

## EQUITY INCOME REVIEW AND OUTLOOK

After a dismal first quarter, U.S. stocks recovered sharply during the second quarter as investors responded positively to various government actions to contend with the ongoing COVID-19 pandemic. In a reversal from the first quarter, when all eleven of the S&P 500® Index's sectors declined, all of the market's sectors rose in price during the second quarter, and several sectors by a meaningful amount. In line with its historical performance during periods of sudden market upswings, the Equity Income strategy trailed the Index's strong surge during the quarter.

During the second quarter, less economically sensitive sectors, such as utilities, consumer staples and health care, lagged the market's overall performance. The strategy benefited on a relative performance basis by not owning utilities, which was the worst-performing sector for the Index during the period. After posting strong relative performance in the first quarter of the year, the strategy's health care holdings trailed the benchmark during the second quarter. However, the fundamental picture for many of these holdings brightened during the period, as demonstrated by dividend increases during the quarter by Johnson & Johnson, Medtronic and UnitedHealth Group.

The information technology, consumer discretionary, and energy sectors were the best performing areas of the market during the period. However, the strategy's holdings in these sectors trailed the Index's performance. Several holdings adjusted their dividend policies in light of the economic slowdown stemming from the mandated business shutdowns related to the COVID-19 pandemic. In consumer discretionary, Target increased its dividend for the 49<sup>th</sup> consecutive year, while apparel maker Kontoor Brands suspended its dividend to preserve cash in the uncertain economic environment. We eliminated Kontoor Brands ahead of the announcement of the dividend suspension because we expected its near-term earnings would be weak. In energy, natural gas pipeline operator Kinder Morgan increased its dividend, but Canadian integrated energy company Suncor reduced its payout amid an uncertain near-term supply and demand outlook for oil.

Changing dividend policies played an important role in other portfolio actions during the quarter as well. Forest products company Weyerhaeuser was eliminated after announcing an unexpected suspension of its dividend due to challenging market conditions stemming from the current global economic downturn. HVAC and buildings systems company Carrier Global refrained from

instituting a dividend upon its separation from previous holding United Technologies. Given the uncertainty regarding the future dividend outlook, we eliminated the Carrier shares we received during the quarter. In contrast, aerospace and defense firm Raytheon Technologies and elevator manufacturer Otis Worldwide immediately instituted dividends following the United Technologies breakup—both companies remain in the portfolio.

Also during the quarter, medical products supplier Becton, Dickinson & Co. issued a mandatory convertible preferred security, with an attractive 6% annual coupon. We acquired a small position in this security, which marked the strategy's first non-common stock purchase in several years. As companies adjust to the new operating environment presented by the COVID-19 pandemic, there may be additional opportunities to add similar securities with attractive yields in the months to come.

Dividend growth has been a hallmark of the Equity Income strategy for the past several years and remains an important consideration when we analyze any individual investment opportunity. However, we expect that the portfolio's overall rate of dividend growth will slow this year. Further, it is reasonable to expect that the dividend growth rate for this portfolio of industry-leading companies could remain subdued until the global economy fully recovers from the ongoing COVID-19 pandemic. While the ultimate trajectory of the economic recovery remains uncertain, our investment process and the strategy's core objective remain unchanged. As always, our goal is to construct the best possible portfolio of investments offering above-average yields with a strong potential for future growth at reasonable valuations.

# SECTOR DIVERSIFICATION

- Our information technology weighting increased because of relative stock price performance. The strategy remains underweight to the information technology sector.
- Our consumer discretionary weighting increased because of relative stock price performance and despite the elimination of Kontoor Brands during the quarter. The strategy remains overweight to the consumer discretionary sector.
- Our real estate weighting decreased because of a reduction in the position size of W.P. Carey and the elimination of Weyerhaeuser during the quarter. The strategy remains overweight to the real estate sector.
- We have no exposure to the utilities sector due to generally unattractive valuations and limited potential for dividend growth in the sector.

