Fourth Quarter 2022

# SUSTAINABLE CORE FIXED INCOME REVIEW

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### Soft Landing, or Not?

The US economy has shown impressive resilience in the face of meaningful headwinds. Inflation at multi-decade highs, weak global activity, a challenging geopolitical environment, a rapid Federal Reserve tightening cycle, negative inflection points within the housing market, and waning fiscal stimulus have all posed challenges, yet growth has bounced firmly back from the negative readings in the first half of 2022. GDP in the third quarter was 3.2% and the fourth quarter is likely to produce another above trend reading. This better than expected outcome can be attributed to many factors, including the still robust labor market, declining level of inflation, albeit from an extreme level, and relatively strong balance sheets across healthier consumer and corporate segments.

As measured by AAA, retail gasoline prices declined $0.59 over the last 3 months, giving a much-needed boost to consumer confidence. The unemployment rate held steady at the exceptionally low rate of 3.5% and there remain close to two jobs available for every person seeking employment. This is both good news and bad for the economic outlook. The Federal Reserve and financial markets have cheered strong output growth with declining inflation but the question remains if inflation can move to an acceptable level in an elevated growth environment. A strong labor market has resulted in meaningful wage gains, that if sustained, could make it difficult for inflation to achieve the stated 2.0% target of the Federal Reserve. Services comprise the largest share of the US economy and this sector is highly sensitive to wage costs. This has become the next stage in the evolution of the inflation debate now that Federal Reserve policy has begun to have the intended effects on the housing market. What started as a commodity and supply chain-led discussion, has now moved into the need to weaken the labor market to tame wage pressures and thus inflation.

Ultimately, in our view, a requirement for keeping the US economy out of recession and producing the elusive ‘soft landing’ will be a gradual reduction in the demand for labor while still maintaining a low unemployment rate. Given the recent performance of stocks and bonds, along with market expectations that the Federal Reserve will be lowering rates in 2023, we would conclude the ‘soft landing’ thesis remains intact.

| NAME | 3-MONTH RETURN (%) | 1-YEAR RETURN (%) | 3-YEAR RETURN (%) | ITD RETURN (09/30/2014) |
|---|---|---|---|---|
| Sustainable Core Fixed Income Composite (Gross of fees) | 1.13 | -12.75 | -1.67 | 1.48 |
| Sustainable Core Fixed Income Composite (Net of fees) | 1.04 | -13.07 | -2.05 | 1.14 |
| Bloomberg US Aggregate Bond Index | 1.87 | -13.01 | -2.71 | 1.04 |

### Market Review & Portfolio Performance

Although the Federal Reserve increased the overnight interest rate by 1.25% in the fourth quarter, longer maturity US Treasury yields were little changed, although volatility was heightened. The minimal change in absolute yield levels is largely a result of the Federal Reserve meeting market expectations with their well-telegraphed intentions for the path of monetary policy. The lack of a negative central bank surprise, together with stronger than expected economic output and declining inflation, helped riskier asset classes perform better in the quarter. The S&P 500® Index, Bloomberg US Corporate High Yield Index, and Bloomberg US Corporate Index returned 7.6%, 4.2%, and 3.6%, respectively. In contrast, the Bloomberg US Treasury Index returned just 0.7%. This period was also a continuation of the unusual positive correlation of fixed income and equity returns.

Over the period, the strategy underperformed the Bloomberg U.S. Aggregate Index. The positive total return was driven by a combination of interest income earned over the period and a tightening of credit spreads. Relative underperformance for the period was primarily due to an underweight position in US corporate bonds and security selection factors within securitized assets. Specifically, asset-backed security spreads widened on the quarter. Unlike much of 2022, fixed income produced positive total return with less volatility in the fourth quarter.

*(Continued on the following page)*

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 Core Fixed Income 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 Core Fixed Income Composite disclosure statement at the end of this presentation for a GIPS compliant presentation. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# SUSTAINABLE CORE FIXED INCOME REVIEW



**Market Outlook**

We still expect meaningful weakness for the US economy is ahead of us, rather than behind us. The full effects of interest rate increases have yet to be felt and economic leading indicators continue to deteriorate. Historically, survey measures of new orders for both the service and manufacturing sectors of the economy, released by the Institute for Supply Management, have been reliable indicators of future activity. Both are indicating a weaker environment ahead.

