Global Focus Strategy

2023 Annual Investment Review | January 2024

Dear fellow investors, colleagues and friends,

I hope you had a restful festive break with your families. 2023 felt like a long year – a U.S. financial crisis, Artificial Intelligence (AI) becoming mainstream, stubbornly high inflation and ongoing conflicts created a smorgasbord of risk and opportunity for investors. The pervasive impact of rising interest rates was felt by many as the repricing of time, which started in 2022, continued in 2023. As Irving Fisher reminds us: *'Interest is human impatience crystallised into a market rate.'*[1] The expectation of patience becoming cheaper resulted in equity markets posting positive returns in 2023. Many of the investors that were nursing economic hangovers at the start of the year are now looking forward, with bleary Panglossian eyes, to the prospect of declining interest rates in 2024 and beyond. We view ourselves[2] as having limited ability to second-guess macroeconomic and monetary policy gyrations. Through the zero-interest rate period to today we have used a 10% cost of capital for underwriting investments in Global Focus[3]. Against this backdrop, Global Focus generated a 34.7% net return for our partners in 2023 which equates to +10.9% relative to our benchmark, the MSCI World Index's net return of 23.8%, which you can see below. As mentioned in our six-year anniversary letter, given the concentration of the portfolio, the short-term performance of Global Focus can be lumpier than overcooked porridge. We approach investing as long-term business owners and think it's important for our partners to appraise our progress on the same time horizons as we appraise our companies. With this in mind, Global Focus has delivered an annualised net return of 13.6% since inception on 1 September 2017. This is tantalisingly close to the >15% five-year base case internal rate of return (IRR) that we seek for our companies. This equates to a cumulative return of 123.9% net of fees since inception (compared to the index return of 79.9%).

Out of our 13 investments, ten outperformed during 2023 in dollar terms. After negative price actions in 2022,[4] our technology investments delivered both positive returns and relative outperformance in 2023. Following the release of OpenAI's ChatGPT in late 2022, Artificial Intelligence (AI) has dominated the investment zeitgeist. Whilst investors were quick to ascribe AI winners and losers, we remained confident and reminded ourselves that our technology companies have been investing in AI for many years. For some of our companies (such as Microsoft), the benefits of the technology were more obvious to investors. For others (Intuit, Alphabet and Wolters Kluwer), it was less clear initially, but we were pleased to see a plethora of AI-rich product updates from these companies throughout the year. Elsewhere, our aerospace investments (GE, Safran and Woodward) benefitted from the continued recovery in travel from the dark days of COVID-19. Finally, the different fortunes of the three companies that are going through business transformations served as a reminder that Madonna-esque reinvention takes time. Five years after the management change at GE and three years after the London Stock Exchange Group (LSEG) bought Refinitiv, we are starting to see the respective slimming down and scaling-up transformation strategies bear fruit. Rentokil is currently just over one year into the integration of the Terminix

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[1] Source: Irving Fisher, *The Theory of Interest.*

[2] And most market participants!

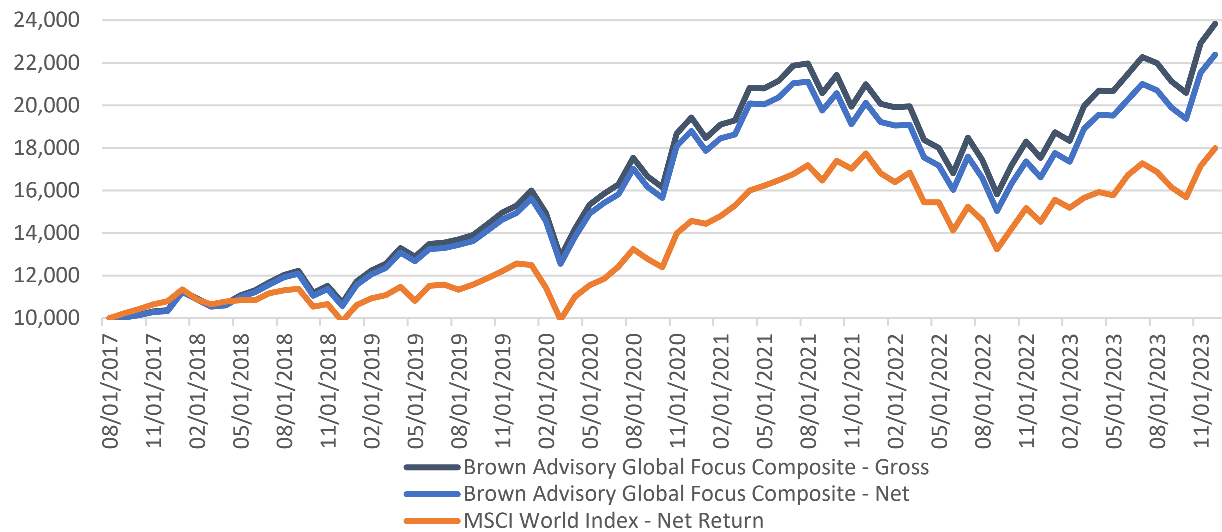
[3] We touched on this topic extensively in the 2022 Annual Review.

[4] Driven by the repricing of time.

acquisition. In our opinion, the company's current operating performance is being impacted by combining 650 branch locations – and the benefits are unlikely to be visible until year three. Patience and a long-term mindset are typically in short supply for most investors that overly obsess about quarterly performance. Reflexivity is also a powerful force in shaping investment narratives. Waiting for Chateau Rentokil-Terminix 2022 to be palatable in 2025 is just too long for some. Accordingly, Rentokil was the only Global Focus investment that produced a negative return in 2023 in dollar terms and the only relative underperformer of note in the period. We will touch on all the companies shortly.

Cumulative Performance Summary: Growth of $10,000

Global Focus Composite net of fees vs MSCI World Index net return
from 1 September 2017 to 31 December 2023



Annualised Performance Summary

Global Focus Composite vs MSCI World Index net return (%)
from 1 September 2017 to 31 December 2023

Source: Factset, as of 31 December 2023. Net of fees performance returns are calculated by adjusting the gross of fees performance return by the highest fee (1%) for the institutional strategy, applied on a monthly basis. Actual fees may be lower based on assets under management and other factors. Net of fees performance returns for actual accounts may therefore differ from the returns shown above.

Source: Factset. Past performance is not indicative of future results. Performance reflects the Brown Advisory Global Focus Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Portfolio level information is based on a Brown Advisory Global Focus representative account and is provided as Supplemental Information. Please see the end of this letter for important disclosures and a GIPS Report. 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.

