Brown ADVISORY
Thoughtful Investing.

2019 IMPACT REPORT

TAX-EXEMPT SUSTAINABLE FIXED INCOME STRATEGY

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Letter of Introduction from the Portfolio Managers

At Brown Advisory, we are deeply committed to sustainable investing, with the goal of helping clients generate attractive investment returns, align their investments with their values and make a positive impact on society with their capital. Our firm managed more than $6 billion* in client assets under various sustainable investment mandates for individuals, families and institutions, as of Dec. 31, 2019.

For a number of our sustainable investment strategies, we issue formal reports each year to keep clients informed about how those strategies are generating positive impact. Enclosed is our Impact Report for the Brown Advisory Tax-Exempt Sustainable Fixed Income strategy. We seek to deliver attractive, risk-adjusted returns by incorporating environmental, social and governance (ESG) research that strengthens our bottom-up, credit-focused research, while building a portfolio that aims to produce positive environmental and social impact.

This report includes a review of how we invest using innovative ESG and sustainability research, how we look for and identify impact across various municipal sectors, and how the investments in our portfolio are creating positive environmental and social outcomes. We also discuss how we engage with issuers—sometimes for research and advocacy purposes, and other times in an advisory capacity with issuers seeking guidance on structuring their labeled bond offerings—as well as how we participate in the broader sustainable investing community.

We are pleased to report continued progress and advancement of our firm's sustainable investing platform in 2019. Among other initiatives, we expanded our ESG research team to five full-time analysts with the addition of Lisa Fillingame Abraham and Victoria Avara, and we launched a mutual fund based on this strategy at the end of 2019, and took a variety of other steps to expand our offering to clients.

As always, we thank our fundamental and ESG research teams, who work tirelessly to ensure that our investment decisions are informed by solid ESG data and clear viewpoints about how that data may affect a company's prospects. Additionally, we thank all of our colleagues across the firm for embracing sustainable investing principles so enthusiastically, and most importantly our clients for entrusting us with their capital.

We hope you find this report informative, and we welcome a continuing conversation with you about the work we are doing.

Sincerely,

Stephen Shutz, CFA
Portfolio Manager

Amy Hauter, CFA
Portfolio Manager

*Brown Advisory entities included are: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd. and Brown Advisory Trust Company of Delaware, LLC.

THE STRATEGY'S INVESTMENT PHILOSOPHY AND PROCESS

Investment Philosophy & Research Approach

There is a growing acknowledgment that government and philanthropic sources of capital will likely fall far short of what is needed in the coming decades to solve the pressing social and environmental challenges of our time. Hence, many investors are increasingly eager to find ways to generate positive impact through their investments, motivated by not only a desire to align their investments with their values but also a pragmatic aspiration to make a tangible, measurable difference in society with their capital.

At Brown Advisory, we believe we can play a valuable role in helping our clients generate positive impact. The Tax-Exempt Sustainable Bond strategy is governed by the philosophy that by effectively integrating environmental, social, and governance (ESG) research, fundamental credit research and careful examination of how bonds' proceeds will be used, we can help our clients simultaneously pursue their long-term investment goals and their goals for driving meaningful changes in society.

We find that sustainable investing principles are especially well-suited for fixed income investing, and municipal bond investing in particular.

From an impact standpoint, municipal issues must fund projects that benefit the public by their very nature, in order to maintain tax-exempt status. Moreover, bonds in general tend to offer investors a high degree of clarity regarding their use of proceeds. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles (GBP), have enhanced this transparency regarding use of proceeds. Furthermore, we tend to favor revenue bonds over general obligation bonds, as they offer greater clarity on both the use of proceeds and the revenue streams from which we will be repaid.

From a performance standpoint, ESG research is a natural supplement to bond investing because it tends to focus on understanding downside risk. We also note that an impact-driven bond portfolio's returns can parallel that of a traditional portfolio; bonds with similar durations and credit ratings tend to have a high return correlation, so if all else is equal, a labeled green bond, a labeled sustainability bond and a traditional bond should produce the same financial results.

Objectives & Investment Process

The strategy's return objective is to outperform the Bloomberg Barclays 1-10 Year Municipal Bond Blend Index on a risk-adjusted basis. Our impact objective is not as easily measured by a single metric, but it is nonetheless equally clear to us. **We seek to deliver attractive after-tax returns by incorporating ESG analysis that strengthens bottom-up, credit-focused research, while also building a portfolio that produces positive environmental and social impacts.**