The housing sector is already in recession due to the rapid increase in mortgage rates and is unlikely to experience a meaningful bounce in the near future. We believe the key, however, to the accuracy of our forecast will be how the labor market evolves over the course of the year. Job openings are elevated and unemployment remains low. The consumer personal savings rate continues to decline and revolving debt is increasing at an alarming rate as people dip into savings and borrow money to meet financial obligations from soaring prices. Yet, they are still employed and thus paying their bills and consuming goods and services. Recently, the Federal Reserve has shifted their focus in the fight of inflation. Their new stated goal is to weaken the labor market in order to exert downward pressure on wage gains. We remain skeptical of their ability to strike the right balance. Therefore, if the unemployment rate moves higher, along with weakness in other sectors, a recession will be the most likely outcome, in our view. We do expect inflation to moderate, potentially more than Federal Reserve forecasts, but don't anticipate a meaningful loosening of monetary policy over the course of 2023, unless there is a meaningful and unanticipated shock to the economic system. A restrictive level is likely to be maintained for some time.

While the depth of the recession may be shallow, the following recovery may be weak as the policy that historically accompanied economic weakness may be slow to materialize. In this environment, we are particularly concerned about eroding fundamentals in corporate credit. Weaker revenue and higher wage costs will likely pressure operating margins and earnings. Additionally, firms will likely be refinancing at materially higher rates than the recent past. We expect credit spreads to widen and will continue to hold an underweight position with the expectation of adding at more attractive valuations. We do not expect longer-term US Treasury yields to be nearly as volatile as 2022 and are biased for lower rates later in the year. The shape of the yield curve is likely to steepen, in our view, as expected rate cuts become more likely as the year progresses. Higher quality securitized assets should hold up well yet we remain cautious on securitized credit, particularly those backed by collateral we view most at risk. Overall, we expect a less eventful year for fixed income and one that produces meaningful positive return.

**Sustainable Debt Growth Declines**

It was a tough quarter and year for growth in labeled bonds. The global sustainable debt market posted its first decline ever in 2022. Reasons include; higher borrowing costs as a result of central banks raising rates to fight inflation, confusion on differing regulations and reporting requirements, and heightened skepticism from investors on newly emerged labeled bonds, particularly sustainability-linked bonds. Total issuance in 2022 was $863bn across all label types, a 19% drop from the record $1.1tn issued in 2021, making it the first annual decline since inception of this market in 2007.

Our approach to casting a wider net and looking beyond labeled bonds allows us to continue to maximize impact even in times of slowed growth and uncertainty of the future growth of the market. We find compelling opportunities, in what we define as impactful issuers—issuance from an entity that may not be labeled or focused on use of proceeds, but ultimately we feel the issuer is actively solving environmental and social challenges through innovative products and services, and/or operating in a resource efficient and socially responsible way. An example of a corporate we bought this quarter is Roper Technologies. Roper is a conglomerate that mostly owns software businesses with end markets ranging from health care and education to food and water. Roper looks for companies that are leaders in their niche market and helps them grow further. The majority of these companies are capitalizing on sustainability mega-trends (decreasing water and food waste, lowering emissions, improving patient care) and being part of Roper's umbrella enables them to run more efficiently and expand their reach.

Source: Bloomberg. 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. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Roper Technologies (ROP) is a current holding in the Sustainable Core Fixed Income portfolio as of 12/31/2022 and was selected because represents one of the few credits bought during the quarter that was purchased across all strategies. It does not represent all of the securities purchased, sold or recommended for advisory clients. Please see slide 1 for performance as of 12/31/2022.

