U.S. Smaller Companies Equity

QUARTERLY STRATEGY UPDATE

First Quarter 2019

Brown ADVISORY
Thoughtful Investing.

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COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 2000® GROWTH INDEX
3 MOS.	22.17	22.03	17.14
1 YR.	14.06	13.34	3.85
3 YR.	17.42	16.66	14.87
5 YR.	11.72	11.00	8.41
10 YR.	18.45	17.68	16.52

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

	U.S. SMALLER COMPANIES REP. ACCT.	RUSSELL 2000® GROWTH INDEX INDEX
P/E Ratio (FY2 Est.)	23.8x	17.3x
Earnings Growth (3-5 Yr. Est.)	15.9%	16.7%
Wtd. Avg. Market Cap.	$5.7B	$2.7B
Weighted Median Market Cap.	$4.7B	$2.3B
Portfolio Turnover (3 YR Avg.)	37.4%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Cash & Equivalents	4.8
Waste Connections Inc	4.7
Bright Horizons Family Solution, Inc.	3.9
Mimecast, Ltd.	3.5
Genpact Ltd.	3.3
Charles River Laboratories International, Inc.	3.2
Catalent, Inc.	3.1
Evo Payments, Inc. Cl A	2.3
GCI Liberty, Inc. Cl A	2.3
TopBuild Corp.	2.0
TOTAL	**33.1**

Review & Outlook

The Brown Advisory U.S. Smaller Companies strategy outperformed its benchmark, the Russell 2000® Growth Index, which returned approximately 17% in the first quarter and also outperformed the broader Russell 2000® Index, which returned approximately 15%. Stock selection was wholly responsible for our relative returns. Portfolio cash was the largest detractor for the period. Overall, we are pleased that fourth quarter 2018 earnings results were strong enough to power the strategy to a relative advantage during a period that saw loss-making and higher beta stocks drive returns—a phenomenon that is usually unkind to our short-term comparative results.

Sizable changes in equity market velocity tend to pique investor curiosity. For this reason, we have been spending a bit more time answering client questions about the underlying nature of recent stock price gyrations. From these question-and-answer sessions, we have homed in on five often-repeated inquiries, which we share below:

What drove the equity market so strongly off its lows?

For a brief moment in time around Christmas, small-cap equity valuations were generally "reasonable" and, in some cases, less expensive than long-run averages. This provided a solid foundation for the market to move higher. Thus, as concerns over the Chinese economy waned, generally solid U.S. company earnings were announced, and the Federal Reserve pivoted 180 degrees from its reluctantly hawkish position to a decidedly dovish one, investor sentiment turned markedly. From an academic point of view, small-cap growth equities tend to have more of their market capitalization housed in the terminal value versus explicit forecast period in a discounted cash flow analysis, making them more susceptible to changes in discount rates. As long-term interest rate expectations declined, our primary benchmark likely benefited.

Given the market leadership in the first quarter, did the strategy perform better than you would have expected?

In short, yes. Portfolio earnings were solid in the fourth quarter of 2018, leading to strong stock selection. Furthermore, the strategy benefited from the purchases made in late 2018 of businesses in our "on-deck" circle, which finally hit price points where we believed the risk/reward dynamic favored our shareholders. Finally, we had several holdings suffer declines at the tail end of last year that were, in our estimation, too severe given present fundamentals. To a great extent, these companies rallied strongly in the new year, also aiding results. In other words, we probably shifted 100 basis points of alpha from the fourth quarter of 2018 into 2019.

What are the biggest risks to U.S. small-caps today?

There are some obvious and some less obvious risks to our investable universe. Most obviously, the present equity market and economic expansion are quite long by historical standards. While we acknowledge that the current recovery from the great financial crisis has been anything but normal, we still want to respect history and the cycle, so we put it on the list of concerns. As is typical of long bull markets, we see elevated valuation levels (after the quarter's bounce), particularly in certain pockets, and may be witnessing an accompanying initial public offering boom.

Less obvious risks include the slow rise in leverage across the small-cap space. Although our philosophy and investment filter tend to leave leverage fairly low across our portfolio, it is a fact that net debt/EBITDA ratios have risen to non-recessionary highs. Finally, we continue to ponder what the impact of rising ETF/index ownership of small-cap securities will be. At nearly 40% today, our best guess is potentially much higher short-term volatility under certain conditions, but more opportunity for long-term, fundamentally based active managers.