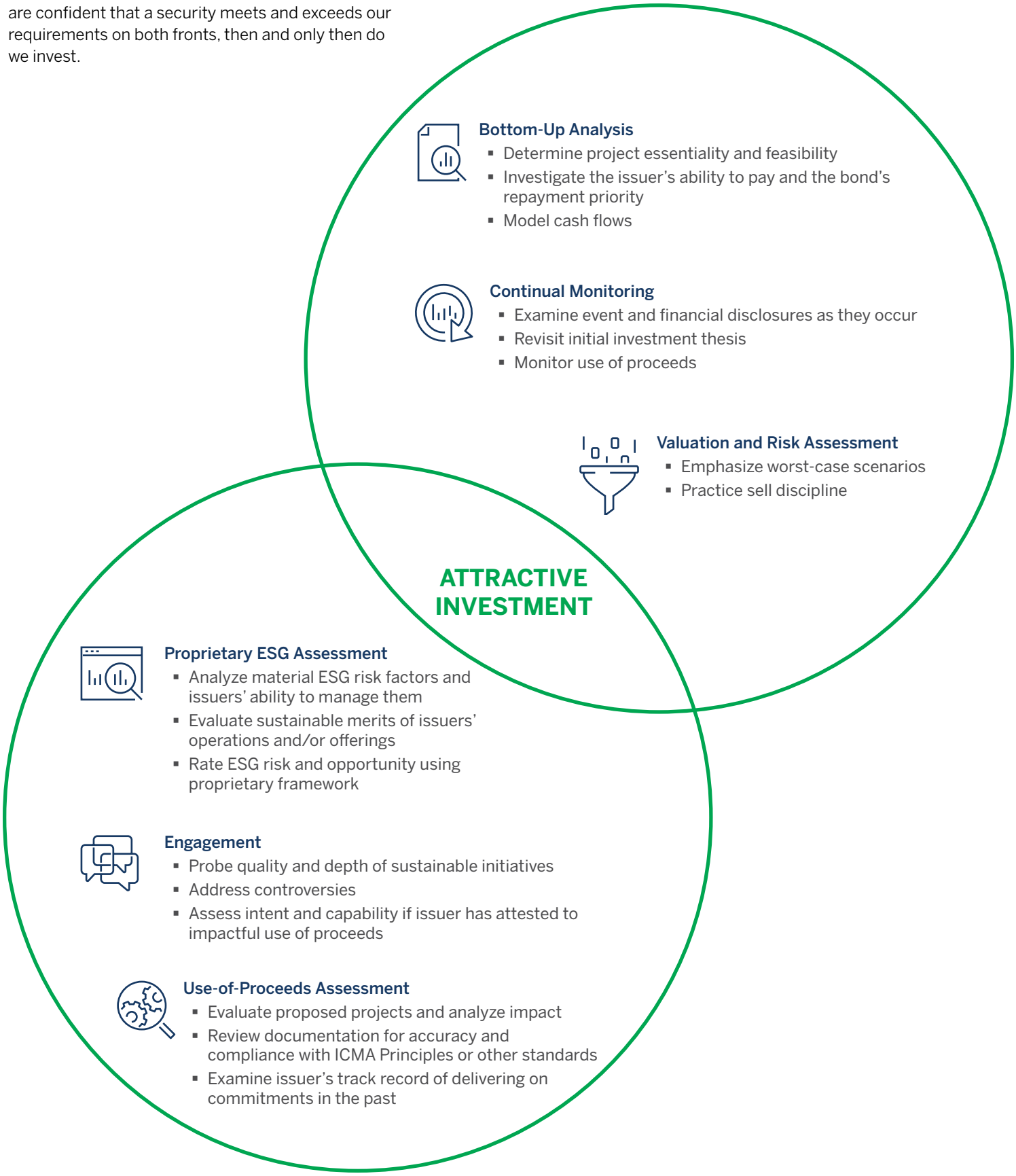
Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our approach to sustainable investing actually helps our returns by steering us to responsible and forward-thinking issuers.

We conduct credit and ESG research within a single, unified due diligence process (see diagram on page 5), which ensures that impact and ESG considerations are a core part of our investment thesis. Our ESG research is itself an integrated, three-pronged effort that pulls together sector analysis, issuer and management team analysis, and an assessment of use of proceeds. Our ESG research approach involves both quantitative and qualitative analysis, and is supported by our proprietary ESG rating framework. When possible, our ESG research team incorporates third-party data into the analysis. However, given that we invest in municipal issuers that are often not covered by ESG data providers, we rely heavily on the due diligence of our dedicated ESG research team.

This process helps us identify bond issuers that capitalize on opportunities to become more sustainable, avoid major ESG risks and manage those risks they do face with a high degree of success. We have also found that this integrated approach has a positive influence on our investment decision making. With a better understanding of an issuer's ESG profile and its intended use of proceeds, we are better informed, better able to assess that issuer's ability to pay, and more confident in allocating capital to a bond that we believe will produce desirable returns.

INTEGRATING FUNDAMENTAL AND SUSTAINABLE RESEARCH

Our investment process places equal emphasis on fundamental research and ESG research. When we are confident that a security meets and exceeds our requirements on both fronts, then and only then do we invest.



