



# Brown Advisory

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SAXO BANK | Q2 2019



## The Ethical Selection Strategy: a bespoke partnership for Saxo Bank's clients

- Saxo Bank has partnered with Brown Advisory to create the **bespoke Ethical Selection Strategy**.
  - Saxo Bank has identified Brown Advisory's combined expertise in **rigorous, fundamental research and ESG analysis** of portfolio companies.
  - This led to the creation of of a **customised 30-40 stock portfolio** for clients of Saxo Bank, which is well-positioned to generate **attractive outperformance** over time.
  - ESG analysis is inherently embedded into Brown Advisory's bottom-up research process to understand the **complete ESG risk profile** of a company.
  - **Specific screens** are also used to ensure companies that have any controversial business involvement are excluded from the Ethical Selection Strategy.
- **Brown Advisory's research philosophy:**
    - Deep, fundamental, proprietary research
    - Concentrated portfolios
    - Quality focus
    - Valuation sensitive
    - Long-term, patient investors
    - Integrated ESG analysis
    - Collaborative process

# Brown Advisory, By the Numbers

**1993**  
Founding

**10**  
Locations

- Austin
- Baltimore
- Boston
- Carolinas
- Delaware
- London
- New York
- Singapore
- Virginia
- Washington, D.C.

**\$72b**  
Client Assets

**667**  
Colleagues

**1998**  
Secure Independence

Clients in  
**50** **34**  
States Countries

**70%**  
Colleague  
equity ownership

**2008**  
Launched International  
Business

**2019**  
Singapore Office Opens

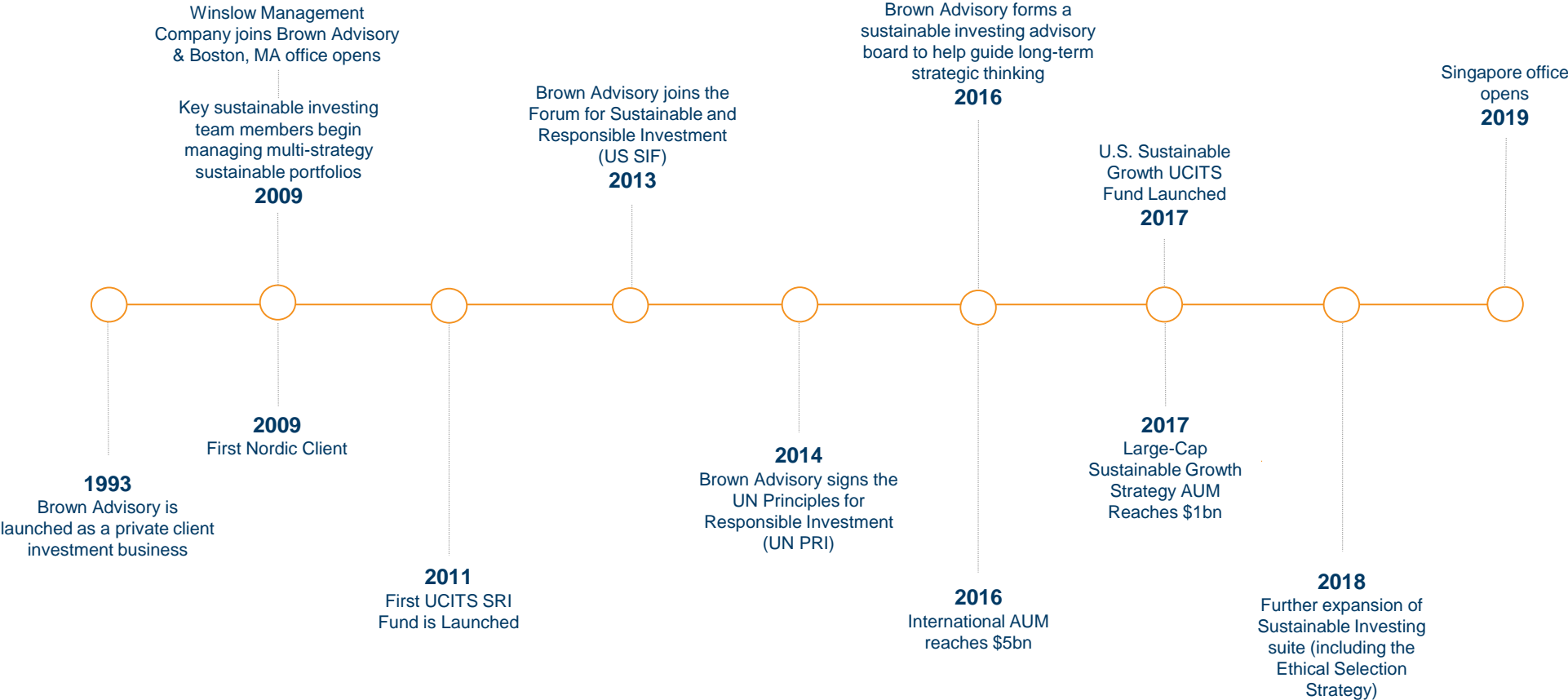
**15**  
Average years of  
investment experience in  
equity research team

