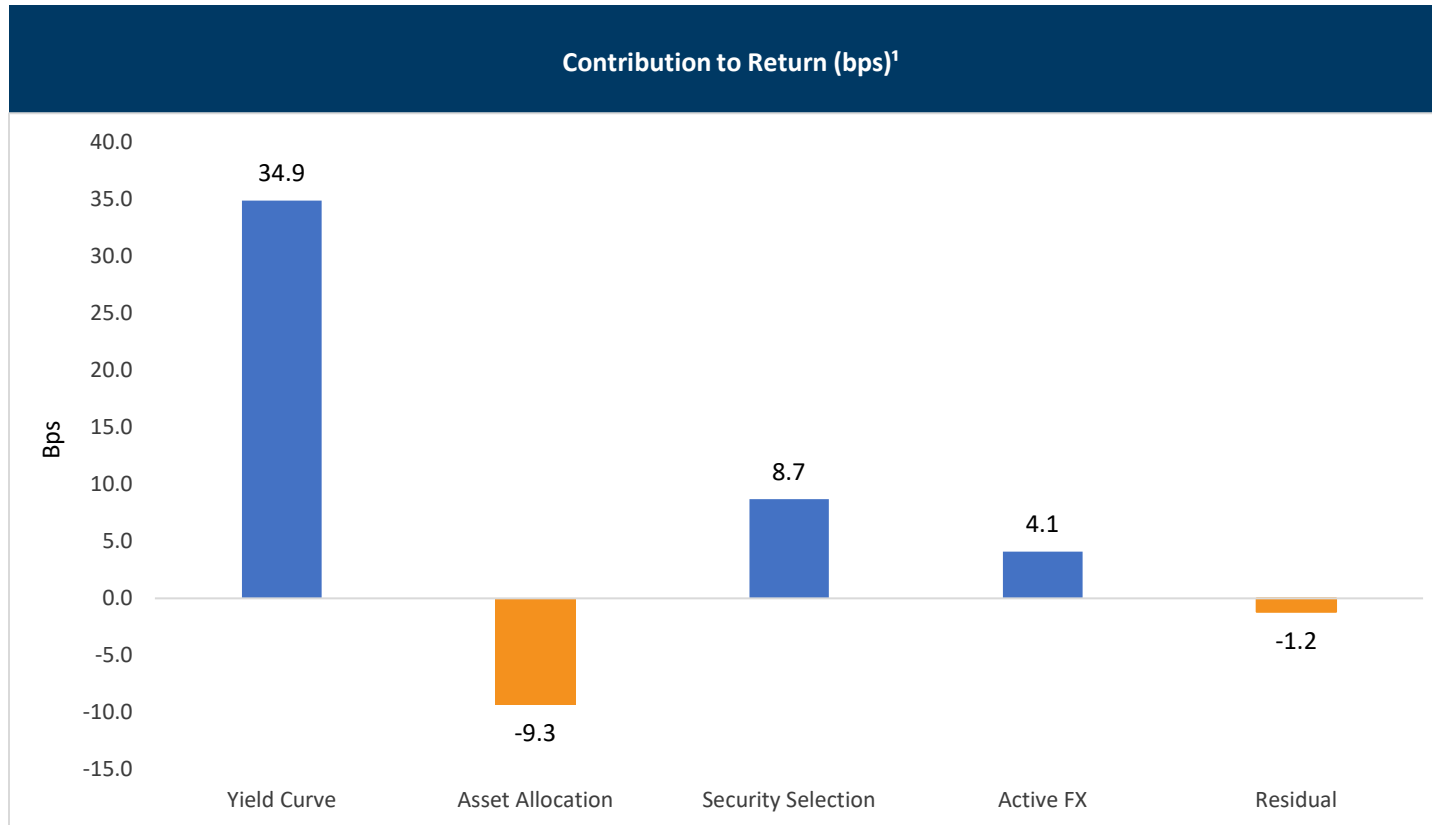
Interest Rate Duration	4.5 years
Spread Duration	1.8 years
Average Rating	AA-

Source: FactSet. The portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) Income account as of 12/31/2023 and is provided as Supplemental Information. Sector breakdown includes cash and equivalents, cash was 5.3% as of 12/31/2023. Portfolio characteristics include cash and equivalents. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Numbers may not total 100% due to rounding. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Fourth Quarter 2023

