

# SUSTAINABLE SMALL-CAP CORE REVIEW AND OUTLOOK

Second Quarter 2024

The Sustainable Small-Cap Core strategy seeks outperformance versus its benchmark, the Russell 2000® Index, through a concentrated, low-turnover portfolio of companies with strong business fundamentals, attractive valuations and Sustainable Drivers that stem from a company's products, services, or operations.

During the second quarter, the Sustainable Small-Cap Core Strategy modestly underperformed its benchmark.

The strategy experienced strong stock selection in the information technology and industrials sectors. Within information technology, Onto Innovation was a top contributor to performance driven by a better-than-expected outlook coupled with investor excitement around the company's exposure to AI-related technologies. The strategy also benefitted from not owning two heavily weighted information technology companies in the benchmark, Super Micro Computer and MicroStrategy, both of which underperformed during the period. Within Industrials, SPX Technologies and Valmont Industries were top contributors to performance, both of which reported margin improvements.

This was offset by weaker stock selection most notably in the health care sector. Accolade, in particular, was a bottom contributor to performance during the quarter with its shares under significant pressure as investors questioned the company's growth algorithm. Additionally, several healthcare companies not owned in the strategy, yet heavily weighted in the benchmark, rallied during the quarter.

Perhaps even more pronounced than in recent quarters, small caps continued to trail their large cap counterparts, posting negative returns across nearly every sector during the quarter (consumer staples being the only exception). In fact, since the Index's inception, the second quarter of 2024 and the first half of 2024 were among the Russell 2000 Index's worst stretches of underperformance over a three- and six-month period relative to larger cap indices. Now, more than ever, small cap valuations appear incredibly attractive relative to their large cap peers.

The composition of the Index has also continued to evolve in recent quarters. Interestingly, the number of 'non-earners' in the Russell 2000 Index

continues to climb to its highest level in history, now representing nearly 40% of the Index. As we have discussed in prior quarters, this backdrop provides a ripe stock picking environment for long-term oriented active managers.

In these periods of see-sawing strength between the growth and value asset classes, we believe the Sustainable Small-Cap Core strategy's focus on maintaining balanced exposure to these two corners of the market has served our shareholders well over a long-term investment horizon. Looking ahead, we believe companies with many of the fundamental characteristics that we seek out—such as effective capital allocation, low leverage, durable free cash flows, and strong revenue visibility—should be well positioned in this environment.

# SECTOR DIVERSIFICATION

Second Quarter 2024

- We generally seek to drive returns through stock selection, rather than sector allocation.
- Under normal circumstances, we do not expect our sector weights to diverge meaningfully from those of the benchmark. Underweights in energy and utilities have been mild exceptions. We attempt to offset those underweights with specific investments in other sectors (industrials or technology companies, for example) with exposure to energy end-markets.

GICS SECTOR	REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT (%)	RUSSELL 2000® INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT (%)	
	Q2'24	Q2'24	Q2'24	Q1'24	Q2'23
Communication Services	3.15	2.20	0.95	3.28	5.69
Consumer Discretionary	8.62	10.45	-1.83	9.10	7.42
Consumer Staples	1.71	3.52	-1.81	1.72	3.34
Energy	1.42	7.48	-6.06	1.73	--
Financials	21.62	15.98	5.64	20.44	17.88
Health Care	17.88	15.18	2.70	16.81	19.55
Industrials	20.33	17.17	3.16	23.04	21.62
Information Technology	15.85	15.29	0.55	14.85	15.40
Materials	3.57	4.52	-0.95	3.57	4.37
Real Estate	5.85	5.61	0.24	5.45	4.72
Utilities	--	2.59	-2.59	--	--

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. The portfolio information provided is based on a Representative Sustainable Small-Cap Core Account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

