



# Mission: Sustainable

From actively managed portfolios to low-tracking error and private equity and venture investing, Brown Advisory has the research depth and investment expertise to deliver solutions relevant to your unique mission and values.

# Simply stated: Brown Advisory believes that sustainable investing is smart investing.

Investors have historically had to choose between investing according to their values and attractive performance. Brown Advisory fundamentally disagrees that there is a trade-off: Investors can have both and may be able to achieve better results through sustainable investing.

Brown Advisory's investment research relies on talented equity, fixed income and external manager analysts who help identify and vet high-quality investments. All of the firm's investment strategies incorporate environmental, social and governance (ESG) research as a part of fundamental securities evaluation.

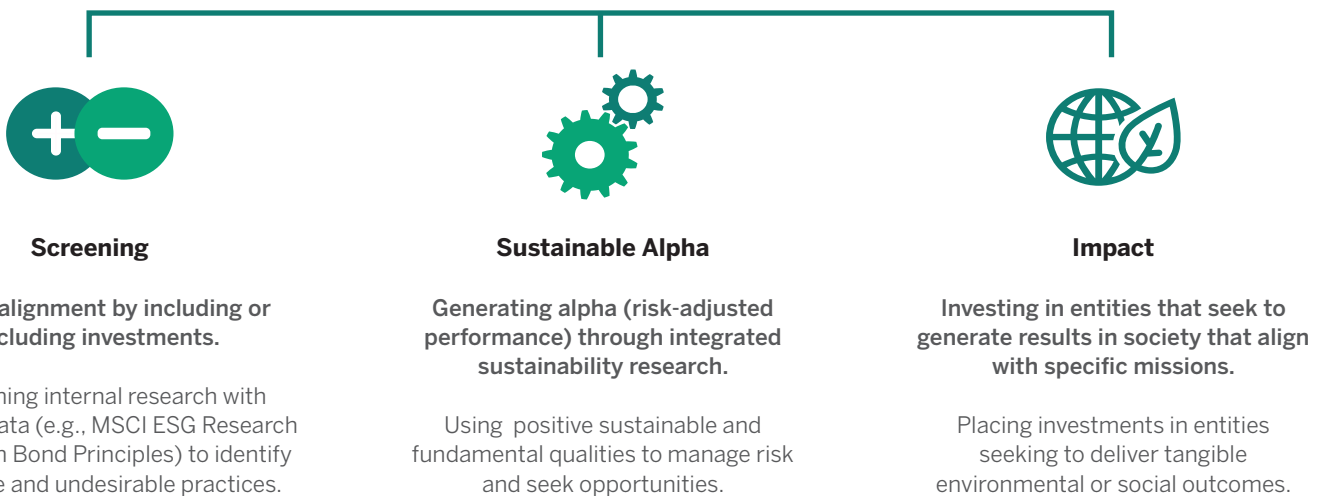
Throughout its history, Brown Advisory has been committed to listening to clients and providing solutions customized to a client's needs, values, and the legacy and future they wish to build.

The firm's authentic commitment to sustainable investing is vital to help clients attain their goals—financial and otherwise—through their investments.

## Sustainable Investing Takes on Many Forms

Many clients define sustainability differently, and it is often difficult to find a uniform approach that meets every client's needs. Brown Advisory has embraced various sustainable investing approaches along a spectrum of research and analytical involvement and due diligence. Over time, the firm's capabilities and investment solutions have evolved in screening, sustainable alpha and impact investing.

### A Spectrum of Methodologies



# SUSTAINABLE ALPHA STRATEGIES

## Large-Cap Sustainable Growth Strategy

- Benchmark:** Russell 1000® Growth Index
- Description:** Seeks long-term outperformance versus its benchmark, the Russell 1000 Growth Index, by investing in a concentrated portfolio of companies selected for their fundamental business strengths and clear Sustainable Business Advantages.
- Guidelines:** Typically 30–40 positions; Typical position size: 1%–5%; Top 10 weight: 35%–50%
- Vehicles Available:** Mutual Fund, UCITS Fund, CIT, Separate Account, Subadvised Fund, Model Delivery

## Sustainable Core Fixed Income Strategy

- Benchmark:** Bloomberg Barclays U.S. Aggregate Bond Index
- Description:** Seeks to deliver attractive risk-adjusted returns by incorporating ESG research that may have a clear and tangible impact on performance. We believe this analysis strengthens bottom-up, credit-focused research and produces positive impact.
- Guidelines:** Typically 60–80 positions; U.S. dollar-denominated; 3% cap on credit-sensitive issues
- Vehicles Available:** Mutual Fund, Separate Account