# QUARTER-TO-DATE PERFORMANCE ATTRIBUTION

Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023



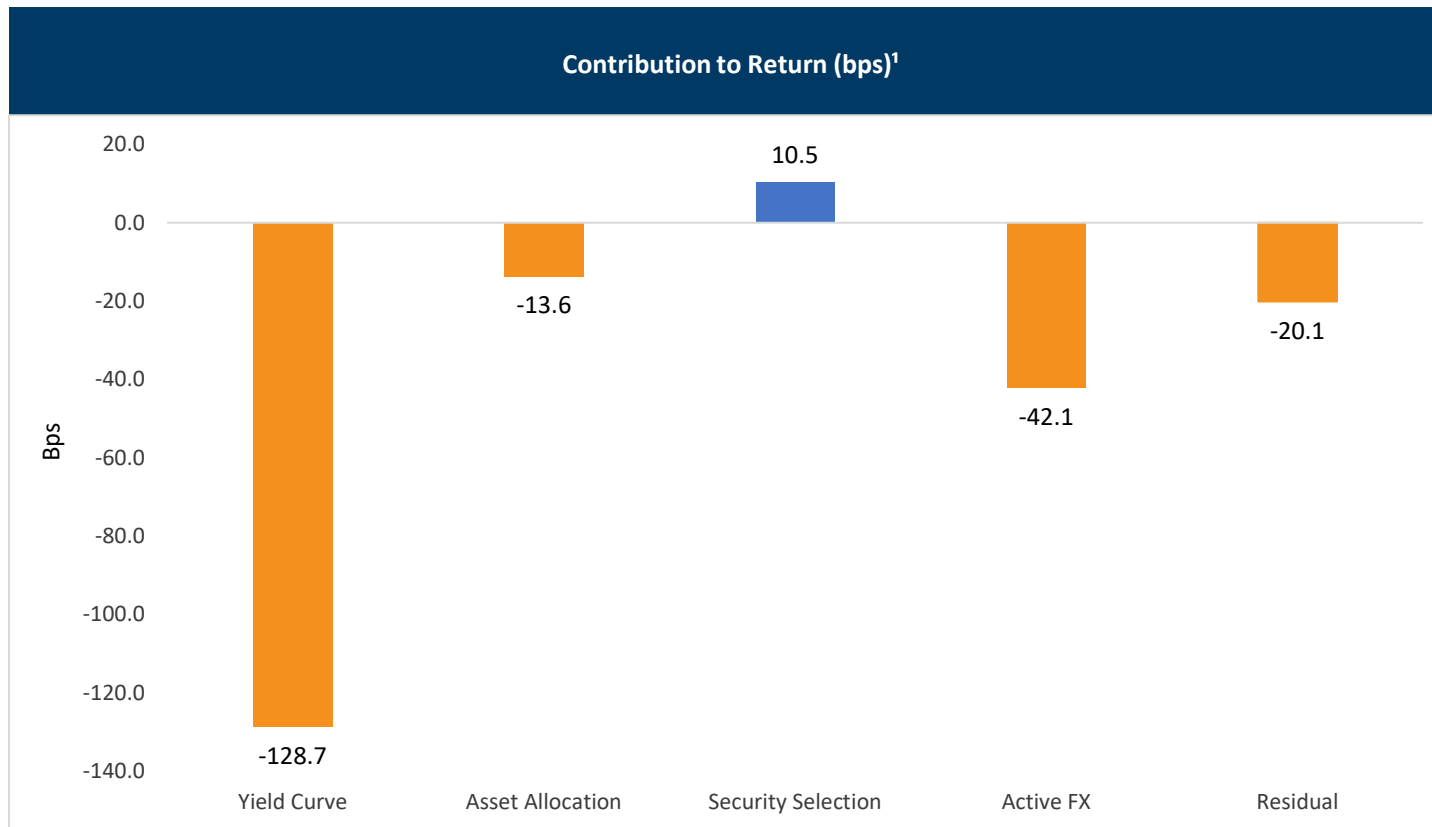
<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account and is provided as Supplemental Information. Sectors are based on Bloomberg Index classifications. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Sector attribution includes cash and cash equivalents. Attribution shown is calculated on a gross of fees basis. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results.

2023

# YEAR-TO-DATE PERFORMANCE ATTRIBUTION

Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023



<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account and is provided as Supplemental Information. Sectors are based on Bloomberg Index classifications. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Sector attribution includes cash and cash equivalents. Attribution shown is calculated on a gross of fees basis. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results.

