

**BROWN ADVISORY**

# **U.S. LARGE-CAP SUSTAINABLE VALUE STRATEGY**

---



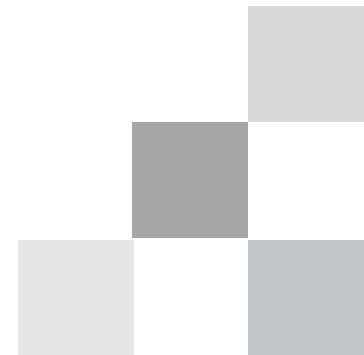
NGF International, 11<sup>th</sup> May, 2023

# FIRM OVERVIEW



We are a global investment management firm offering a broad range of traditional and sustainable equity and fixed income investment solutions, rooted in our bottom-up, fundamental research and a disciplined, long-term investment approach.

<b>OFFICES</b>	18 global offices United States, United Kingdom, Germany, Singapore & Japan				
<b>OWNERSHIP</b>	Private and independent since 1998 – 70% employee owned				
<b>CLIENT ASSETS</b>	<b>\$130.7B</b> Total	<b>\$55.4B</b> Institutional Strategies	<b>\$49.1B</b> Institutional Equity Strategies	<b>\$6.3B</b> Institutional Fixed Income Strategies	<b>\$24.5B</b> Institutional Sustainable Strategies
<b>INVESTMENT SOLUTIONS</b>	Global Equity, U.S. Equity, Fixed Income and Sustainable strategies				
<b>INVESTMENT PROFESSIONALS</b>	<b>70+</b> Portfolio Managers, Analysts and Traders <sup>1</sup>			<b>15</b> Average years industry experience	
To read Brown Advisory's latest Annual Report, please visit our website at <a href="http://www.brownadvisory.com/annual-report-mountains">www.brownadvisory.com/annual-report-mountains</a>					



<sup>1</sup> Includes Portfolio Managers, Analysts, Traders within the institutional business. Data as of March 31, 2023.  
Please see the end of the presentation for important disclosures.

# WHAT IS THE OPPORTUNITY IN SUSTAINABLE VALUE INVESTING AND WHY IS IT IMPORTANT?

## Sustainable investing is skewed towards exclusionary and growth approaches

### OPPORTUNITY

- The sustainable opportunities in the value space are broadly misunderstood
- We believe investors that are able to exploit this information asymmetry can generate alpha
- A non-exclusionary approach, which focuses on ESG opportunities, rather than purely ESG risks, means we can be part of a solution
- ESG due diligence has the potential to reveal compelling opportunities and uncover material risks

### NECESSITY

- The transition will not be possible without positive engagement in the value space
- Value companies may be overlooked because of their risk profile but are necessary to fuel the transition
- Engagement can be used as a tool to distinguish between companies that are helping or hurting the transition

### OUTCOME

- Investors that allocate capital to emerging companies can partner to accelerate the transition
- Investing in companies that have been historically overlooked creates the potential for a 'first mover advantage'
- Research suggests there is greater potential to influence companies already in transition (vs leaders and laggards) and benefit from subsequent upside

# WHY BROWN ADVISORY LARGE-CAP SUSTAINABLE VALUE?

- **PERFORMANCE FIRST:** We believe this strategy has the potential to deliver attractive financial performance in addition to positive environmental or social outcomes over the long term.
- **INTEGRATION OF FUNDAMENTAL AND ESG RESEARCH:** We define value as durable free cash flow businesses that exhibit capital discipline. Integrating fundamental and ESG research adds an informational edge that helps us identify high quality investments with Sustainable Cash Flow Advantages versus their competitors.
- **LEVERAGING OUR EXISTING LARGE-CAP, VALUE AND SUSTAINABLE INVESTING EXPERTISE**

## 2008 ● SMALL-CAP FUNDAMENTAL VALUE

Brown Advisory's second small-cap equity strategy is launched

*Seeks companies with durable free cash flow and management teams that demonstrate effective capital allocation, whilst taking advantage of valuation gaps overlooked by the market*

## 2009 ● INCEPTION OF SUSTAINABLE INVESTING PLATFORM

Winslow Management Company joined Brown Advisory, bringing 25+ years expertise in ESG investing

*Brown Advisory's sustainable investing platform is launched, utilizing ESG research as a value-added component of individual security analysis, integrated with fundamental research*

## 2010 ● LARGE-CAP SUSTAINABLE GROWTH

Brown Advisory's first sustainable equity strategy is launched

*Seeks companies with durable fundamental strengths, sustainable competitive advantages and compelling valuations*