Second Quarter 2024

GICS SECTOR	REPRESENTATIVE SUSTAINABLE SMALL-CAP CORE ACCOUNT	RUSSELL 2000® INDEX	ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	3.20	2.15	0.03	-0.25	-0.22
Consumer Discretionary	9.08	10.56	0.05	-0.01	0.04
Consumer Staples	1.69	3.40	-0.09	-0.14	-0.23
Energy	1.46	7.52	-0.01	-0.06	-0.07
Financials	20.24	15.86	0.09	-0.26	-0.17
Health Care	16.59	15.03	-0.04	-0.75	-0.79
Industrials	22.75	17.42	-0.04	0.39	0.35
Information Technology	15.57	15.08	0.05	0.45	0.50
Materials	3.73	4.71	0.01	-0.04	-0.04
Real Estate	5.69	5.58	0.001	-0.24	-0.24
Utilities	--	2.60	-0.09	--	-0.09
Unassigned	--	0.09	-0.04	--	-0.04
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.09</b>	<b>-0.90</b>	<b>-0.99</b>

Source: FactSet. \*Unassigned represents the Abcam PLC Sponsored ADR holding in the Sustainable Small-Cap Core strategy. 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. The portfolio information provided and based on a Representative Sustainable Small-Cap Core Account and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution is gross of fees and excludes cash and cash equivalents. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

# QUARTER-TO-DATE TOP FIVE CONTRIBUTORS TO RETURN

## Second Quarter 2024 Representative Sustainable Small-Cap Core Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
SPXC	SPX Technologies, Inc.	Manufactures and distributes industrial components	3.89
ONTO	Onto Innovation, Inc.	Develops process control systems	2.88
NATL	NCR Atleos Corporation	Provides banking, payments and network technology services	1.77
TBBK	The Bancorp, Inc	Operates as a bank holding company through its subsidiaries provides banking services	2.29
VMI	Valmont Industries, Inc.	Manufactures and produces fabricated metal products, steel and aluminum pole, tower and other structures	1.81

- SPX Technologies (SPXC) continued its impressive margin performance in its HVAC segment, with margins up 360 basis points year-over-year. Over the last two years, due to operational improvements under segment leader Sean McClenaghan, with the help of very high-quality acquisitions (Aspeq, TAMCO, and Ingenia), HVAC segment margins have improved 800 basis points. This is driving earnings growth well in excess of revenue growth.
- Onto Innovation (ONTO) shares were up in the second quarter on better-than-expected outlook coupled with investor excitement around Onto's exposure to AI-related technologies such as CoWoS (logic) and HBM (memory).
- NCR Atleos (NATL) reported its first "clean" quarter as a standalone entity which helped to highlight its low valuation and strong cash generation capability.
- The Bancorp (TBBK) has seen its stock rebound from recent weakness as concerns around the company's multi-family lending have somewhat subsided. Additionally, The Bancorp increased its share buyback program allocation, further supporting the stock during the quarter.
- Valmont Industries (VMI) delivered strong earnings results during the quarter, showing margin progression and a more favorable set of results in North American irrigation than many investors expected. The company also revised upwards its full-year earnings guidance driven by optimism around its infrastructure segment results.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Second Quarter 2024 Representative Sustainable Small-Cap Core Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
WEX	WEX Inc.	Provides payment processing and information management services	1.96
ACCD	Accolade, Inc.	Provides healthcare IT services	0.57
BL	BlackLine, Inc.	Provides cloud-based solutions for accounting and finance operations	1.54
DBRG	DigitalBridge Group, Inc. Class A	Owns, operates and invests in infrastructure projects	1.23
TNC	Tennant Company	Manufactures and markets indoor and outdoor cleaning solutions	2.14

- WEX lagged during the quarter following a renewal of their contract with Booking, a large client in their online travel agency virtual card business. We believe the ultimate impact is insulated relative to the sell-off in the stock.
- Accolade (ACCD) shares came under significant pressure as investors questioned the company's growth algorithm.
- BlackLine (BL) reported weak first quarter results with forward-looking metrics such as Calculated Billings and Net Revenue Retention both decelerating year-over-year and quarter-over-quarter. Management also refinanced their Convertible Note, despite messaging to investors that they would consider using cash to settle the debt. Profitability came in better than consensus expectations while management navigates the weak demand environment.
- DigitalBridge (DBRG) declined in the second quarter on investor apathy as a difficult fundraising environment and weak messaging fed concerns about the company's ability to hit fundraising goals for the year.
- Tennant (TNC) underperformed in the second quarter after ending the first quarter near an all-time-high share price. The company reported strong revenue growth in the Americas which was offset by declines internationally, though gross margins impressed with 320 basis points of improvement year-over-year. We remain excited about the improvements the company is making under the current management team.