SECTOR	REPRESENTATIVE EQUITY INCOME ACCOUNT (%)	S&P 500® INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE EQUITY INCOME ACCOUNT (%)	
	Q2 '20	Q2 '20	Q2 '20	Q1 '20	Q2 '19
Communication Services	2.36	10.78	-8.43	2.40	2.16
Consumer Discretionary	13.33	10.83	2.51	12.60	12.18
Consumer Staples	7.35	6.97	0.39	8.35	7.96
Energy	3.50	2.83	0.67	3.73	5.72
Financials	15.11	10.08	5.03	15.01	16.15
Health Care	18.79	14.63	4.16	19.27	14.59
Industrials	4.96	7.99	-3.03	5.00	5.31
Information Technology	25.16	27.46	-2.30	22.76	24.09
Materials	4.01	2.52	1.48	3.62	4.34
Real Estate	5.42	2.84	2.58	7.25	7.50
Utilities	--	3.07	-3.07	--	--

Source: FactSet®. 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. 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 portfolio information provided is based on a representative Equity Income account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

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# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR



SECTOR	REPRESENTATIVE EQUITY INCOME ACCOUNT		S&P 500® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	2.43	14.11	10.88	20.14	0.03	-0.12	-0.09
Consumer Discretionary	13.02	28.40	10.41	32.89	0.26	-0.44	-0.18
Consumer Staples	7.85	2.82	7.35	8.11	-0.04	-0.49	-0.53
Energy	3.72	10.08	2.92	30.53	0.12	-0.77	-0.65
Financials	15.09	17.66	10.49	12.23	-0.30	0.73	0.44
Health Care	19.32	8.04	15.19	13.85	-0.26	-1.14	-1.40
Industrials	4.98	15.00	7.96	16.82	0.10	-0.13	-0.02
Information Technology	23.80	27.97	26.11	30.47	-0.19	-0.55	-0.74
Materials	3.82	28.78	2.49	26.01	0.06	0.09	0.15
Real Estate	5.98	20.30	2.90	13.26	-0.24	0.44	0.20
Utilities	--	--	3.29	2.74	0.56	--	0.56
<b>Total</b>	<b>100.00</b>	<b>18.29</b>	<b>100.00</b>	<b>20.55</b>	<b>0.10</b>	<b>-2.37</b>	<b>-2.27</b>

- The strategy's lack of exposure to utilities was the biggest contributor to relative performance during the quarter. Utilities was the worst-performing sector for the Index during the period. The financials and real estate sectors also contributed to relative performance during the period because of favorable stock selection.
- Health care was the biggest detractor from performance during the quarter because of unfavorable stock selection. Notably, the health care sector was the biggest contributor to relative performance during the previous quarter.
- Energy, information technology, consumer staples and consumer discretionary also detracted from relative performance because of unfavorable stock selection. Consumer discretionary was the best performing sector for the Index during the period.

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## QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

Representative Equity Income Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MSFT	Microsoft Corporation	Develops, manufactures and distributes software products	7.15	29.40	1.93
AAPL	Apple Inc.	Designs, manufactures and markets mobile communication, media devices, personal computers and portable digital music players	4.97	43.84	1.87
AMP	Ameriprise Financial Inc.	Provides financial planning, brokerage, asset management and insurance services to individuals, businesses and institutions	2.47	47.66	1.03
LOW	Lowe's Companies Inc.	Engages in the retail sale of home improvement products	1.87	57.96	0.90
CSCO	Cisco Systems Inc.	Designs, manufactures and sells internet protocol-based networking products and services related to the communications and information technology industry	4.27	19.72	0.88

- Software maker Microsoft gained after reporting quarterly results that exceeded expectations. Thanks to its suite of cloud computing services and business workflow applications, the company continued to benefit from the global shift to remote work and distance learning in the current environment.
- iPhone maker Apple rose after reporting better-than-expected quarterly results. Investor focus is now shifting to the expected launch of a lineup of 5G-enabled iPhones later this year. Notably, Apple increased its dividend 6% during the quarter.
- Wealth and asset manager Ameriprise Financial rose after reporting strong quarterly results, highlighted by continued asset growth and margin expansion. The company remains committed to returning capital to shareholders through share repurchases and the dividend, which increased 7% during the quarter.
- Home improvement retailer Lowe's Companies jumped after a surge in home improvement project spending drove higher-than-expected quarterly results. While the company's sales results may moderate through the remainder of the year, Lowe's has an opportunity to improve its margins and gain market share from smaller rivals over the next several years as it improves its in-store and online capabilities.
- Networking equipment provider Cisco Systems gained after reporting solid quarterly results amid a challenging economic environment. The company's security and video conferencing products are in greater demand due to the ongoing work-from-home trend, suggesting an improved business growth outlook for the remainder of the year.