Global Focus: Current Investments

As of 2 January 2024

	SECURITY	MARKET POSITION	MARKET STRUCTURE	DATE INVESTED	% PORTFOLIO	2023 PRICE RETURN (%)
1	MICROSOFT CORPORATION	Enterprise software leader and cloud follower	Monopoly and oligopoly	1-Sept-2017	14.0	56.8
2	DEUTSCHE BOERSE AG	Exchange and custody leader	Monopoly and duopoly	1-Sept-2017	10.0	18.0
3	LONDON STOCK EXCHANGE GROUP PLC	Financial market infrastructure leader	Duopoly and Oligopoly	27-Jan-2023	9.4	30.9
4	GENERAL ELECTRIC COMPANY	Aircraft engine market leader	Duopoly	29-June-2023	8.0	18.5
5	INTUIT INC.	Financial software leader	Monopoly and oligopoly	4-March-2022	7.7	60.6
6	AUTODESK, INC.	Vertical AEC CAD software leader	Duopoly	22-March-2018	7.2	30.3
7	VISA INC. CLASS A	Global payment network leader	Duopoly	1-Sept-2017	6.8	25.3
8	CTS EVENTIM AG & CO.	European ticketing leader	Monopoly	1-Sept-2017	6.8	10.4
9	WOLTERS KLUWER NV	Niche publishing leader	Duopoly and oligopoly	2-March-2018	6.5	36.2
10	SAFRAN S.A.	Narrow-body engine market leader	Duopoly	1-Sept-2017	6.3	39.4
11	ALPHABET INC. CLASS C	Digital search leader	Monopoly	1-Sept-2017	6.3	58.8
12	RENTOKIL INITIAL PLC	Pest control leader	Oligopoly	20-Feb-2022	6.2	-8.2
13	WOODWARD, INC.	Niche aero engine part leader	Oligopoly	1-Sept-2017	2.8	40.9
14	CASH & EQUIVALENTS	—	—	--	1.8	5.3

Source: Factset. Data as of 2 January 2024 is reflected to normalise end of period cash flows. Information shown is based on a representative Global Focus account and provided as Supplemental Information.

Thumb Twiddling

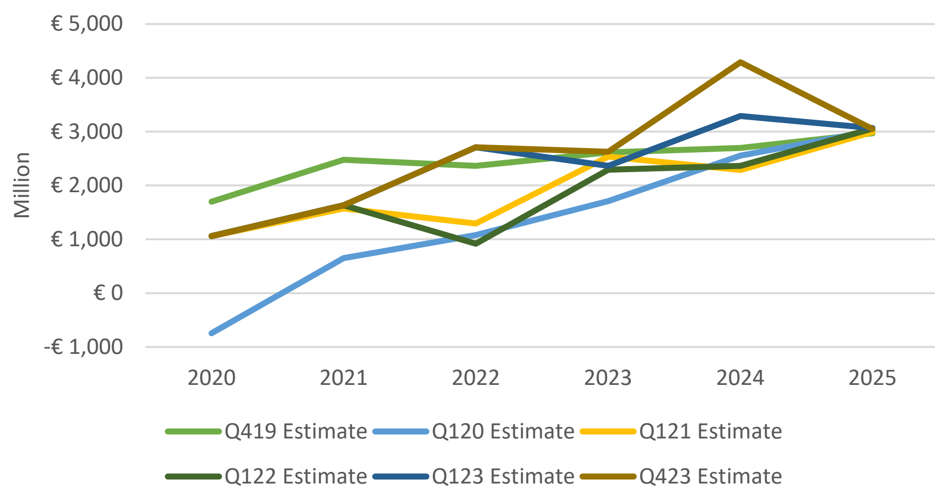
Towards the end of the year, one of our investors asked me: '*Bertie, you only buy one or two new companies a year – what on earth are you doing for the rest of the year?'* The reality is, I am reading, thinking and remaining perpetually paranoid. Any Global Focus company needs to possess three qualities: a dominant business model, improving returns on capital (ROIIC >ROIC) that allow investor managers to add value and a mid-teens base case five-year IRR. We appraise all prospective investee companies through these three filters. In our experience, monopolies and oligopolies trading on mid-teens IRRs don't grow on trees. When we find one we remain incredibly paranoid about whether the company retains these characteristics. A loss of business dominance[5] can distort the existing economic picture, which impacts the trajectory of the return and the IRR that we can generate. We value all companies using a standard 10/10/3[6] discounted cash flow (DCF) model and use three scenarios, bull, base and bear case, to derive net present value today and five-year IRRs. This analysis is the driving force of our capital allocation process and its importance in the Global Focus investment process cannot be overstated. Companies are living entities – they grow and age, they get impacted by different external conditions and the people running them can make both good and bad decisions. Companies don't stand still which makes estimating their cash flow streams a Sisyphean task – it never ends. There is an inevitability about the long-term nature of the companies we seek, but our team of outstanding investors continue to calibrate their expectations[7]. Our free cash flow estimates for aircraft engine manufacturer Safran and live entertainment specialist CTS Eventim from the start of the COVID-19 pandemic are paradigmatic of this never-ending recalibration, as you can see below. The forecast volatility is a function of both cash profit and capital cost[8] gyrations. Free cash flow is the cornerstone of value, and this process of recalibration forms the bedrock of my discussions with the investment team.

Of course, the reality is that equity markets are significantly more volatile than the cash flow streams of the companies we seek to invest in. By 17 March 2020, Safran and CTS Eventim's share prices had dropped by 50% and 49%, respectively, in local currency terms year to date. As you can see below, although we took an analytical hatchet to our near-term forecasts, after multiple drawdown reviews, we felt that the long-term cash flow power of both companies was still intact. It is easy to forget that, in our analysis, >85% of a growing company's net present value lies outside of year one and two in the future[9].

[5] Usually stemming from weakening economic moats or waning competitive advantage.
[6] The 10/10/3 DCF framework is based on a 10-year forecast period, 10% weighted average cost of capital (WACC) and a 3% terminal growth rate.
[7] We have >50 time-stamped models for some of our longer held investments.
[8] Especially working capital.
[9] Brown Advisory estimates.

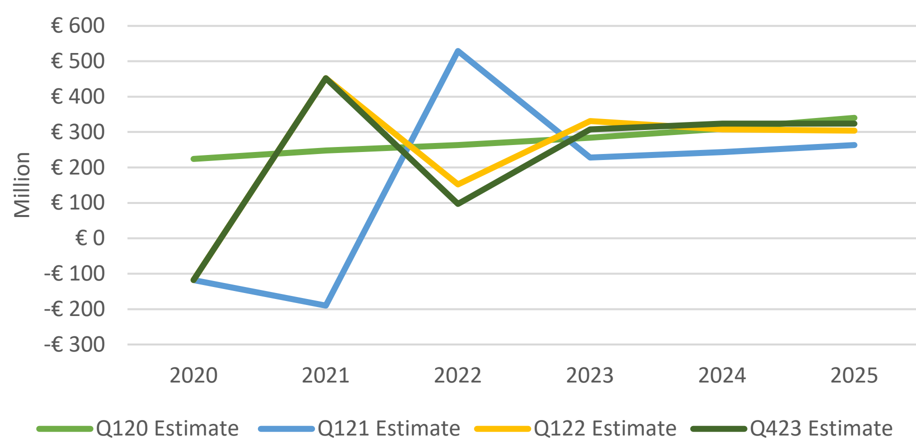
Brown Advisory Estimates: Safran Annual FCF Estimates Through Time

As of 31 December 2023



Brown Advisory Estimates: CTS Eventim Annual FCF Estimates Through Time

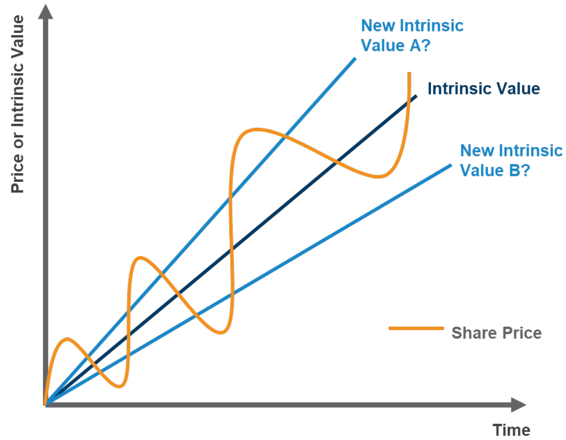
As of 31 December 2023



Source: Brown Advisory estimates and company reports.