Fourth Quarter 2023

# QUARTER-TO-DATE YIELD CURVE CONTRIBUTION



Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023

	Yield Curve Contribution to Return <sup>1</sup>								
	6m	2y	5y	10y	20y	30y	Rest	Carry	Total
GBP									
Out-/Underperformance (bps)	1.1	25.5	41.3	-6.6	-0.9	0.0	2.4	7.7	70.5
USD									
Out-/Underperformance (bps)	-0.1	25.7	98.6	-24.5	-34.9	-31.9	-0.8	-6.3	25.7
CNY									
Out-/Underperformance (bps)	-0.1	-0.5	-2.0	-1.9	0.0	0.0	-0.2	-7.0	-11.7
JPY									
Out-/Underperformance (bps)	0.0	-0.1	-1.2	-1.3	0.0	0.0	-0.3	-2.8	-10.6
AUD									
Out-/Underperformance (bps)	0.0	-0.4	-2.8	-1.4	0.3	0.0	-0.2	-1.0	-5.6
CAD									
Out-/Underperformance (bps)	0.9	20.6	-5.4	-4.5	0.0	0.0	-0.1	-6.1	5.3

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.

2023

# YEAR-TO-DATE YIELD CURVE CONTRIBUTION



Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023

	Yield Curve Contribution to Return <sup>1</sup>								
	6m	2y	5y	10y	20y	30y	Rest	Carry	Total
GBP									
Out-/Underperformance (bps)	-4.3	32.3	42.9	-16.0	-4.4	0.0	2.6	1.8	54.9
USD									
Out-/Underperformance (bps)	-1.5	-5.6	-2.5	5.3	-4.0	-6.5	-2.2	-41.5	-58.4
CNY									
Out-/Underperformance (bps)	-0.1	-0.9	-4.1	-4.1	0.0	0.0	-0.4	-27.1	-36.7
SEK									
Out-/Underperformance (bps)	0.0	-0.2	-0.4	-11.4	N/A	N/A	-0.2	-0.7	-12.8
JPY									
Out-/Underperformance (bps)	0.7	0.6	-0.6	1.7	-0.1	-0.7	0.7	-11.0	-10.5
IDR									
Out-/Underperformance (bps)	0.0	0.1	-0.1	3.9	0.0	0.0	-0.2	4.5	8.1

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.



Fourth Quarter

## QUARTER-TO-DATE ACTIVE CURRENCY

Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023



TOP 4 ACTIVE FX P&L		GLOBAL SUSTAINABLE TOTAL RETURN (BPS) <sup>1</sup>
Top 4		
	CNH	15.1
	NOK	8.5
	SGD	0.1
	TWD	0.0
Bottom 4		
	USD	-7.6
	MXN	-7.4
	SEK	-1.7
	EUR	-1.6

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.

2023

# YEAR-TO-DATE ACTIVE CURRENCY

Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023



TOP 4 ACTIVE FX P&L		GLOBAL SUSTAINABLE TOTAL RETURN (BPS) <sup>1</sup>
Top 4		
	CNH	11.6
	MXN	8.0
	EUR	3.8
	IDR	3.4
Bottom 4		
	JPY	-32.3
	NOK	-10.9
	GBP	-9.2
	AUD	-9.1

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.

Fourth Quarter 2023

# QUARTER-TO-DATE TOP & BOTTOM 5 SECURITY CONTRIBUTORS



Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023

## BEST INSTRUMENTS BY SECURITY SELECTION CONTRIBUTION

INSTRUMENT	CONTRIBUTION TO RETURN (BPS) <sup>1</sup>
CABKSM 5.25	4.8
SPGB 0.6 10/31/2029	3.4
TRMB 6.1 3/15/2033	2.8
AIB 6.608 9/13/2029	2.2
CABKSM 6.84 9/13/2034	2.0

## WORST INSTRUMENTS BY SECURITY SELECTION CONTRIBUTION

INSTRUMENT	CONTRIBUTION TO RETURN (BPS) <sup>1</sup>
FN 2.5 10/1/2051	-1.7
CADES 0.125 12/15/2025	-1.6
FR 6.5 8/1/2053	-1.5
UKTB 4/8/2024	-1.0
ASIA 4.5 8/25/2028	-1.0

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.

