

# SMALL-CAP GROWTH REVIEW AND OUTLOOK

## Third Quarter 2024

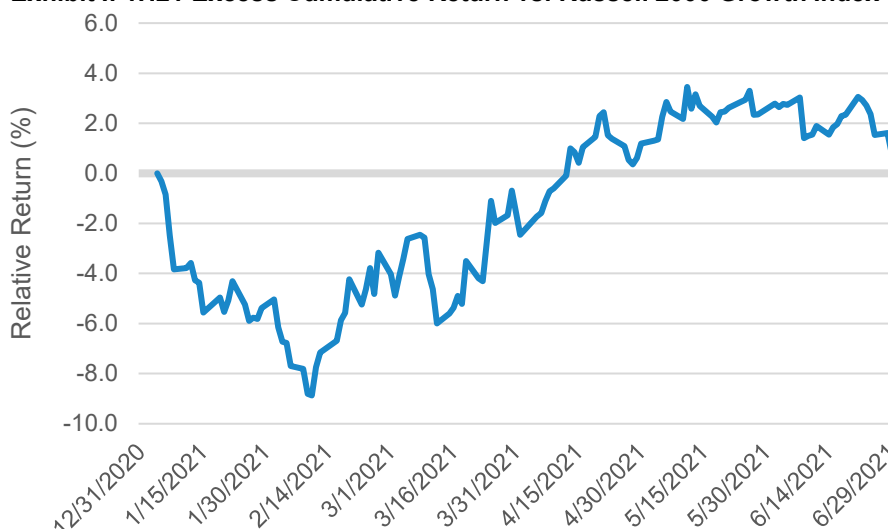
The Brown Advisory Small-Cap Growth portfolio advanced during the third quarter, although it failed to keep pace with the Russell 2000® Growth Index. According to Furey Research Partners, the best performing factors for the Russell 2000® Index during the period were Extremely Shorted, Dividend Shrinkers, Penny Stocks, and High Momentum. Unsurprisingly, in this environment, our emphasis on quality, valuation discipline, and a substantial underweight to non-earners (i.e. biotech, etc.) impacted relative results. Our stock selection needed to be nearly perfect and it was not.

The evolution of the small-cap market in the United States has been profound over the last two decades. The percentage of unprofitable companies has expanded to 30-50% depending on your calculation. The amount of passive capital in the space is estimated to be north of 50%. The percentage of daily trading made up by active managers has become a small part of the overall landscape. We believe it is for these reasons and the dynamics of a post-COVID 19 world (i.e. free money) that our relative variance with the market has grown. Structurally, it is important to remember that while our stated name range typically is 60-80 positions, the top 20 and top 40 names are approaching 50% and 80% of total portfolio capital, respectively. In addition, if we are generous and include EBITDA positive companies as “profitable” when looking at next fiscal year (FY2) estimates, our weight in money losing businesses is ~5%. An evolved small-cap space and our typical portfolio construction combine to drive active share into the mid- to high-90% range and our internal estimate of monthly average tracking error has increased to roughly 2.5% over the past few years from nearly 1.5% in the late 1990s.

It is not that the influence of the prevailing factor winds is anything new to the portfolio. We have experienced them for 18 years. It is that we simply have seen them grow from a Category 2 into a Category 5 over the last several years. To illustrate our point, Exhibit I highlights the cumulative excess return of our portfolio compared to the benchmark during the first half of 2021. A descending blue line indicates that our cumulative relative returns are worsening while a rising line indicates they are improving. Although the chart in Exhibit I is not a perfect depiction – the strategy was actually down nearly -11%, net of fees, relative, at its worst intraday – it does provide an accurate view. The deviation at the time was largely a function of style as SPACs, IPOs, unprofitable names, meme stocks, and momentum driving the market as valuations went to extremes early in the year and then faded. This picture is a reminder that we have had and will likely continue to have periods of both meaningful positive and negative variations versus the benchmark. (Ironically, if we had swam against the tide even harder in early 2021, driving even worse short-term underperformance, it likely would have led to more meaningful outperformance over the next two years – markets are fickle beasts.)

