

# Sustainable Short Duration

## STRATEGY FACT SHEET

Fourth Quarter 2019

### PHILOSOPHY

We seek to deliver attractive performance in our sustainable fixed income strategies by considering social and environmental factors in our investment research that have a clear tangible impact on performance. We believe that a portfolio of fixed income securities, identified through fundamental and quantitative analysis and concentrated on our best ideas, has the potential to deliver attractive risk-adjusted returns over time.

STRATEGY INCEPTION DATE: 01/31/2017

### IMPACT FACTORS

**Affordable Housing:** Aiding low- and moderate- income families

**Clean Energy:** Investing in projects that develop, build or provide renewable energy

**Clean Water & Sanitation:** Solving critical water quality and sanitation problems

**Diversity, Inclusion & Equality:** Driving racial and gender equality and improving minority populations

**Economic Mobility & Community Development:** Supporting community economic development and improving quality of life

**Education:** Supporting schools, especially those in underserved areas that eliminate barriers to education

**Efficient Production and Conservation:** Enhancing company operations through resource efficiency, renewable energy use, recycling and smart logistics

**Food, Water & Sustainable Agriculture:** Healthier, safer and more responsible farming and food production

**Health & Wellness:** Promoting health and well-being and providing access to health care services

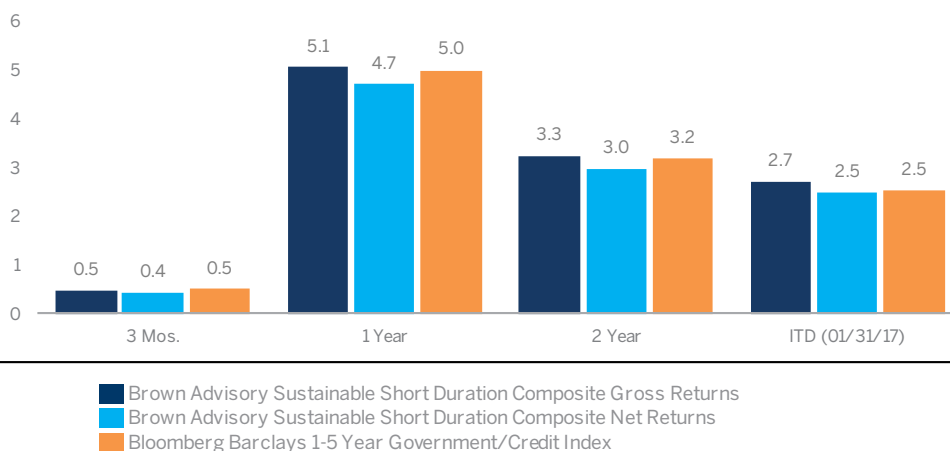
**Innovative Technologies & Climate Awareness:** Support eco-friendly technologies

**Multi Sector:** Bonds that finance a range of projects across one or more themes

**Sustainable Agriculture & Natural Resource Management:** Engaging in sustainable farming and natural resource management, ensuring long-term ecosystem productivity

**Sustainable Technology Innovation:** Producing innovative products and services that help solve critical sustainability needs

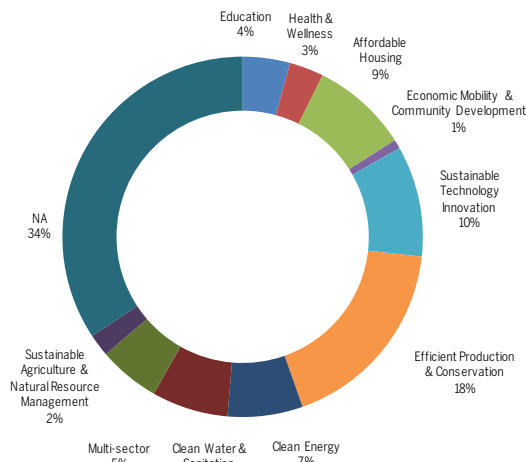
### PERFORMANCE (AS OF 12/31/2019)<sup>1,3</sup>



Notes:

- Source: FactSet®. Returns shown are through 12/31/2019 for each period. All returns greater than one year are annualized. Past performance is not indicative of future results.
- Source: FactSet®. The portfolio information on the right is based on a representative Sustainable Short Duration account and is provided as supplemental information. Portfolio level information includes cash and cash equivalents. Fixed income sectors, quality distribution and duration distribution may not total 100% due to rounding.
- The composite performance shown above reflects the Sustainable Short Duration Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the reverse side for a GIPS compliant presentation and complete list of terms and definitions.