2023

# YEAR-TO-DATE TOP & BOTTOM 5 SECURITY CONTRIBUTORS

Representative Global Sustainable Total Return Bond GBP Account as of 12/31/2023

## BEST INSTRUMENTS BY SECURITY SELECTION CONTRIBUTION

INSTRUMENT	CONTRIBUTION TO RETURN (BPS) <sup>1</sup>
TRMB 6.1 3/15/2033	5.8
CABKSM 5.25	5.3
AIB 5.25	3.9
MBKPW 8.375 9/11/2027	3.9
SPGB 0.6 10/31/2029	3.0

## WORST INSTRUMENTS BY SECURITY SELECTION CONTRIBUTION

INSTRUMENT	CONTRIBUTION TO RETURN (BPS) <sup>1</sup>
INDOGB 7.0 2/15/2033	-2.5
JGB 0.005 2/1/2024	-1.8
JGB 0.005 1/1/2024	-1.7
FN 2.5 10/1/2051	-1.7
CADES 0.125 12/15/2025	-1.6

<sup>1</sup>Brown Advisory figures are benchmarked against the Bloomberg Global Aggregate Index 1-10Y (GBP Hedged)

Source: FactSet. Portfolio information is based on a representative Global Sustainable Total Return Bond (GBP) account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Attribution includes cash and cash equivalents.

# DISCLOSURES

For institutional investors and professional clients only.

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount of money invested. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

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

Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The (Insert name) Strategy ("Strategy") seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, the Strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The Strategy may also invest in companies that would otherwise be excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

The **Sterling Overnight Interbank Average rate (SONIA)** is the effective overnight interest rate paid by banks for unsecured transactions in British sterling. It is the overnight funding charge for trades that occur in off-market hours and represents the amount of overnight business in the marketplace.

**Bloomberg Global Aggregate Index (1-10Y) (GBP Hedged)** represents a close estimation of the performance that can be achieved by hedging the currency exposure of its parent index, the Bloomberg Global Aggregate Bond Index, to GBP. The index is 100% hedged to the GBP by selling the forwards of all the currencies in the parent index at the one-month Forward rate. The parent index is composed of government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers.

"Bloomberg®" and the Bloomberg indices used in this presentation are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Advisory. Bloomberg is not affiliated with Brown Advisory, and Bloomberg does not approve, endorse, review, or recommend the Brown Advisory Sustainable Core Fixed Income strategy. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Brown Advisory Sustainable Core Fixed Income strategy. An investor cannot invest directly in an index.

**Duration** is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

**FactSet®** is a registered trademark of FactSet® Research Systems, Inc.

As of December 31, 2023, Brown Advisory had approximately \$147.6 billion in client assets for the following entities: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware, LLC Brown Advisory Investment Solutions Group LLC, NextGen Venture Partners LLC and Signature Financial Management, Inc.

As of December 31, 2023, firmwide institutional strategies had approximately \$67.5 billion in assets under management in institutionally marketed strategies. Equity strategy assets include Large-Cap Sustainable Growth, Large-Cap Growth, Large Cap Sustainable Value, Sustainable Small-Cap Core, Mid-Cap Growth, Small-Cap Growth, Equity Income, Flexible Equity, Small-Cap Fundamental Value, Global Leaders, Sustainable International Leaders, Global Focus and Custom Solutions strategies. Fixed Income strategy assets include the Core Fixed Income, Sustainable Core Fixed Income, Global Sustainable Total Return Bond, Enhanced Cash, Intermediate Income, Limited Duration, Sustainable Short Duration, Municipal Bond and Tax-Exempt Sustainable strategies. Global Leaders strategy listed assets include Global Concentrated Equity.

# TERMS AND DEFINITIONS

For institutional investors and professional clients only.

**5y5y Interest Rate Swaps** is the market expectation of the average level of inflation over 5 years, 5 years from now.

**Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a portfolio and compares its risk-adjusted performance to a benchmark index.

**Beta** primarily used in the capital asset pricing model (CAPM), is a measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.

**Duration** is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

**Volatility** is the degree of variation of a trading price series over time, usually measured by the standard deviation of returns.

**Yield Curve** is a line that plots yields, or interest rates, of bonds that have equal credit quality but differing maturity dates. The slope of the yield curve can predict future interest rate changes and economic activity.

**Active FX** refers to buying and selling securities for quick profit based on short-term movements in price. The intention is to hold the position for only a short amount of time. There is no precise time measurement for active trading.