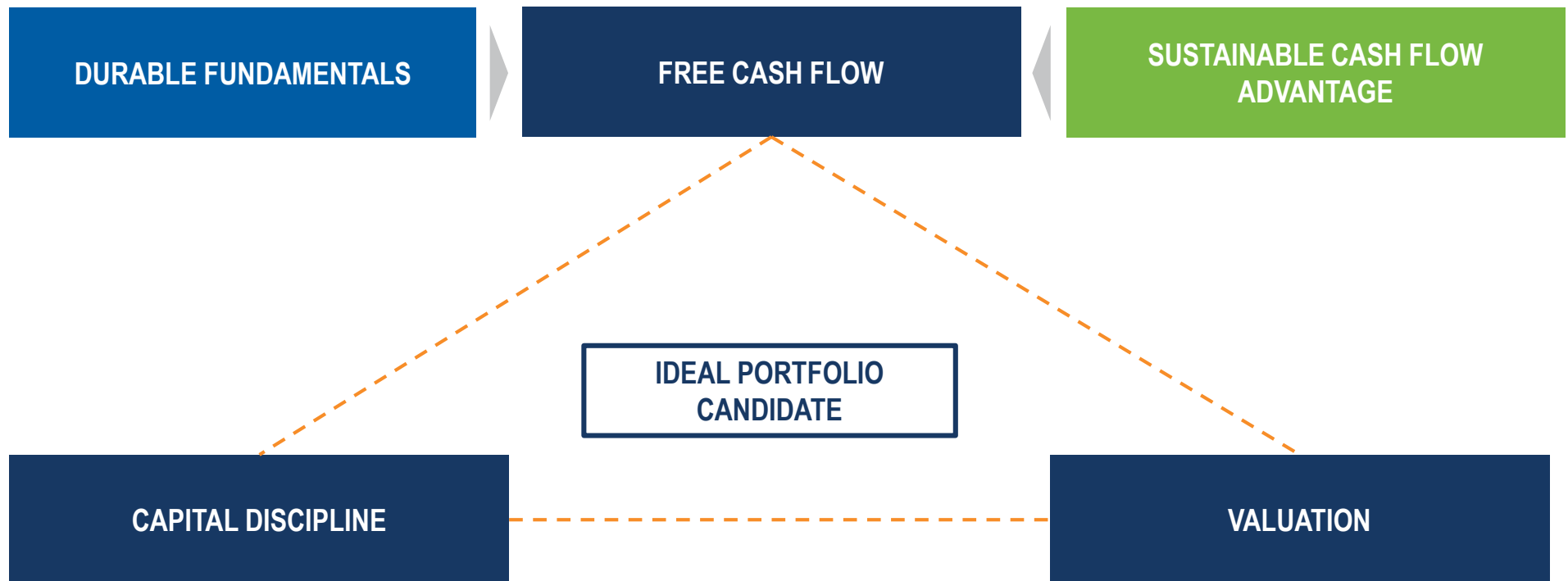
## 2022 ● LARGE-CAP SUSTAINABLE VALUE

Large-Cap equity investing marries Brown Advisory's proven Value and Sustainability frameworks

*Seeks companies with durable fundamental strengths, capital discipline, sustainable free cash flow advantages and compelling valuations*

## Brown Advisory Large-Cap Sustainable Value Strategy

We seek competitive risk-adjusted returns over a full market cycle while providing a margin of safety over time by investing in a concentrated portfolio of companies that we believe have proven  **durable fundamental strengths** , exhibit  **capital discipline** ,  **attractive valuation**  and a  **Sustainable Cash Flow Advantage (SCFA)** .



# SUSTAINABLE CASH FLOW ADVANTAGE: OUR “3P” INVESTMENT FILTER

We seek to identify companies that possess a *Sustainable Cash Flow Advantage (SCFA)* through the use of our 3P investment filter. Companies that exhibit SCFA typically have sustainable strategies or attributes that have the potential to drive ESG outcomes that impact *People and/or Process and/or Product*.

## PEOPLE



### EXAMPLE: CULTURE & CAPITAL DISCIPLINE

**SCENARIO:** Challenging environment for attraction and retention of talent resulting in weakened employee base and higher costs.

**STRATEGY:** Cultural cohesion and internal promotion. Focus on fair compensation, DEI programs, training reimbursement, and strong health and safety standards.

**SCFA OUTCOME:** Productivity gains and talent attraction reducing costs and maximizing engagement.

## PROCESS



### EXAMPLE: OPERATIONAL EXCELLENCE

**SCENARIO:** Drive to improve incremental margins through continuous cost improvement.

**STRATEGY:** Sound operations that promote a safe and healthy community can bolster franchise value, while also avoiding regulatory or reputational risk.

**SCFA OUTCOME:** Improve margins through operations that save costs and resources, enabling meaningful reduction in carbon emissions and natural capital.