PORTFOLIO-LEVEL IMPACT ANALYSIS: DIVERSIFICATION BY THEME, SOURCE AND SECTOR

A primary goal of the strategy is to provide a *diversified approach to impact.* We believe that this approach ensures balance across our portfolio and that the portfolio can deliver desired impact results to our shareholders, who collectively care about driving societal progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by different impact themes illustrates the variety of issues and causes that our holdings are addressing through their use of proceeds and/or general operations of offerings/services. As shown on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment, health and well-being, and economic development/social inclusion—each with several subcategories. (We also are invested in a small number of "multisector" bonds that fund projects spanning many impact categories.)

Categorizing each security's impact is not an exact science—our research is based on both objective data and subjective analysis, and many securities produce impact on multiple fronts.

DIVERSIFICATION BY IMPACT SOURCE

We also seek to diversify the portfolio by investing in bonds that generate positive impact in different ways (see chart on page 8).

As we've discussed in this report, many of our bonds generate impact by deploying proceeds on specific social and environmental initiatives. A growing number of these bonds are being issued as "labeled" green, social or sustainability bonds, and follow the principles outlined formally by the ICMA that allow them to carry a clear label that attests to the bond's legitimacy and quality as an impact investment.

We also find through our research many bonds that aren't issued under the ICMA Principles but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabeled bonds as "targeted use of proceeds" bonds.

As of Dec. 31, 2019, approximately 60% of the portfolio is invested in bonds—both labeled and unlabeled—whose proceeds are being deployed on projects and initiatives that produce positive environmental or social impacts.

The rest of the portfolio is primarily invested in bonds from "impactful issuers," or issuers whose offerings and core operations, in our view, are broadly positive from an ESG perspective.

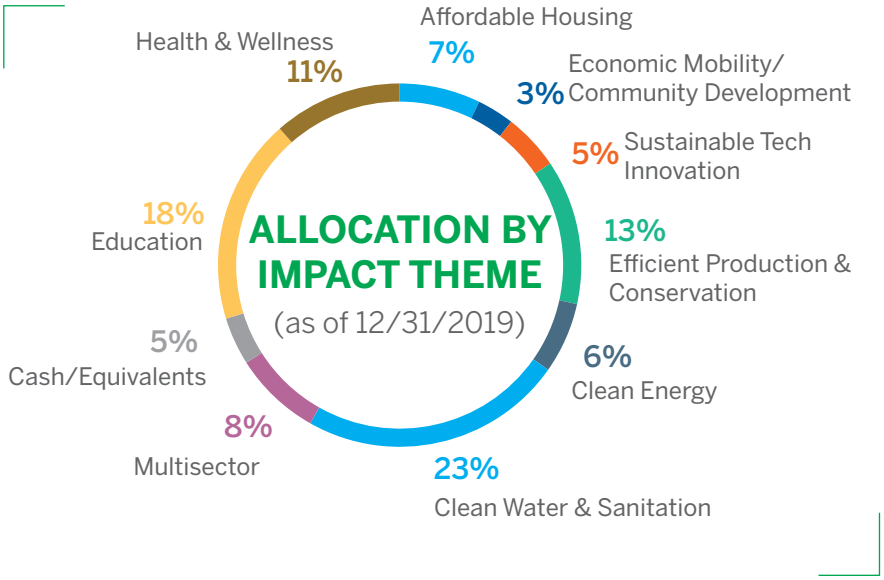
DIVERSIFICATION BY MUNICIPAL SECTOR

Finally, we seek to diversify the portfolio from a fundamental as well as an impact standpoint. As shown on page 9, we invest in a range of municipal sectors—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on our ongoing assessment of municipal sector trends).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. For instance, our investments in hospitals enable increased access to healthcare while public schools increase access to education. Our water utilities increase the availability of clean water, while our power utility investments are mostly focused on clean energy. In short, we find that our focus on general portfolio diversification naturally increases the range of issues and causes that the strategy addresses from an impact perspective.

DIVERSIFICATION BY IMPACT THEME

We categorize our holdings according to a series of impact themes to illustrate the variety of challenges and opportunities that our portfolio addresses. We do not target any particular impact mix, and we have found ample opportunity to invest in bonds that address a wide range of social and environmental issues.



EXPOSURE/IMPACT ON THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Our impact themes are broadly aligned with the U.N. Sustainable Development Goals. The mapping between our themes and the SDGs is depicted in the graphic to the right.