Source: FactSet®. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio level information is based on a representative Small-Cap Growth account and provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. The composite performance shown above reflects the Small-Cap Growth Equity Composite managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Past performance is not indicative of future results. Please see the end of this presentation for a GIPS Report, important disclosures and a complete list of terms and definitions.

**Exhibit I: 1H21 Excess Cumulative Return vs. Russell 2000 Growth Index**



Source: Factset® as of 06/30/2021 The performance shown above displays the cumulative relative performance (net of fees) of a Small Cap Growth representative account vs. the Russell 2000 Growth Index for the time period 12/31/2020-6/30/2021 and is provided as Supplemental Information. Net of fees performance is calculated by adjusting the gross-of-fees performance return by an annual fee of 100 bps, which represents the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, and applying on a daily basis throughout the period. Actual fees paid by accounts in the composite may differ from the current fee schedule. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV.

The point of mentioning our largest and swiftest historical deviation is not to imply that our recent underperformance will be cured tomorrow or that we have not made mistakes...we have. It is only an attempt to illuminate some of the real-world factors at play in our short-term results and to suggest that there are periods of time when style matters and stylistic omissions/underweights such as Super Micro Computer, Microstrategy, and biopharma can play an outsized role in relative results.

We remain laser focused on executing our investment philosophy and process, making the best bottom-up, fundamental and long-term investment decisions possible. Our inability to keep up with the benchmark in this narrow equity market has been frustrating (as we always want to win), but we have been through similar periods in the past and are confident that we have the right people in the right seats to execute well in the quarters and years ahead.

We look forward to providing a more in-depth summation of performance and positioning at the end of the year.

# SECTOR DIVERSIFICATION

Third Quarter 2024

- Information Technology & Communication Services combined has been reasonably consistent on a sequential basis. Two portfolio companies are currently in the process of being acquired with the capital being allocated to new and existing ideas.
- Consumer Discretionary & Staples remains the most prominent underweight in the portfolio.
- Energy is a modest overweight, although one holding is expected to exit the portfolio in the near-term due to M&A.
- Industrials appears to be a sizeable overweight although this view deserves color. We have a large allocation to waste services businesses and a meaningful weight in the defense sector – these are traditionally far less cyclical areas in the sector and the benchmark. In addition, one could argue for a reclassification of a holding or two into other sectors.
- Real Estate is comprised of two holdings, representing a roughly inline position.
- Materials is an underweight position comprised of two holdings.
- Utilities reads absent from the portfolio, although we believe our waste services businesses likely are best classified in the area.

GICS SECTORS	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT (%)	
	Q3'24	Q3'24	Q3'24	Q2'24	Q3'23
Communication Services	3.23	2.01	1.22	3.22	4.48
Consumer Discretionary	6.51	10.07	-3.56	7.36	9.60
Consumer Staples	2.48	3.24	-0.77	3.10	4.00
Energy	4.01	3.43	0.58	3.98	6.06
Financials	5.50	8.29	-2.79	5.09	5.29
Health Care	24.15	25.60	-1.45	22.88	22.82
Industrials	27.79	21.78	6.01	27.24	22.22
Information Technology	19.51	19.63	-0.12	19.92	18.24
Materials	2.97	3.93	-0.96	3.36	3.47
Real Estate	1.44	1.55	-0.10	1.57	1.79
Utilities	--	0.48	-0.48	--	--
Unassigned*	2.41	--	2.41	2.28	2.03

Source: FactSet®. \*Unassigned represents the SPDR S&P BIOTECH ETF holding in the Small-Cap Growth 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The portfolio information provided is based on a representative Small-Cap Growth 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

Third Quarter 2024

GICS SECTOR	REPRESENTATIVE SMALL-CAP GROWTH ACCOUNT	RUSSELL 2000® GROWTH INDEX	ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	AVERAGE WEIGHT (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	2.69	2.07	-0.03	0.25	0.22
Consumer Discretionary	6.89	9.85	-0.04	0.05	0.01
Consumer Staples	2.87	3.24	-0.01	-0.32	-0.33
Energy	4.22	3.76	-0.09	0.27	0.18
Financials	5.33	8.24	-0.19	0.07	-0.12
Health Care	23.92	25.80	--	-1.57	-1.57
Industrials	28.02	21.55	0.06	-0.92	-0.86
Information Technology	18.86	19.66	0.06	0.66	0.72
Materials	3.27	3.87	-0.01	-0.30	-0.31
Real Estate	1.51	1.48	0.01	-0.15	-0.15
Utilities	--	0.50	0.01	--	0.01
Unassigned*	2.42	--	-0.04	--	-0.04
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.27</b>	<b>-1.97</b>	<b>-2.23</b>

- Information Technology & Communication Services performed well, but results were hampered by a relative lack of biopharma content in the portfolio coupled with Neurocrine Biosciences, giving up its recent gains.