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## QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

Representative Equity Income Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CINF	Cincinnati Financial Corporation	Provides property casualty insurance services	1.87	-14.33	-0.38
KTB	Kontoor Brands Inc.	Designs, manufactures and distributes apparel	0.04	-21.34	-0.18
PM	Philip Morris International Inc.	Manufactures cigarettes and other tobacco products	2.19	-2.42	-0.05
BDXB	Becton, Dickinson & Co. Series B mandatory convertible preferred stock.	Manufactures and sells medical supplies, devices, laboratory equipment and diagnostic products	0.02	4.68	0.02
MO	Altria Group Inc.	Operates as a holding company which produces and markets tobacco products	1.13	3.68	0.03

- Commercial insurer Cincinnati Financial dropped on expectations that mandated COVID-19 business shutdowns in the U.S. will result in a surge of business interruption insurance claims and potentially large settlement payments in the coming months. We added slightly to our position during the quarter.
- Jeans and apparel maker Kontoor Brands declined as retailers globally closed their stores or significantly reduced in-store shopper traffic in response to the COVID-19 pandemic. We eliminated our position in Kontoor prior to the company's announcement of weaker-than-expected quarterly results and the suspension of its dividend.
- Global tobacco products company Philip Morris International fell after forecasting lower-than-expected cigarette sales volumes in the current quarter, due in large part to widespread COVID-19-related lockdowns in many European and Latin American countries. In addition, the stock of US-based tobacco company Altria Group was weak during the quarter on worries that its core Marlboro cigarette brand will lose market share to lower-priced competitors amid the current economic downturn.
- Medical products supplier Becton, Dickinson & Co. issued a mandatory convertible preferred security during the quarter. We acquired a small position after finding the features of the newly issued security attractive, particularly the 6% annual coupon.

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## QUARTER-TO-DATE ADDITIONS/DELETIONS

### Representative Equity Income Account Portfolio Activity

- We added a small position in a mandatory convertible preferred security issued by medical products company Becton, Dickinson & Co. during the quarter. We found the features of the newly issued security attractive, particularly the 6% annual coupon.
- During the quarter, industrial conglomerate United Technologies separated into three entities: Raytheon Technologies, Otis Worldwide and Carrier Global. We retained the new position in Otis and added to the new position in Raytheon Technologies. As Carrier did not initially pay a dividend upon the separation, we exited our position in the HVAC equipment supplier on that basis.
- We eliminated jeans and apparel retailer Kontoor Brands on expectations that its business results would significantly weaken as a result of the COVID-19 pandemic. Subsequently, the company decided to suspend its dividend amid the challenging global economic conditions.
- We eliminated timber products company Weyerhaeuser following the REIT's decision to suspend its dividend to preserve cash as global market conditions for its products deteriorated during the quarter.

SYMBOL	ADDITIONS	SECTOR
BDXB	Becton, Dickinson & Co. Series B mandatory convertible preferred stock.	Health Care
OTIS	Otis Worldwide Corporation	Industrials
RTX	Raytheon Technologies Corp.	Industrials

SYMBOL	DELETIONS	SECTOR
KTB	Kontoor Brands Inc.	Consumer Discretionary
WY	Weyerhaeuser Company	Real Estate