## PRODUCT



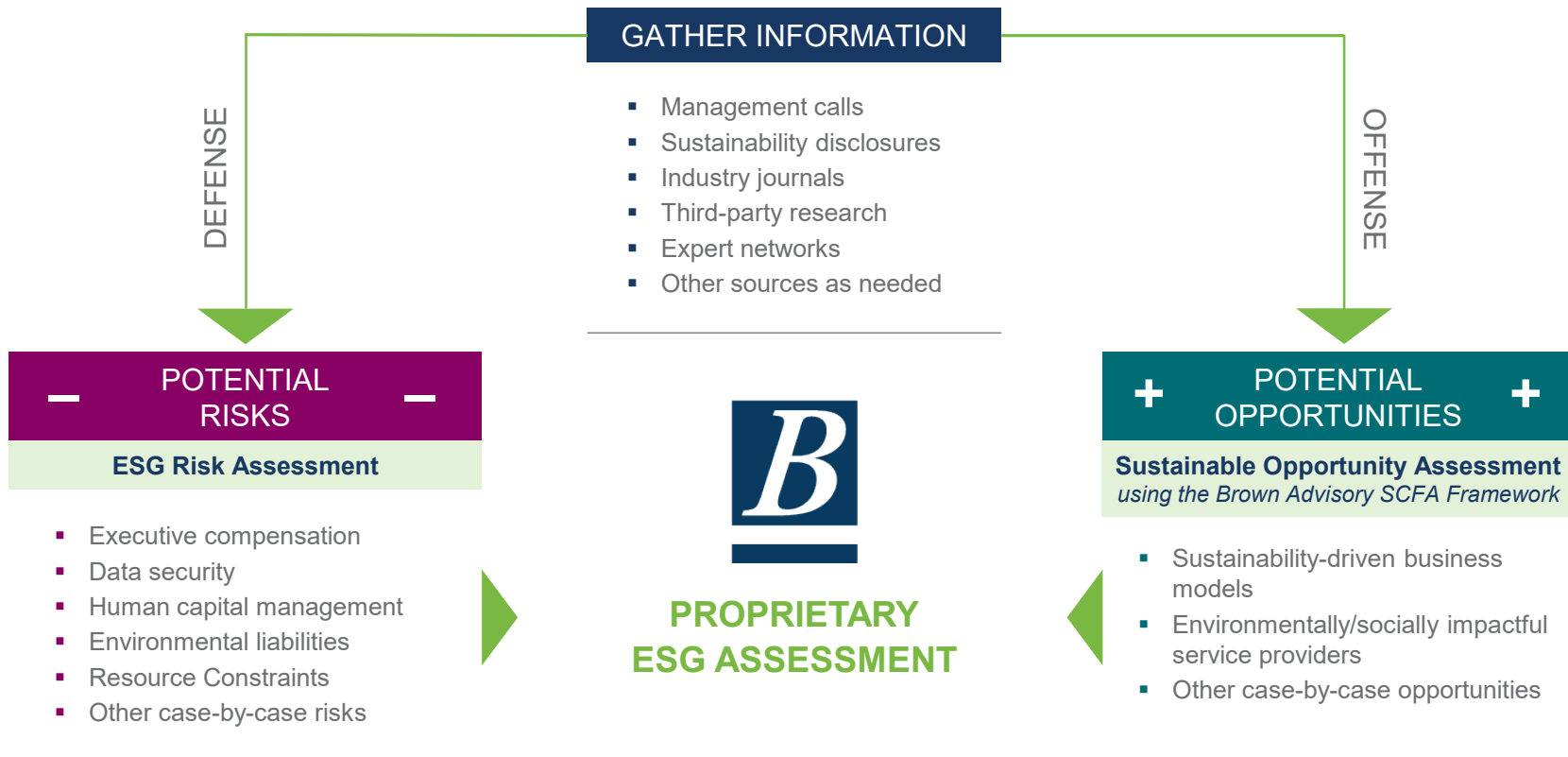
### EXAMPLE: DIVERSIFICATION

**SCENARIO:** Energy is the foundation of our economy and responsible for emissions that contribute to climate change.

**STRATEGY:** Energy company recognizes the need to decarbonize the economy, and the demand for cleaner energy solutions.

**SCFA OUTCOME:** Companies that focus on sustainable energy stand to benefit from regulatory pressure for an energy transition.

## Value-added ESG research helps us manage risks and opportunities



### COLLABORATIVE COMPANY ENGAGEMENT

**Engaging<sup>1</sup> companies** is a meaningful part of our ongoing investment management process. We pursue **private dialogue** with management teams and other stakeholders to **inform our research** and **share our perspective**. In the past, companies have sought our perspective and, at times, have proactively collaborated with us on key ESG considerations.

<sup>1</sup> We do not engage with every company. We engage only when we believe engagement will be material to our investment decision making. Please see the end of the presentation for important disclosures.

## Engagement Process

Investment horizon  
(3 – 5 years)

## Engagement Example

### Identify Engagement Targets

- ESG research reveals a **material risk** or **developing SCFA** in a potential holding
- Company analyzed through **proprietary engagement matrix**

### Establish Engagement Strategy

- Set **outcome** in defined **timeframe**
- Create annual **KPIs** to evaluate progress toward goal
- Define escalation plan if progress stalls

### Possible Outcomes

- Outcome achieved: **Risk management improved**
- Outcome achieved: **SCFA matured**
- Outcome failed: **Divestment considered**

### Identified Engagement Target

- **Risk:** carbon footprint reveals physical transition risk
- Matrix reveals potential for **capital destruction**, and **internal knowledge** on climate change enables the team to propose thoughtful KPIs. **Management is eager to improve** climate acumen, increasing the **likelihood of success**

### Engagement Strategy and Execution

- Outcome defined: **Reduce emissions by 5% within specified timeframe**
- **KPIs**
  - Y1: Improved disclosure on baseline emissions
  - Y2: Time-bound plan to reduce emissions
  - Y3: Meaningful progress toward achieving reduction goal
  - Y4: Outcome substantially secured
- **Escalations** tied to failure of KPIs
  - Collaborative engagement; Writing letters to the board; Increasing the frequency of engagement; Proxy voting – e.g. voting against director nominations

### Investment Outcomes

- Scenario 1: Outcome achieved: Carbon emissions reduced, **risk rating upgraded**, conviction increased
- Scenario 2: Carbon emission leadership evolves into a source of FCF, leading to the **development of a SCFA**
- Scenario 3: KPIs are not reached in timeframe, thesis breaks, **and name is exited**



# HOW WE ARE DIFFERENT

BROWN ADVISORY U.S. LARGE-CAP SUSTAINABLE VALUE STRATEGY



Through our primary ESG research expertise we seek to uncover Sustainable Cash Flow Advantages that are overlooked by the market

We look for value and sustainability across a wide range of industries and sectors, and will engage with companies that have emerging SCFA opportunities



We define value as durable fundamental and sustainable free cash flow businesses that exhibit capital discipline

We look at a company's approach to capital allocation through a different lens



# INVESTMENT PROCESS

UNIVERSE



## Universe of over 1,400 stocks

- Minimum market cap of \$3bn
- Companies that are listed on U.S. Exchanges (incl. ADRs)

