

# Flexible Equity

## STRATEGY FACT SHEET

Fourth Quarter 2023

### WHY INVEST IN BROWN ADVISORY FLEXIBLE EQUITY?

**A flexible approach to finding quality businesses.** Portfolio Manager Maneesh Bajaj scours the entire U.S. Equity universe, from large-cap to small-cap and from growth to value, seeking compelling long-term investments. We believe that a strategy that casts a wide net for strong businesses with shareholder-oriented management teams that allocate capital well has the potential to outperform more constrained strategies over time.

**A keen eye for “bargain moments”.** The manager seeks to invest in firms that are built to last, but looks for low-entry prices that may arise from short-term investor sentiment or temporary challenges from a company or industry. This sort of price recovery potential is an important component of the manager’s stock selection process.

Portfolio Manager: Maneesh Bajaj, CFA  
Benchmark: S&P500® Index

### PERFORMANCE (% AS OF 12/31/2023)

	3 MOS.	1YR.	3YR.	5 YR.	10 YR.	25YR.	ITD
Inst. Flexible Equity Composite (Gross of Fees)	13.29	35.23	10.41	17.43	12.73	9.11	13.60
Inst. Flexible Equity Composite (Net of Fees)	13.12	34.44	9.78	16.75	12.07	8.46	12.93
S&P 500® Index	11.69	26.29	10.00	15.69	12.03	7.56	11.46

### TOP 10 PORTFOLIO HOLDINGS (%)

Microsoft Corp.	7.3
Alphabet Inc.* (A&C)	6.0
Visa, Inc.	4.8
Mastercard, Inc.	4.7
Berkshire Hathaway, Inc. Cl B	3.9
Apple, Inc.	3.9
Meta Platforms, Inc.	3.8
KKR & Co., Inc	3.4
Amazon.com, Inc.	3.4
UnitedHealth Group, Inc.	3.4

### SECTOR BREAKDOWN (%)

	REP. ACCT	INDEX
Communication Services	13.6	8.6
Consumer Discretionary	10.8	10.9
Consumer Staples	1.2	6.2
Energy	3.1	3.9
Financials	26.9	13.0
Health Care	13.1	12.6
Industrials	8.9	8.8
Information Technology	21.2	28.9
Materials	--	2.4
Real Estate	1.2	2.5
Utilities	--	2.3

### STRATEGY PROFILE AS OF 12/31/2023

#### BENCHMARK

S&P500® Index

#### STRATEGY

\$6.7 billion

#### VEHICLES AVAILABLE

Separately Managed Account (SMA)  
Model Only  
Mutual Fund  
Collective Investment Trust (CIT)  
UCITS

### CHARACTERISTICS AS OF 12/31/2023

	FLEXIBLE EQUITY REP. ACCT.	S&P 500 INDEX
Wtd. Avg. Market Cap.	\$692.9B	\$721.7 B
Weighted Median Market Cap.	\$220.0B	\$205.1 B
P/E Ratio (FY2 Est.)	19.8x	19.3x
Price/Book Value	4.3x	4.2x
Earnings Growth (3-5 Yr. Est.)	14.6%	13.1%
Return on Equity (ROE)	21.3%	23.6%
Active Share	67.8%	--
Portfolio Turnover (3-Yr. Average)	11.5%	--

### PORTFOLIO MANAGER PROFILE

#### MANEESH BAJAJ, CFA

Maneesh Bajaj is the portfolio manager for the Flexible Equity strategy. Prior to joining the firm, he was a strategy consultant at McKinsey & Co., New York. He also worked in Corporate Value Consulting at Standard & Poor’s and in design and development of telecommunication networks at Primus Telecommunications.

Source: FactSet®. \*Alphabet Inc. represents a 2.6% holding position in class A and 3.5% in class C shares of the stock. The portfolio information provided is based on a representative Brown Advisory Flexible Equity account as of 12/31/2023. Sector breakdown and portfolio characteristics exclude cash and equivalents; top 10 portfolio holdings include cash and equivalents which was 3.7% as of 12/31/2023 and is provided as Supplemental Information. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. 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. Composite performance is based on the Brown Advisory Institutional Flexible Equity Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC and Brown Advisory Institutional is a GIPS compliant firm. Returns greater than one year are annualized. Past performance is not indicative of future results. Please see the Brown Advisory Institutional Flexible Equity Composite GIPS Report on the reverse side for additional information and a complete list of terms and definitions. Numbers may not total due to rounding.