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# QUARTER-TO-DATE ADDITIONS

## Second Quarter 2024 Representative Sustainable Small-Cap Core Account Portfolio Activity

- Applied Industrial Technologies (AIT) is a leading high-touch, value-added industrial distributor specializing in machinery parts (production and movement-related) for North American manufacturers. This includes components related to power transmission, fluid power, and flow control, as well as bearings and general maintenance items. We believe the company is well run by a veteran management team that has done a spectacular job of taking share organically and adding capabilities and geographies inorganically. We believe the company is poised to benefit from nearshoring as well as secular drivers in energy efficiency which is increasing demand for advanced automation and motion control configurations, and growth in new facilities areas such as electric vehicles, batteries, and semiconductors. Applied Industrial Technologies is not well-followed nor well-known despite its enviable business position, which allowed us to purchase shares at an attractive price.
- Haemonetics (HAE) addresses medical markets across blood and plasma component collection, the surgical suite, and hospital transfusion services to improve the standard of care for patients. The company's current strategy under a new management team is focused on transformational growth, taking free cash flow from its plasma business, and acquiring its way into the much faster growing interventional cardiology business. We see significant opportunity within this segment to improve medical procedures and although these are small components in the overall cost of procedures, they enable better patient outcomes across cell salvage, hemostasis management, transfusion management and vascular closure, all of which are critical and lifesaving procedures. These products now represent ~20% of sales and should dramatically improve corporate level profitability over the next few years driving what we believe could be meaningful EPS growth.
- Horace Mann (HMN) is a diversified insurance company with a unique focus on the approximately 7.5mm K-12 educators in the United States. The firm was founded in 1945 by two teachers who formed the business to sell auto insurance to Illinois teachers. The focus on education is a core part of their business strategy today and the company has expanded well beyond auto insurance to provide educators with a number of insurance and retirement products, uniquely weaving financial advice into their offerings. Horace Mann serves this market primarily through its own direct sales force and estimates it has a relationship with 15% of the market. The company has three different business lines including auto/ home property and casualty, life insurance and retirement, and group benefits and supplemental products. Profitability has been growing, as property and casualty insurance price increases continue to flow through the book which should position the company to continue to return excess capital to shareholders. The company trades at approximately 12x EPS and 1.6x book value.
- Old National Bancorp (ONB) is a high-performing regional bank in the Midwestern and Southeastern United States with \$49bn in assets. The company is highly focused on the communities it serves, and recently developed a five-year multi-billion-dollar Community Growth Plan focused on supporting underserved and low-to-moderate income borrowers and communities through small business loans, home purchase and improvement loans, and community development lending, for example. We believe this community focus helps the bank maintain a lower cost of funds and a strong deposit base. The company maintains a return on tangible common equity in the mid-teens – alongside a conservative balance sheet, including a strong credit profile. We believe the company's stock is undervalued – trading below 9x next year's earnings.

SYMBOL	ADDITIONS	GICS SECTOR
AIT	Applied Industrial Technologies, Inc.	Industrials
HAE	Haemonetics Corporation	Health Care
HMN	Horace Mann Educators Corporation	Financials
ONB	Old National Bancorp	Financials
ST	Sensata Technologies Holding PLC	Industrials
PCVX	Vaxcyte, Inc.	Health Care

- Sensata Technologies (ST) is a designer and manufacturer of sensors (primarily), as well as other electronic components such as switches, contactors, disconnect units, and fuses. The company's key products can generally be described as very low dollar value items that are critical to the functioning, safety, and efficiency of the end-product that they go into. Switching costs for customers are often very high, as initial wins are engineer-to-engineer and spec'd in during the design phase of a product. The company's legacy as a high-quality sensor provider, coupled with its established relationships and global presences with OEMs and Tier 1 providers are all key factors in allowing Sensata to take share in electric vehicles. The company has suffered from poor capital allocation decisions, but the arrival of an activist has already shaken up a company and management team that desperately needed it. We paid a low multiple for a high-quality company that we believe is going through positive change.
- Vaxcyte (PCVX) is a biotech company with a potential best in class pneumococcal vaccine in development. Vaxcyte's unique approach allows broader coverage of pneumococcal types with similar safety and efficacy than incumbent medicines.

