Brown Advisory Sustainable Growth Fund

General Fund Information

Ticker: BAFWX

Assets under management (AUM): $2079.02M (in US$ millions)

General Fund Type: Equity Large Cap

Specific Sizes or Types of Investments: Equity Large-Cap

Financial Objective: The Brown Advisory Sustainable Growth Fund seeks long-term capital appreciation by investing in a concentrated portfolio of companies that, in the manager’s view, possess sustainable competitive advantages to drive its prospect for future earnings growth.

Specific ESG Focus: The Brown Advisory Sustainable Growth Fund’s investment approach focuses on finding companies whose environmental strategies have been generating tangible business results in the form of revenue-growth, cost improvement or enhanced franchise value.

To invest, call: 410-895-4825

Fund Institution Information

Institution Name: Brown Advisory

Contact info:
901 South Bond Street, Suite 400
Baltimore, MD 21231
United States
Phone: 4105375400
Web: http://www.brownadvisory.com

Account Minimums


Minimum IRA: Investor Share Class: $2,000/ Advisor Share Class: $1,000 (qualified Retirement Plans - N/A)

Methodology

Screening Venue: In-house

Screening Party: The dedicated in-house ESG research analyst utilizes a proprietary research process to identify the
Screening Database Used: MSCI ESG Manager®, Ethix SRI Advisors Norm-Based Screening®, CDP, the Toxic Release Inventory, Global Reporting Initiative and other publicly available company information to conduct an Environmental Risk Assessment.

Screening Process: We provide an investment strategy that adheres to the belief that Environmental Business Advantages (EBA) can drive financial performance. The Fund focuses on companies that exhibit EBA, defined by the managers as positive environmental attributes that have the potential to drive financial performance and stock valuation. This EBA-driven approach is a focused form of sustainable investing that looks for specific environmental investment situations: tangible examples of environmentally driven revenue growth, cost improvement, or enhanced franchise value. The process includes a business-focused assessment of the company's environmentally-driven opportunities, such as particular product lines which satisfy demand for an environmental solution, or a business model whose environmental attributes convey an overall cost advantage or other advantage to the company. The managers stress-test their environmental thesis about each potential portfolio holding through interviews with customers, competitors and, in particular, thorough in-depth discussions with the company's senior executives and sustainability personnel. A Fundamental Risk Assessment is also published for every company in the Fund with the goal of uncovering any undesired risks associated with the company that might not be revealed by a traditional investment research review. The managers look at a variety of factors, including environmental impacts/benefits of the company’s operations, distribution systems and facilities; the quality of the company’s environmental policy and management system; the company’s compliance with environmental regulations, and the potential for future violations inherent in the company’s business model; the quality of the company’s resource management practices (level of consumption of raw materials, efficient use and reuse of materials, effective management of waste streams); and, the company’s reputational risks as they relate to potential shifts in consumers’ environmental preferences.

Proxy Voting Information

Proxy Voting Guidelines or Policies: The fund emphasizes a more stringent research approach to ESG proxy matters and shareholder proposals, voting on a case-by-case basis. The portfolio managers actively engage company management as shareholder advocates in instances where the company is not.

Proxy Voting Records: All voting records are stored through Brown Advisory’s proxy voting database. Clients typically receive proxy voting records upon request.

Specific Screening Information by Category

Environment

- **Climate / Clean Technology: Positive Investment** - The Fund believes that companies are operating in a resource-constrained environment. Within this rapidly changing landscape, leading companies that seek to drive greater efficiency have the potential to outperform those companies that do not. The Fund integrates sustainability research into the fundamental bottom-up equity research process. The extent to which sustainability factors, including a company’s operating efficiency, impact of a company’s long-term growth outlook is, for example, a significant component of our investment analysis.

- **Pollution / Toxics: Positive Investment** - We seek to identify companies that are making a concerted effort to reduce waste generation, and the use of hazardous or toxic substances. The Fund integrates sustainability research into the fundamental equity research process. This includes an analysis of how a company manages waste production and its future plans for waste reduction. The extent to which sustainability factors impact a company’s long-term growth outlook is a significant component of the Fund’s investment analysis.

- **Other Environmental: Positive Investment** - While Brown Advisory employs bottom-up fundamental analysis, the Fund also believes that rising population growth, resource scarcity, water scarcity and higher energy costs are creating significant environmental risks and opportunities. The Fund aims to identify companies that have long-term focused management teams who are aware of the factors stated above; these companies are better aligned with the Fund’s investment philosophy and more likely to achieve attractive long-term growth.