### IMPACT ANALYSIS<sup>2</sup>



### PORTFOLIO CHARACTERISTICS<sup>2</sup>

	REP. ACCOUNT	BLOOMBER BARCLAYS 15 YR GOVT/ CREDIT INDEX
Avg. Credit Quality	Aa2	Aa2
Effective Duration (years)	2.6	2.6
Yield to Worst (%)	2.1	1.8
Avg. Life (years)	3.4	2.7

### SECTOR BREAKDOWN (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBER BARCLAYS 15 YR GOVT/ CREDIT INDEX
Cash & Equivalents	0.5	--
US Government	19.3	68.9
Non-US Government	3.0	5.7
Corporate	26.4	25.4
Mortgage	19.7	--
CMBS	2.5	--
ABS	4.9	--
Municipal	23.7	0.1

### QUALITY DISTRIBUTION (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBER BARCLAYS 15 YR GOVT/ CREDIT INDEX
AAA/Aaa	53.9	72.3
AA/Aa	21.6	4.2
A	6.4	11.3
BBB	18.0	11.3
High Yield	--	0.8
Not Rated	--	0.1

### DURATION DISTRIBUTION (%)<sup>2</sup>

	REP. ACCOUNT	BLOOMBER BARCLAYS 15 YR GOVT/ CREDIT INDEX
Less than 1 Year	18.0	3.3
1 to 3 Years	30.2	60.5
3 to 5 Years	49.2	36.2
5 to 7 Years	2.5	--

# About Brown Advisory



Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients. We are committed to delivering a combination of first-class performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that fixed income strategies built from a foundation of stability coupled with fundamental credit research can seek to generate alpha and control risk. We have a culture and firm equity ownership structure that attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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## Sustainable Short Duration 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)	Firm Assets (\$USD Millions)
2018	15	13	14	N/A	N/A	Five or fewer	N/A	17	30,529
YTD 2017*	15	13	10	N/A	N/A	Five or fewer	N/A	14	33,155

\*Return is for period 2/1/2017 through 12/31/2017.

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 Sustainable Short Duration Composite is comprised of all discretionary accounts with no material investment restrictions, which invest primarily in fixed income securities that have a target duration between one and four years. 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. The Composite is invested primarily in taxable securities. The guidelines of accounts specifically indicate preference for sustainability related investments. 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 profiles and or bonds whose use 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 \$2,000,000. Prior to May 29, 2019, the strategy was named Limited Duration ESG. No changes have been made to the strategy since inception.
3. The Composite creation date is 3/1/2019. The Composite inception date is 1/31/2017.
4. The benchmark is the Bloomberg Barclays 1 – 5 Year Government/Credit Index. The Bloomberg Barclays 1 – 5 Year Government/Credit Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, and corporate with maturities between 1 and 5 years. An investor cannot invest directly into an index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. Benchmark returns are not covered by the report of the independent verifiers.
5. Composite dispersion 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 currently presented because there are not five or more accounts in the composite for the entirety of the reported periods.
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. 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 IIA of the firm's form ADV. Actual fees paid by the 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 because 36 monthly returns for the composite were not available (N/A).
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 is not indicative of 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. Duration is a measure of interest rate risk.

### Terms and Definitions for Representative Account Calculations

**Effective Duration** is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. **Yield to Worst** is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer. **Average Life** is the average period of time for all principal dollars to be returned to investors. **Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. FactSet® is a registered trademark of FactSet Research Systems, Inc.