## Tax-Exempt Sustainable Fixed Income Strategy

- Benchmark:** Bloomberg Barclays Municipal Bond 1-10 Year Blend Index
- Description:** Seeks to deliver attractive after-tax returns by incorporating ESG research that may have a clear and tangible impact on performance. This research supplements fundamental credit research to build a portfolio of actively managed tax-exempt bonds designed to maintain core principal stability.
- Guidelines:** Typically 30–50 positions; U.S. dollar-denominated
- Vehicles Available:** Separate Account

## Sustainable Fundamental Research

ESG is material to fundamentals and a value-additive component of individual security research. Brown Advisory's team of dedicated ESG analysts evaluates every security that enters the investible universe in multiple steps. This research provides the foundation for all Brown Advisory sustainability strategies and helps inform the firm's approach in other disciplines. The team uses various research inputs, including:

### Proprietary ESG Risk Assessment

- Identifies a company's material ESG risk exposure and opportunities, as well as how companies manage these risks. This provides an opportunity to understand a company's complete investment merit and risk profile, going well beyond third-party ESG research.

### Engagement

- Holds regular meetings with company management and sustainability teams.
- Has proxy voting oversight, particularly on ESG proposals

### Impact Assessment

- Understands how green bond issuers report on the impacts of projects funded by the proceeds.
- Examines past impact reporting for adherence to the Green Bond Principles.

# ACTIVE ESG STRATEGIES

From a universe of equities covered by Brown Advisory's global research analysts and owned across various institutional strategies, these high-conviction portfolios offer:

- Active stock picking based on fundamental research and due diligence
- Values alignment via screens coupled with proprietary ESG risk assessments
- Specific outcomes of low tracking error, high active share and attractive ESG profiles
- Cost-efficiency

## U.S. All-Cap Socially Responsible Equity

- **Benchmark:** Russell 3000® Index
- **Guidelines:** 70+ securities; unconstrained sector weights
- **Vehicles Available:** UCITS Fund, Separate Account

Exclusions	Exclusions	Revenue Screens
UN Global Compact Principles noncompliance	Controversial Weapons	Alcohol & Tobacco
Child Labor and Racial/Ethnic Discrimination	Nuclear & Coal Power	Adult Entertainment
Abortifacients & Contraceptives	Fossil Fuel Exposure	Gambling
Stem Cell Research/Genetic Engineering	Animal Testing (Nonmedical)	Defense & Weapons

## U.S. Large-Cap ESG Equity Strategy

- **Benchmark:** Russell 1000® Index
- **Guidelines:** 40–60 securities; unconstrained sector weights
- **Vehicles Available:** Separate Account

## U.S. Small-Cap ESG Equity Strategy

- **Benchmark:** Russell 2000® Index
- **Guidelines:** 70–90 securities; unconstrained sector weights
- **Vehicles Available:** Separate Account

Every security undergoes integrated ESG research as a complement to Brown Advisory's fundamental research. This due diligence may incorporate third-party ESG data and relies on Brown Advisory's extensive experience conducting proprietary ESG research.

## Balanced ESG

- **Benchmark:** 70% Russell 3000® Index/30% Bloomberg Barclays U.S. Aggregate Bond Index
- **Guidelines:** Strategic 70% equity/30% fixed income allocation; +/- 10% tactical allocation within asset classes; typical underlying sector allocation 0.5x–2.0x primary benchmark sectors; low tracking error to blended index
- **Vehicles Available:** Separate Account

Exclusionary Screens	Revenue Screens
UN Global Compact Principles noncompliance	Alcohol & Tobacco
Controversial Weapons	Adult Entertainment
Fossil Fuel Exposure	Gambling
	Defense & Weapons

## EXTERNAL MANAGER RESEARCH

- Brown Advisory's team of due diligence experts actively seeks external managers who align sustainability with performance and make these products available on Brown Advisory's approved platforms. This further helps to align clients' specific goals and values in a customized approach. The team uses a highly selective due diligence process to approve and recommend only a small subset of the many strategies it reviews for use in client portfolios.