Source: FactSet. \*Unassigned represents the SPDR S&P BIOTECH ETF holding in the Small-Cap Growth 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. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as Supplemental Information. Sectors are based on the GICS classification system. Sector attribution excludes cash and cash equivalents. Past Performance is not indicative of future results. Analysis shown is calculated on a gross of fees basis. 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



## Third Quarter 2024 Representative Small-Cap Growth Account Top Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
BFAM	Bright Horizons Family Solutions, Inc.	Provides child care and educational services	4.21
YOU	Clear Secure, Inc. Class A	biometric identity verification technology platform	1.24
DT	Dynatrace, Inc.	Develops software for digital and application performance management	2.42
SITM	SiTime Corporation	Develops and manufactures analog semiconductors	1.27
PB	Prosperity Bancshares, Inc.(R)	Operates as a bank holding company whose subsidiary provides banking servicesDevelops	2.82

- Bright Horizons Family Solutions (BFAM) has maintained earnings growth due to a continued improvement in capacity utilization and profitability.
- Clear Secure (YOU) stock rallied following another quarter of consistent execution and raised guidance. We believe the base business continues to perform well as the company builds a broader identity platform.
- Dynatrace (DT) reported a strong start to the fiscal year with net new business growing year-over-year, outperforming tempered expectations due to an ongoing sales force realignment.
- SiTime Corporation (SITM) fundamentals appear to be stabilizing through this semiconductor cycle, and investors await a return to historical high rates of growth.
- Prosperity Bancshares (PB) benefitted from the perception that lower interest rates decrease potential credit risks.

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# QUARTER-TO-DATE BOTTOM FIVE CONTRIBUTORS TO RETURN

## Third Quarter 2024 Representative Small-Cap Growth Account Bottom Five Contributors

	NAME	DESCRIPTION	AVERAGE WEIGHT (%)
PRO	PROS Holdings, Inc.	Provides pricing and revenue optimization software	0.88
NBIX	Neurocrine Biosciences, Inc.	Manufactures and markets pharmaceuticals for the treatment of neurological, endocrine and psychiatric-based diseases and disorders	2.24
RTO	Rentokil Initial plc Sponsored ADR	Provides pest control, hygiene and work wear services	1.75
ENTG	Entegris, Inc.	Manufactures and supplies critical materials for the semiconductor, data storage & pharmaceutical industries	1.78
CHX	ChampionX Corporation	Produces chemicals and equipment for oil & gas drilling industries	2.56

- PROS Holdings' (PRO) has given back all its recent gains as their travel segment went from a potential accelerator to growth to hinderance as cybersecurity and supply chain issues have risen to plague its airline customers.
- Neurocrine Biosciences (NBIX) gave back its recent gains following "confusing" Phase 2 trial data for the company's schizophrenia drug. There was optimism going into the data that this drug might end up being a complement to Ingrezza, which represents most of the value of the business today.
- Rentokil (RTO) continues to struggle with its integration of the acquired Terminex business in the US, prompting a profit warning. While there is a lot of latent potential, execution remains challenged, delaying near-term progress.
- Entegris, Inc. (ENTG) moved lower on concerns that full recovery in its semiconductor end markets may take longer than initially believed.
- ChampionX (CHX) traded lower with the energy sector.

# QUARTER-TO-DATE ADDITIONS

## Third Quarter 2024 Representative Small-Cap Growth Account Portfolio Activity

- Biohaven (BHVN) is a diversified biotech with a deep pipeline of uncorrelated assets. We believe weakness post the investor day offered a compelling entry to invest behind a team with a good track record of successful drug development.
- BioAge Labs, Inc. (BIOA) possesses a safe and potentially effective metabolic treatment to enhance the attributes of GLP-1 drugs, highlighted by its partnership with Eli Lilly.