# QUARTER-TO-DATE DELETIONS

## Second Quarter 2024 Representative Sustainable Small-Cap Core Account Portfolio Activity

- We exited our position in Comfort Systems after phenomenal share price performance in recent years elevated the multiple at which shares trade. We decided to allocate these funds to more attractive investment opportunities where the risk-reward profile was more favorable.
- We chose to exit Primerica as we believe the valuation is full. We decided to allocate these funds to more attractive investment opportunities where the risk-reward profile was more favorable.
- We exited our position in UMB Financial following the announcement of their acquisition of Heartland Financial. We believe that the acquisition transforms the UMB franchise materially, and in an adverse way. First, the deal puts into question UMB's credit profile, which historically has been considered top-tier. Further, this transaction weakens the revenue diversification profile of UMB, resulting in a company that has increased cyclical. Finally, this acquisition of Heartland Financial will be a significant undertaking that we believe will distract from the bank's organic growth momentum.

SYMBOL	DELETIONS	GICS SECTOR
FIX	Comfort Systems USA, Inc.	Industrials
PRI	Primerica, Inc.	Financials
UMBF	UMB Financial Corporation	Financials

# COMPOSITE PERFORMANCE

Second Quarter 2024 as of 06/30/2024

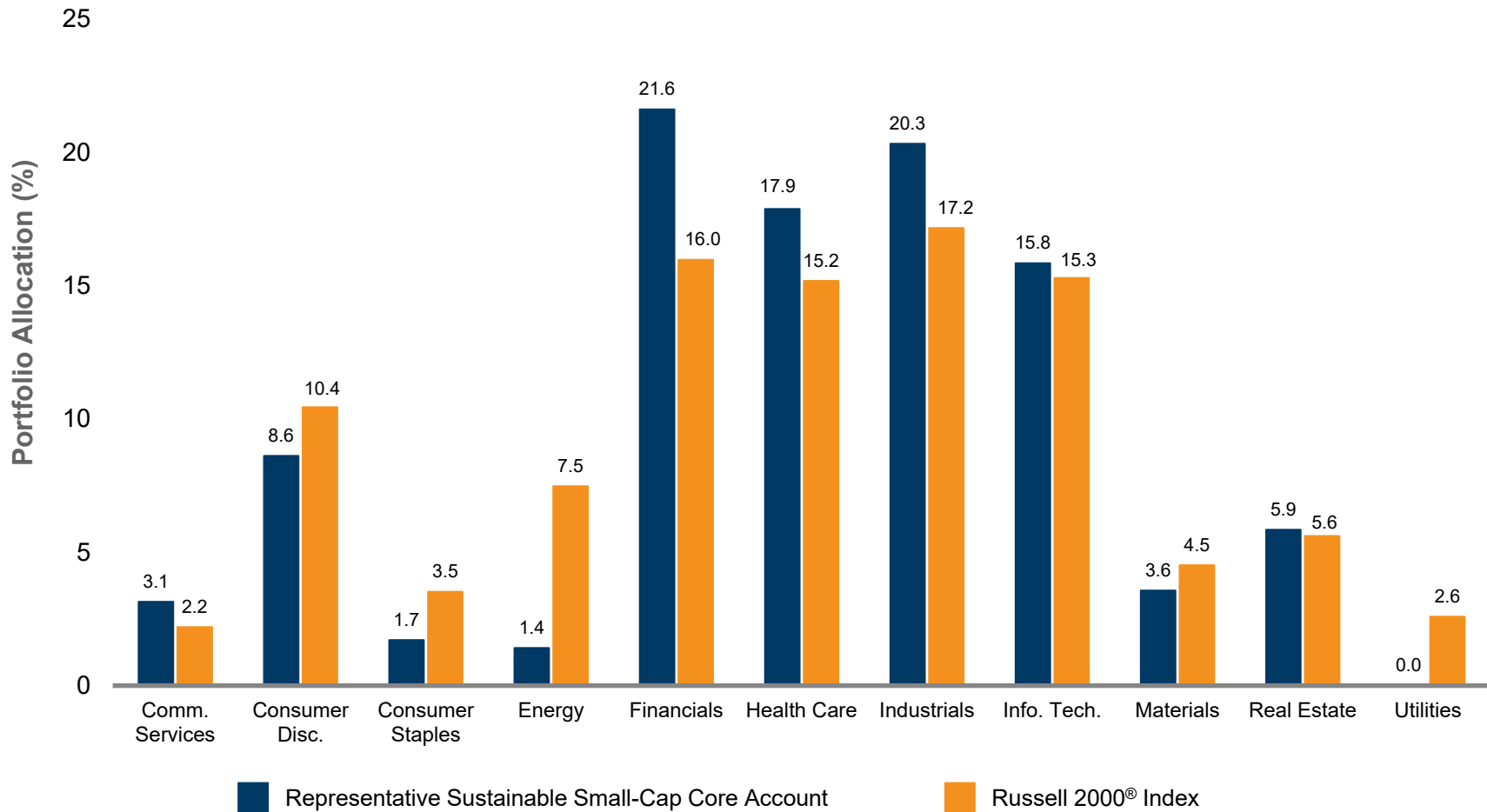


Source FactSet. All returns greater than one year are annualized. Past performance is not indicative of future results. The composite performance shown above reflects the Sustainable Small-Cap Core Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Please see the Brown Advisory Sustainable Small-Cap Core Composite GIPS Report at the end of this presentation.



# SECTOR DIVERSIFICATION

Second Quarter 2024 Global Industry Classification Standard (GICS) as of 06/30/2024



Source: FactSet. The portfolio information provided is based on a Representative Sustainable Small-Cap Core Account and is provided as Supplemental Information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

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Sustainable investment 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. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment 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 be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. 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 excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.

The **Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set..

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Figures shown on sector diversification and quarterly attribution by detail slides may not total due to rounding.

# TERMS AND DEFINITIONS

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted.

The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio.

**Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark.

**Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed).

**Total Effect** reflects the combination of allocation, selection and interaction effects. Totals may not equal due to rounding.

**EBITDA**, or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is sometimes used as an alternative to net income.

**Free cash flow (FCF)** represents the cash a company generates after cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital.

**Free Cash Flow Yield** measures how much cash flow the company has in case of its liquidation or other obligations by comparing the free cash flow per share with the market price per share and indicates the level of cash flow the company will earn against its share market value.

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)*
2023	18.8	17.6	17.0	19.2	21.1	36	0.2	106	81,325
2022	-19.3	-20.1	-20.4	23.7	26.0	37	0.4	66	58,575
2021	20.7	19.5	14.8	21.7	23.4	42	0.4	62	79,715
2020	25.8	24.6	20.0	23.7	25.3	33	1.2	16	59,683
2019	36.2	34.9	25.5	N/A	N/A	6	0.4	5	42,426
2018	-5.8	-6.7	-11.0	N/A	N/A	Five or fewer	N/A	1	30,529
YTD 2017**	9.8	9.2	9.2	N/A	N/A	Five or fewer	N/A	0.1	33,155

\*\*Return is for period July 1, 2017 through December 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, 2023. 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 Sustainable Small-Cap Core Composite (the Composite) is composed of all discretionary portfolios which invest primarily in the common stocks of U.S. small and medium market capitalization companies that have strong business fundamentals, attractive valuations, and leverage sustainability to create a competitive advantage. The strategy is a concentrated portfolio of high-conviction companies which seeks to outperform the Russell 2000 Index over the long-term.
- Sustainable investment 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. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Sustainable Small-Cap Core Strategy ("Strategy") seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. 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 excluded from other strategies that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.
- Prior to May 31, 2021, the Composite was named U.S. Small-Cap ESG Composite. The strategy remains the same.
- The Composite creation date is August 31, 2017. The Composite inception date is July 1, 2017.
- The benchmark is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 2000® Index and FTSE 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.
- The composite dispersion presented 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-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite may pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- 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 three-year annualized standard deviation is not presented as of December 31, 2017, December 31, 2018 and December 31, 2019 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.
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