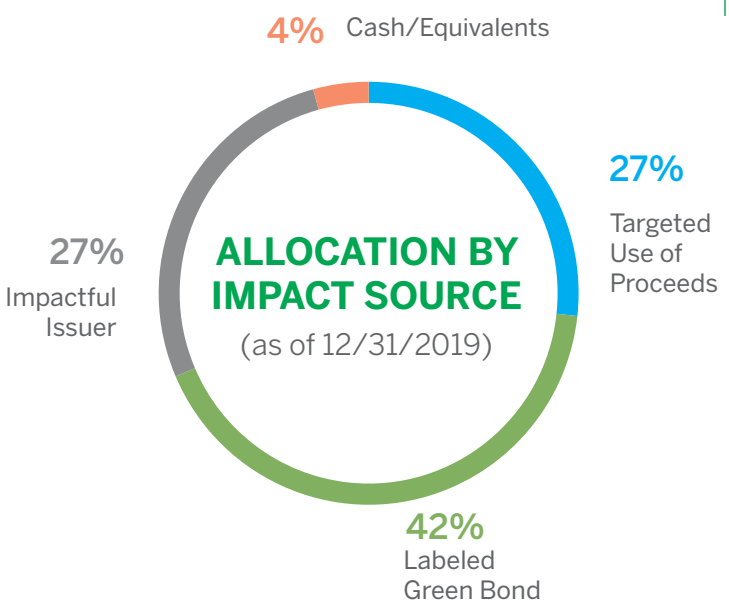
Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme allocation information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Economic Development & Social Inclusion	
Affordable housing	1 NO POVERTY; 11 SUSTAINABLE CITIES AND COMMUNITIES
Economic mobility & community development	1 NO POVERTY; 2 ZERO HUNGER; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Education	4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES
Diversity, inclusion, equality	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Health & Well-Being	
Health & wellness	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
Clean water & sanitation	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Environment	
Sustainable technology innovation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Efficient production & conservation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Clean energy	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
Sustainable agriculture/ natural resource management	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND

DIVERSIFICATION BY IMPACT SOURCE

The bonds in our portfolio generate impact in several different ways. Some create impact via the projects funded by those bonds, while others do so via the general conduct and activities of the issuer. As of Dec. 31, 2019, the portfolio's investments were allocated across these categories:

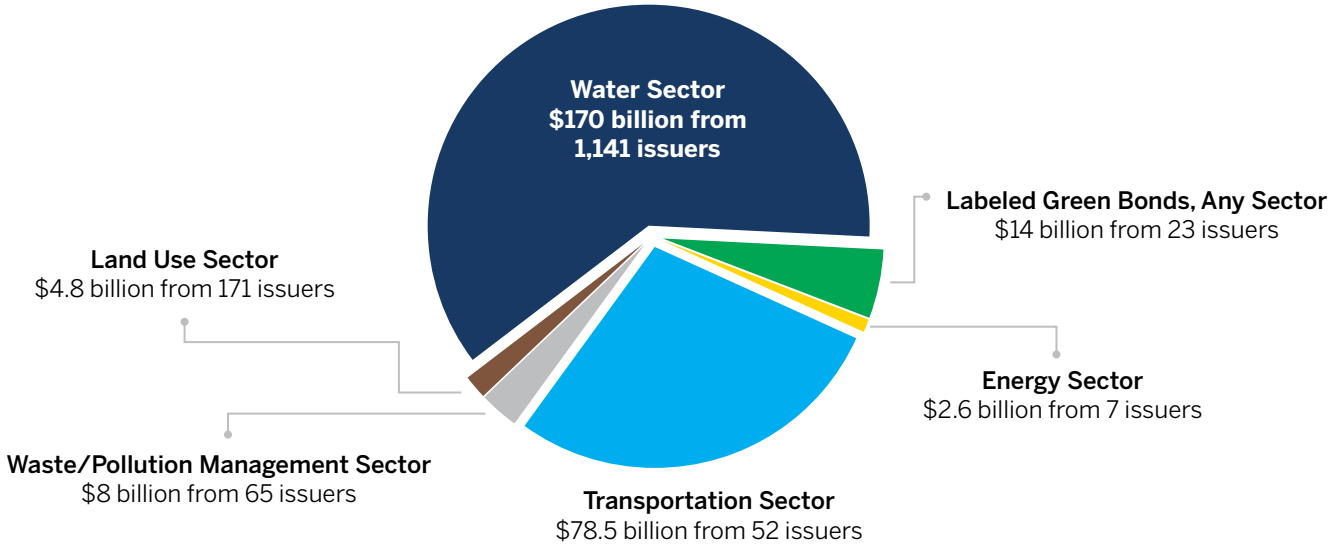
- Labeled green, social or sustainability bonds whose proceeds are funding specific environmental and/or social projects in adherence with the ICMA Principles
- "Targeted use of proceeds" bonds that are not officially labeled but are funding environmental or social projects that meet our criteria for investment
- Bonds from "impactful issuers" that we believe are generating environmental or social impacts through their operations and offerings/services



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact source allocation information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