SYMBOL	ADDITIONS	GICS SECTOR
BHVN	Biohaven Ltd.	Health Care
BIOA	BioAge Labs, Inc.	Health Care

# QUARTER-TO-DATE DELETIONS

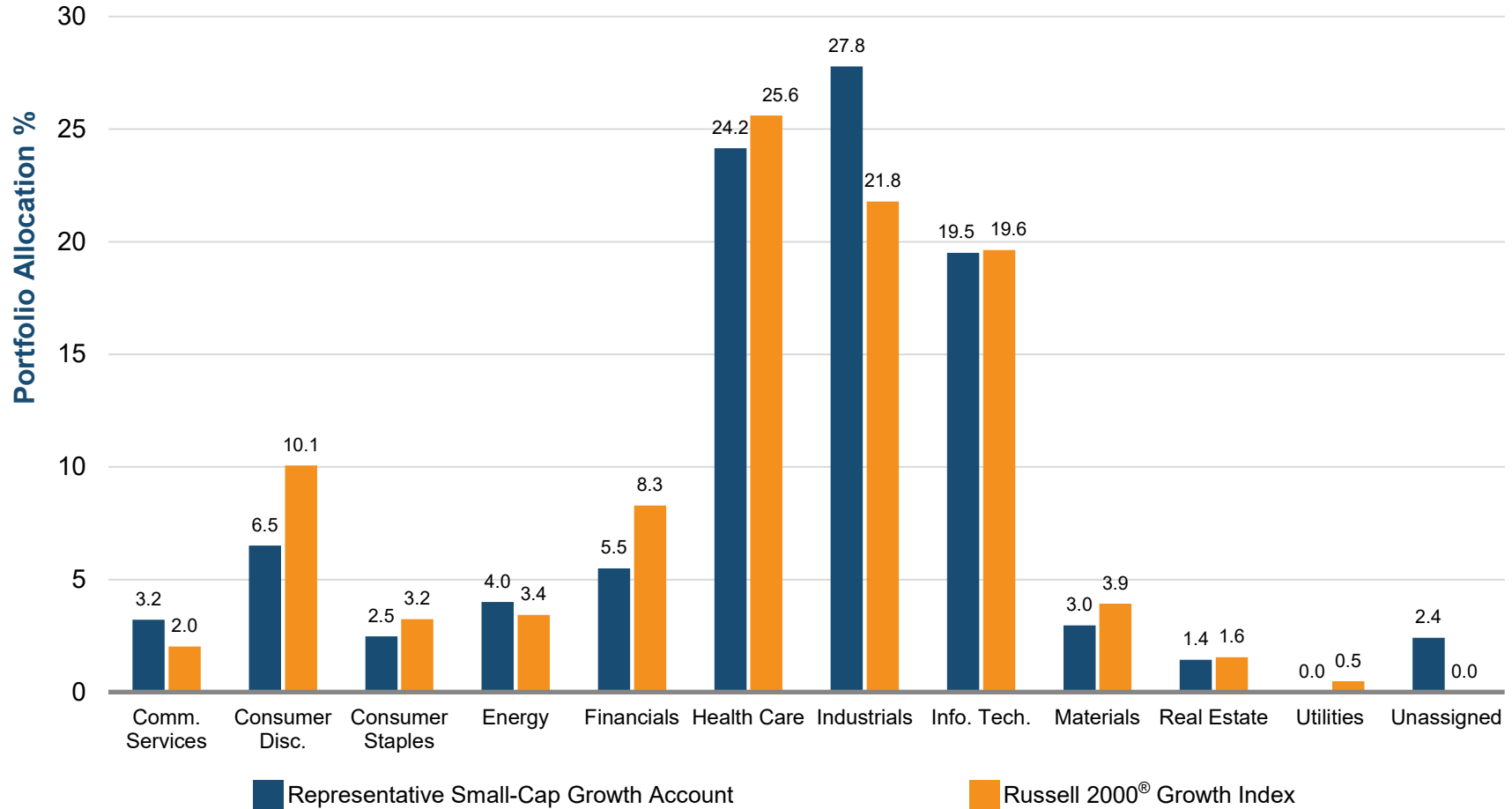
## Third Quarter 2024 Representative Small-Cap Growth Account Portfolio Activity

