U.S. Small-Cap Blend Fund

QUARTERLY UPDATE

Brown ADVISORY
Thoughtful Investing.

First Quarter 2019

PERFORMANCE (%)

	RETURNS NET OF FEES*	RUSSELL 2000® INDEX
3 Mos.	17.63	14.47
1 YR	5.98	1.65
3 YR	12.84	12.48
5 YR	8.07	6.63
ITD (8 Jul 2013)	9.72	8.70

*U.S. Small-Cap Blend Fund B USD share class net of fees.

CHARACTERISTICS

	SMALL-CAP BLEND FUND	RUSSELL 2000® INDEX
P/E Ratio (FY2 Est.)	17.5x	14.4x
Earnings Growth 3-5 YR Estimate	12.3%	13.7%
Weighted Avg. Market Cap.	$4.2 B	$2.4 B
Weighted Median Market Cap.	$2.9 B	$2.1 B
PEG Ratio	1.4x	1.1x

TOP 10 PORTFOLIO HOLDINGS

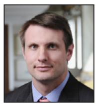
SECURITY	% PORTFOLIO
Waste Connections, Inc.	2.5
GCI Liberty, Inc. Class A	2.2
Bright Horizons Family Solutions, Inc.	2.1
Nexstar Media Group, Inc. Class A	2.0
Albany International Corp. Class A	1.9
Mimecast Limited	1.9
Genpact Limited	1.7
Extended Stay America, Inc.	1.7
Charles River Laboratories International, Inc.	1.7
Catalent Inc.	1.7
TOTAL	**19.4**

Characteristics and holdings include cash and cash equivalents.

Review & Outlook

CHRISTOPHER A. BERRIER
Portfolio Manager, Small-Cap Growth Strategy

J. DAVID SCHUSTER
Portfolio Manager, Small-Cap Fundamental Value Strategy



The U.S. Small-Cap Blend Fund aims to achieve capital appreciation through a combination of the Brown Advisory U.S. Small-Cap Growth and U.S. Small-Cap Value strategies. The allocation is currently 50%-50%. This is not a fund of funds. The Fund is diversified and style-agnostic making it more reflective of the broad U.S. small-cap universe. For the quarter the Fund returned 17.6% vs. 14.5% for the Russell 2000 benchmark.

U.S. SMALL-CAP GROWTH STRATEGY

The Brown Advisory Small-Cap Growth 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, 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.

U.S. SMALL-CAP VALUE STRATEGY

The first quarter of 2019 saw a sharp rebound in small-cap company share prices. This snap back followed a particularly challenging fourth quarter in which fears of a rapidly slowing economy weighed on share prices. More positive commentary from management teams, along with the potential for relief on the U.S./China trade issue shifted the tide, with small-cap shares up over 17% by the middle of February, along with the broader markets. Small-cap shares weakened during the second half of the quarter, with the Russell 2000® Value Index ending up 11.9%, which marks the second best quarter over the past five years.

For the quarter, the Brown Advisory Small-Cap Fundamental Value strategy performed well both on an absolute and relative basis. During the significant run-up at the beginning of the quarter, the strategy trailed materially on a relative basis. Relative performance improved considerably, as the Index reversed course in the back half of the quarter. We were also pleased with the operating performance of our portfolio investments during the quarter.

While every sector of the Index posted positive performance, energy and information technology were the strongest individual sectors by over 600 basis points each. The one surprise for the quarter was the relative weakness (positive, but trailing the Index) of the health care sector, which along with information technology has led strong positive market moves over the past several years. Our performance was generally positive across the board, except for information technology and energy, which were both sizable detractors for the quarter. Within the information technology sector, Smart Global's Brazilian business suffered along with lower memory prices, which caused its share price to decline materially despite the already low valuation and sizable free cash flow generation. Within the energy sector, both of the spin-offs from Linn Energy, Roan Resources and Riviera Resources, traded down despite higher energy prices. We continue to like the cash flow profiles of both companies, especially compared to many of the investment opportunities in the energy sector, although that differentiation is clearly not appreciated by the market. As mentioned, our positive performance was broadly spread across the remaining sectors. Incidentally, two of our investments from the fourth quarter (Eagle Materials and Essential Properties) were sizable positive contributors to overall performance.

There were several notable corporate actions during the quarter. Nexstar announced its planned divestitures in connection with its anticipated close of Tribune later in 2019. The sales prices on the divestitures were much higher than the market's assumption, which, along with solid operating performance, drove Nexstar's share price higher. TCF Financial announced a merger of equals with Chemical Financial in January, and the market responded positively to the terms and valuation. We agreed that the transaction made sense on paper, but we did not like the underlying chemical business and used the strength in the shares to sell our position. Following a very active fourth quarter, investment activity during the first quarter was light. We made one investment during the quarter (versus eight in the fourth quarter).