**26** **13**  
Equity Investment  
Research Analysts    Equity Portfolio  
Managers

**2009**  
Winslow Management  
Company Joins Brown  
Advisory

**21**  
Equity Investment  
Strategies  
18 Mutual Funds and  
10 UCITS Funds

# Sustainable Business Timeline



220

**Multi-Step ESG Analysis Reduces the Universe**

**Negative Screens Further Refine ESG Profile**

**Multi-Factor Analysis**

**High Conviction Portfolio**

34

**Ongoing Portfolio Management**

## Typical Guidelines

<b>No. of positions</b>	30-40, maximum 40
<b>Geography</b>	Only securities domiciled in the U.S.
<b>Position Size</b>	0.25% - 6.5%
<b>Cash</b>	1% - 5%
<b>Annual Turnover</b>	10% - 35%
<b>Active Share</b>	No set target, but generally >75%
<b>Benchmark</b>	Russell 3000 Index

At every step of the process, our approach is governed by fundamental research and ESG screens.

ESG analysis is inherently embedded into our bottom-up, fundamental research process.

Our proprietary *ESG Risk Assessments* are completed on every company held in a portfolio or considered for ownership. This assessment identifies a company's material ESG risk factors, and the management of those risks, to understand the complete ESG risk profile of a company. We evaluate ESG controversies and proactively communicate any material ESG-related concerns to our team.

Our universe of fundamentally researched companies is ultimately tested against specific screens to ensure companies that have any controversial business involvement are excluded from this strategy.

- The Ethical Selection Strategy excludes companies that:
  - defy the United Nations Global Compact Principles (UNGC)
  - derive any of their revenues from controversial weapons
  - own fossil fuel reserves; are utilities that generate power from fossil fuels
  
- The Ethical Selection Strategy imposes limits on the following business activities to ensure that a company will not be included if it has:
  - more than 5% of its revenue derived from military equipment
  - more than 5% of its revenue derived from alcohol products
  - more than 5% of its revenue derived from tobacco products
  - more than 3% of its revenue generated from adult entertainment
  - more than 5% of its revenue generated from gambling

## Portfolio Company: Thermo Fisher Scientific (TMO)

A leader in producing emissions monitoring, radiation detection, and water quality testing equipment



### Fundamental Strengths

- **Strong business model** – 70% of revenue is recurring
- **High value-add to the customer** – drive productivity into the analytical/lab market
- **Steady pricing power**
- **Strong execution on costs**

### Sustainability Drivers: Revenue Growth

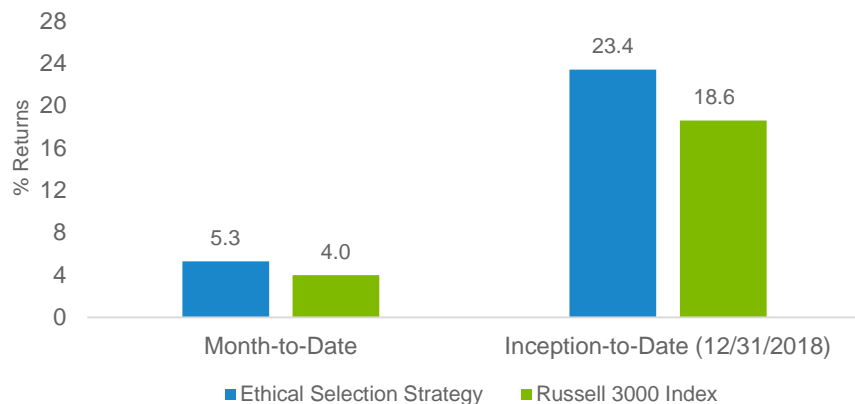
- 20-30% of revenue generated from environmental, industrial quality, and process control
- Global leader in air quality measurement for power plants and factories