With valuations elevated, where are you finding opportunities, and how has portfolio exposure changed?

Typically, we have found that opportunities cluster together in particular market segments over time. However, at present, we are being highly selective, and the opportunities are bespoke to our research process and portfolio. Our team is aggressively digesting our investable universe to find potential long-term compounders at attractive prices—we are on pace to interview roughly 500 management teams this year.

In terms of portfolio exposure, the architecture has not changed meaningfully. We hope to preserve our historical downside protection through diversification, asset quality and attention to valuation. At the margin, we have reduced our pure technology weight and added diversity to our end market exposures. Despite some new additions to the space over the last quarter or two, we are making sure that we continue to skew the collective toward companies that make money as profits, not valuation, appear to help preserve value in less robust times.

What is your outlook for the balance of the year?

Mindful of the risks highlighted above, our general view is fairly balanced. The U.S. economy appears to have enough steam to continue to grow at an adequate level. Corporate earnings growth has slowed, but still remains positive. The specter of rising rates which has tempered spirits, has diminished with the Federal Reserve's about-face. And, it would appear that U.S.-China trade relations are improving, not eroding. Thus, a grind-higher scenario on top of a strong start to calendar year 2019 is certainly possible. However, we believe any climb from these levels is unlikely to be straight up and should be more volatile. We believe that volatility is the friend of the long-term investor, and we will strive to be continually prepared.

In conclusion, we believe our investment team has never been stronger and that group productivity remains high. Although these are not short-term predictors of performance, we certainly believe that if we concentrate on the factors we can control, such as team and process, we can increase the likelihood of outperformance over the long term. We are pleased to be off to a positive start, but would not be surprised to give back a little of our relative lead if the nature of this "risk-on" rally continues. Our discipline will likely cause us to lean against the wind, trying to balance our offensive exposures with adequate defense as an insurance policy against the unknown.

As always, we thank you for your interest and support in the strategy, and look forward to updating you in a more detailed fashion at the halfway point of the year.

Sector Diversification

- Note that effective March 31, 2019, Brown Advisory replaced Russell Global sector classifications with ICB sector classifications.
- Our exposure to consumer businesses overall, combining the new categories of goods and services, is approximately in line with the benchmark at 23% of the portfolio. Within consumer, we are overweight services and underweight goods, reflecting our preference for stable, high-return models (i.e. **Bright Horizons**, **Chegg**, **Etsy**, etc.) as compared to homebuilders, autos and traditional branded goods companies that now fall into the goods sector.
- Financial services is now a modest underweight after coming down slightly over recent quarters.
- Industrials, basic materials, and oil & gas are viewed as a cyclical basket. Our large overweight to industrials stems from the benchmark's inclusion of payments and fintech in the industrials sector under "support services." Adjusting for these characterization issues, our exposure to cyclicals is below that of the benchmark.
- Health care remains our largest underweight, although that has diminished with the net addition of two new investments during the quarter.
- Technology is typically an overweight portfolio position, although well-extended valuations of late have caused our weight (including telecommunications) to be approximately inline and it may trend below the index during the balance of the year.

ICB SECTORS	U.S. SMALLER COMPANIES REP. ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	U.S. SMALLER COMPANIES REP. ACCOUNT (%)	
	Q1'19	Q1'19	Q1'19	Q4'18	Q1'18
Basic Materials	--	3.20	-3.20	--	1.60
Consumer Goods	4.03	7.13	-3.10	4.11	2.82
Consumer Services	19.11	15.20	3.92	19.28	14.55
Financials	7.80	9.54	-1.74	8.44	9.53
Health Care	16.06	25.39	-9.33	16.36	13.67
Industrials	34.24	18.96	15.28	32.89	33.57
Oil & Gas	0.88	1.95	-1.07	0.82	--
Technology	17.88	16.84	1.04	18.10	24.27
Telecommunications	--	0.78	-0.78	--	--
Utilities	--	0.60	-0.60	--	--
Unassigned	--	0.41	-0.41	--	--

Quarterly Attribution Detail by Sector

- Positive attribution was experienced across most sectors, with stock selection being the overwhelming driver.
- Industrials, health care and technology were large portfolio weights that did particularly well.
- Consumer services was the lone area of weakness, although the constituents produced mid-teens returns.