## An unconstrained approach

- Our focus is on finding opportunities – without using any financial or ESG related front end screens
- Ideas are drawn from diverse sectors – from technology to industrials, energy to health care

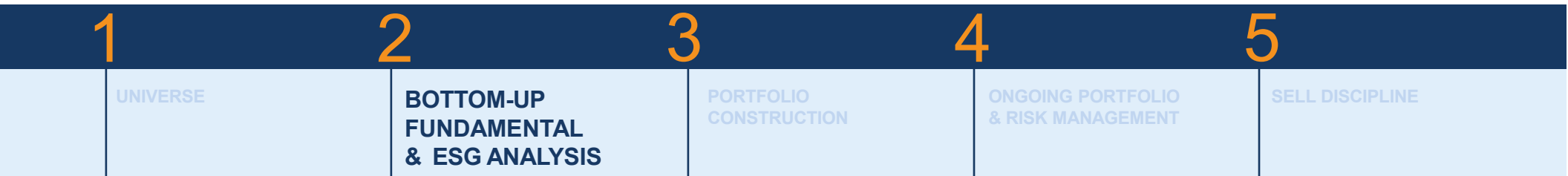
## Analysing individual businesses

- Every company either has a Sustainable Cash Flow Advantage, or we believe has the potential to achieve one
- Avoiding low cash generating and capital intensive businesses

## An active pipeline & watch list across sectors is rigorously maintained

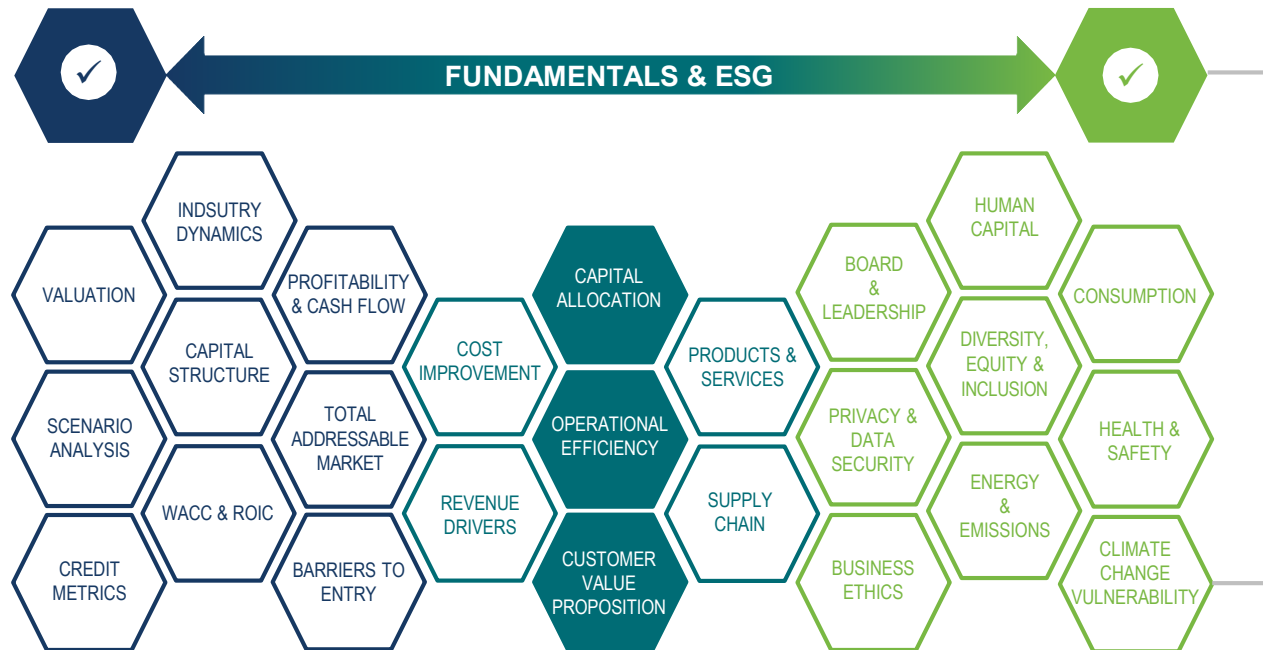
# INVESTMENT PROCESS

BOTTOM-UP FUNDAMENTAL & ESG ANALYSIS



## FUNDAMENTALS

## ESG



## RESOURCES

### Primary Research

- Interviews with management, suppliers, customers, and industry experts
- Collaboration with investigative analysts

### Secondary Research

- Company filings and reports
- Public/private databases, business publications, policymakers
- 3rd party research (e.g., sell side, rating agencies, MSCI, ISS)

SECURITY SELECTION IS DRIVEN FROM THE BOTTOM-UP AND BUILT ON A MOSAIC OF INFORMATION BASED ON PRIMARY AND SECONDARY RESEARCH



## Creating competition for capital—building a concentrated portfolio of high conviction ideas

### Use financial models to estimate risk/reward outcomes

- Price targets allow for comparison between holdings
- Forces discussion when valuation disparities arise
- Disaggregate returns between:
  - Free cash flow
  - Operating performance (EBITDA growth)
  - Change in multiple

### Assess potential downside risks

- Variables that can impact Sustainable Cash Flow Advantage
  - E.g. increased competition/ market share changes, key customer losses, management/employee turnover etc

### Working group meetings

# INVESTMENT PROCESS

ONGOING PORTFOLIO & RISK MANAGEMENT



## Typical Portfolio attributes:

- # of positions: 35-45
- Position size: 1-6%
- Cash position: 1-10% max
- Top 10 weight: > 35%

Benchmark “aware” but not benchmark driven

Continually monitor fundamental drivers and SCFA outcomes

Optimize portfolio based on upside/downside framework

Regularly engage<sup>1</sup> with portfolio companies on key ESG considerations

- Every company has to have at least one SCFA for people and/or process and/or product
- Engagement to enhance existing or encourage additional SCFA

Risk Factor analysis helps to minimize unintended macro, style or sector bets

<sup>1</sup> We do not engage with every company. We engage only when we believe engagement will be material to our investment decision making. Please see the end of the presentation for important disclosures.