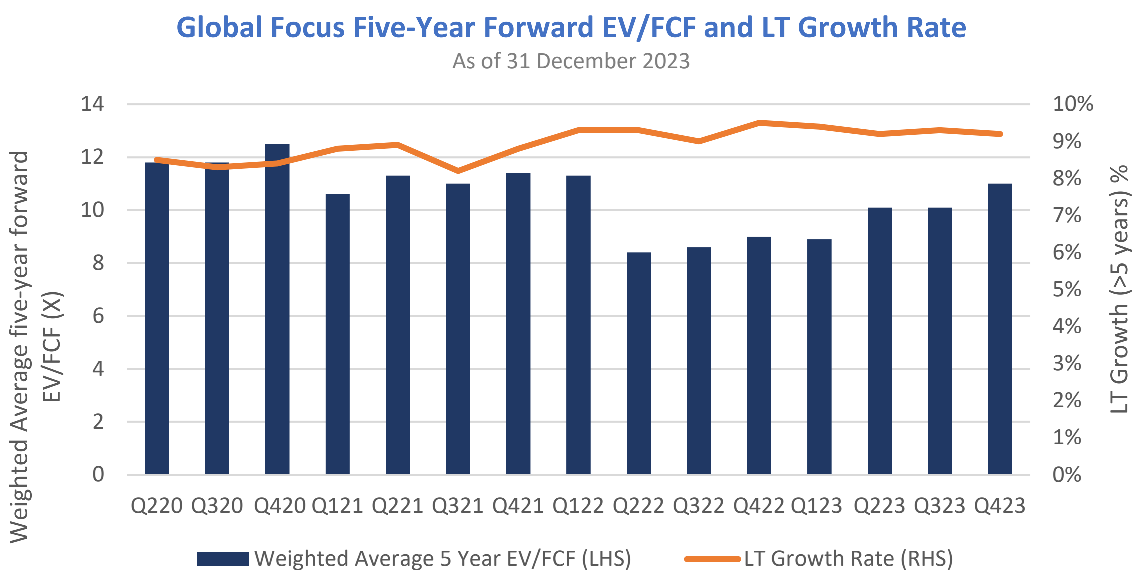
During such moments of inefficiency, we often return to the below diagram which we published in our 2021 Annual Review. Whilst we keep tinkering with our cash flow forecasts, we expect the intrinsic value of our companies to grow and equity prices to remain volatile. Our ambition is to capitalise on these bouts of inefficiency with a repeatable valuation framework and capital allocation process.

DOMINANT BUSINESS MODELS: EQUITY PRICE VOLATILITY > INTRINSIC VALUE VOLATILITY



Source: Brown Advisory.

Following strong relative performance in 2023 and looking at the above, the obvious question is – *where is the value left in Global Focus?* Although the strategy has returned 35% absolute in 2023, our companies continue to grow their free cash flow. In some notable instances, our new base cases are closer to our previous bull cases. For historical context, the weighted average five-year forward EV/FCF multiple of 11x is within the 8-12x multiple range since we started disclosing it to our investors in 2020. We still expect the weighted average growth of the Global Focus companies to deliver 9% long-term growth after year five. The implied long-term IRR of the strategy is 17% for the companies below.



Source: Brown Advisory estimates.

Source: Factset. Past performance is not indicative of future results. Performance reflects the Brown Advisory Global Focus Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a GIPS compliant firm and is a division of Brown Advisory LLC. Portfolio level information is based on a Brown Advisory Global Focus representative account and is provided as Supplemental Information. Please see the end of this letter for important disclosures and a GIPS Report. 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.

Global Focus Investments: Improving Economics Driving FCF-Based Upside

As of 31 December 2023

COMPANY	FY23 FCF/EV Yield	FY28 FCF/EV Yield	LT FCF Growth (2029-33)
MICROSOFT	3.0%	8.6%	13.0%
DEUTSCHE BOERSE	5.5%	11.0%	7.0%
LONDON STOCK EXCHANGE GROUP	4.3%	9.9%	8.0%
INTUIT	3.4%	10.1%	8.0%
RENTOKIL	2.7%	7.0%	14.0%
GENERAL ELECTRIC	3.1%	9.9%	12.0%
VISA	4.2%	8.6%	10.0%
AUTODESK	6.1%	13.5%	9.0%
ALPHABET	4.0%	7.0%	9.0%
CTS EVENTIM	5.8%	10.8%	8.0%
SAFRAN	4.5%	9.9%	8.0%
WOLTERS KLUWER	6.3%	8.4%	8.0%
WOODWARD	4.6%	7.9%	8.0%
GLOBAL FOCUS MEDIAN	4.3%	9.1%	8.0%
GLOBAL FOCUS WEIGHTED AVERAGE	4.1%	9.1%	9.2%
GLOBAL FOCUS WEIGHTED AVERAGE EV/FCF (X)	24.5x	11.0x	9.2x

IMPLIED
17%
5 YEAR IRR

Source: FactSet and Brown Advisory calculations. The implied IRR assumes that the current multiple (yield) of 4.1% (or 24.5x EV/FCF) remains constant for five years. The current and five-year FCF/EV multiple (yield) is a weighted average of the portfolio based on Brown Advisory calculations of FCF estimates and the NAV % weight at 02/01/24. Further information about the calculation of hypothetical performance and the risks associated with making investment decisions based on it are available upon request.

Positioning

Following the purchases of LSEG (January) and General Electric (June), Global Focus currently has a lucky 13 investments – the highest number since we started investing over six years ago. Although it is easy to overgeneralise[10], the strategy currently has major exposures in software (28.9%), financial market infrastructure (19.4%) and aerospace aftermarket (17.1%). Companies in these areas typify the idea of modern utilities – businesses that provide goods and services that customers increasingly find it hard <u>not</u> to consume. Unlike classic utilities, pricing isn't neutered by regulation and competitive positions are frequently entrenched by regulatory symbiosis. We currently invest in only four of the 11 available GICS sectors and we have struggled to find businesses in non-typical Global Focus areas like healthcare and consumer goods. We strive to find companies that are fade resistant and provide a fair degree of

[10] Especially in heterogenous sectors.

inevitability about their free cash flow streams. Despite the outward-looking lethargy, we remain focused on this mission in the seventh year of investing for our Global Focus partners.