ICB SECTORS	SMALL-CAP GROWTH REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Basic Materials	--	--	3.21	18.48	0.02	--	0.02
Consumer Goods	4.06	33.67	7.29	11.47	0.23	0.82	1.05
Consumer Services	19.66	13.74	15.18	18.37	0.13	-1.01	-0.88
Financials	8.29	19.56	9.80	13.05	0.11	0.57	0.68
Health Care	16.05	31.16	24.87	19.37	-0.14	1.73	1.59
Industrials	33.52	24.31	19.30	13.07	-0.48	3.29	2.81
Oil & Gas	0.90	29.88	1.88	25.05	-0.02	0.09	0.07
Technology	17.52	26.58	16.21	22.95	0.07	0.59	0.66
Telecommunications	--	--	0.79	11.47	0.09	--	0.09
Utilities	--	--	0.58	12.39	0.09	--	0.09
Unassigned	--	--	0.89	11.00	0.17	-	0.17
Total	**100.00**	**23.50**	**100.00**	**17.15**	**0.26**	**6.07**	**6.34**

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

Quarterly Contribution to Return

- **Mimecast** was particularly strong leading up to a solid earnings report, as many software-as-a-service names recovered from their December lows.
- After hitting a one-year low in December, **Waste Connections** recovered and rose on a strong earnings report.
- **Catalent** recovered after underperformance in the fourth quarter of 2018. Earnings were better than feared in the face of negative investor sentiment.
- **Genpact** reported strong fourth quarter 2018 results in its core Global Client BPO business and reiterated its guidance for growth in its GE business for the first time in nearly five years. As a result, financial year 2019 guidance came in ahead of expectations, and Genpact's multiple began to re-rate, closing some of its discount to peers.
- **Loxo Oncology** primarily focuses on developing genetically targeted oncology therapies with large market opportunities. Its lead drug, Vitrakvi, is designed for patients who have nonsmall cell lung cancer and suffer from a TRK mutation. During the first quarter, Loxo was purchased by Eli Lilly for a 68% premium.
- Following its spin-off from Henry Schein and merger with Vets First Choice, **Covetrus** fell on weak Schein animal health results and a lack of disclosure on the new combined business. 2019 will be a transition year as Covetrus adjusts to being a stand-alone company, but revenue growth should accelerate in 2020.
- **Hudson Group**, a travel retail company, reported weak fourth-quarter results that were impacted by a slowdown in duty-free spending by Chinese tourists during the quarter and a downtick in new business wins after a period of strong growth. Hudson's duty free business represents approximately 25% of revenue, with the rest coming from convenience-oriented categories, which have performed in line with our expectations. The softness in new business wins (expansions into new airport locations) is expected to be at the lower end of the company's long-term range in 2019, a disappointment that has damaged the company's reputation early in its life as a public company. As a result, the company's board implemented a change in CEO that was announced during the quarter; the new CEO is a long time Hudson executive, Roger Fordyce, and we believe this change signals the proper urgency to reaccelerate the business back to its expected growth rate and to refocus the company on the long and attractive runway ahead of it in travel retail.
- **Healthcare Services Group's** (HCSG) end-market customers (nursing and postacute care facilities) operate in a financially challenged environment with low reimbursement rates coupled with declining occupancy and often heavy debt loads. This makes HCSG susceptible to meaningful headline risk related to customers' financial health—several of which we saw during the quarter. Additionally, management had to delay the filing of its 2018 10-K due to an internal audit that had some fearing a possible restatement. However, the 10-K has since been filed with no changes.