Social

- **Community Development: Positive Investment** - The Fund takes into consideration the positive impact that a company’s products or operations have on a community. The portfolio managers believe that companies that positively impact community development will increase shareholder value.
Diversity & Equal Employment Opportunity: Positive Investment - The Fund seeks to identify a company’s exposure to risks associated with diversity and labor relations during the due-diligence phase of the fundamental equity research process. If Brown Advisory believes that diversity and equal employment opportunity issues will negatively impact shareholder value, we will seek further clarification from management. The portfolio managers also take into consideration a company's ability to attract and retain talent.

Human Rights: Positive Investment - The fund seeks to identify a company's exposure to risks associated with human rights during the due-diligence phase of the fundamental equity research process. If the portfolio managers believe that human rights issues will negatively impact shareholder value, we will seek further clarification from management. Moreover, the fund takes into consideration the positive impact that a company's products or operations have on human rights issues. The portfolio managers believe that companies that work to improve existing human rights issues will increase shareholder value.

Labor Relations: Positive Investment - The fund seeks to identify a company's exposure to risks associated with labor relations during the due-diligence phase of the fundamental equity research process. If the portfolio managers believe that labor relations will negatively impact shareholder value, we will seek further clarification from management. Moreover, the Fund takes into consideration the positive impact that a company’s operations have on labor relations. The portfolio managers believe that companies that work to improve existing labor issues will increase shareholder value.

Governance

Board Issues: Positive Investment - The Fund seeks to identify risks associated with board issues and executive pay. If we believe governance issues will negatively impact shareholder value, we will seek further clarification from management. Moreover, the portfolio managers believe that companies with strong governance practices will increase shareholder value.

Executive Pay: Positive Investment - The Fund seeks to identify risks associated with board issues and executive pay. If we believe governance issues will negatively impact shareholder value, we will seek further clarification from management. Moreover, the portfolio managers believe that companies with strong governance practices will increase shareholder value.

Products

Alcohol: No Screens - The Fund addresses the risks associated with the sale and manufacturing of alcohol during the due diligence discovery phase of the fundamental equity research process. If we believe that business involvement with alcohol will negatively impact shareholder value, we will seek further clarification from management.

Animal Welfare: No Screens - The Fund addresses the risks associated with animal welfare during the due diligence discovery phase of the fundamental equity research process. If we believe that animal welfare issues will negatively impact shareholder value, we will seek further clarification from management.

Defense/Weapons: No Screens - The Fund addresses the risks associated with defense and weapons business involvement during the due diligence discovery phase of the fundamental equity research process. If we believe that business involvement with defense and weapons will negatively impact shareholder value, we will seek further clarification from management.

Gambling: No Screens - The Fund addresses the risks associated with gaming and gambling during the due diligence discovery phase of the fundamental equity research process. If we believe that business involvement with gambling will negatively impact shareholder value, we will seek further clarification from management.

Tobacco: No Screens - The Fund addresses the risks associated with the sale and manufacturing of tobacco during the due diligence discovery phase of the fundamental equity research process. If we believe that business involvement with tobacco will negatively impact shareholder value, we will seek further clarification from management.

Other

Shareholder Engagement - Private Dialogue: Conducted with companies on environmental, social or governance issues

Description of Shareholder Engagement: The portfolio managers actively engage company management as shareholder advocates in instances where the company is not meeting certain standards and we believe has the potential to improve or make specific changes.

Performance Data

Data provided by: Bloomberg - Information current as of January 31, 2020
Year-to-date rate of return: 1.88%
1-year rate of return: 26.46%
3-year rate of return: 21.13%
5-year rate of return: 17.19%
10-year rate of return: --
Previous year rate of return: 35.05%
Management fee: 0.6%
Expense ratio: 0.73%
Standard deviation: 11.42%
Benchmark used: Russell 1000® Growth Index | External link

Disclaimer: Before investing you should carefully consider the Fund’s investment objectives, risks, charges, and expenses. This and other information is in the summary or statutory prospectus, a copy of which may be obtained by calling 1-800-540-6807 or visiting the Fund’s website, www.brownadvisoryfunds.com. Please read the prospectus carefully before you invest. The Fund’s investment focus on environmental factors could cause it to make or avoid investments that could result in the Fund underperforming similar funds that do not have an environmental focus. The Fund may invest in small and medium capitalization companies that may not have the size, resources and other assets of large capitalization companies. The Fund invests in foreign securities, including ADRs, which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging markets. Performance figures and charts include the reinvestment of dividend and capital gain distributions.

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