Even after a decade-long bull market in small-cap shares, the fourth quarter demonstrated that volatility creates opportunities. With the pullback at the end of the first quarter, we are starting to see more new opportunities emerge. As the market continues to debate the broader macro issues, we will continue to focus on individual company performance, cash flows and valuation. We will not predict (or even pretend to know) when the next recession will emerge, but we do believe that our opportunistic approach and focus on valuation and cash flows will continue to generate attractive, long-term risk-adjusted returns.

Sector Diversification

- There was very little change in the first quarter as a result of minimal trading activity.
- Materials increased as we built on our position in **Eagle Materials**.

SECTOR	U.S. SMALL-CAP BLEND FUND (%)	RUSSELL 2000® INDEX (%)	DIFFERENCE (%)	U.S. SMALL-CAP BLEND FUND (%)	
	Q1 '19	Q1 '19	Q1 '19	Q4 '18	Q1 '18
Communication Services	5.41	3.26	2.15	5.38	6.82
Consumer Discretionary	17.50	12.03	5.47	17.65	11.24
Consumer Staples	2.74	2.80	-0.05	2.35	2.55
Energy	2.14	3.68	-1.54	2.53	2.83
Financials	16.34	17.21	-0.87	17.47	16.80
Health Care	10.34	16.04	-5.70	9.11	9.22
Industrials	18.03	14.49	3.53	19.21	21.28
Information Technology	18.18	15.36	2.82	18.41	21.18
Materials	1.59	3.86	-2.27	0.99	0.76
Real Estate	2.84	7.51	-4.66	2.74	4.43
Utilities	0.37	3.77	-3.40	0.42	0.28
Cash	4.51	--	4.51	3.73	2.57

Sector diversification includes cash and cash equivalents.

Quarterly Attribution Detail by Sector

- There was positive performance across multiple sectors in the first quarter.
- Health Care and industrials were the best performing sectors for the strategy during the quarter.
- Energy was the worst performer for the quarter but was one of the strongest sectors for the index. Energy fell due to lackluster share performance from **Roan Resources** and **Riviera Resources**.

SECTOR	U.S. SMALL-CAP BLEND FUND		RUSSELL 2000® INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	5.36	29.93	3.27	15.12	0.04	0.66	0.70
Consumer Discretionary	17.67	15.64	12.12	13.05	-0.04	0.31	0.27
Consumer Staples	2.59	19.44	2.77	7.45	0.05	0.31	0.36
Energy	2.38	-1.44	3.65	19.72	-0.02	-0.48	-0.51
Financials	17.19	9.99	17.94	8.64	0.07	0.21	0.28
Health Care	9.87	26.69	15.65	16.74	-0.07	0.87	0.80
Industrials	18.47	18.25	14.74	12.51	-0.03	0.90	0.87
Information Technology	18.10	23.28	15.07	22.37	0.24	0.14	0.39
Materials	1.31	33.93	3.83	17.09	-0.05	0.22	0.18
Real Estate	2.86	31.34	7.33	17.43	-0.08	0.35	0.28
Utilities	0.39	4.08	3.62	10.47	0.20	--	0.20
Cash	3.79	0.62	--	--	-0.41	--	-0.41
Total	**100.00**	**18.00**	**100.00**	**14.60**	**-0.10**	**3.50**	**3.40**

Sector attribution includes cash and cash equivalents.

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.
- **GCI Liberty's** strong performance in 1Q was driven by a good quarter from Charter Communications (GCI Liberty has a direct stake in Charter stock and its Liberty Broadband business, effectively owning approximately 6%). Charter reported an excellent 4Q report in January that confirmed our thesis, with strong broadband customer growth, accelerating margin improvement, and falling capex resulting in outstanding FCF growth. The outlook for the rest of the year is a continuation of these trends.
- **Nexstar** rose on strong earnings results and an encouraging outlook. Additionally, in March, the company announced its planned divestitures in conjunction with its purchase of Tribune, expected to close in late 2019. The sale price of divested stations and seller's multiple were both above initial expectations.
- 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.
- **Roan Resources** was a detractor during the first quarter after the company reduced its production and capex guidance for 2019. We think this is a prudent move, given the current volatility in the oil market. Current energy investor sentiment has shifted to favor free cash flow over production growth, and with the new guidance, Roan should be able to materially grow production during 2019 and be free cash flow positive by the fourth quarter.
- **Riviera Resources** underperformed during the first quarter despite reporting favorable fourth-quarter results and closing a large asset sale. We continue to believe that Riviera's current asset base is undervalued in the market today and the company's free cash flow generation, net cash position and large share repurchase authorization ($78 million) make it a unique opportunity within the energy space.
- **SMART Global** fell in the quarter, as falling memory prices and a last-minute change in the local content rules for 2019 Brazil memory modules drove EBITDA estimates lower for the year. Due to volatility in the Brazilian business, we have kept our position size small. Outside Brazil, SMART's businesses performed largely in line with expectations.
- 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.