- Arvinas (ARVN) was eliminated as our view on its risk profile evolved.
- Churchill Downs (CHDN) was eliminated as the stock performed reasonably well in a difficult consumer environment despite the relatively discretionary nature of the business and substantial leverage at roughly 4x net debt to EBITDA.
- Clarus Corporation's (CLAR) ongoing sale was completed during the period.
- John Bean Technologies (JBT) announced a major merger that changes the risk profile of the company due to increased leverage and merger integration execution.
- Onto Innovation (ONTO) spiked on a surge in AI-related stocks, prompting us to exit the holding.
- Pinterest's (PINS) investment thesis largely played out as the stock reached our price target.
- Simply Good Foods' (SMPL) sale was completed as we question whether management will be able to breathe new life into the Atkins brand.
- VIZIO (VZIO) was acquired by Walmart

SYMBOL	DELETIONS	GICS SECTOR
ARVN	Arvinas, Inc.	Health Care
CHDN	Churchill Downs Incorporated	Consumer Discretionary
CLAR	Clarus Corporation	Consumer Discretionary
JBT	John Bean Technologies Corporation	Industrials
ONTO	Onto Innovation, Inc.	Information Technology
PINS	Pinterest, Inc. Class A	Communication Services
SMPL	Simply Good Foods Co	Consumer Staples
VZIO	VIZIO Holding Corp. Class A	Consumer Discretionary

# SECTOR DIVERSIFICATION

Third Quarter 2024 Global Industry Classification Standard (GICS) as of 09/30/2024