THE CLIMATE-ALIGNED MUNICIPAL BOND UNIVERSE

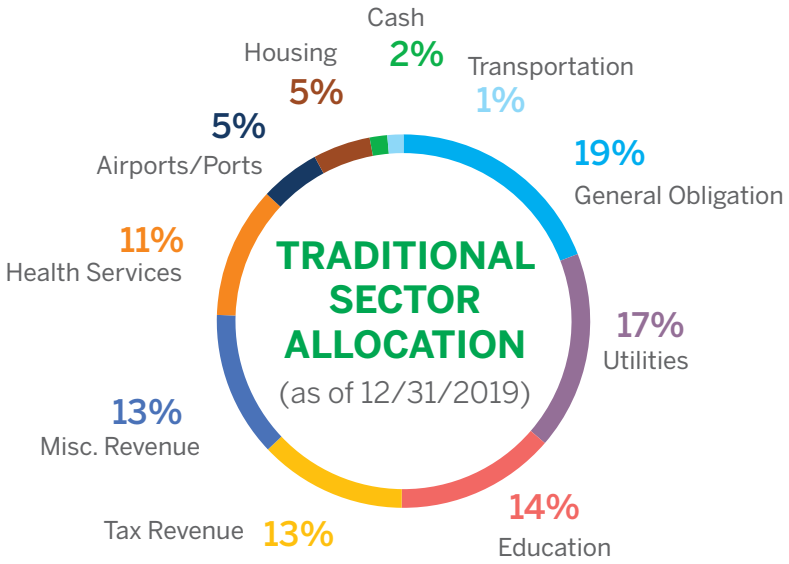
Research from the Climate Bonds Initiative in 2018 identified a $264 billion climate-aligned municipal bond universe. In addition to a healthy pool of labeled green bonds, this universe includes a wide range of other bonds issued by water, transportation, energy and other agencies that address climate-related issues and challenges through their core offerings/services and operations.



Source: Climate Bonds Initiative

DIVERSIFICATION BY MUNICIPAL SECTOR

We believe that a fundamentally diverse portfolio spanning the full range of municipal bond sectors naturally increases the range of issues and causes that the portfolio can positively impact. Revenue bonds are a generally attractive structure for sustainable investing, as they typically fund specific projects with measurable results. However, we also invest in general obligation bonds if they finance specific environmental or social projects.



Health Services: We are invested in hospitals and senior living facilities that we believe improve the quality of life, health and well-being within their communities. We emphasize issuers that increase access to and affordability of health care, improve quality of care and patient satisfaction, and improve operational environmental sustainability.

Education: We are invested with a number of primary, secondary and higher education school systems that are expanding access to public education resources and improving the quality of education provided to constituents.

Housing: We emphasize multifamily and single-family housing projects that increase access to affordable options for lower- and middle-income populations.

Transportation: We focus on transportation projects that improve mobility within communities and reduce reliance on single-occupancy vehicles. These investments often are geared toward public transit systems or road improvements.

Utilities: We are invested in public water and sewer utilities that are effectively ensuring communities have clean water and that wastewater is properly treated and discharged. We are also invested in public utilities that have built substantial renewable energy portfolios or are working to do so.

Airports/Port Authorities: We seek out air and sea transport hubs that are engaged in major activity to reduce environmental footprint as a way of mitigating some of the negative environmental impacts of the air travel and commercial transportation industries.

Miscellaneous/Tax Revenue: We look for revenue bonds backed by leases, taxes and other designated sources that finance the general capital plan projects of municipalities with strong ESG or sustainability programs in place. In some cases, these bonds are financing specific environmental or social projects.

General Obligation: We are invested in local and state general obligation bonds that fund specific environmental or social projects.

Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Sectors are based on Bloomberg's classification system. Sector allocation information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

IMPACT CASE STUDIES FROM THE PORTFOLIO

New York Metro Transportation Authority

IMPACT TYPE:	SECTOR:	IMPACT THEME:
Impactful Issuer/Labeled Green Bond	Transportation	Efficient Production & Conservation

The New York MTA is the largest regional public transportation provider in the Western Hemisphere. Its rail, subway and bus lines served more than 14 million commuters across New York and Connecticut in 2019. Expansion of public transportation is an essential tool in the global effort to mitigate carbon emissions; transportation generates about 40% of all greenhouse gases in the U.S., and emissions per passenger mile are, on average, five times higher for single-occupancy vehicles than for mass transit solutions.

The MTA is recognized as a leading issuer in the green bond market. It has issued more than $6 billion in green bonds since 2016 to finance the development, maintenance and improvement of a sprawling transit network that covers more than 5,000 square miles.

More people using public transit means fewer people in vehicles and on the road, which translates to safer traffic conditions and meaningful reduction in greenhouse gas emissions. Every year, travelers avoid 19 million metric tons of greenhouse gas emissions by choosing the MTA instead of travel by car. The MTA's operations generate about 2 million tons of annual emissions, so the end result is a net emissions reduction of 17 million metric tons—a primary reason that New York has the lowest statewide per-capita carbon footprint in the U.S.