# INVESTMENT PROCESS

SELL DISCIPLINE



We generally sell stocks for four reasons:

VIOLETION OF EITHER OUR FUNDAMENTAL OR SCFA THESIS	INCREASED EXECUTION RISK FROM CAPITAL ALLOCATION DECISIONS	EXCESSIVE VALUATION	ALTERNATIVE OPPORTUNITIES
Negative event impacting a company’s free cash flow generation, mis execution, strategy or management change.  Erosion of company’s Sustainable Cash Flow Advantage	Large scale M&A or “capex cycle”	Valuation becomes a “headwind” to total return potential	Concentration creates natural competition for capital

**AFTER ACTION REVIEW** — POST THE SALE OF AN INVESTMENT, THE TEAM REVIEWS THE INVESTMENT PERFORMANCE VERSUS THE INITIAL THESIS TO CAPTURE BEHAVIOURAL AND ANALYTICAL LESSONS LEARNED.

## **APPENDIX**

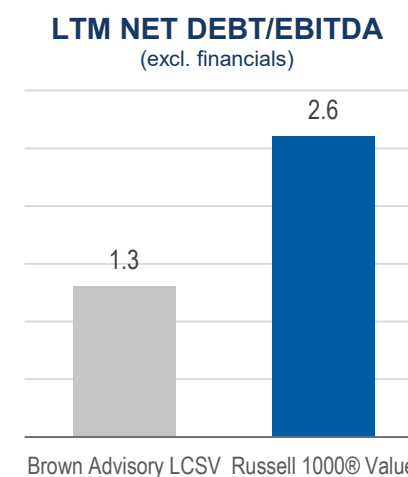
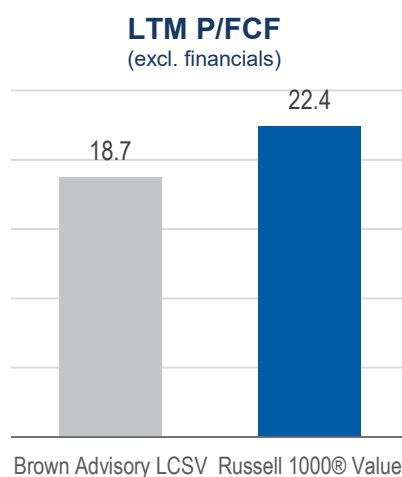
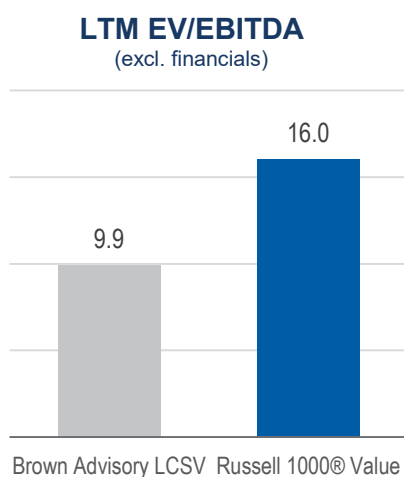
---

# PORTFOLIO ATTRIBUTES

REPRESENTATIVE LARGE-CAP SUSTAINABLE VALUE ACCOUNT AS OF 03/31/2023

CHARACTERISTICS	LARGE-CAP SUSTAINABLE VALUE REPRESENTATIVE ACCOUNT	RUSSELL 1000® VALUE INDEX
Number of Holdings (incl. cash)	40	849
Market Capitalization (\$ B)		
Weighted Average	128.5	155.0
Weighted Median	66.0	79.7
Top 10 Equity Holdings (%)	40.4	18.2
Active Share	89.9	-
Dividend Yield	2.1	2.3

A higher FCF yielding portfolio with materially less leverage and lower absolute valuation provides an increased margin of safety and higher financial flexibility.



Source: FactSet. Portfolio information is based on a representative Large-Cap Sustainable Value account and is provided as Supplemental Information. Portfolio characteristics exclude cash and cash equivalents. Calculations are using the weighted averaged. Net Debt to EBITDA (ex. Financials) (Weighted Average) calculations as of 03/31/2023 excludes Banks and Insurances Companies and outliers excluded from the benchmark. Please see the Brown Advisory Large-Cap Sustainable Value Composite disclosure for more information. Please see the end of the presentation for a complete list of terms and definitions. Numbers may not total due to rounding.