This year, we wanted to give you a brief update on the progress of the 13 companies in which we invest your capital:

Financial Market Infrastructure (19.4% weight) – Deutsche Boerse (10%) and London Stock Exchange Group (9.4%).

Financial market infrastructure assets naturally qualify for dominant business model status. Securities exchanges are the original network-effect business models with positions entrenched by regulation and compounding consumer surplus growth through the provision of risk-reduction services. We currently own Deutsche Boerse and London Stock Exchange Group (LSEG) – two different business models following LSEG's purchase of Refinitiv in 2021.

In many ways Deutsche Boerse is more of a classic exchange with 46%[11] of revenue being derived from trading and clearing. The German company continued to pivot with the announced acquisition of Danish financial software business SimCorp in April. Following extensive work, we think that SimCorp has numerous attractions - its investment book of record (IBOR) software has many similarities with Deutsche Boerse's custody assets, albeit on a micro scale. In addition, we feel that synergies with the rest of the group, especially Fund Services, could be substantial. Despite these attractions we have some major concerns about the price paid for SimCorp – especially as management has committed to margin improvement in order to justify the deal being value creative (ROIC >WACC) by year five after the acquisition. We feel that SimCorp needs material investment if it is going to succeed in the U.S. market, which is dominated by Blackrock's Aladdin and State Street's Charles River. The SimCorp episode is a good reminder of the vital role that management has in capital allocation – a function that is acute for naturally occurring dominant business models in financial market infrastructure. Monopoly assets, risk-averse regulators and high incremental returns on capital increase the temptation for financial vandalism. Counting the money is less exciting than shopping for new trinkets. We engaged with Deutsche Boerse over the summer, where we suggested that a formal group return on invested capital (ROIC) target and a clearer capital allocation framework would create shareholder value. We will take the refined capital allocation tool kit, which was announced at their November investor day, as progress of sorts. The company has no plans for additional mergers and acquisitions (M&A) and intends to start its first share buyback during our ownership in 2024 as part of its Compass 2026 plan. We feel that Deutsche Boerse has the potential to deliver double-digit free cash flow growth driven by both the legacy Trading and Clearing assets and the newer Investment Management Solutions and Fund Services business units.

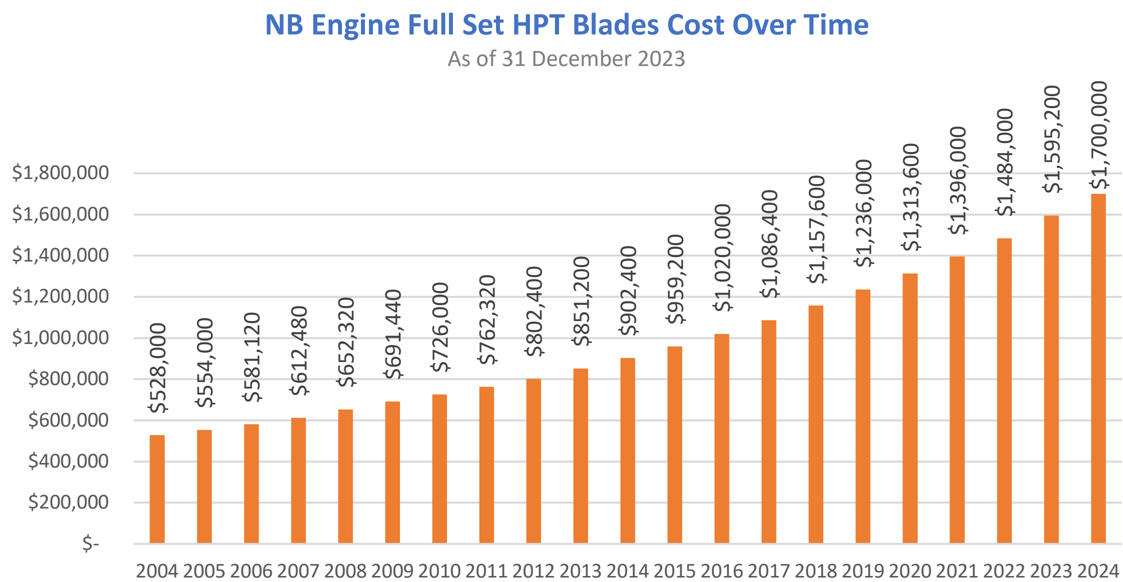
We also attended the LSEG investor day in November which left us confident that the company will be able to close the growth and margin gap with peers. The potential of the Microsoft partnership continues to develop with new products expected to add a tailwind to growth from 2025. We view LSEG's data assets as being increasingly valuable in an AI-centric world. LSEG's data protocols create significant switching costs that foster enviable partnerships with most financial institutions. We view the company's revenue growth targets as conservative, and we see low-teens free cash flow growth as achievable in the long term. As in the case of Deutsche Boerse, capital allocation remains a key topic for our investment in LSEG,

[11] In the first 9 months of 2023. Source: Company reports.

and we engaged with the company's board towards the end of the period. We take some comfort from LSEG CEO David Schwimmer's expectation that group ROIC should expand following the Refinitiv acquisition.

Aerospace Aftermarket (17.1% weight) – General Electric (8%), Safran (6.3%) and Woodward (2.8%)

Air travel continued its ascent from the nadir of the COVID-19 crisis with most global passenger volumes running above 2019 levels at the end of the period[12], led by narrow-body flights. This recovery enabled each of our aerospace investments to post +30% aftermarket revenue growth in the first nine months of 2023. This recovery sweet-spot has been enhanced by lower-than-expected deliveries from Airbus and Boeing and product quality issues at Pratt and Whitney, the main competitor to GE and Safran's narrow-body joint-venture CFM International. These drivers have resulted in less margin dilutive original equipment deliveries and older engines, especially the CFM56, being flown for longer. We continue to think that the long product life razor-razorblade business models of the aerospace aftermarket are some of the highest-quality industrial businesses. Aircraft engines last for over 25 years and spare parts pricing has historically grown by 3–4% above inflation. Below, you can see that the estimated cost of a full set of narrow-body engine high pressure turbine (HPT) blades has grown by 6% per year for 20 years. GE and Safran's narrow-body joint venture, CFM International, increased spare parts pricing by 10% in November 2022, and by 8% in August 2023 and we expect another high single-digit increase in 2024.[13] Steady price increases provide considerable tailwinds for compounding.



Source: SGI Aviation. Modern Narrow-Body engine – SGI estimate.

[12] China is the only exception.
[13] Source: Company reports.