U.S. SMALL-CAP BLEND FUND TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
MIME	Mimecast Limited	1.81	40.80	0.68
GLIBA	GCI Liberty, Inc. Class A	2.10	35.11	0.67
NXST	Nexstar Media Group, Inc. Class A	1.75	38.55	0.58
WCN	Waste Connections, Inc.	2.50	19.54	0.48
CTLT	Catalent Inc	1.69	30.18	0.47
U.S. SMALL-CAP BLEND FUND BOTTOM FIVE CONTRIBUTORS				
HUD	Hudson Ltd. Class A	1.08	-19.83	-0.30
CVET	Covetrus, Inc.	0.37	-26.02	-0.15
SGH	SMART Global Holdings, Inc.	0.33	-35.35	-0.14
RVRA	Riviera Resources, Inc.	0.84	-11.46	-0.11
ROAN	Roan Resources, Inc.	0.49	-27.09	-0.09

Contribution includes cash and cash equivalents.

Quarterly 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**.
- **Deluxe Corporation's** legacy business—manufacturing and selling checks—generates good cash flow and is declining at a predictable rate. The company is diversifying away from checks, and marketing solutions which now makes up more than 40% of the company's revenue and 25 to 30% of cash flow. A new CEO is taking a fresh look at the company's markets and competitive positioning, which may lead to the exit of less attractive businesses and greater focus on the strongest ones. The company returns cash to shareholders through both repurchases and a regular dividend, and we think valuation is attractive today at 5.5x EBITDA and a midteens free cash flow yield.
- **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.
- **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.

U.S. SMALL-CAP BLEND FUND PORTFOLIO ACTIVITY

ADDITIONS		SECTOR
ARRY	Array BioPharma Inc.	Health Care
BPMC	Blueprint Medicines Corp.	Health Care
CVET	Covetrus, Inc.	Health Care
DLX	Deluxe Corporation	Industrials
PRO	PROS Holdings, Inc.	Information Technology
SFIX	Stitch Fix, Inc. Class A	Consumer Discretionary
DELETIONS		**SECTOR**
ALDR	Alder Biopharmaceuticals, Inc.	Health Care
EVBG	Everbridge, Inc.	Information Technology
LOXO	Loxo Oncology Inc.	Health Care
TCF	TCF Financial Corporation	Financials
WBT	Welbilt Inc.	Industrials

- In late January, **TCF Financial** announced a merger of equals with Detroit-based Chemical Financial, which increased the combined company's pro forma market cap to $6.9 billion. Although the company emphasized the pro forma valuation and shareholder-friendly economics behind the deal, we were not attracted by the chemical franchise. In particular, we thought chemical lacked a differentiated asset strategy and had a weaker deposit franchise than that of TCF. We decided to exit from our position.
- 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.

Continued on next page.

Disclosures

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

For institutional investors and professional clients only.

Performance data relates to the Brown Advisory U.S. Small-Cap Blend Fund. The performance is net of management fees and operating expenses. Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. This review is issued by Brown Advisory Limited, authorised and regulated by the Financial Conduct Authority. This is not an invitation to subscribe and is by way of information only.

Cancellation rights do not apply and UK regulatory complaints and compensation arrangements may not apply. This is not intended as investment advice. Investment decisions should not be made on the basis of this Review. You should read the Fund's prospectus in full to understand the features and risks associated with this Fund. The Fund's prospectus and Key Investor Information Document are available by calling 020 3301 8130 or visiting the Fund website.

Brown Advisory U.S. Small-Cap Blend Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2011 as may be amended, supplemented or consolidated from time to time) and a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. The Fund is managed by Brown Advisory LLC.

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The benchmark is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure that larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000® Index is a trademark/service mark of the Frank Russell Company. 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 and is completely reconstituted annually. The Russell 2000® Growth Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. 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 for the reporting period. The portfolio information provided is based on the Brown Advisory U.S. Small-Cap Blend Fund 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 include cash and cash equivalents. Sector diversification and attribution includes 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.

Terms and Definitions for Representative Account Calculations

Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value 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 larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Russell® is a service mark and trademark related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. **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. **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. **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.