SYMBOL	PURCHASED & SOLD	SECTOR
CARR	Carrier Global Corp.	Industrials

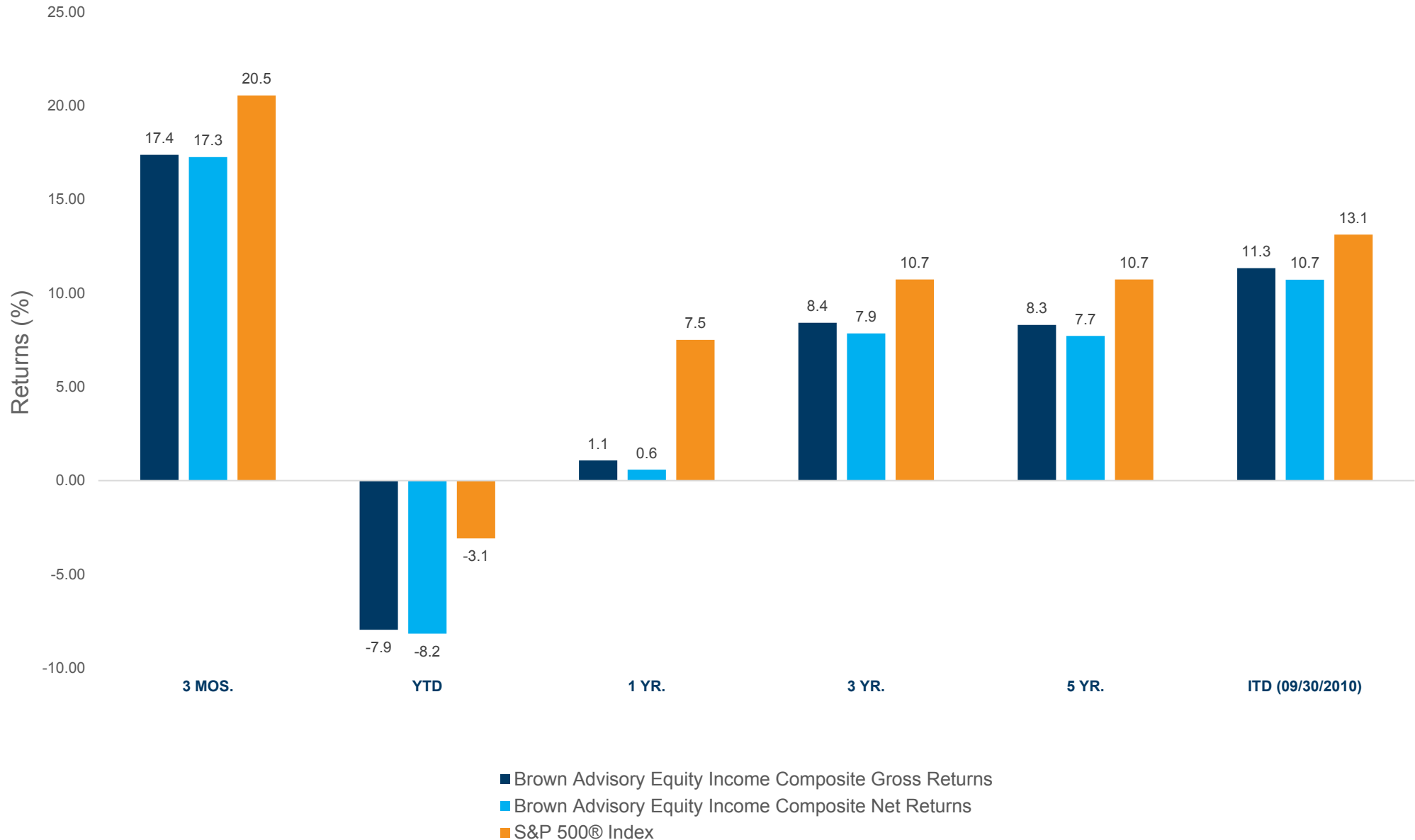
**PORTFOLIO CHARACTERISTICS**

	REPRESENTATIVE EQUITY INCOME ACCOUNT	S&P 500 INDEX
Number of Holdings	42	505
Dividend Yield (%)	2.8	1.9
P/E Ratio FY2 Est. (x)	17.2	19.3
Top 10 Equity Holdings (%)	40.8	27.0
Active Share (%)	73.7	
Market Capitalization (\$ B)		
Weighted Average	314.2	388.0
Maximum	1,577.4	1,577.4
Minimum	1.8	2.8
Three-Year Annualized Portfolio Turnover (%)	16.22	3.09

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# COMPOSITE PERFORMANCE

As of 06/30/2020



Source FactSet. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Equity Income Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Please see the Brown Equity Income Composite disclosure statement at the end of this presentation for a GIPS compliant presentation.