## PRIVATE EQUITY

- Brown Advisory's private equity team evaluates the growing universe of private impact investments to identify opportunities to achieve impact in areas of client concern. To date, Brown Advisory has invested assets in managers seeking to impact communities, education technology, affordable and sustainable housing, water initiatives, and others.\*

## SUSTAINABLE VENTURE INVESTING

- NextGen Venture Partners—a network-driven venture capital firm that joined Brown Advisory in 2018—drives the growth of future-defining companies through the collective expertise and connections of its network of over 1,000 experienced builders and operators.
- Brown Advisory and NextGen are building *NextGen Venture Partners – Align*, a sustainable venture investing network, to focus on sourcing, vetting and supporting high-growth, early-stage companies that align business performance with sustainable practices. *NextGen Venture Partners – Align* brings together executives and founders seeking to invest in innovative companies that have the potential to produce outsized financial returns while driving impact in health and wellness, the environment, and social inclusion.

## CUSTOMIZED SOLUTIONS

- For clients with unique missions, values-aligned investing programs, or who simply wish to avoid exposure to certain controversial companies or industries, Brown Advisory can provide:
  - **Strategic Advice:** Brown Advisory strategic advisors can help clients develop, enhance or implement mission-aligned investment programs that consider short- and long-term goals, needs and considerations.
  - **Additional Screening:** To the extent reliable data exist, Brown Advisory can build rules into portfolio management systems to restrict companies (e.g., oil providers) or industries (e.g., weaponry) in separate accounts.
  - **Proxy Voting:** Shareholders use proxy voting as a form of engagement to express their views on specific ESG issues. Clients with separately managed accounts can choose to align their proxy voting policy with their values using Brown Advisory's main policy, an ESG policy or a Taft-Hartley policy.

# Brown Advisory's History of Innovation in Sustainable Investing

## 1983

Brown Advisory's roots go back decades to when Winslow Management Company began managing ESG-focused equity portfolios

## 1993

Brown Advisory founded.

From the beginning, Brown Advisory has served clients with mission-aligned portfolio requirements

## 2010

Launch of the Large-Cap Sustainable Growth Strategy, which invests in companies with strong fundamentals and sustainability drivers; Cavanaugh Capital Management joins Brown Advisory

## 2016

Brown Advisory forms a Sustainable Investment Advisory Board

## 2018

Launch of the U.S. All-Cap Socially Responsible UCITS Fund and Strategy

NextGen Venture Partners joins Brown Advisory

## 1992

Key team members begin managing SRI-focused bond portfolios at Cavanaugh Capital Management

## 2009

Winslow Management Company joins Brown Advisory

Key members of the private client team begin managing multistrategy sustainable portfolios

## 2014

Launch of the Sustainable Core and Tax-Exempt Sustainable Fixed Income strategies, which invest in quality issuers with strong sustainability drivers

Brown Advisory signs the U.N. Principles for Responsible Investment (UN PRI)

## 2017

U.S. Sustainable Growth UCITS Fund and Sustainable Bond mutual fund launch, as well as the Balanced ESG, U.S. Large-Cap ESG and U.S. Small-Cap ESG strategies

## Brown Advisory partners with and learns from industry leaders

As a firm, Brown Advisory greatly values outside perspectives and specifically seeks out insight and guidance from the leaders and thinkers who sit on its governing and advisory boards.

The Sustainable Investing Advisory Board, which consists of leading academics, policy experts and sustainability practitioners, works with the firm to help develop relevant sustainable investing solutions. These outside experts serve alongside several senior Brown Advisory executives, including the CEO and head of Sustainable Investing. Each board member possesses valuable and diverse viewpoints. Collectively, this board has become essential to the firm's sustainable investing effort.

## Members, signatories or supporters of:



The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The **Russell 3000® Index** measures the performance of the U.S. equity universe. The Russell 3000 Index can be subdivided into two segments: the Russell 1000® Index which measures the performance of the large-cap segment of the U.S. equity market and the Russell 2000® Index. The Russell 1000 Index represents approximately 90% of the total market capitalization of that index. The **Russell 1000® Index** is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. The **Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index represents approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Russell®, Russell 1000®, Russell 1000® Growth, Russell 2000®, and Russell 3000® when related to the Russell indices are trademarks of the London Stock Exchange Group of companies. The **Bloomberg Barclays U.S. Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The **Bloomberg Barclays Municipal Bond 1-10 Year Blend Index** is a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and pre-refunded 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.

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. 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.

\*Many alternative investments by regulation may only be sold to Accredited Investors (institutions with at least \$5 million in assets) or Qualified Purchasers (institutions with at least \$25 million in investments).