# About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients. We are committed to delivering a combination of first-class performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

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## Brown Advisory Institutional Flexible Equity

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)*	GIPS Firm Assets (\$USD Millions)*
2022	-20.8	-21.3	-18.1	22.1	20.9	40	0.2	2,476	58,575
2021	25.7	25.0	28.7	18.8	17.2	41	0.3	3,198	79,715
2020	20.8	20.1	18.4	20.1	18.5	41	0.3	2,550	59,683
2019	37.3	36.5	31.5	12.8	11.9	42	0.4	2,196	42,426
2018	-3.3	-3.9	-4.4	12.3	10.8	41	0.3	2,263	30,529
2017	25.1	24.3	21.8	11.4	9.9	50	0.3	2,912	33,155
2016	9.9	9.4	12.0	12.1	10.6	52	0.2	2,883	30,417
2015	-2.0	-2.6	1.4	11.1	10.5	56	0.2	2,686	43,746
2014	14.0	13.3	13.7	9.2	9.0	49	0.2	3,195	44,772
2013	37.5	36.7	32.4	11.9	11.9	44	0.4	2,247	40,739

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.

- \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Institutional Flexible Equity Composite (the Composite) includes all actual, discretionary, institutional accounts with a flexible value equity objective of 100%. The strategy seeks bargains in "value" as well as "growth" stocks and invests primarily in the common stock of domestic companies with market capitalizations greater than \$2 billion at the time of purchase. As of January 1, 2013, the minimum account market value required for Composite inclusion is \$1.5 million.
- Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in the strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The Flexible Equity Strategy ("Strategy") seeks to identify companies that it believes may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, the Strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The Strategy may also invest in companies that would otherwise be excluded from other strategies that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. The Strategy incorporates data from third parties in its research process but does not make investment decisions based on third-party data alone.
- The Composite was created in 1985. The Composite inception date is January 1, 1985.
- The benchmark is the S&P 500® Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks that is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Standard & Poor's, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc.
- The composite dispersion presented is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fees performance returns are calculated by adjusting the gross-of-fees performance return by the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV, applied on a monthly basis. Certain accounts in the Composite may pay asset-based custody fees that include commissions. For these accounts, gross returns are also net of custody fees. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: For accounts below \$150 million, 0.60% on the first \$25 million; 0.50% on the next \$25 million; and 0.45% on the next \$25 million, and 0.35% on the next \$50 million. For accounts over \$150 million, 0.45% on the first \$150 million; 0.275% on the next \$100 million; 0.25% on the next \$250 million; and 0.20% on the balance over \$500 million. Further information regarding investment advisory fees is described in Part 2A of the firm's Form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- Effective July 1, 2023, the firm transitioned from using actual account fees in the calculation of net performance returns to applying the highest fee for the institutional strategy as outlined in Part 2A of the firm's Form ADV. The net performance track record was revised back to Composite inception.
- The investment management fee for the Investor Shares of the Brown Advisory Flexible Equity Fund (the Fund), which is included in the composite, is 0.43%, 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, 2022) was 0.68%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Dollar Class B Acc Shares of the Brown Advisory US Flexible Equity Fund (the UCITS), which is included in the composite, is 0.75%. The total expense ratio for the Dollar Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2022) was 0.89%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This is not an offer to sell securities. That may only be accomplished by the issuance of a private offering memorandum/subsidiary documents.
- 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.

### Terms and Definitions for Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. FactSet® is a registered trademark of FactSet Research Systems, Inc. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)", "GICS" and "GICS Direct" are service marks of Standard & Poor's and MSCI. "GICS" is a trademark of MSCI and Standard & Poor's. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average**: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Price-Earnings Ratio (P/E Ratio)** is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **Price to Book Value** is a valuation ratio expressing the price of a security compared to its hard, or tangible, book value as reported in the company's balance sheet. The tangible book value number is equal to the company's total book value less the value of any intangible assets. Intangible assets can be such items as patents, intellectual property, goodwill etc. **Earnings Growth 35 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to Factset by various outside brokers, calculated according to each broker's methodology. **ROE, or Return on Equity**, is equal to a company's net income for a full fiscal year, divided by total shareholder equity. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holdings, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **Portfolio Turnover (3 yr. avg.)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. **Active Share** is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.