Large-Cap Growth

QUARTERLY STRATEGY UPDATE

Second Quarter 2019

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 1000® GROWTH INDEX
3 MOS.	5.82	5.74	4.64
YTD	27.04	26.83	21.49
1 YR.	17.58	17.16	11.56
3 YR.	20.60	20.15	18.07
5 YR.	14.39	13.94	13.39
10 YR.	17.27	16.81	16.28
ITD (05/31/1996)	10.21	9.64	8.44

The composite performance shown above reflects the Brown Advisory Large-Cap Growth Institutional 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

	LARGE-CAP GROWTH REP. ACCT.	RUSSELL 1000® GROWTH INDEX
Weighted Avg. Market Cap.	$186.7B	$308.3B
Weighted Median Market Cap.	$60.5B	$113.2B
Earnings Growth (3-5 Yr. Est.)	18.4%	15.0%
P/E Ratio (FY2 Est.)	26.5x	19.8x
PEG Ratio	1.5x	1.3x
Portfolio Turnover (3-Yr.Avg.)	30.1%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Microsoft Corp.	4.5
Visa, Inc.	4.4
Amazon.com, Inc.	4.4
Zoetis, Inc.	4.3
PayPal Holdings, Inc.	4.0
SBA Communications Corp.	3.9
Roper Technologies, Inc.	3.8
Thermo Fisher Scientific, Inc.	3.8
Danaher Corp.	3.5
Intuitive Surgical, Inc.	3.4
TOTAL	**40.0**

KENNETH STUZIN, CFA

Portfolio Manager

Review & Outlook

Aided by falling interest rates, U.S. equity markets continued to push higher in the second quarter of 2019. The Large-Cap Growth strategy delivered another strong quarter, outpacing its benchmark, the Russell 1000® Growth Index. While the international trade picture remains a wildcard, domestic equity markets seem to be discounting the probability of a deep global recession. On the flip side, the U.S. labor market remains resilient and is acting to temper expectations for a larger, more immediate interest rate cut.

From a sector perspective, health care was the biggest positive contributor to the strategy's relative performance this quarter. While the composition of top contributors within the sector has migrated from quarter to quarter, health care has been a meaningful source of value add for the Large-Cap Growth strategy for several years running. We strive to tap the broadest scope of the health care universe for investment ideas. While not easy to find, companies that are helping to reduce overall costs to the health care system and improve patient outcomes at the same time create a unique value proposition. We believe that Dexcom is an excellent example of such a business. Continuous glucose monitoring has proven to reduce diabetic events that require hospitalization, which are a substantial and potentially avoidable cost to every health care system. Glucose monitoring helps diabetics better manage their disease, which not only improves their overall health, but also reduces costs to the system, which ultimately benefits everyone. Unfortunately, not all of our health care stocks outperformed this quarter. Intuitive Surgical's stock has taken a bit of a breather after an impressive multiyear run. The company announced plans to sacrifice a bit of additional profitability by investing in research and development, which in turn should help it remain ahead of expected competition. We appreciate this long-term view, but it has shaken some short-term, momentum-oriented traders out of the stock for the time being.

As a group, our industrials holdings outperformed this quarter as well, despite broad-based weakness plaguing the sector. Boeing and 3M, which are two large weights in the benchmark that we do not hold, have struggled recently. Uniform rental supplier Cintas was our best-performing industrial name, as it has been producing attractive fundamental results supported by the strong U.S. labor market.

While the stock has rebounded off of its low in May, Alibaba was among our worst-performing stocks in the portfolio this quarter. Fundamentally, the company is performing well, but the stock is experiencing some near-term volatility due to broader concerns around the Chinese economy. Our investment thesis is based on the long-term secular trend that is occurring in China, as more and more consumers embrace online shopping. Alibaba has a massive opportunity to capitalize on this trend and the growing cloud computing industry, in much the same way Amazon has in the West. The Chinese economy will undoubtedly experience these ebbs and flows over time, and our expertise is not attempting to time the Chinese economy—or any other economic cycle, for that matter. Our expertise is in identifying unique growth business models and maintaining patience to remain invested throughout macro cycles.