During the year we had numerous interactions with our companies and their customers. The Paris Air Show in June and a discussion with General Electric's management in Boston towards the end of the period were highlights. We continue to think GE possesses the highest-quality aerospace asset on the planet with leading narrow- and wide-body engine positions and significant opportunities for self-help. We became increasingly comfortable with the evolution of the company's balance sheet, the upcoming spin-off of the Vernova legacy power assets and the capital allocation approach. We added GE to Global Focus in June[14] and reduced our Safran and Woodward positions to manage our overall aerospace exposure. It's noteworthy that Safran and Woodward's share prices have risen 2.7x-3x from the dark days of March 2020. It felt very lonely adding to our aerospace positions back then. Looking out we expect less explosive, but still attractive, growth as our main narrow-body engine exposure, the CFM56, reaches a major harvest period from 2025 and the newer LEAP engines start coming in for their first shop visits. Woodward is a major beneficiary of the latter after having won significantly more content on the LEAP than on the legacy CFM56. We continue to engage with management of all three of our aerospace companies on capital allocation. The next decade represents a major opportunity to decarbonise air travel. In our opinion technology such as the RISE program[15], which promises 20% lower fuel consumption, has the potential to change the environmental economics for the industry. Fuel typically represents a third of an airline's cost base. It's important to remind management teams not to squander the post-COVID-19 harvest period and keep investing in future engine technology. Success would be a triple win – for airline customers, the environment and shareholders – as GE and Safran's dominant position would be secured into the 2050s and beyond.

Microsoft (14% weight)

Following OpenAI's release of a recognisable human interface, ChatGPT, 2023 became the year that artificial intelligence (AI) entered the investment zeitgeist. Microsoft continued its leadership in software applications and technological infrastructure by deepening its partnership with OpenAI[16]. As OpenAI's exclusive cloud provider the company, through its Azure platform, was a major beneficiary of the growth in ChatGPT workloads. The relationship was further strengthened by Microsoft announcing that ChatGPT technology would be embedded into its Bing, Edge and Microsoft365 products. The most promising application is an AI assistant or Copilot – a feature that had already been deployed at developer platform GitHub and yielded major productivity benefits. The existence of the GitHub Copilot and the OpenAI investments, demonstrates Microsoft has been investing in AI for a number of years. On 1 November, Copilots were released as add-ons to several Microsoft365 packages[17] for $30 a month. The maths on penetrating even a fraction of the 160 million[18] Commercial Office 365 users that Microsoft thinks are addressable with Copilots could move the needle. At a theoretical discounted price of $20 a month, to account for enterprise-wide deals, converting every 10 million users to a Copilot has the potential to add

[14] We covered the GE investment case in the six-year anniversary letter.

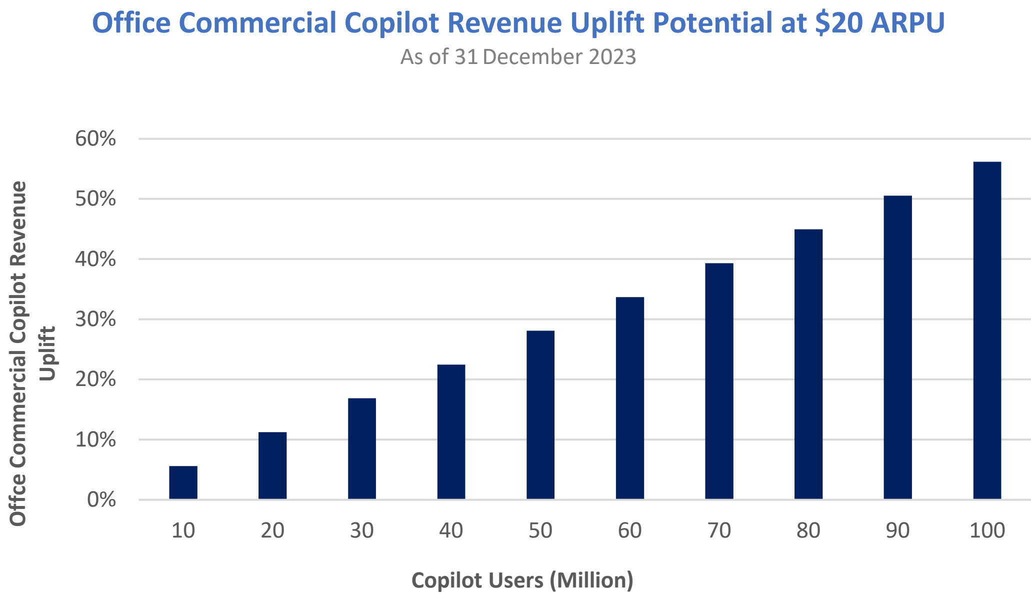
[15] RISE is being developed by the GE-Safran joint venture CFM International. The technology is expected to be used for the next narrow-body engine launching in the mid-2030s.

[16] Microsoft added to its 2019 and 2021 investments in OpenAI early in 2023.

[17] Including E3, E5, Business Premium and Business Standard. Source: Microsoft.

[18] 160 million out of 392 million in total. Source: Microsoft.

6% to Office Commercial revenue. 100 million[19] Copilot users would be a 56% boost to Office Commercial revenue based on our estimates.



Source: Company reports and Brown Advisory estimates.

Despite this theoretical upside we remain conservative on the pace of Copilot adoption. Getting enterprise buy-in will take time and material near-term Copilot upside for the Office franchise, and the Productivity and Business Process business unit where it resides, is mainly reflected in our bull case. Microsoft continues to perform well. Second quarter revenues grew 12%, which translated into 24% profit growth – the company is showing impressive cost base flexibility at scale. Microsoft keeps investing in its capital base to support growth, both for its own applications and cloud customers, such as OpenAI, alike. By our estimates, Microsoft will spend over $44 billion on CapEx in its fiscal 2024, a sum that is set to grow as its scale moat expands. Microsoft is becoming both the staple and the infrastructure for the enterprise – an indispensable partner in the modern utility mould. We continue to monitor the company's penetration of verticals like healthcare and finance[20] – technical industries where AI could yield major productivity improvements.

Intuit (7.7% weight)

Equity markets typically shoot first and ask questions second. Earlier in the year the perceived wisdom was that small business and tax software specialist Intuit was going to be disrupted by AI as bookkeeping and tax filing becomes automated. Our strong view is that Intuit is part of the technological solution – one that was validated with the release of their Generative AI Operating System (GenOS) in June, the launch

[19] 63% of the company-defined addressable user base. Source: Company reports.

[20] As signified by LSEG's partnership with Microsoft.

of their own version of Copilot called 'Intuit Assist' and more detail at the company's investor day in September. Intuit believes that they only penetrate 5% of their total addressable market. Intuit Assist is targeting further penetration and cross-selling rather than being an additional add-on licence like Microsoft's Copilot. Intuit's QuickBooks Online is the operating system for 6.5 million small and medium businesses (SMBs).[21] Data is frequently the missing piece of the AI jigsaw. The company has an astonishing 500k+ customer and financial attributes per SMB that can be harnessed for better outcomes through Intuit Assist. We see scope for growth in SMB users and Average Revenue Per Customer (ARPC) through pricing and increased uptake of services like bill pay, payroll and assisted bookkeeping offering QuickBooks Live. Elsewhere, despite volatility from IRS returns impacting the tax-centric Consumer Group, we were encouraged by the progress of assisted tax solution TurboTax Live which grew revenue by 17% in Intuit's fiscal 2023.[22] We see mid-teens revenue growth and operating leverage as driving high teens free cash flow growth for Intuit for the foreseeable future. Small business and the QuickBooks ecosystem should be the main engines of growth. After adding to our Intuit position in June, we recently took profits as investors recognised some of the AI-based optionality we had seen.