Portfolio Activity

- **Array BioPharma** is a diversified oncology company featuring three different business prospects: two approved therapies, 12 royalty partnerships and a strong pipeline. After years of operating as a contract research organization and building oncology drugs for other companies, Array has pivoted to building drugs for its own development. Viewed largely as having one of the top research and development units in oncology, Array can now focus on developing its own drugs while having financial stability from its royalty partnerships and approved therapies.
- **Blueprint Medicines**, similarly to Loxo Oncology, focuses on developing genetically targeted oncology therapies with a large market opportunity. Its lead drug, avapritinib, is designed for patients who have gastrointestinal stromal tumors and systemic mastocytosis, and suffer from a KIT and PDCFRA mutation. Thus far, the efficacy looks to be best in class with potential FDA approval in the fourth quarter.
- In February, Henry Schein spun off its animal health segment and merged with Vets First Choice, forming **Covetrus**.
- **PROS Holdings** sells pricing guidance software to both business-to-consumer (B2C) and business-to-business (B2B) companies. Now four years into a cloud transition, PROS has a larger market opportunity, shorter sales cycle and implementation time, faster time to value, and better upsell opportunities. We think the company will benefit as it continues to migrate its existing base to cloud, and importantly, the secular trend in B2B companies toward e-commerce should be a multiyear tailwind for the company.
- **Stitch Fix** is an online personal styling service that offers a convenient and personalized way to build a wardrobe. The service combines data-driven algorithms and human stylists to put together personalized boxes of apparel and accessories for customers, who order ad hoc or at predetermined intervals. Stitch Fix has 3 million active customers, is growing at more than 20% and is nicely profitable. In our view, we believe Stitch Fix's differentiated offering will drive market share gains from legacy curators and discovery channels (like department stores) as apparel shopping increasingly moves online.

U.S. SMALLER COMPANIES REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MIME	Mimecast Limited	3.50	40.80	1.27
WCN	Waste Connections, Inc.	5.01	19.54	1.01
CTLT	Catalent Inc	3.40	30.18	0.97
G	Genpact Limited	3.30	30.68	0.96
LOXO	Loxo Oncology Inc	0.81	67.66	0.85
U.S. SMALLER COMPANIES REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
CVET	Covetrus, Inc.	0.76	-26.02	-0.34
HUD	Hudson Ltd. Class A	0.81	-19.83	-0.22
HCSG	Healthcare Services Group, Inc.	0.91	-17.49	-0.15
SFIX	Stitch Fix, Inc. Class A	0.06	-10.75	-0.04
EVBG	Everbridge, Inc.	0.11	-3.14	-0.04

- **Stitch Fix** is a new position that we initiated in mid-March; we took advantage of near-term weakness to begin building the position.
- We sold **Everbridge** in January on valuation, upcoming management changes and worries around the sustainability of the company's recent record revenue growth.

U.S. SMALLER COMPANIES REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		GICS SECTOR
ARRY	Array BioPharma Inc.	Health Care
BPMC	Blueprint Medicines Corp.	Health Care
CVET	Covetrus, Inc.	Health Care
PRO	PROS Holdings, Inc.	Information Technology
SFIX	Stitch Fix, Inc. Class A	Consumer Discretionary
DELETIONS		GICS SECTOR
ALDR	Alder Biopharmaceuticals, Inc.	Health Care
EVBG	Everbridge, Inc.	Information Technology
LOXO	Loxo Oncology Inc	Health Care
WBT	Welbilt Inc	Industrials

- **Alder Biopharmaceuticals** primarily focuses on developing therapies for patients with chronic migraines. Recently, the chronic migraine space has become very crowded with the potential for six new approved drugs over the next two years. Alder's lead drug, eptinezumab, is a year away from an FDA decision and will compete head to head with three other drugs that are already approved. We do not feel there is a clear differentiating factor around Alder's drug, unlike Biohaven Pharmaceutical's, a company we added to the portfolio last quarter, so we decided to swap the two names.
- We sold **Everbridge** in January on valuation, upcoming management changes and worries around the sustainability of the company's recent record revenue growth.
- **Loxo Oncology** primarily focuses on developing genetically targeted oncology therapies that have large market opportunity. Its lead drug, Vitrakvi, is designed for patients who have non-small cell lung cancer and suffer from a TRK mutation. In the first quarter, Loxo was purchased by Eli Lilly for a 68% premium.
- We exited our position in **Welbilt** after the company provided a weaker-than-expected outlook, which increased the perceived risk of the company's leverage.