17 million

Tons of greenhouse gas emissions avoided by deploying the MTA transit network as a substitute for single-occupancy vehicle travel.

Berkshire, MA Wind Power Cooperative

IMPACT TYPE:	SECTOR:	IMPACT THEME:
Labeled Green Bond	Utilities	Clean Energy

The Berkshire Wind Power Co-op is the second largest operating wind farm in Massachusetts. Following its Phase II expansion completed in 2019, Berkshire now produces 19.6 megawatts of wind power; this is enough to power 7,800 homes throughout the region served by the cooperative.

Over the 20-plus-year life of the 12 currently installed turbines, the project will offset an estimated 800,000 metric tons of carbon dioxide emissions. The project sits atop the Brodie Mountain ridgeline in Hancock, Massachusetts, at an elevation of 2,500 feet; average wind speeds at the location exceed 18 miles per hour, making it one of the best inland wind sites in the state.

The project exemplifies several characteristics we seek in labeled green municipals. The bonds fund a project with very clear and measurable environmental impact, and moreover, the underlying entity offers strong investment fundamentals (diverse set of project participants, regulated rates, healthy regional economics). The bonds are also issued within a state that has long been committed to building a self-sustaining renewable energy industry.

19.6 MW

Upon completion of its Phase II expansion, Berkshire Wind currently produces 19.6 megawatts of wind power, enough to power 7,800 homes.

Sources: Brown Advisory research, NY Metro Transit Authority and Berkshire Wind Power Co-op. 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. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Lakeland Regional Hospital

IMPACT TYPE:	SECTOR:	IMPACT THEME:
Targeted Use of Proceeds	Health Services	Health and Wellness

Lakeland Regional Hospital is the fifth largest hospital in Florida. It serves Polk County in Central Florida; the 2010 U.S. Census states that Polk County's poverty rate exceeds 15%, and more than 23% of its under-18 population lives below the poverty line. Demographics plus a lack of primary care services in the region drive heavy demand for Lakeland's emergency services—Lakeland operates the largest single-site emergency department in the U.S., and in 2017 alone, it received over 200,000 emergency visits.

To address the pressing need for non-emergency capacity in Polk County, Lakeland (with proceeds from the bond that we hold) built a new Pavilion for Women and Children. The Pavilion opened in June 2018 and partners with the Nemours Children's Health System and the Mayo Clinic Care Network to strengthen its offerings to the community. Since opening the Pavilion, births at the hospital have increased 13%, neonatal ICU admissions are up 22% and pediatric surgeries are up 47%—all indications of how important this additional capacity has been for the community.

Environmental impact is not the driving factor for this investment, but Lakeland is heading in the right direction on environmental management. Its Grasslands Campus earned LEED Gold certification in 2017, and the new Pavilion for Women and Children received LEED in Healthcare certification. The Pavilion uses 19% less energy and 32% less water than a typical U.S. hospital of similar size.

210,020

Number of ER visitors at Lakeland in 2017. The bonds we hold funded a new pavilion to offer much-needed non-emergency services to women and children.

Massachusetts Clean Water Trust

IMPACT TYPE:	SECTOR:	IMPACT THEME:
Labeled Green Bond	Misc. Revenue	Clean Water & Sanitation

The Massachusetts Clean Water Trust has primary responsibility for funding water infrastructure projects in the state. It was an early participant in the green bond market, and it presently maintains a strong pipeline of green bond issuance; in 2019, it issued its fifth series of labeled green bonds, bringing its total issued amount to over $1 billion. We participated in two of the Trust's four previous green bond issues prior to our investment in the Series 22 bonds issued in 2019.

The Trust's green bond program has funded 195 water projects and counting, each of which has aimed to improve water quality and/or protect the environment and public health in some way. Some example projects being funded by the Series 22 bonds include:

- Extensions to Nantucket's sewer system (this project will take 161 properties off on-site septic systems that contribute to nutrient loading in the local watershed)
- Rehabilitation of Fall River's water main (this project will replace 16,000 linear feet of cast iron water mains and 30 lead service lines to improve the safety and reliability of the city's drinking water)

$1 billion

Total labeled green bond issuance by the Massachusetts Clean Water Trust between 2015 and 2019.

Source: Brown Advisory research, Lakeland Regional Hospital and MA Clean Water Trust. 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. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

ENGAGEMENT

Engagement is a core part of our due diligence and investment process. We use it to communicate our thinking to issuers and also to gather information for our own investment decisions. Because municipal bond issuers frequently have to return to the market to issue new debt, we find that municipal issuers—especially issuers of labeled bonds—are often eager to engage with us.

Research & Advocacy Engagement

As part of our initial and ongoing due diligence efforts, we frequently engage municipal issuers in discussions about the sustainability risks they face, how they are managing those risks and what we perceive as opportunities for them to improve their ESG profiles.