# PORTFOLIO HOLDINGS

REPRESENTATIVE LARGE-CAP SUSTAINABLE VALUE ACCOUNT AS OF 03/31/2023

Cash (%)	
Cash & Equivalents	5.9
Total Portfolio	5.9
Total % of Russell 1000 Value Index	0.0

Communication Services (%)	
Comcast Corporation Class A	3.9
T-Mobile US, Inc.	3.6
Alphabet Inc. Class C	3.0
Nexstar Media Group, Inc.	1.7
Total Portfolio	12.0
Total % of Russell 1000 Value Index	8.6

Consumer Discretionary (%)	
Wyndham Hotels & Resorts, Inc.	3.1
Expedia Group, Inc.	1.7
Best Buy Co., Inc.	1.7
Total Portfolio	6.5
Total % of Russell 1000 Value Index	5.9

Consumer Staples (%)	
Unilever PLC Sponsored ADR	5.0
Target Corporation	1.0
Total Portfolio	6.0
Total % of Russell 1000 Value Index	7.6

Energy (%)	
Schlumberger NV	3.7
ChampionX Corp.	2.6
Total Portfolio	6.3
Total % of Russell 1000 Value Index	7.9

Financials (%)	
Bank of America Corp	3.7
Fidelity National Information Services, Inc.	3.7
Assurant, Inc.	2.1
KKR & Co Inc	1.9
Morgan Stanley	1.8
Ameriprise Financial, Inc.	1.7
Truist Financial Corporation	1.4
Charles Schwab Corp	1.1
Total Portfolio	17.3
Total % of Russell 1000 Value Index	20.1

Healthcare (%)	
Merck & Co., Inc.	3.7
Medtronic Plc	3.1
AbbVie, Inc.	2.3
Bio-Rad Laboratories, Inc. Class A	2.0
CVS Health Corporation	1.9
Gilead Sciences, Inc.	1.8
Elevance Health, Inc.	1.6
Centene Corporation	1.3
Total Portfolio	17.7
Total % of Russell 1000 Value Index	16.4

Industrials (%)	
Ferguson Plc	4.1
Trane Technologies plc	3.3
Waste Connections, Inc.	2.2
Lincoln Electric Holdings, Inc.	2.1
Masco Corporation	1.4
Total Portfolio	13.0
Total % of Russell 1000 Value Index	10.9

Information Technology (%)	
Cisco Systems, Inc.	3.5
NXP Semiconductors NV	2.0
Cognizant Technology Solutions Corporation Class A	1.7
Micron Technology, Inc.	1.7
Applied Materials, Inc.	1.3
Total Portfolio	10.1
Total % of Russell 1000 Value Index	8.0

Real Estate (%)	
CBRE Group, Inc. Class A	1.8
Total Portfolio	1.8
Total % of Russell 1000 Value Index	4.5

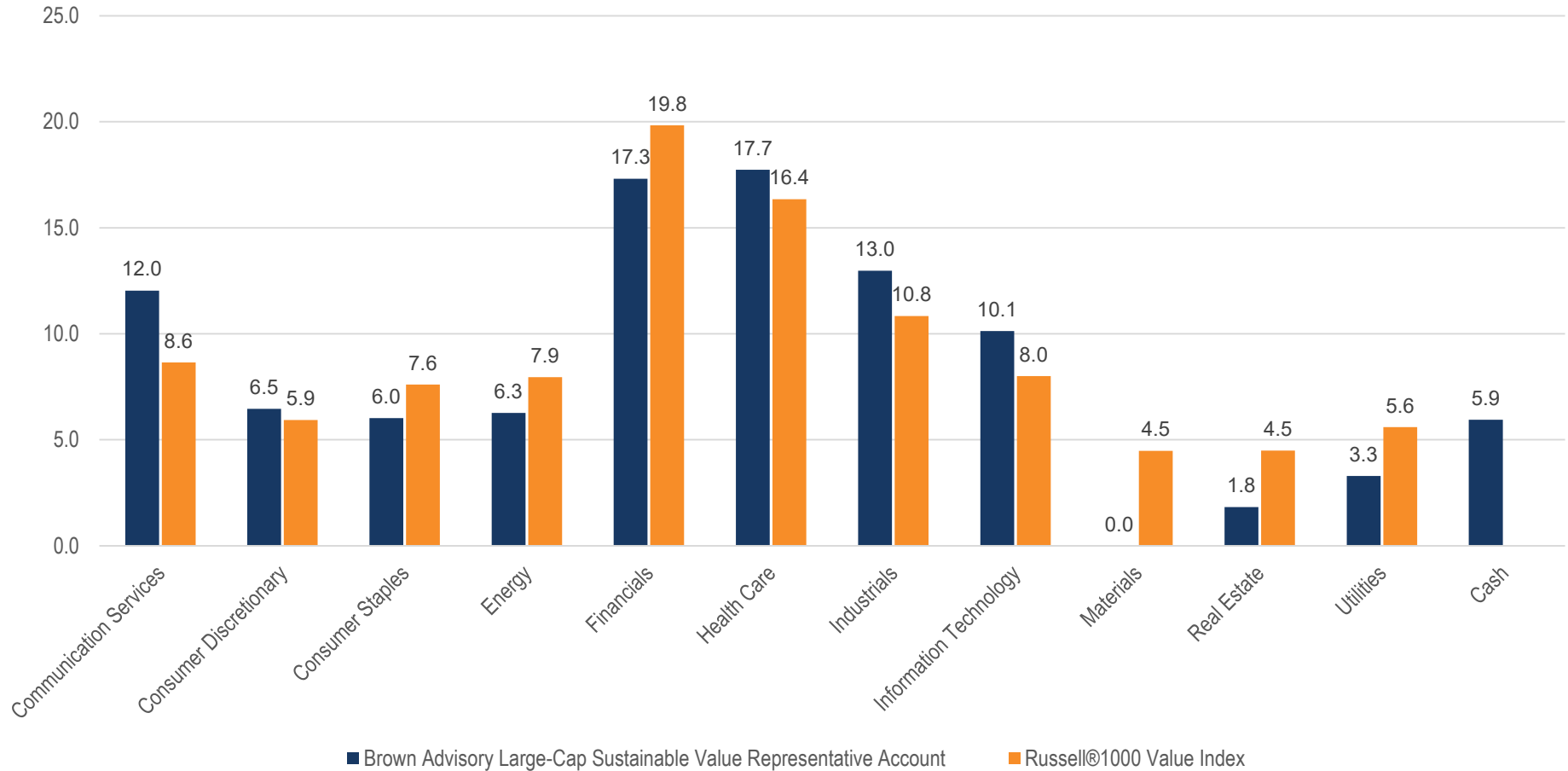
Utilities (%)	
Constellation Energy Corporation	3.3
Total Portfolio	3.3
Total % of Russell 1000 Value Index	5.6