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Sector Diversification

- There were no meaningful changes to the portfolio's sector composition during the quarter. The portfolio remains diversified across sectors and, importantly, across a variety of end markets.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	LARGE-CAP GROWTH REP. ACCOUNT (%)	
	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Communication Services	6.04	11.99	-5.95	6.68	11.12
Consumer Discretionary	11.71	15.26	-3.55	12.08	13.97
Consumer Staples	7.64	5.74	1.90	7.44	5.59
Energy	--	0.69	-0.69	--	--
Financials	--	4.45	-4.45	--	--
Health Care	20.88	12.62	8.25	20.71	19.21
Industrials	12.00	11.49	0.52	11.92	12.88
Information Technology	34.55	33.55	1.00	34.25	30.61
Materials	3.16	1.86	1.30	3.14	3.16
Real Estate	4.02	2.35	1.66	3.77	3.47
Utilities	--	--	--	--	--

Quarterly Attribution Detail by Sector

- Health care continues to be a meaningful contributor to the strategy's outperformance. Contributions from **Dexcom** and **Zoetis** were the top drivers this quarter.
- Industrials were also a source of relative strength this quarter. **Cintas** and **Roper** were the biggest positive contributors, and several of the large benchmark stocks, such as Boeing and 3M, have recently stumbled.
- Communication services was a detractor, as many of the slower growing media stocks that we do not own rallied. For example, **Disney** announced a new streaming service into a fairly crowded market.

SECTOR	LARGE-CAP GROWTH REP. ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	6.31	-4.32	12.26	3.62	0.08	-0.55	-0.46
Consumer Discretionary	12.01	2.56	15.21	5.52	-0.03	-0.36	-0.40
Consumer Staples	7.46	8.69	5.77	4.80	--	0.30	0.29
Energy	--	--	0.72	-3.32	0.06	--	0.06
Financials	--	--	4.42	8.86	-0.18	--	-0.18
Health Care	20.16	6.49	12.58	0.18	-0.35	1.32	0.97
Industrials	12.05	6.59	11.58	2.65	-0.01	0.46	0.46
Information Technology	34.91	7.20	33.26	6.61	0.03	0.21	0.24
Materials	3.21	6.68	1.82	7.96	0.04	-0.03	0.01
Real Estate	3.90	12.61	2.38	3.61	-0.01	0.34	0.33
Utilities	--	--	--	--	--	--	--
Total	**100.00**	**5.95**	**100.00**	**4.64**	**-0.37**	**1.68**	**1.31**

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Quarterly Contribution to Return

- **Dexcom** rebounded, as recent data helped to validate its competitive positioning and alleviate concerns that the market for continuous glucose monitors is becoming saturated.
- The most recent quarterly results for **Microsoft** were attractive as the business accelerated across the board and the company demonstrated impressive operating leverage.
- **Zoetis** posted another strong quarter, and the stock reacted favorably to its announcement that its highly anticipated new product, Simparica Trio, will be launched earlier than initially expected.
- U.S. labor markets have proven to be more resilient than many expected, which is helping to drive **Cintas'** strong performance.
- Tower companies tend to react positively to falling interest rates. Given this, **SBA Communications** is benefiting from a favorable rate environment and increasing spending for the buildout of a nationwide 5G network.
- **Intuitive Surgical** is reinvesting more than some investors expected in order to stay ahead of anticipated competition. We believe this has likely shaken some momentum traders out of the stock.
- **Alphabet** traded off alongside the broader market in May. However, its June rebound was muted after reports of a potential Department of Justice antitrust investigation into the company.
- Fundamentally, **Alibaba** is performing well, but the stock is experiencing some near-term volatility due to broader concerns around the Chinese economy.
- **Salesforce** posted attractive results for the most recent quarter. However, the company announced a large acquisition of a data visualization and analytics company. While this acquisition came with a hefty premium, there is a strong strategic case for the deal.
- **Fortive** traded off of a strong first quarter on macro-related-concerns and some of the more cyclical segments of the business could weigh on margins.