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## TOP 10 PORTFOLIO HOLDINGS

Representative Equity Income Account  
As of 06/30/2020



### Top 10 Portfolio Holdings

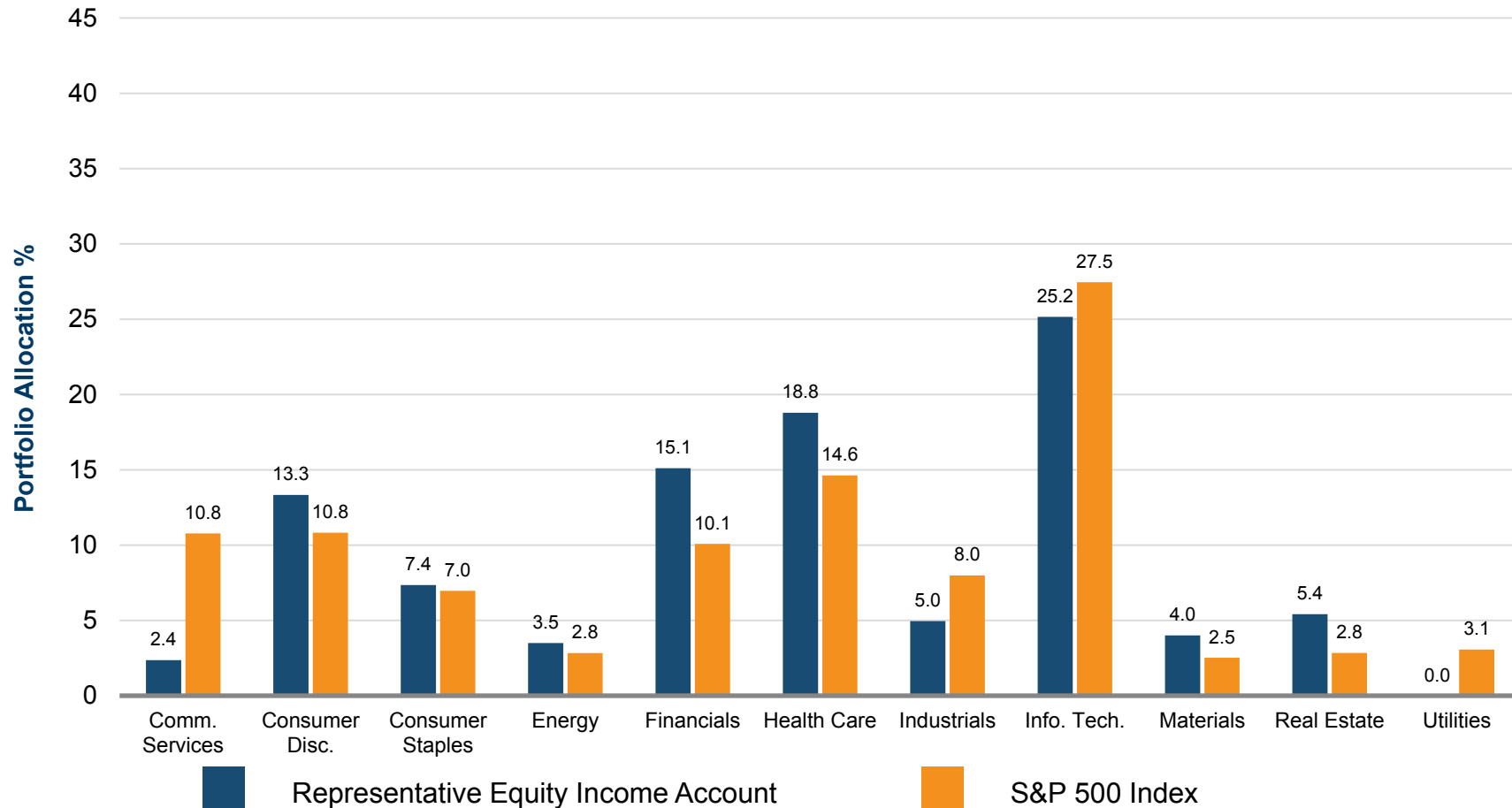
TOP 10 HOLDINGS	% OF PORTFOLIO
Microsoft Corp.	7.1
Cash & Equivalents	6.2
Apple Inc.	5.2
Merck & Co Inc.	4.2
Cisco Systems Inc.	4.0
Automatic Data Processing Inc.	3.2
American Tower Corp.	3.1
Johnson & Johnson	3.0
Accenture PLC	2.9
Novartis AG Sponsored ADR	2.8
<b>Total</b>	<b>41.8%</b>