Materials (%)	
Total Portfolio	0.0
Total % of Russell 1000 Value Index	4.5

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. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Portfolio information is based on a representative Large-Cap Sustainable Value account and is provided as Supplemental Information. Numbers may not total due to rounding. Please see disclosure statement at the end of this presentation for additional information.

# PORTFOLIO ATTRIBUTES

REPRESENTATIVE LARGE-CAP SUSTAINABLE VALUE ACCOUNT AS OF 03/31/2023



Source: FactSet. Portfolio information is based on a representative Large-Cap Sustainable Value account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector weights include cash and cash equivalents. Please see the Brown Advisory Large-Cap Sustainable Value Composite disclosure for more information. Please see the end of the presentation for a complete list of terms and definitions. Numbers may not total due to rounding.

## Team Principles

- Uphold an investment-performance-driven approach
- Promote the highest standards of ethics, transparency and professionalism
- Commit to a culture of shared responsibility and collaboration
- Invest in our professional and personal growth

### PORTFOLIO MANAGEMENT

#### MICHAEL POGGI, CFA

Investment experience since 2003

### HEAD OF EQUITIES

#### ERIC GORDON, CFA

Investment experience since 1998

### DIRECTOR OF RESEARCH

#### DAN MOONEY, CFA

Investment experience since 2001

### DIRECTOR OF ESG RESEARCH

#### KATHERINE KROLL

Investment experience since 2015

### BUSINESS SERVICES

#### ROBERT FURLONG, CFA

Investment experience since 2000

#### THOMAS FITZALAN HOWARD

Investment experience since 2016

### CONSUMER

#### ERIC CHA, CFA

Investment experience since 1999

#### CHRIS GUIDRY, CFA

Investment experience since 2018

#### DAN MOONEY, CFA

Investment experience since 2001

#### ALEX TREVINO

Investment experience since 2016

### ESG

#### VICTORIA AVARA, CPA

Investment experience since 2019

#### MICHAEL AYER

Investment experience since 2016

#### KATHERINE KROLL

*Director of Equity ESG Research*  
Investment experience since 2015

#### LARA WIGAN

Investment experience since 2021

#### ANGELA WILSON

Investment experience since 2020

### FINANCIALS

#### KENNETH COE, CFA

Investment experience since 2010

#### CAMERON MATHIS

Investment experience since 2013

#### FRANK O'DONNELL

Investment experience since 2006

### GENERALIST

#### ELIZABETH HISS

Investment experience since 2016

#### BRANDON WOODLAND, CFA

Investment experience since 2007

### HEALTH CARE

#### SANJEEV JOSHI, CFA

Investment experience since 1994

#### MARK KELLY

Investment experience since 2008

#### SUNG PARK, CFA

Investment experience since 2003

### INDUSTRIALS, BASIC MATERIALS & ENERGY

#### JONATHAN CHOU, CFA

Investment experience since 2002

#### JAKE LUBEL

Investment experience since 2008

#### RODDY SEYMOUR-WILLIAMS, CFA

Investment experience since 2017

#### SOPHIE STONE

Investment experience since 2021

### INVESTIGATIVE

#### LAUREN CAHALAN

Investment experience since 2018

#### KATIE KELLEY

Investment experience since 2017

#### NAYEON KIM

Investment experience since 2020

#### YUN MANDERNACH

Investment experience since 2021

### RISK

#### ERIN CAWLEY

Investment experience since 2017

#### DAVID MYKRANTZ

Investment experience since 2020

### TECHNOLOGY

#### JOHN BOND, CFA

Investment experience since 1999

#### JOHN CANNING, CFA

Investment experience since 2014

#### RAN CHANG, CFA

Investment experience since 2014

#### DREW FRANCK

Investment experience since 2019

#### EMILY WACHTMEISTER, CFA

*Associate Portfolio Manager, Mid-Cap Growth*

Investment experience since 2011

#### JOE PASQUALICHIO

Investment experience since 2012



Expedia Group, Inc. is an American online travel shopping company for consumer and small business travel



## FUNDAMENTAL STRENGTHS

- **Free Cash Flow:** EXPE is one of the largest online travel agencies serving customers around the globe. Because of their scale and presence as an “online only” marketplace, they are in a position to leverage their size and discretionary cost basis to achieve healthy margins without the need to spend much capital. They have EBITDA margins in the 20s and convert >50% of EBITDA to free cash flow.
- **Capital Allocation:** Pre-pandemic, EXPE always returned a sizeable amount of cash to shareholders. They have historically paid a healthy dividend and were constant buyers of their own stock. They suspended buybacks and the dividend during COVID, but both will be a key part of capital return going forward (last quarter they announced the resumption of buybacks).
- **Valuation:** EXPE is currently trading 6.6x FY23 EBITDA, and yielding 10% on FCF in FY23 – not far off absolute lows hit during COVID and a significant discount to peers and the market.