Autodesk (7.2% weight)

Architecture engineering and construction (AEC) software specialist Autodesk continued its modernisation journey in 2023. The move towards annual billings, which will reduce cash flow lumpiness and increase price, continued. Fusion (manufacturing), Forma (AEC) and Flow (Media and Entertainment) were unveiled as distinct cloud platforms at the Autodesk University event in late 2022. Towards the end of 2023, the company announced plans for a new transactional model that promises more direct engagement with its customers and upselling opportunities. We view these steps as the latest evolution of the company from a product-based software business to a cloud-enabled solutions provider that can add more value to its customers. Although disruptive, annual billings and the transactional model should enable more durable long-term growth. Autodesk has been working on AI-enabled products for a number of years – we have experienced some of the generative design functionality first hand. We are hopeful that the combination of AI and cloud platforms will enable greater data manipulation and productivity savings for Autodesk users. Autodesk revenue grew 13%[23] in the last quarter it reported in 2023[24] – no mean feat given the U.S. Architectural Billings Index (ABI) has been signalling a contraction in end-market activity for most of the year. 98% of Autodesk revenue is recurring – the company needs to execute on the latest round of improvement initiatives to drive more durable and cash-generative growth.

Visa (6.8% weight)

Visa was another beneficiary of the travel recovery. In the September quarter, the company reported 26% growth in cross-border travel-related spend and Visa's travel volume index rose to 143% of 2019. Visa management thinks travel spending has structurally inflected to a higher rate than before COVID-19. We remain vigilant as to how sustainable this trend is in the face of any slowdown in consumer spending. VisaNet, and its ancillary network of networks, remains a powerful piece of financial infrastructure supporting 17k financial intuitions, 100 million+ merchant locations and consumers that carry 4.3 billion Visa cards. Despite the evergreen threat of regulation and superior technology, we are more focused on

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[21] Source: Company reports.

[22] Source: Company reports.

[23] On a constant currency basis. Source: Company reports.

[24] Ending October 2023. Source: Company reports.

Visa being a victim of its own success. Cash-to-card penetration accelerated during the COVID-19 pandemic with cards accounting for 61%[25] of global consumer-to-business (C2B) spending ex-China. This figure was 44% in 2018 and is expected to rise to 71% in 2028. Perhaps more importantly for Visa, card penetration in its core geography, the United States, is 76% and is expected to rise to 85% by 2028. America is inching towards full card penetration for consumer purchases. We estimate that the slowing tailwind from cash-to-card penetration will create 1-2% lower payment volume growth in the next five years relative to the previous five years. Nevertheless, we still expect Visa to be able to grow free cash flow at 12% for the foreseeable future. We are also cognisant that value-added services (VAS) and new payment flows[26] will be an increasingly important part of the Visa growth puzzle – both of which are wider probability sources of growth than the structural cash-to-card transition of the last decade. All this is not lost on Visa's new management team, with new heads of both VAS and new payment flows being installed to oversee the next leg of growth. Visa's network remains formidable, and its ad-valorem business model provides inbuilt inflation protection. Visa's average weight status in Global Focus reflects these issues and better IRR opportunities elsewhere.

CTS Eventim (6.8% weight)

The recovery of the live entertainment industry continued unabated in 2023. The effects of social media and streaming appear to be accelerants rather than the headwinds that some feared years ago. Consumer demand for experiences and artists keen to monetise their content has resulted in a growth outlook that appears more durable than just a post-pandemic recovery. Against this backdrop, CTS Eventim grew revenue by 23% in the first nine months of the year and conservatively expects a 'moderate' increase in online tickets sold in 2023 relative to the 69 million sold in 2022.[27] We expect a higher level of core ticketing revenue growth going forward helped by an uptick in annual pricing to +3-5%. We believe CTS Eventim is also set to benefit from the consolidation of France's leading ticketing business France Billet in 2024 and the rollout of mobile app Eventim Pass which has better economics and scope for ancillary revenue. Lastly, we expect more ticketing partnerships in the U.S. in 2024 as the company looks to capitalise on the regulatory cloud that hangs over competitor Live Nation. We see a pathway to over 100 million online tickets in the foreseeable future and higher revenue per ticket due to pricing and ancillaries. Despite these attractions and the long-term upside, CTS Eventim remains a predominantly European business and demand for ticketing can be deferrable. In a higher interest rate world where consumers may be under pressure, we have limited our exposure to CTS Eventim for now.

Wolters Kluwer (6.5% weight)

Wolters Kluwer continued its metamorphosis in 2023 with digital Expert Solutions now accounting for 58% of sales.[28] These products enable significant productivity benefits in areas like health, tax and accounting and compliance. They are also frequently delivered in software with optionality for higher margin module upsell opportunities over time. Nine-month group organic growth of 5% was impacted by weaker transactional revenues in the company's Financial and Corporate Compliance (FCC) division. In the longer term, we expect Wolters' group growth to accelerate to high single digits (7%+) and for margins and ROIC to expand (see below). The company sits on deep databases in areas like health and compliance

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[25] Source: Alliance Bernstein.

[26] VAS and new payment flows accounted for 35% Visa revenue in 2023. Source: Company reports.

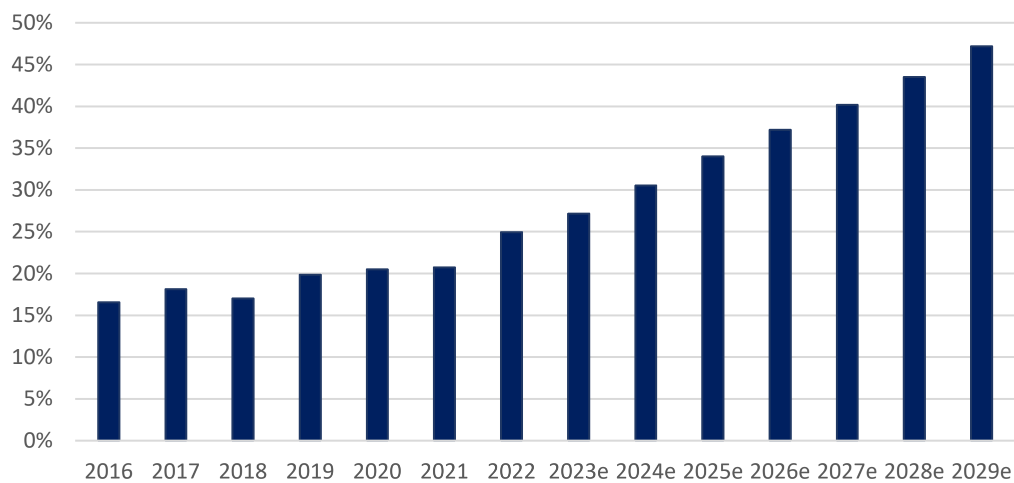
[27] Source: Company reports.