Source: FactSet. 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a representative Equity Income account and is provided as supplemental information. Please see disclosure statement at the end of this presentation for additional information. Top 10 portfolio holdings include cash and equivalents. Figures in chart may not total due to rounding.

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## SECTOR DIVERSIFICATION

Global Industry Classification Standard (GICS) as of 06/30/2020



Source: FactSet. The portfolio information provided is based on a representative Equity Income account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

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

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The S&P 500® Index represents the large-cap segment of the U.S. equity markets and consists of approximately 500 leading companies in leading industries of the U.S. economy. Criteria evaluated include market capitalization, financial viability, liquidity, public float, sector representation and corporate structure. An index constituent must also be considered a U.S. company. Standard & Poor's, S&P, and S&P 500® are trademarks/service marks of MSCI and Standard & Poor's.

An investor cannot invest directly into an index.

Global Industry Classification Standard (GICS®) and "GICS" are service makers/trademarks of MSCI and Standard & Poor's.

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Figures shown on sector diversification and quarterly attribution by detail slides may not total due to rounding.

## TERMS AND DEFINITIONS

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted.

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 in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.

**Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price.

**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.

**Active Share** measures the percentage of holdings in a manager's portfolio that differ from those in the benchmark index. An active share of 0% means that the portfolio is identical to the benchmark, while an active share of 100% means that the portfolio has no common holdings with the benchmark.

**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); Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

**Portfolio Turnover** 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. Portfolio turnover is provided for a three-year trailing period.

**Weighted Average** (Weighted Mean) refers to when data points in a sample contribute more to the final mean than others.

All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio's holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average.

# EQUITY INCOME 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)*
2019	31.6	31.0	31.5	10.6	11.9	33	0.3	219	42,426
2018	-5.0	-5.5	-4.4	9.4	10.8	28	0.2	171	30,529
2017	21.5	20.8	21.8	8.7	9.9	49	0.3	289	33,155
2016	10.5	9.9	12.0	9.7	10.6	44	0.2	252	30,417
2015	-4.4	-5.0	1.4	10.1	10.5	53	0.2	331	43,746
2014	11.3	10.7	13.7	8.3	9.0	72	0.3	446	44,772
2013	29.2	28.5	32.4	8.6	11.9	84	0.3	450	40,739
2012	12.8	12.0	16.0	N/A	N/A	67	0.2	350	26,794
2011	11.6	11.0	2.1	N/A	N/A	43	0.2	120	19,962
2010**	6.5	6.5	10.8	N/A	N/A	8	N/A	22	16,859

\*\*Return is for period October 1, 2010 through December 31, 2010.

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, 2019. 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 Equity Income Composite (the Composite) includes all discretionary portfolios invested in the Equity Income Strategy. The strategy invests primarily in U.S. equities that exhibit above-average dividend yields, dividend growth and return on equity. The minimum account market value required for Composite inclusion is \$1.5 million.
3. The Composite was created in 2010. The Composite inception date is October 1, 2010.
4. The benchmark is the S&P 500® Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks that is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Standard & Poor's, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc.
5. The composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not 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. 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 \$10 million; 0.65% on the next \$15 million; 0.50% on the next \$25 million; and 0.40% on the balance over \$50 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 three-year annualized standard deviation is not presented as of December 31, 2010, 2011 and 2012 because 36 month returns for the Composite were not available (N/A).
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 is available upon request.
10. Past performance is not indicative of future results.
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