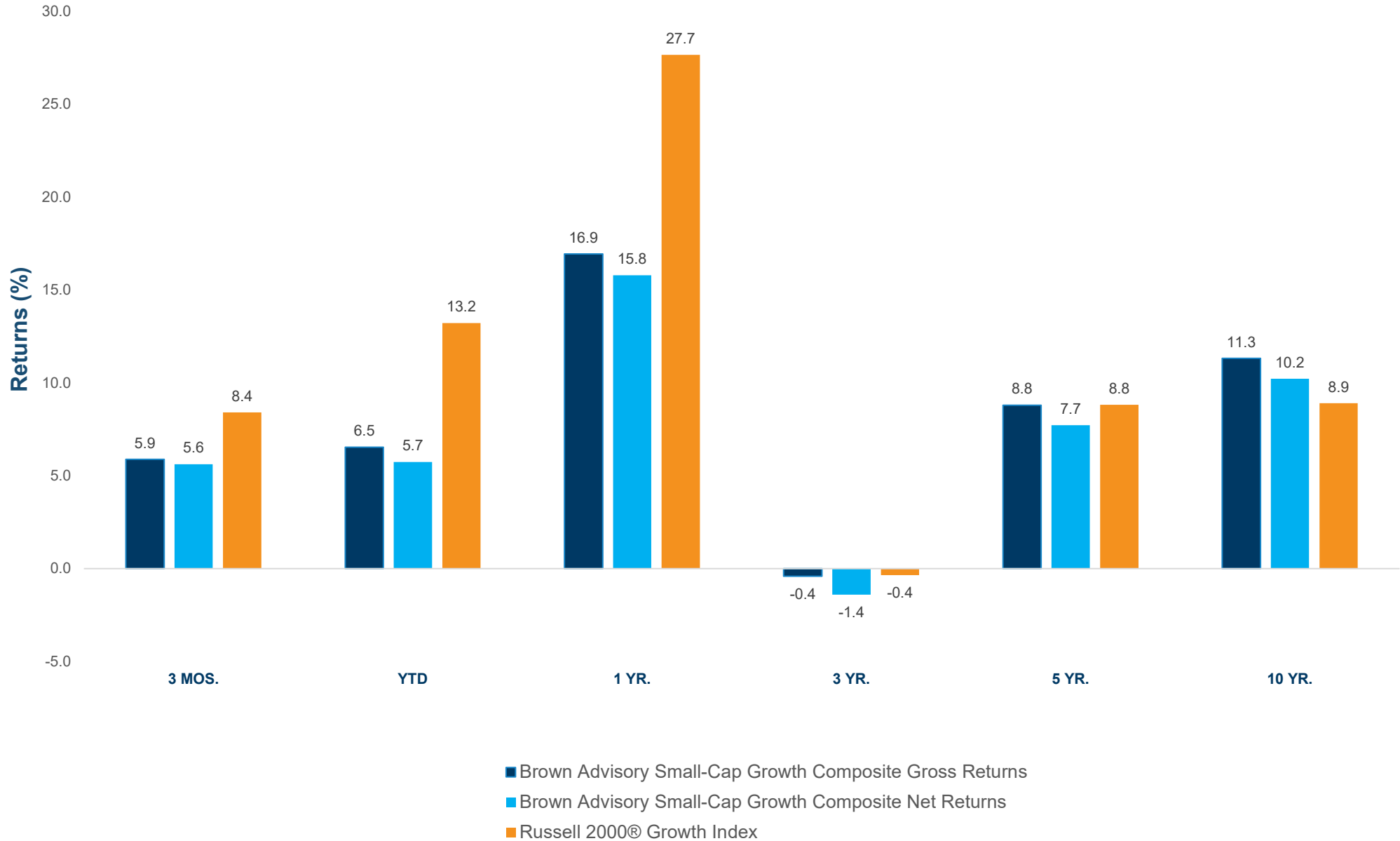


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# COMPOSITE PERFORMANCE

Third Quarter 2024 as of 09/30/2024



# TOP 10 EQUITY HOLDINGS

Representative Small-Cap Growth Account as of 09/30/2024



## Top 10 Portfolio Holdings

TOP 10 HOLDINGS	% OF PORTFOLIO
Bright Horizons Family Solution, Inc.	4.2
Waste Connections Inc	4.1
Prosperity Bancshares, Inc.	2.7
Dynatrace Holdings LLC	2.5
Valmont Industries, Inc.	2.4
Casey's General Stores, Inc.	2.3
CCC Intelligent Solutions Holdings, Inc.	2.3
SPDR S&P Biotech ETF	2.3
ChampionX Corp.	2.3
Health Equity, Inc.	2.2
<b>Total</b>	<b>27.4</b>

Source: FactSet. The top 10 Holdings include Cash & Equivalents which was 5.9% as of 09/30/2024 and is provided as Supplemental Information. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a representative Small-Cap Growth account, includes cash and is provided as Supplemental Information. Please see disclosure statement at the end of this presentation for additional information. Figures in table may not total due to rounding.

# DISCLOSURES

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The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

The Russell 2000® Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization.

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# TERMS AND DEFINITIONS

## 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 an alternate measure of profitability to net income.

**Tracking error** is the standard deviation of the difference between the returns of an investment and its benchmark.

**Net Debt/ EBITDA** (earnings before interest depreciation and amortization) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The calculation presented excludes Banks and Insurance companies.

**SMALL-CAP GROWTH EQUITY 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)*
2023	13.7	12.5	18.7	17.4	21.8	59	0.2	4,468	81,325
2022	-19.6	-20.4	-26.4	23.7	26.2	44	0.3	4,004	58,575
2021	8.8	7.7	2.8	22.5	23.1	57	0.3	5,120	79,715
2020	33.5	32.2	34.6	23.7	25.1	54	0.5	4,905	59,683
2019	35.6	34.3	28.5	14.7	16.4	34	0.3	3,456	42,426
2018	-3.3	-4.3	-9.3	13.5	16.5	29	0.3	2,204	30,529
2017	18.8	17.7	22.2	12.2	14.6	33	0.2	2,301	33,155
2016	11.4	10.3	11.3	14.0	16.7	30	0.3	1,797	30,417
2015	8.9	7.8	-1.4	13.1	15.0	32	0.4	1,311	43,746
2014	1.4	0.4	5.6	11.8	13.8	32	0.3	1,597	44,772

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 Small-Cap Growth Equity Composite (the Composite) includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite was created in 1997. The Composite inception date is March 1, 1993.
- The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-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 2000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- 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.
- 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.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subsription documents.
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