[28] Source: Company reports.

that we expect to be monetised further through AI. This viewpoint was reinforced by an update from Wolters' cross-business 4.5k employee Digital Experience Group (DXG) late in the year. With the benefit of hindsight, we have been overly conservative with our Wolters Kluwer investment. The company's share price has tripled from our 2018 purchase, yet we frequently question the IRR and trim accordingly. 2023 was another year of outperformance. Expanding moats, improving growth and dramatic ROIC expansion can be a powerful combination for a largely non-deferrable demand business model, especially one without the structural question marks of other classic non-deferrable demand industries like consumer staples or big pharma. If Wolters can achieve close to a 50% ROIC in 2030, as we estimate, and maintain its IP-centric moats, then derating risk could be in the rearview mirror – not unlike any legacy risk tied to its print business that accounts for 6% of group revenue today[29].

Brown Advisory Estimates: Wolters Kluwer ROIC

As of 31 December 2023



Source: Company reports and Brown Advisory estimates.

Rentokil (6.2% weight)

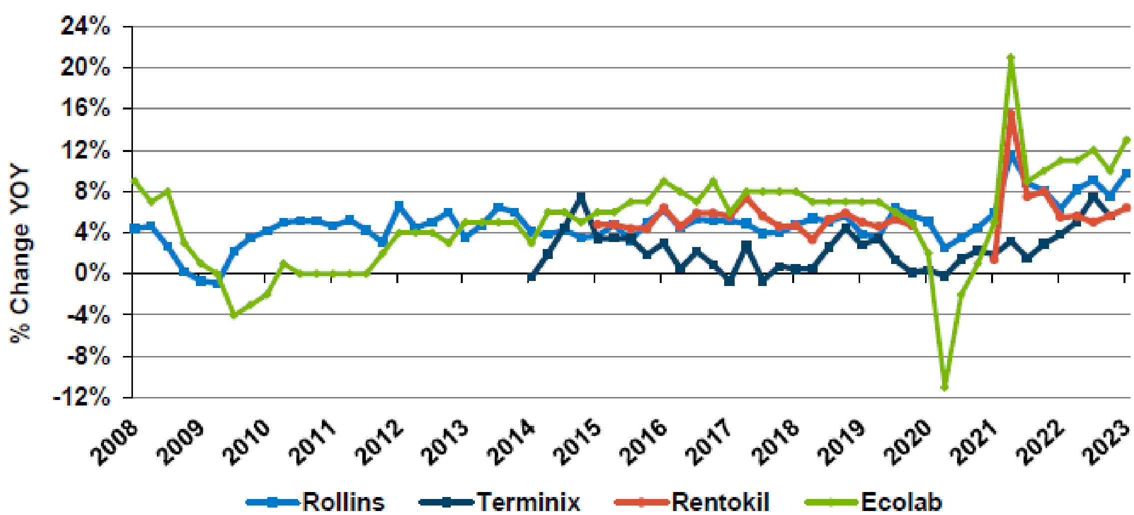
In October, Rentokil updated investors on third-quarter trading with North American Pest Control Services growth of 2.7%, contributing to a significant negative share price action. This lacklustre performance was offset by strong growth in International Pest Control and Hygiene to leave third-quarter organic sales growth at 4.3% – marginally below the company's 5% target. Rentokil management was quick to point to weakening end market demand but subsequent primary research, and conversations with the company, suggest that the integration with Terminix is impacting the trading of Rentokil's North American Pest Control business. Our estimation is that the integration impacted group growth by 0.5%–1% in the third

[29] In the first nine months of 2023. Source: company reports.

quarter and explains the majority of the growth differential relative to the market. The integration of the two branch networks continues and we still see significant cost savings from combining Terminix with Rentokil. As mentioned in our 2022 annual review, progress isn't going to be linear. We take some encouragement from the breadth of Rentokil's operating capabilities and expect the company to deploy international expertise into the North American market. This perspective has been reinforced by the appointment of a new North American head to oversee the integration. Our expectation is that Rentokil's North American Pest Control business exhibits negligible organic growth in 2024 as the Terminix integration steps up pace. It is worth remembering that pest control is something of a cockroach industry as you can see below. Growth rarely turns negative even in historically mismanaged assets like Terminix. In November, we conducted a drawdown review and added to our Rentokil position. Despite inevitable near-term turbulence, we see significant upside on a five-year view with the combined group capable of generating over £1 billion free cash flow. Putting this cash flow power on a justifiable 20x FCF/EV multiple results in +100% upside from today's equity value. We continue to temper our enthusiasm as the integration plays out, with long-term market share loss being the major kill trigger for our investment in Rentokil.

Major Pest Control Companies: Organic Revenue Growth Trends

As of 31 December 2023



Note: Figures represent organic revenue growth for Ecolab global pest elimination division, Rentokil global pest control division, and total company for Rollins and Terminix. Terminix data ends 1Q23.

Source: William Blair.

Alphabet (6.3% weight)

After Microsoft revealed plans to incorporate OpenAI technology into search engine Bing, investor perception of Alphabet became divorced from reality early in 2023. In a moment of collective amnesia, Google Search's formidable network and the economic wasteland Alphabet created by owning mobile search distributions[30] were forgotten by many. Alphabet, and its main cashflow engine Google Search, were in the same AI-loser penalty box as Intuit. We added to our positions in February following a drawdown review with the main kill trigger being Bing taking 10% market share of the search engine market. At the end of November, Google Search and Bing's market shares were flat year-on-year at 92% and 3%,[31] respectively. In a similar vein to Intuit and others, Alphabet released a slew of AI enabled products throughout the year – most notably at Google I/O in May. 2023 also saw the regulatory drumbeat increase with the Department of Justice's (DOJ) distribution-focused case going to trial. We attended much of the trial in person and remain focused on the likely outcomes. Our current expectation is that if Google isn't allowed to be the default search engine on Apple iPhone that the cash flow impact of any loss of Search revenue will be offset by lower traffic acquisition costs (TAC). The trial is expected to conclude in March 2024 and coincide with the start of a second, ad-tech focused, case being aired. We remain continually paranoid about how the loss of default status for Search on the iPhone, the emergence of choice screens and attempts to separate ad-tech from the Google advertising ecosystem could weaken Alphabet's economic moats. Against this backdrop, Alphabet's operating performance remains robust with double-digit Search and YouTube growth in the third quarter 2023. Cost base streamlining continues which contributed to 24% profit growth on 11% topline growth in the same period.[32] Alphabet maintains a fortress balance sheet with $120 billion cash and equivalents providing ballast for any regulatory fines and optionality for buybacks. Alphabet shares have risen over 60% from our post-drawdown purchase in February and we reduced our position as the regulatory issues rumble on. The Alphabet 2023 episode serves as a vivid reminder that equity market inefficiency and, therefore investor opportunity, exists in large and small companies alike.