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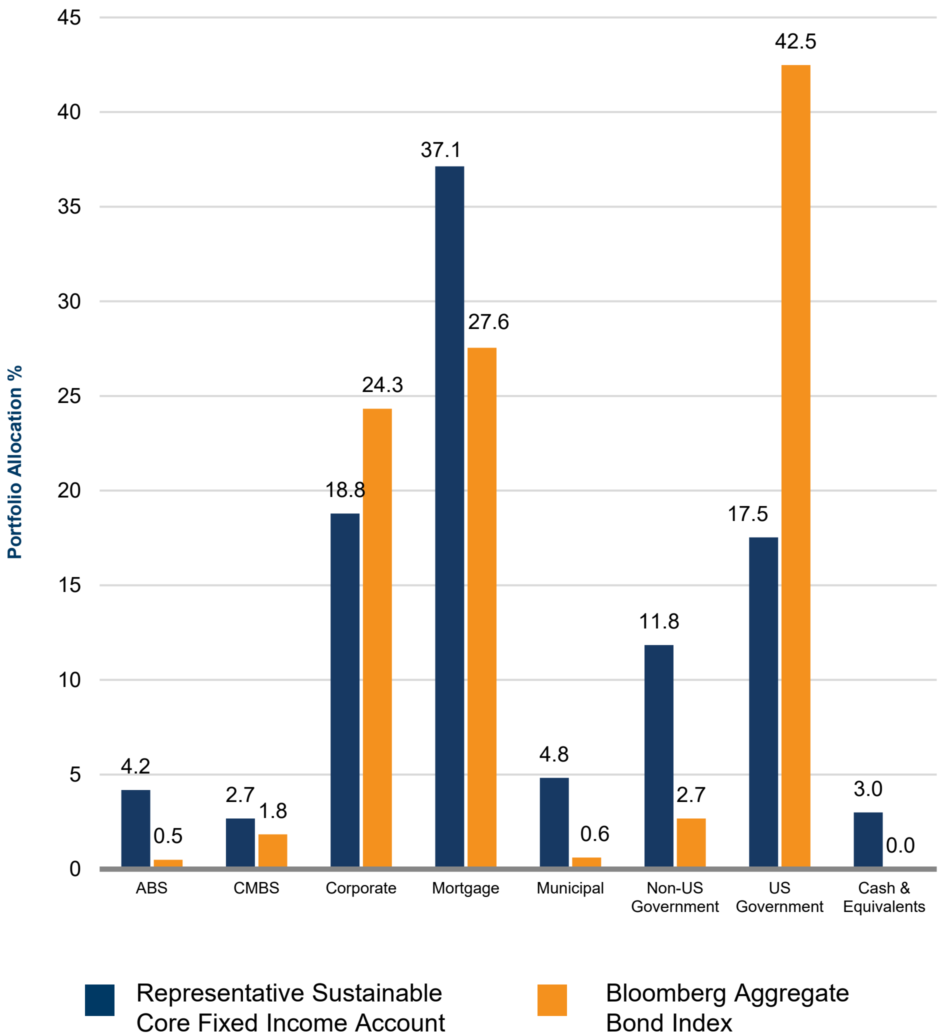
# PORTFOLIO ATTRIBUTES

**Sustainable Core Representative Account as of 12/31/2022**




## Portfolio Characteristics

| | REP. ACCOUNT | BENCHMARK |
|---|---|---|
| Avg. Credit Quality | Aa2 | Aa2 |
| Effective Duration (years) | 5.9 | 6.2 |
| Yield to Worst (%) | 4.7 | 4.7 |
| Avg. Life (years) | 8.4 | 8.6 |

Source: FactSet. The portfolio information is based on a representative Sustainable Core Fixed Income account as of 12/31/2022 and is provided as Supplemental Information. Sector breakdown includes cash and equivalents. Portfolio characteristics include cash and equivalents. 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. Numbers may not total 100% due to rounding. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