## SUSTAINABLE CASH FLOW ADVANTAGE DRIVERS: PRODUCTS & PROCESS

- **Sustainable Tourism:** Expedia and its subsidiaries are investing in creating a more sustainable and inclusive travel platform to meet the growing consumer demand for sustainable tourism. For context, the environmental impact of tourism can be immense, representing one of the most significant contributors to global GHG emissions. Transport-related emissions from tourism are set to rise exponentially in the future - by 25% by 2030. As such, we believe Expedia's ongoing investment in creating a solution for its customers to travel more sustainably should drive revenue for the company.
- **Engagement:** However, at this time, we believe this opportunity is still developing. Our engagement strategy will focus on emerging sustainability drivers, like its lower emission travel feature and its UNESCO Sustainable Travel Pledge program.

**Expedia Group, Inc. is a current holding in the Large-Cap Sustainable Value portfolio as of 03/31/2023 and was selected because the investment team believes it demonstrates the strategy's stated investment philosophy regarding attractive business fundamentals, compelling valuation, and strong or improving Sustainable Cash Flow Advantages. It does not represent all of the securities purchased, sold or recommended for advisory clients. Please see slide 17 for all the portfolio's holdings as of 03/31/2023.**

## Past performance is not a guarantee of future performance and you 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.

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

ESG considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. ESG analysis may not be performed for every holding in the strategy. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

The information relating to the portfolio managers' prior experience is provided for informational purposes and is not intended to illustrate the capabilities of the team. It is not intended to be, and shall not be construed as being, investment advice. Investment decisions should not be made on the basis of it. Past performance is not indicative of future performance and there is a risk that some or all of the capital invested may be lost. The information contained herein is based on materials and sources that we believe to be reliable. We make no representation, either express or implied, in relation to the accuracy, completeness or reliability of that information. The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions.

As of March 31, 2023, Brown Advisory had approximately \$130.7 billion in client assets for the following entities: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware, LLC Brown Advisory Investment Solutions Group LLC, NextGen Venture Partners LLC and Signature Financial Management, Inc.

As of March 31, 2023 firmwide institutional strategies had approximately \$55.4 billion in assets under management in institutionally marketed strategies. Equity strategy assets include Large-Cap Sustainable, Large-Cap Growth, Sustainable Small-Cap Core, Large-Cap Sustainable Value, Mid-Cap Growth, Small-Cap Growth, Equity Income, Flexible Equity, Small-Cap Fundamental Value, Global Focus and Custom Solutions strategies. Fixed Income strategy assets include the Core Fixed Income, Sustainable Core Fixed Income, Enhanced Cash, Intermediate Income, Limited Duration, Municipal Bond and Tax-Exempt Sustainable strategies. Global Leaders strategy listed assets include Global Concentrated Equity. This information is supplemental to the Brown Advisory Large-Cap Growth Composite presentation.

As of March 31, 2023, Brown Advisory had approximately \$24.5 billion in sustainable institutional mandates, which includes the following Brown Advisory strategies: U.S. Large-Cap Sustainable Growth, Global Leaders (and Global Leaders Sustainable), Sustainable International Leaders, U.S. Sustainable Small-Cap Core, U.S. Large Cap Sustainable Value, U.S. Core ESG, U.S. Sustainable Income, U.S. Sustainable Core Fixed Income, U.S. Tax-exempt Sustainable, U.S. Sustainable Short Duration, Global Sustainable Total Return Bond. Total strategy assets include accounts that are excluded from the composite. These assets include (1) single strategy assets of balanced accounts, (2) accounts that do not meet the composite minimum market value requirement and (3) accounts with restrictive guidelines. Numbers may not total due to rounding.

All financial statistics and ratios are calculated using information from FactSet® as of the report date unless otherwise noted. FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)", "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's.

An investor cannot invest directly into an index.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value 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.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

## Terms and Definitions

**Free Cash Flow (FCF)** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. **FCF yield** is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use NTM and exclude Banks and Insurance companies. **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; **Maximum and Minimum**: the market caps of the largest and smallest companies, respectively, in the portfolio. The **EV/EBITDA** multiple is a financial valuation ratio that measures a company's return on investment (ROI). The **EV/EBITDA** ratio may be preferred over other measures of return because it is normalized for differences between companies. Using EBITDA normalizes for differences in capital structure, taxation, and fixed asset accounting. The enterprise value (EV) also normalizes for difference in a company's capital structure. **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. **Active Share** indicates how different the portfolio is from its benchmark. Calculated as the sum of each security's absolute weight difference. The **Net Debt/ EBITDA** (earnings before interest depreciation and amortization) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The calculation presented exclude Banks and Insurance companies.

# LARGE-CAP SUSTAINABLE VALUE 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)*
2021**	N/A	N/A	N/A	N/A	N/A	Five or fewer	N/A	N/A	79,715

\*\*Performance not available for the period since the Composite inception date is September 30, 2022

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2021. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Large-Cap Sustainable Value Composite (the Composite) includes all discretionary portfolios invested in the Large-Cap Sustainable Value strategy. The Large-Cap Sustainable Value strategy aims to invest in the equity securities of high-quality large-sized companies that have attractive and durable free cash flow yields, favorable capital structures, strong capital discipline, and which are listed or traded on the U.S. markets and exchanges. The minimum market value required for Composite inclusion is \$1.5 million.
- ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.
- The Composite creation date is November 30, 2022. The Composite inception date is October 1, 2022.
- The benchmark is the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value 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.
- Composite dispersion is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-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: 0.60% on the first \$25 million; 0.50% on the next \$25 million; and 0.40% on the next \$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.
- The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2021 because 36 month returns for the Composite were not available (N/A).
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.