LARGE-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
DXCM	DexCom, Inc.	2.54	25.81	0.65
MSFT	Microsoft Corporation	4.52	14.00	0.60
ZTS	Zoetis, Inc. Class A	4.27	12.92	0.56
CTAS	Cintas Corporation	3.04	17.41	0.51
SBAC	SBA Communications Corp. Class A	3.90	12.61	0.50
LARGE-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
ISRG	Intuitive Surgical, Inc.	3.54	-8.07	-0.33
GOOG	Alphabet Inc. Class C	3.40	-7.88	-0.30
BABA	Alibaba Group Holding Ltd. Sponsored ADR	2.13	-7.13	-0.18
CRM	salesforce.com, inc.	3.17	-4.19	-0.13
FTV	Fortive Corp.	3.22	-2.74	-0.10

Portfolio Activity

- There were no additions or deletions to the portfolio this quarter.

LARGE-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
	None	
DELETIONS		SECTOR
	None	

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Large-Cap Growth Institutional 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)
2018	5.9	5.5	-1.5	13.0	12.1	88	0.3	9,285	30,529
2017	31.7	31.2	30.2	11.5	10.5	119	0.3	10,005	33,155
2016	-2.3	-2.7	7.1	11.2	11.2	148	0.1	9,786	30,417
2015	7.8	7.4	5.7	10.2	10.7	168	0.3	12,583	43,746
2014	7.1	6.6	13.1	11.0	9.6	181	0.2	14,674	44,772
2013	30.3	29.7	33.5	15.5	12.2	212	0.3	15,740	40,739
2012	16.7	16.2	15.3	18.7	15.7	148	0.4	8,525	26,794
2011	0.4	0.0	2.6	19.7	17.8	102	0.3	5,622	19,962
2010	25.7	25.3	16.7	22.5	22.1	65	0.5	3,936	16,859
2009	53.3	53.0	37.2	20.0	19.7	41	0.6	1,191	11,058
2008	-35.7	-36.3	-38.4	16.5	16.4	32	0.3	120	8,547

Brown Advisory claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory has been independently verified for the periods from January 1, 1993 through December 31, 2018. 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 Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. This composite has been examined for the periods from January 1, 2006 through December 31, 2009. The examination reports are available upon request. The minimum account market value required for composite inclusion is $1.5 million.
3. Through 2009, cash was allocated to carve-outs based on a strategic asset allocation percentage. For calendar year end 2006-2009, the percent of the composite composed of carve-outs was 85%, 38%, 33% and 5% respectively
4. This composite was created in 1997.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns.
6. The benchmark is the Russell 1000® Growth Index. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
7. 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 $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.
8. For calendar year end 2006-2009 the percent of the composite composed of carve-outs was 69%, 62%, 56%,and 23% respectively.
9. 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.
10. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
11. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
12. Past performance does not indicate future results.
13. 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

Past performance is not a guarantee of future performance and you may not get back the amount invested.

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Composite performance is based on the Brown Advisory Large-Cap Growth Composite and was obtained through FactSet®. All information and returns shown are as of 6/30/2019 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. This information is based on a representative Large-Cap Growth account and is provided as supplemental information. Account characteristics exclude 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 Large-Cap Growth account and is provided as supplemental information. Total portfolio return figures provided 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. 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. 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.

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Terms and Definitions for Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: **Weighted Average:** equals the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation). **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to FactSet by various outside brokers, calculated according to each broker's methodology. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **P/E / Growth Ratio, or PEG Ratio,** is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. **Three-Year Annualized 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. 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. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period. **Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed). **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. Totals may not equal due to rounding. **Contribution To Return** is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.