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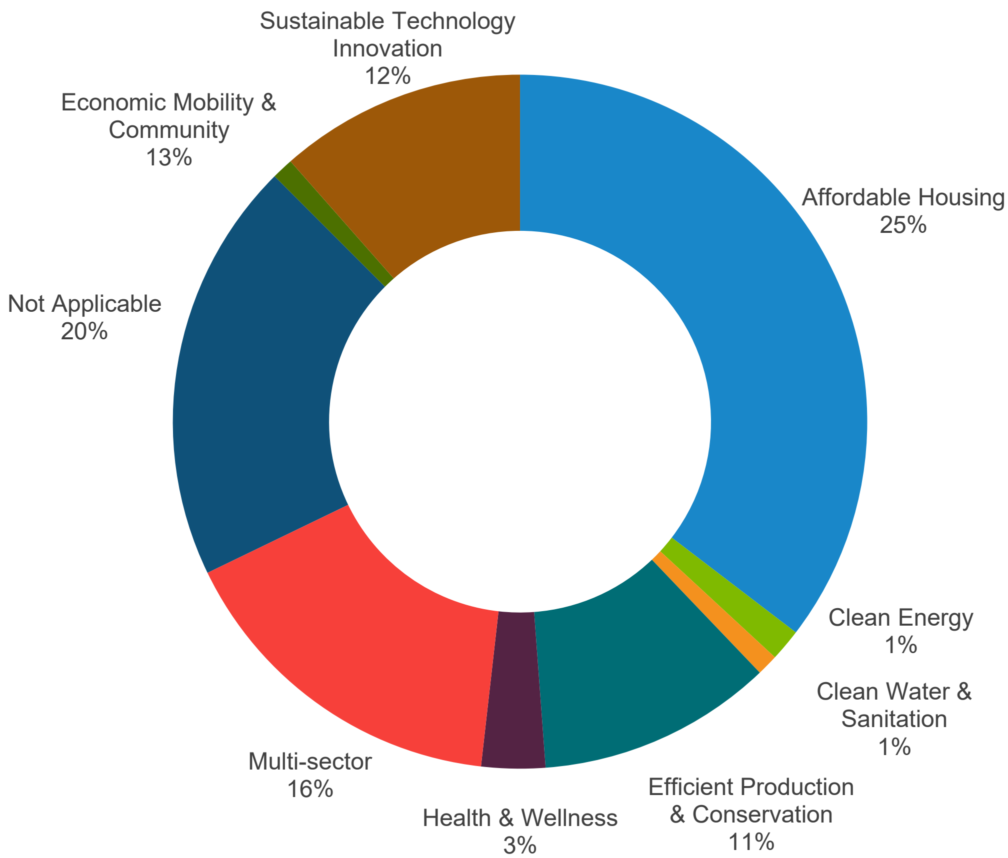
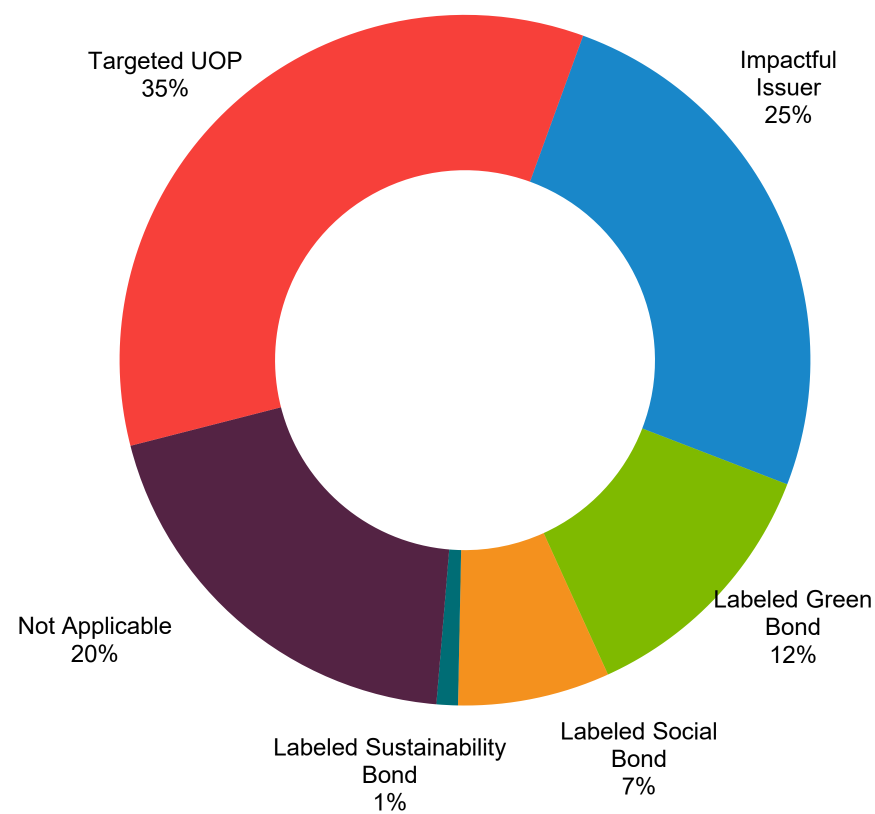
# SUSTAINABLE CORE FIXED INCOME

**Impact Distribution as of 12/31/2022**

## Impact Distribution




## Impact Source




Source: FactSet. Impact breakdowns are based on a representative Sustainable Core Fixed Income account include cash and are provided as Supplemental Information. *NA refers to cash and equivalents, treasuries, and ESG neutral securities. Numbers may not total due to rounding. 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. Please see the end of this presentation for important disclosures.