We have several goals with these discussions. First, we want to uncover new information—this is particularly important in our efforts to understand the specific climate or environmental risks facing a particular local region (drought, flooding, air quality, water pollution, etc.). Second, we want to track progress that issuers may be making over time in addressing these risks, which can impact an issuer's credit rating directly (lawsuits) and indirectly (overall economic health of the region). Finally, we want to ensure that issuers know that municipal investors care about these issues.

Beyond short conversations with issuers that occur almost daily, we had 47 substantial engagements of this nature with issuers across the fixed income spectrum in 2019.

Advisory Engagement

Our team was an early and active participant in the green bond market during its formative years, and given our level of activity and our experience in evaluating new bond issues, we are periodically approached by issuers who seek our feedback on how best to structure new impact-oriented deals.

We are always grateful for these opportunities; beyond the obvious gratitude we feel when our views are solicited, we see these situations as a chance to help promote the development of the sustainable fixed income market and to some extent help to shape the parameters of that market, from the disclosure of ESG risks to the methods used for impact reporting.

We had 10 engagements of this type in 2019.

Increasing the Level of Engagement in the Municipal Market

Traditionally, municipalities disclosed very little ESG-related information. This is because increased disclosure is a lot more work, with no evidence of better pricing; further, municipalities did not receive the same type of pressure in the past to provide ESG transparency as corporate issuers.

That appears to be changing. Major credit rating agencies have all issued recent warnings to municipal issuers that climate risk exposure may affect their credit ratings in the future. Moody's in particular has been active in bolstering its ability to assess climate risk through the purchase of several ESG specialist research firms. Further, more than 80% of municipal issuers expect to have a climate risk action plan in place by the end of this year, and more than half plan to issue debt to fund climate initiatives. Communication between issuers and investors about these topics will be key.

To encourage greater transparency, Brown Advisory worked on several collaborative initiatives in 2019. We participated in matchmaker workshops organized by CDP throughout the year (Amy Hauter spoke at one of these sessions in the latter half of 2019), which aimed to promote and increase financing for sustainability-oriented municipal projects. Additionally, we worked within an investor-led program coordinated by CDP (alongside AllianceBernstein, Oppenheimer, Nuveen, Breckenridge and other firms) that aims to improve municipal disclosure of climate risks, similar to the framework for corporations developed by the Task Force on Climate-related Financial Disclosures (TCFD). These activities were in addition to our regular and frequent participation in impact-focused investor/issuer days organized by the larger underwriting desks driving activity in the green bond market.

COLLABORATION/INDUSTRY CONTRIBUTION

Our work does not happen inside of a silo. We rely on support from and collaboration with a broad range of Brown Advisory colleagues and industry partners who help us build and manage our portfolio.

Our ESG research team develops and maintains ESG research and analysis spanning our firm's entire equity and fixed income coverage universe. Its members integrate and partner in various ways with the working groups and management teams that drive the investment decisions in individual Brown Advisory investment strategies. Their work is further informed by many other contributors, including collaborative work with our firm's fundamental research teams as well as input and insight from our Sustainable Investing Advisory Board. Our sustainable investing initiative is strongly supported by our CEO and senior executive staff, who are deeply engaged in driving sustainable principles throughout the firm's investment offerings.

We benefit greatly from our ability to participate in broader industry efforts sponsored by leading nonprofits, and we try to do our part to contribute our thinking back to the sustainable investing community.

Recent Articles:

Climate Change Reckoning for the Municipal Bond Market

Amy Hauter/Lisa Fillingame Abraham

Rising emphasis on climate risk for municipal issuers and ratings agencies

Sustainable Perspectives

Mick Dillon/Bertie Thomson

How sustainable principles contribute to decision-making in Brown Advisory's Global Leaders strategy

Sustainable Investing: Then vs. Now

Amy Hauter (published by FactSet®)

A look at how sustainable investment research and portfolio management has evolved in recent decades

Healthy Returns

Karina Funk/David Powell

Sustainable return drivers in health care equities

The Other 95%

Brigid Peterson

A mission-aligned investing framework for endowments and foundations

Highlighted Events/Speaking Engagements:

Ceres Conference 2019
Panel: *"Building Climate-Resilient Cities"*
Amy Hauter

Morningstar 28th Annual Investment Conference
Panel: *"Approaches to Sustainable Investing"*
Karina Funk

United Nations Sustainable Investing Conference
Panel: "*ESG Data in Fixed Income Investing"*
Amy Hauter

Green Bonds Americas Conference
Panel: *"Investing in Green, Social and Sustainability Bonds"*
Tom Graff

High Water Women Investing for Impact 2019
Panel: *"Avoiding Impact/ESG-Washing"*
Emily Dwyer

Rivel Investor Relations Consultant Conference
Panel: *"How Fundamental Analysts Use ESG"*
James Davie

Industry Initiatives/Memberships

Brown Advisory has been a signatory to the PRI (Principles for Responsible Investment) since 2014; PRI is a global network of investors representing more than $86 trillion as of June 30, 2019. Each year, PRI signatories complete a rigorous disclosure of sustainable investing practices; these disclosures, and the PRI organization's assessment of those disclosures, are widely followed by investment decision-makers around the world.