And finally...

'We don't make these things for an outcome. It is not a mindset to make something great. The outcome happens – you are making the best thing you can make. It is a devotional practice. Whatever happens after that happens. That bit that happens after is completely out of your control.'[33]

One of the highlights of 2023 was Think Week[34] – a week where we unplugged and focused on how we can improve. One of the most impactful books I read that week was record producer Rick Rubin's *The Creative Act: A Way of Being*. Creativity is an overlooked quality in investing. Seeing the world afresh, through the beginner's mind, is as important for analysing companies and constructing portfolios as it is for producing music or painting. In the above quote, Rubin is referring to the creative process – the outcome is external perception. I can't help thinking that the same sentiment applies to us. If we genuinely do great work, then long-term returns and like-minded partners will provide a positive external perception – but crucially, one that's an outcome of our work. Unfortunately, many investors put the outcome cart before the horse. Although we are aiming for a long-term return, we have no control over performance or the popularity of different investment approaches. The investment weather can create headwinds as well as tailwinds and equity prices are significantly more volatile than our company's cash flows. All we can do is focus on the devotional practice of investing and do the best work that we can. To achieve this, a key ingredient is focusing on marginal gains: dogged improvements that look like quantum leaps over

[30] Through Android and its relationship with Apple.
[31] Source: Statcounter.
[32] Source: Company reports.
[33] Source: Rick Rubin, Huberman Lab podcast.
[34] Mick went so far as to say Think Week was his favourite week of 2023. We will be planning more Think Weeks in 2024.

time. This is compounding – compounding that is applied to our working practices and harnessed through curiosity. With this in mind, Think Week and our seventh annual offsite in September were pivotal moments in 2023. We can always get better. Many thanks for all the great conversations over the last year and for your ongoing support. We look forward to learning and compounding together in 2024 and beyond.

Best,

Bertie Thomson

Bertie Thomson, CFA
Portfolio Manager

Mick Dillon, CFA
Portfolio Manager

Disclosures

Past performance may not be a reliable guide to future performance and investors may not get back the amount invested. 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. If you are a private investor you should not act or rely on this document and should consult with your financial adviser.

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The **MSCI World Index** is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries.

An investor cannot invest directly into an index.

The internal rate of return (IRR) is a measure of an investment's rate of return. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. It is also called the discounted cash flow rate of return.

Free cash flow (FCF) yield is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF yield calculations presented use LFY and exclude financial services.

Free cash flow 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 per share is a measure of a company's financial flexibility that is determined by dividing free cash flow by the total number of shares outstanding.

Enterprise Value to Free Cash Flow (EV/FCF) compares the total valuation of the company with its ability to generate cash flow. It is the inverse of the Free Cash Flow Yield.

A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund.

ROIC is a measure of determining a company's financial performance. ROIC = NOPAT / IC. NOPAT = EBIT + Amortization of acquired intangibles -Cash tax paid. IC = Total Debt + Total Equity + Total unfunded pension liabilities -Excess Cash.

ROIIC is calculated by dividing a company's constant rate incremental operating income (plus depreciation and amortization) by the constant rate-weighted average-adjusted investment capital. The ratio is expressed as a percentage.

Weighted Average Cost of Capital (WACC) represents a company's average after-tax cost of capital from all sources, including common stock, preferred stock, bonds, and other forms of debt. As such, WACC is the average rate that a company expects to pay to finance its business.

Global Focus Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Bench-mark 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)*
2022	-16.5	-17.4	-18.1	22.5	20.4	Five or fewer	N/A	114	58,575
2021	7.7	7.0	21.8	19.3	17.1	Five or fewer	N/A	59	79,715
2020	27.0	25.8	15.9	19.6	18.3	Five or fewer	N/A	32	59,683
2019	42.7	41.4	27.7	N/A	N/A	Five or fewer	N/A	12	42.426
2018	3.4	2.3	-8.7	N/A	N/A	Five or fewer	N/A	4	30,529
YTD 2017**	3.7	3.4	7.9	N/A	N/A	Five or fewer	N/A	2	33,155

**Return is for period September 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, 2022. 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 Global Focus Composite (the Composite) includes all discretionary portfolios invested in the Global Focus Strategy. The Global Focus Strategy seeks to invest in a small number of quality franchises the manager believes have the ability to materially improve their cash flows over the long-term. In choosing securities, the strategy seeks to invest in companies with one or more of the following characteristics: an entrenched competitive position, durable economic moats, and/or is priced at a discount to intrinsic value due to investor misconceptions. The minimum account market value required for inclusion in the Composite is $500,000.
3. The Composite creation date is June 1, 2020. The Composite inception date is September 1, 2017.
4. The benchmark is the MSCI World Net Index rebalanced quarterly. The MSCI World Net Index captures large and mid cap representation across Developed Markets (DM) countries. The Index covers approximately 85% of the free float-adjusted market capitalization in each country. All MSCI indexes and products are trademarks and service marks of MSCI or its subsidiaries. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
5. As of September 1, 2022, the Composite benchmark was changed from the FTSE All-World Developed Index to the MSCI World Net Index. The change was applied retroactively from the Composite inception date. The Advisor determined that MSCI indices are more widely used for global products, and thereby provide more relevant data to shareholders and prospects as well as comparisons to competitors.
6. 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.
7. 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, applied on a monthly basis. Certain accounts in the Composite 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 all assets with a minimum account size of $50 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.

8. 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.
9. 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, 2017, December 31, 2018 and December 31, 2019 because 36 month returns for the Composite were not available (N/A).
10. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
11. A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
12. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
13. Past performance does not indicate future results.
14. 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.
15. The following exhibit reflects the management fees, performance fees, and total expense ratios of the Brown Advisory Global Focus Onshore Fund, L.P. and Brown Advisory Global Focus Offshore Fund, LTD, which are included in the Composite, as of the most recent fiscal year end (December 31, 2022):

BROWN ADVISORY GLOBAL FOCUS ONSHORE FUND, L.P.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Series A	1.00%	0.00%	0.25%	N/A	N/A
Series B	0.60%	10.00%	0.25%	N/A	N/A
Series C	0.30%	20.00%	0.25%	N/A	N/A
Series F	0.50%	0.00%	0.25%	0.74%	N/A
Series Z	0.00%	0.00%	0.25%	0.23%	0.38%
BROWN ADVISORY GLOBAL FOCUS OFFSHORE FUND, LTD.	Management Fee	Incentive Allocation	Expense Cap	Total Expense Ratio to Avg Net Assets	
				Unrestricted	Restricted
Class A	1.00%	0.00%	0.25%	1.03%	N/A
Class B	0.60%	10.00%	0.25%	N/A	N/A
Class C	0.30%	20.00%	0.25%	N/A	N/A
Class Z	0.00%	0.00%	0.25%	0.22%	0.25%
Class F	0.50%	0.00%	0.25%	0.73%	0.76%
Class FD	0.50%	0.00%	0.15%	N/A	N/A
Class FD£	0.50%	0.00%	0.15%	0.22%	N/A