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# QUARTER-TO-DATE ATTRIBUTION DETAIL BY SECTOR

**Representative Sustainable Core Fixed Income Account as of 12/31/2022**

| | REPRESENTATIVE SUSTAINABLE CORE FIXED INCOME ACCOUNT | | | BLOOMBERG AGGREGATE BOND INDEX | | | ATTRIBUTION FACTORS | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SECTOR | SECTOR WEIGHT | TOTAL RETURN (%) | CONTRIBUTION TO RETURN (%) | SECTOR WEIGHT | TOTAL RETURN (%) | CONTRIBUTION TO RETURN (%) | SHIFT EFFECT | TWIST EFFECT | SPREAD EFFECT (LOCAL) | INCOME EFFECT (LOCAL) | ALLOCATION EFFECT | SELECTION EFFECT | TOTAL EFFECT (LOCAL) |
| ABS | 4.64 | 0.94 | 0.04 | 0.48 | 0.85 | 0.00 | 0.01 | -0.02 | 0.00 | 0.01 | 0.00 | 0.02 | 0.01 |
| CMBS | 5.00 | -0.64 | -0.07 | 1.87 | 1.02 | 0.02 | 0.02 | -0.04 | -0.09 | 0.01 | 0.01 | -0.01 | -0.10 |
| Corporate | 18.81 | 3.13 | 0.64 | 24.09 | 3.64 | 0.87 | -0.05 | 0.09 | -0.25 | -0.08 | 0.02 | 0.07 | -0.20 |
| Mortgage | 29.79 | 1.10 | 0.22 | 27.55 | 2.14 | 0.59 | -0.17 | -0.01 | -0.02 | 0.03 | 0.01 | -0.21 | -0.39 |
| Municipal | 4.86 | 1.17 | 0.06 | 0.63 | 2.02 | 0.01 | 0.02 | -0.02 | -0.03 | 0.04 | -0.03 | 0.04 | 0.02 |
| Non-U.S. Government | 14.23 | 1.21 | 0.22 | 2.69 | 2.59 | 0.07 | 0.14 | -0.04 | -0.08 | 0.06 | -0.02 | 0.03 | 0.10 |
| U.S. Government | 20.69 | -0.56 | 0.01 | 42.70 | 0.72 | 0.30 | 0.01 | -0.69 | -0.04 | -0.18 | -0.06 | 0.76 | -0.19 |
| Cash and Equivalents | 1.98 | 1.08 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | -0.01 | 0.00 | 0.01 |
| **Total** | **100.00** | **1.07** | **1.07** | **100.00** | **1.87** | **1.87** | **-0.01** | **-0.73** | **-0.51** | **-0.09** | **-0.15** | **0.69** | **-0.80** |

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Sustainable Core Fixed Income account and is provided as Supplemental Information. Sectors are based on Bloomberg Index classifications. 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. Total portfolio return figures provided above are gross of fees. Sector attribution includes cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results.

# ATTRIBUTION ANALYSIS

- The positive total return was driven by a combination of interest income earned over the period and a tightening of credit spreads.
- Relative underperformance for the period was primarily due to an underweight position in US corporate bonds
- Security selection factors within securitized assets was also a detractor to performance

Source: Bloomberg and Brown Advisory Analysis. Portfolio information is based on a representative Sustainable Core Fixed Income account 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. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions. Past performance is not indicative of future results. Please see disclosure statements at the end of this presentation for additional information.