GICS Sector Diversification

GICS SECTOR	U.S. SMALLER COMPANIES REP. ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	U.S. SMALLER COMPANIES REP. ACCOUNT (%)	
	Q1 '19	Q1 '19	Q1 '19	Q4 '18	Q1 '18
[Unassigned]	--	--	--	--	0.04
Communication Services	3.71	3.31	0.40	4.80	6.27
Consumer Discretionary	19.85	14.59	5.26	19.82	11.83
Consumer Staples	3.59	2.95	0.64	3.13	3.90
Energy	0.88	1.80	-0.92	0.82	--
Financials	5.42	6.94	-1.52	6.35	6.74
Health Care	17.66	26.63	-8.97	15.26	15.74
Industrials	19.01	17.34	1.67	21.05	23.92
Information Technology	29.88	19.34	10.54	28.77	31.55
Materials	--	3.41	-3.41	--	--
Real Estate	--	3.16	-3.16	--	--
Utilities	--	0.52	-0.52	--	--

GICS Quarterly Attribution Detail by Sector

SECTOR	U.S. SMALLER COMPANIES REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	4.07	30.52	3.38	15.80	0.04	0.55	0.60
Consumer Discretionary	19.78	18.89	14.86	15.83	0.02	0.41	0.42
Consumer Staples	3.30	13.01	2.95	7.14	0.04	0.23	0.28
Energy	0.90	29.88	1.77	23.34	--	0.10	0.10
Financials	5.98	13.85	7.24	10.80	0.12	0.26	0.38
Health Care	16.87	28.89	26.35	17.97	-0.01	1.65	1.64
Industrials	20.05	19.56	17.73	13.63	-0.01	1.04	1.03
Information Technology	29.06	28.86	18.75	24.36	0.70	1.09	1.79
Materials	--	--	3.43	17.26	0.05	--	0.05
Real Estate	--	--	3.05	19.74	-0.02	--	-0.02
Utilities	--	--	0.50	9.06	0.10	--	0.10
Total	**100.00**	**23.50**	**100.00**	**17.15**	**1.03**	**5.32**	**6.35**

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Small-Cap Growth Equity Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets ($USD Millions)	GIPS Firm Assets ($USD Millions)
2017	18.8	18.1	22.2	12.2	14.6	33	0.2	2,301	33,155
2016	11.4	10.7	11.3	14.0	16.7	30	0.3	1,797	30,417
2015	8.9	8.2	-1.4	13.1	15.0	32	0.4	1,311	43,746
2014	1.4	0.8	5.6	11.8	13.8	32	0.3	1,597	44,772
2013	42.6	41.8	43.3	15.4	17.3	44	0.7	1,830	40,739
2012	16	15.4	14.6	18.3	20.7	32	0.6	1,178	26,794
2011	-1.7	-2.4	-2.9	20.6	24.3	29	0.5	1,023	19,962
2010	30.8	29.8	29.1	27.1	27.7	25	0.1	993	16,859
2009	43.1	41.9	34.5	25.2	24.9	16	1	481	11,058
2008	-38.9	-39.4	-38.5	23.3	21.3	17	0.2	323	8,547
2007	17.2	16.1	7	14	14.2	16	0.5	411	7,385

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2017. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

1. *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
2. The Small-Cap Growth Equity Composite includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. The minimum account market value required for composite inclusion is $1.5 million.
3. This composite was created in 1997.
4. The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. 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 2000® 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.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: The standard management fee schedule is as follows: 1.00% on the first $25 million; 0.90% on the next $25 million; 0.80% on the next $50 million; and 0.70% on the balance over $100 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
7. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31.
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
10. Past performance does not indicate future results.
11. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy , including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.

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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 Small-Cap Growth Composite and was obtained through FactSet®. All information and returns shown are as of 3/31/2019 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 Small-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 Small-Cap Growth account and is provided as supplemental information. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and attribution excludes cash and cash equivalents. Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Sectors are based on the ICB Classification System and the Global Industry Classification Standard (GICS®) classification system. Sectors are based on the Russell Global Classification System and 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.

In 2017 FTSE Russell announced they would begin the process of phasing out Russell Global sectors in favor of the Industry Classification Benchmark (ICB) sector classifications. In anticipation of this change, Brown Advisory has elected to use ICB sectors for attribution and classification effective March 31, 2019. More information can be found at https://www.ftserussell.com/sites/default/files/industry_classification_benchmark_insights.pdf"

Please see composite disclosure statements above for additional information.

Terms and Definitions for Representative Account Calculations

Price-Earnings Ratio (P/E Ratio) is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to Factset by various outside brokerage firms, calculated according to each broker's methodology. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average**: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Portfolio Turnover (3 yr. avg.)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **Allocation Effect:** Measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect:** Reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions, i.e. did we overweight the sectors in which we underperformed. **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report. Totals may not equal due to rounding.