Source of revenue based on public filings. 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 disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# Portfolio Attributes

## Annualized Performance as of April 30, 2019

Ethical Selection Strategy (% net of fees)



## Portfolio Statistics as of April 30, 2019

Ethical Selection Strategy

	ETHICAL SELECTION STRATEGY	RUSSELL 3000 INDEX
Wtd. Avg. Market Capitalization (\$bn)	155.6	208.0
P/E Ratio (FY2 Est.)	18.20	16.08
PEG Ratio	1.81	2.55
Portfolio Beta	1.05	1.00
Active Share	90.18	--

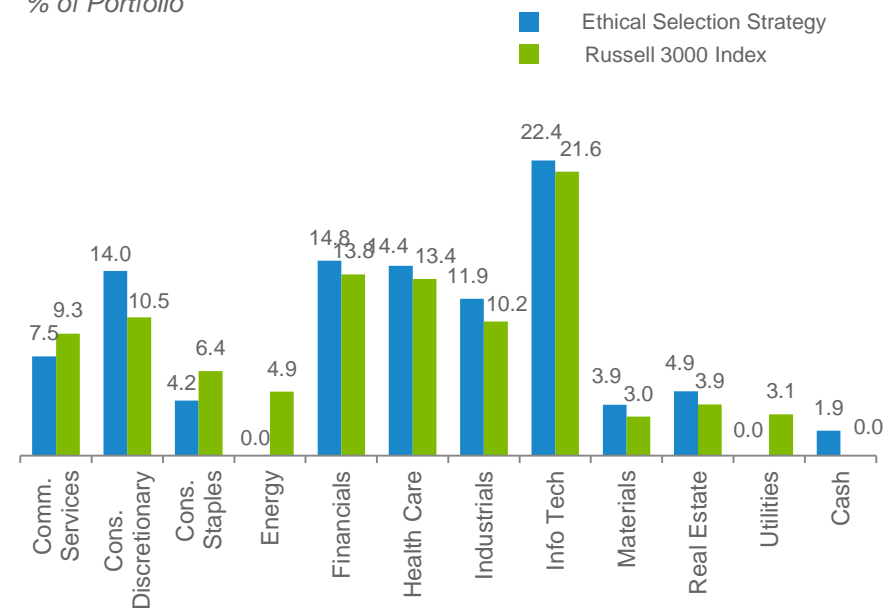
## Top 10 Holdings as of April 30, 2019

% of Portfolio

Security	%
1 Alphabet Inc. Class A	5.6
2 Cisco Systems, Inc.	5.6
3 Zoetis, Inc. Class A	5.4
4 Jack Henry & Associates, Inc.	5.1
5 American Tower Corporation	4.9
6 KKR & Co. Inc. Class A	4.7
7 Visa Inc. Class A	4.3
8 Amazon.com, Inc.	4.1
9 Canadian National Railway Company	4.0
10 United Rentals, Inc.	4.0

## Sector Weights as of April 30, 2019

% of Portfolio



Source: Factset. Portfolio information is based on the Ethical Selection Strategy. Sector breakdown, characteristics and top 10 holdings include cash and cash equivalents which was 1.89% as of 04/30/2019. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Returns shown are through 03/31/2018 for each period. All returns greater than one year are annualized. Past performance is not indicative of future results and you may not get back the amount invested. Please see disclosures for more information and for a complete list of terms and definitions.



# Disclosures and Terms and Definitions for Representative Account Calculations

Past performance is not a guarantee of future performance and you may not get back the amount invested.

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. 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.

As of March 31, 2019, Brown Advisory had approximately \$71.6 billion in client assets for the following entities: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities LLC, Brown Advisory Ltd., Brown Advisory Trust Company of Delaware, LLC, Brown Advisory Investment Solutions Group LLC and Meritage Capital, LLC, NextGen Venture Partners, LLC and Signature Financial Management, Inc. Total strategy assets include accounts that are excluded from the composite. These assets include (1) single strategy assets of balanced accounts, (2) accounts that do not meet the composite minimum market value requirement and (3) accounts with restrictive guidelines.

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.

An investor cannot invest directly into an index.

**The Russell 3000®** Index is a market capitalization weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities.

**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.

**P/E / Growth Ratio, or PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate.

**Active Share** is a measure of the stock holdings in a portfolio that differ from the stated benchmark index.

All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average.

**Portfolio Turnover** 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. Portfolio turnover is provided for a three-year trailing period.