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# SAMPLE HOLDINGS

Sustainable Core

# COUNCIL OF EUROPE – SOCIAL BOND

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## Portfolio Holding: Council of Europe Development Bank (CEB)

**The Council of Europe Development Bank issued a social inclusion bond to respond to the Ukraine refugee crisis as a result of the Russian invasion.**

CEB
COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

### FUNDAMENTAL DRIVERS

- The CEB has one of the strongest asset quality histories of all multi-lateral development banks with one default in 2009 (€1.8mm loan to an Icelandic counterparty) since its inception in 1956.
- Well-diversified loan portfolio of primarily investment grade counterparties (80% of the total portfolio) with more than 80% of the portfolio exposure within G20 countries.
- We believe that CEB has a highly-liquid balance sheet with €8.4B of bank deposits, assets available for sale and assets held to maturity in investment grade securities (62% at/above Aa-rated) that should provide CEB with 17 months of funding in a tail-risk scenario with no access to capital markets.
- The average maturity of funding has increased from 6 to 8 years over the last 12 months.
- Strong member profile with an average rating of Baa1 – the largest members are Germany (17%), Italy (17%), France (17%), and Spain (11%).
- High non-contractual support from members due to the politically- and socially-important mandates to fund solutions to migrant crises, the pandemic and the EU's Invest EU Program.

### SUSTAINABLE DRIVERS

- The CEB has an exclusively social mandate as a multilateral development bank lending to member countries in Western and Eastern Europe for sustainable and inclusive growth.
- Aid to refugees, migrants and displaced persons is, together with aid to victims of natural or ecological disasters, one of the two statutory priorities of the CEB.
- **Social Bond**: The CEB issued a €1bn seven-year Social Inclusion Bond to bolster its support to the social crisis unfolding due to the war in Ukraine and help its member states assist millions of refugees seeking safety; proceeds of the bond can be used by member countries to support longer term needs of refugees and their host communities including the provision of social housing for low-income persons, health and social care and education and vocational training.

**Council of Europe Development Bank (CEB) is a current holding in the Sustainable Core Fixed Income portfolio as of 12/31/2022 and was selected because the investment team believes it demonstrates the strategy's stated investment philosophy regarding attractive business fundamentals, compelling valuation, and strong or improving Sustainable Drivers. It does not represent all of the securities purchased, sold or recommended for advisory clients. Please see slide 1 for performance as of 12/31/2022 .**

# CVS HEALTH

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## Portfolio Holding: CVS Health (CVS)

**Retail pharmacy and Pharmacy Benefit Manager (PBM)**


### FUNDAMENTAL DRIVERS

- Credit improvement story as the company executes on deleveraging program where there is no dividend growth or share buybacks until leverage targets are achieved.
- First mover advantage in the vertical integration of clinical assets with pharmacy benefit management and health insurance.
- Maintains a non-cyclical demand profile.
- Generates meaningful free cash flow generation.

### SUSTAINABLE DRIVERS

- MinuteClinics and HealthHUBs can provide easy access to affordable healthcare products and services– MinuteClinic services can cost as much as 90% less than urgent-care centers and hospital emergency departments.
- Promotes tobacco-free communities; first and only major drugstore chain to stop selling tobacco products in 2014.
- Improving sustainability of its own operations, including through supplier engagement.

**CVS Health (CVS) is a current holding in the Sustainable Core Fixed Income portfolio as of 12/31/2022 and was selected because the investment team believes it demonstrates the strategy's stated investment philosophy regarding attractive business fundamentals, compelling valuation, and strong or improving Sustainable Drivers. It does not represent all of the securities purchased, sold or recommended for advisory clients. Please see slide 1 for performance as of 12/31/2022 .**

Source: CVS data as of 12/31/22. 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. Information shown based on a representative Sustainable Core Fixed Income account and provided as Supplemental Information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# DISCLOSURES

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 of money 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.

All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned.

ESG 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. ESG analysis may not be performed for every holding in the strategy. ESG 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 have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. 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 screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on Second parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory’s use of these tools will result in effective investment decisions.

The **S&P 500 Index**, an unmanaged index, consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

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The **Bloomberg U.S. Aggregate Bond Index** is an unmanaged, market-value-weighted index composed of taxable U.S. investment-grade, fixed rate bond market securities, including government, government agency, corporate, asset-backed, and mortgage-backed securities between one and 10 years.

The **Bloomberg U.S. Treasury Index** is an unmanaged index of public obligations of the U.S. Treasury with a remaining maturity of one year or more. The Bloomberg Long U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value.

The **Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The **Bloomberg U.S. Corporate High-Yield Index** measures the market of USD-denominated, non-investment grade, fixed rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. The U.S. Corporate High-Yield Index was created in 1986, with history backfilled to July 1, 1983, and rolls up into the U.S. Universal and Global High-Yield Indices. The U.S. Corporate Index rolls up to other flagship indices, such as the U.S. Aggregate and the multi-currency Global Aggregate Index.