**Residual** value is the estimated value of a fixed asset at the end of its lease term or useful life.

# GLOBAL SUSTAINABLE TOTAL RETURN BOND (GBP) COMPOSITE

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Bank of England's SONIA Compounded Index		Bloomberg Global Aggregate 1-10 Year Total Return Index (GBP Hedged)		Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (GBP Millions)*	GIPS Firm Assets (\$USD Millions)*
				Benchmark Returns (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Benchmark Returns (%)	Benchmark 3-Yr Annualized Standard Deviation (%)				
2022**	-4.6	-5.1	N/A	1.4	N/A	-7.3	N/A	Five or fewer	N/A	2	58,575

\*\*Return is for period February 1, 2022 through December 31, 2022.

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, 2022. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Global Sustainable Total Return Bond (GBP) Composite (the Composite) includes all discretionary portfolios invested in the Global Sustainable Total Return Bond (GBP) strategy. The objective of the Global Sustainable Total Return Bond (GBP) strategy is to target a positive total return (comprising current income and capital gains) above the Bank of England's SONIA Compounded Index over a full economic cycle, by investing in a broad range of global fixed-income securities and associated FDIs and currencies.
- Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Global Sustainable Total Return Bond Strategy ("Strategy") seeks to identify issuers that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, the Strategy may invest in issuers that do not reflect the beliefs and values of any particular investor. The Strategy may also invest in issuers that would otherwise be excluded from other strategies that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.
- The Composite creation date is February 28, 2022. The Composite inception date is February 1, 2022.
- The Composite benchmarks are the Bank of England's SONIA Compounded Index and the Bloomberg Global Aggregate 1-10 Year Total Return Index (GBP Hedged). The Bank of England's SONIA Compounded Index is a measure of the rate at which interest is paid on sterling short-term wholesale funds in circumstances where credit, liquidity and other risks are minimal. SONIA is measured as the trimmed mean of interest rates paid on eligible sterling denominated deposit transactions. The Bloomberg Global Aggregate 1-10 Year Total Return Index (GBP Hedged) represents a close estimation of the performance that can be achieved by hedging the currency exposure of its parent index, the Bloomberg Global Aggregate Index, to GBP and limiting to bonds with maturities between 1 and 10 years. The Index is 100% hedged to the GBP by selling the forwards of all the currencies in the parent index at the one-month Forward rate. The parent index is composed of government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers. SONIA and/or SONIA Compounded Index data licensed under the Open Government License v3.0 and copyright the Governor and Company of the Bank of England. The trade marks "Bank of England" and "SONIA" are registered trade marks of the Bank of England. "Bloomberg®" and Bloomberg Global Aggregate Bond Index are service marks of Bloomberg Finance L.P. and its affiliates including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Advisory. Bloomberg is not affiliated with Brown Advisory, and Bloomberg does not approve, endorse, review, or recommend the Global Sustainable Total Return Bond strategy. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Global Sustainable Total Return Bond (GBP) Composite. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- Composite dispersion is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Other expenses can reduce returns to investors. The standard management fee schedule is as follows, converted to GBP at the prevailing exchange rate: 0.50% on the first \$50 million; 0.30% on the next \$50 million; 0.25% on the next \$50 million; and 0.20% on the balance over \$150 million, with a minimum account market value of \$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.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- The investment management fee for the Sterling Class B Shares of the Brown Advisory Global Sustainable Total Return Bond Fund (GBP) (the UCITS), which is included in the composite, is 0.45%. The total expense ratio for the Sterling Class B Shares of the UCITS is 0.70%. Further information regarding investment management fees and expenses is described in the fund prospectus.
- 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, 2022 because 36 month returns for the Composite were not available (N/A).
- The use of derivatives is integral to the investment process of the strategy. The strategy may use, for investment or hedging purposes, exchange traded and OTC derivatives, including futures and options, forward foreign currency contracts, FX futures and FX spots and OTC swaps, and credit default swaps on indices, the underlying reference assets for which will be bonds in which the fund may invest directly, and interest rates and currencies.
- The strategy may employ leverage, but it is not integral to the investment process. The strategy may borrow up to 10% of its Net Asset Value on a temporary basis. It is not intended to borrow for leverage purposes. The strategy may also be leveraged through the use of derivatives, and under normal circumstances is not expected to exceed 500% of its Net Asset Value.
- Valuations and performance returns are computed and stated in British Pounds. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.