Our 2019 PRI Scorecard is provided at right. We are honored to have received "A" grades and pleased that we met or exceeded industry median scores in nearly every category. We are especially gratified to have received the highest attainable score in the Strategy and Governance category; we see this as a strong external validation of our firm's and our senior leadership's commitment to sustainable investing.

Our full 2019 PRI Transparency Report: www.unpri.org/signatory-directory/brown-advisory/978.article.

Module Name	Our 2019 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership Modules	
10. Listed Equity - Incorporation	A
11. Listed Equity - Active Ownership	B
12. Fixed Income - SSA	A
13. Fixed Income - Corporate Financial	A
14. Fixed Income - Corporate Non-Financial	A
15. Fixed Income - Securitized	A

Source: PRI. For assessment methodology visit www.unpri.org/signatories/about-pri-assessment.

Long-term signatory and supporter. Assisted in several 2019 CDP initiatives, including issuer workshops focused on labeled bond issuance, and a program seeking improved municipal disclosure of climate risks.

Early signatory to the ICMA-guided Green Bond Principles; ongoing contributor to the "Principles" framework, which now covers labeling for green, social and sustainability bonds.

(WISE: Women Investing for a Sustainable Economy)

Members of the Boston, NYC and Washington, D.C. chapters; hosted 3 WISE events in 2019.

Signatory to this five-year, investor-led initiative to persuade the world's largest corporate greenhouse gas emitters to take action on climate change.

Long-term member and supporter. Brown Advisory partner Steven Hoch sits on Ceres' President's Council.

Founding member. Brown Advisory partner Erika Pagel serves on steering committee.

Long-term member, supporter and event co-host/sponsor.

Long-term conference supporter and collaborator.

New member in 2019.

Brown Advisory Tax-Exempt Sustainable Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets ($USD Millions)	GIPS Firm Assets ($USD Millions)
2018	1.6	1.1	1.6	2.4	2.5	48	0.2	114	30,529
2017	3.7	3.2	3.5	2.4	2.5	10	0.4	41	33,155
2016	-0.1	-0.5	-0.1	N/A	N/A	1	N/A	29	30,417
2015	2.1	1.7	2.5	N/A	N/A	1	N/A	7	43,746
2014**	0.8	0.7	0.6	N/A	N/A	1	N/A	7	44,772

*Return is for period October 1, 2014 through December 31, 2014.

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, 2018. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

1. *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
2. The Tax-Exempt Sustainable Composite is comprised of all discretionary accounts with no material investment restrictions, which invest in tax-exempt fixed income securities of an intermediate target duration, and flexibility to invest in bonds from multiple states. At least 80% of the securities in each portfolio in this composite will have credit quality ratings of A or better at the time of purchase. Bonds in composite accounts are evaluated according to a variety of environmental, social and governance factors. These factors are used by the portfolio manager to seek holdings with attractive ESG risk profiles and or bonds whose uses of proceeds meet the standards of the Green Bond Principles. ESG factors are not used for the purposes of absolute negative screening in composite accounts. The minimum account market value required for composite inclusion is $250,000 Prior to July,2017 the minimum account market value required for composite inclusion was $1 million.
3. This composite was defined and initially created on May 1, 2016.
4. The current benchmark is the Bloomberg Barclays Municipal Bond 1-10 Year Blend (1-12) Index. The Bloomberg Barclays Municipal Bond 1-10 Year Blend Index consists of a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds with maturities of at least 1 year and less than 12 years. It is an unmanaged index representative of the tax-exempt bond market. Benchmark returns are not covered by the report of the independent verifiers. An investor cannot invest directly into an index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC.
5. The composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the composite for the entire period.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions, 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: 0.375% on the first $10 million; 0.25% on the next $15 million and 0.20% on the balance over $25 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
7. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2014, December 31, 2015 and December 31, 2016, because 36 month returns for the composite were not available (N/A) because the composite did not exist.
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.
12. Some portfolios may utilize derivative securities. To date, any derivatives used have been CMOs and range accrual notes. Any CMO at the time of purchase must pass the FFIEC volatility tests.
13. Duration is a measure of interest rate risk.

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

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The **Bloomberg Barclays 1-10 Year Municipal Bond Blend Index** consists of a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds with maturities of at least 1 year and less than 12 years. It is an unmanaged index representative of the tax-exempt bond market. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. An investor cannot invest directly into an index.

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