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An investor cannot invest directly in an index.

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# DISCLOSURES (CONTINUED)

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The **Total Return of a benchmark-, sector-, and portfolio-level** are the sum of the returns from price movement and the returns due to payments or other sources of income. **Standard benchmark-, sector- and portfolio-level returns** are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period.

The **Contribution to Return** is measured by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return to the reporting period.

The **Shift Effect** measures the effect of a parallel shifts in the yield curve.

The **Twist Effect** is measured by multiplying the difference in changes in a yield curve and the key duration with negative modified duration.

The **Spread Effect** is measured by subtracting income and treasury effects from the total portfolio return.

The **Income Effect** is measured by dividing the coupon rate by the ending price.

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

The **Selection Effect** is measured by using the remainder once income, treasury and spread effects are subtracted from the total return.

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

**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.

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# SUSTAINABLE CORE 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)* |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | -0.4 | -0.8 | -1.5 | 4.6 | 3.6 | 31 | 0.3 | 502 | 79,715 |
| 2020 | 9.4 | 8.9 | 7.5 | 4.3 | 3.4 | 26 | 0.4 | 416 | 59,683 |
| 2019 | 9.5 | 9.1 | 8.7 | 2.9 | 2.9 | 14 | 0.2 | 265 | 42,426 |
| 2018 | 0.4 | 0.1 | 0.0 | 2.8 | 2.8 | 19 | 0.3 | 217 | 30,529 |
| 2017 | 3.7 | 3.4 | 3.5 | 2.8 | 2.8 | 11 | 0.3 | 113 | 33,155 |
| 2016 | 1.0 | 0.8 | 2.7 | N/A | N/A | 9 | 0.1 | 91 | 30,417 |
| 2015 | 1.2 | 0.8 | 0.6 | N/A | N/A | Five or fewer | N/A | 60 | 43,746 |
| 2014** | 2.0 | 1.9 | 1.8 | N/A | N/A | Five or fewer | N/A | 5 | 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, 2021. 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.

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 Core Composite (the 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 3 and 7 years. At least 80% of the securities in each portfolio in the Composite will have credit quality ratings of A or better at the time of purchase. Accounts included in the Composite are invested primarily in taxable securities. The minimum account market value required for Composite inclusion is $2 million, and accounts in the Composite will have an average effective duration between 3 and 7 years. The guidelines of accounts specifically indicate a 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 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.
3. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify issuers and securities that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in securities that do not reflect the beliefs and values of any particular investor. The strategy may also invest in securities that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in securities with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular issuers and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.
4. From July 2016 to September 2019, the minimum account market value required for Composite inclusion was $1 million, and prior to July 2016 was $2 million.
5. Effective January 1, 2016, a meaningful cash flow policy was implemented for the Composite. Accounts with a greater than or equal to 14% external cash flow will be removed from the Composite for the entire month that the external cash flow occurred. The account will be added back to the Composite the following month if it meets the Composite inclusion requirements. The external cash flow percentage is calculated using beginning market value.
6. The composite creation date is November 1, 2015. The composite inception date is October 1, 2014.
7. The benchmark is the Bloomberg Aggregate Bond Index. The Bloomberg Aggregate Bond Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate, asset-backed, and mortgage-backed securities between one and ten years. "Bloomberg®" and Bloomberg Aggregate Bond Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Advisory Institutional. Bloomberg is not affiliated with Brown Advisory Institutional, and Bloomberg does not approve, endorse, review, or recommend the Composite. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Composite. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
8. 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.
9. 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: 0.30% on the first $50 million; 0.25% on the next $50 million; and 0.20% on the balance over $100 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.
10. The investment management fee for the Investor Shares of the Brown Advisory Sustainable Bond Fund (the Fund), which is included in the Composite, is 0.30%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2021) was 0.50%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
11. 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.)
12. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
13. Duration is a measure of interest rate risk.
14. The use of derivatives is integral to the investment process of the strategy mutual fund, which is a constituent of the Composite. Futures and swaps are utilized and comprise roughly 20% of the fund. The fund may employ leverage, but it is not integral to the investment process. Portfolios have and may invest in CMOs and range accrual notes. Shorting is not utilized.
15. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
16. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
17. Past performance is not indicative of future results.
18. This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subscription documents.
19. 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.