How We Partner with Trade Associations
If you are responsible for the investment affairs of a trade association—as a staff member or as a member of an investment committee—your task has grown more difficult in recent years. You face more complex capital markets, tougher oversight by regulators, expectations of members and lower expected market returns. And if you are grappling with a constrained budget, you may be struggling to build up the internal resources that you need to effectively address this challenging investment environment.

For more than 25 years, Brown Advisory has partnered with trade associations, endowments and foundations to help achieve ambitious investment and organizational objectives.
**Investment Advice**
Drawing on decades of experience, we partner with associations to help navigate the complex capital markets environment in pursuit of desired investment returns.

**Fiduciary Responsibility**
We seek to relieve investment committees of some of the heavy fiduciary burden placed on them.

**Policy Advice**
We help clients develop investment and spending policies that seek to address the concerns of their stakeholders.

**Strategic Advice**
We offer counsel on a wide range of topics beyond traditional investment advice, including strategic planning, values-based investing, governance and member engagement.

**Client Service**
We are able to provide customized reporting, in-person meetings based on client needs, online access to investment data and expedient response times to client inquiries. From our offices around the U.S. and the U.K., we strive to maintain close contact with our clients.

**Fiduciary Responsibility**
We seek to relieve investment committees of some of the heavy fiduciary burden placed on them. We serve clients in a variety of ways, from fully discretionary relationships to situations where we act in a more consultative role.
We work with numerous clients who seek to align their investment portfolios with their unique objectives and help create and implement policies to achieve those goals.

Leveraging decades of experience managing investments for public, private and nonprofit clients, Brown Advisory helps associations with a wide variety of challenges.

Since our founding, we have served as an investment manager to trade associations, endowments and foundations. We are responsible for approximately $7.2 billion in assets for these clients.*

When citing reasons for outsourcing, associations often mention a lack of internal resources, a desire for greater risk management and the ability for decisions to be made more quickly in their investment portfolio.

Many associations are currently challenged in their pursuit of sufficient portfolio returns to satisfy disbursement and overall budgetary objectives. Due to a prolonged period of slower global economic growth, low interest rates, an aging population in the developed world and many other factors, achieving desired return targets has become more difficult. As shown in the chart at right, in 1997, a trade association could have earned an annualized return of 7.0% from a low-risk, fully fixed income allocated portfolio. In 2020, it needed to take on nearly three times more potential volatility in order to achieve that same return—requiring an investment portfolio spread across many different asset classes with far more complex and illiquid investments. This reality has complicated the jobs of both boards and investment committees who oversee the association’s assets; our responsibility is to be a trusted partner in helping make these decisions.

The Case for Outsourcing: Making More from Less

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment-Grade Bonds</th>
<th>High-Yield Credit</th>
<th>Developed-Market Equities</th>
<th>Emerging-Market Equities</th>
<th>Hedge Funds</th>
<th>Private Equity</th>
<th>Real Estate</th>
<th>Private Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>100%</td>
<td></td>
<td></td>
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<tr>
<td>2005</td>
<td>55%</td>
<td>5%</td>
<td>15%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>10%</td>
<td>3%</td>
<td>32%</td>
<td>10%</td>
<td>9%</td>
<td>16%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: BLOOMBERG, BROWN ADVISORY ANALYSIS

Portfolios Poised to Earn Long-Term Returns of 7.0%—Various Time Frames

Allocation by asset class (%)

Source: BLOOMBERG. This analysis is not intended to be a guarantee of future results. It is not representative of an actual portfolio. Asset allocations could change depending on risk tolerance, investment objective and assets available for investment. The relationship team will customize portfolios to meet the guidelines, requirements and risk tolerance of our clients. The information provided in this is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular investment strategy, including whether or not to buy, sell or hold investments in any asset class mentioned. It should not be assumed that investments in such asset classes have been or will be profitable. Estimated performance of the Brown Advisory proposed portfolio is based on the internal research of our Investment Solutions Group and Private Equity team. The estimated volatility is based on the historical volatility of the indexes presented on the disclosures page in the back of this book. Estimated returns as of December 31, 2020. The estimated returns are representative of a hypothetical portfolio and asset allocation. Rebalancing is set at semi-annual. This performance output does not include any cash flows in or out of the portfolio and past performance is not indicative of future results. Performance source: BLOOMBERG. Brown Advisory Analysis. Please see the end of this presentation for important information.
Our Approach to Portfolio Construction

Listening first to understand an association’s goals has proven to be the most successful approach to constructing and managing our clients’ portfolios. We build and customize each of our client’s portfolios to their unique needs and specific long-term goals.

As fundamental, value-conscious investors, our approach is methodical. We use quantitatively and qualitatively derived scenario analyses to consider a wide range of positive and negative scenarios.

We use a combination of internally and externally managed strategies, and leverage Brown Advisory’s equity, fixed income, private equity and alternatives research teams to source high-conviction ideas across the investable universe.

1. As your investment partner, we believe it is our duty to develop a comprehensive understanding of your organization’s circumstances and goals.

2. With a clear understanding of your organization’s objectives, we can help you develop or refine your investment policy statement to reflect these goals.

3. We review your organization’s investment policy statement annually to ensure that it aligns with your evolving goals.
Our Approach to Strategic Advice

Our client teams provide holistic advice to associations in order to help advance their missions. Our strategic advisors are legal and accounting professionals who come from diverse professional backgrounds and experiences: from established law firms, to advising government officials, to extensive work with families and foundations.

Our Strategic Advisory group spearheads ongoing conversations with clients about a wide variety of matters. They address questions concerning appropriate spending rates and strategies for pursuing appropriate investing. We believe it is most effective to consider these issues in concert with ongoing investment management decisions to ensure a cohesive pursuit of long-term goals.

Strategic advisors are not a replacement for a portfolio manager; rather, they add a complementary perspective to the management of a trade association’s investments. While a portfolio manager may focus on strategic asset allocation, constructing a portfolio and cash management needs, a strategic advisor works to provide associations with an additional layer of expertise and insight.

Our strategic advisors do not work in isolation. We understand that associations may have multiple advisors outside of Brown Advisory. We are well-equipped to work closely with and leverage these external advisors, accountants, committee members and attorneys who may already be involved in helping navigate financial and strategic decision-making.
Sustainable Investing for Associations

Many associations struggle to reconcile two equally important goals when deploying capital: maximizing the risk-adjusted total return of their investment portfolio and maximizing progress toward their mission. Brown Advisory believes that a thoughtful, sustainable investment approach can bridge the gap between these goals, creating a unified portfolio strategy.

Since our founding, Brown Advisory has worked with clients, both religious and secular, seeking value-centric, mission-based and sustainable investing programs. This mindset is woven into the fabric of our firm—from our internal ESG (environmental, social and governance) investment offerings in equities and fixed income to the suite of open architecture sustainable managers we use to construct client portfolios. Our commitment to investing sustainably goes beyond passive approaches, like negative screening, and instead considers ESG as a critical input to our evaluation of investments, construction of portfolios and reporting of client investment “performance.”

Brown Advisory’s approach to sustainable investing allows associations to support their mission without sacrificing performance.
A Spectrum of Options for Driving Impact

Traditionally, nonprofits invested their capital for financial gain, then spent a certain amount each year to advance their mission. Today, nonprofits are considering a broad spectrum of investment options that help them pursue their financial and mission-related goals at the same time.

**Mission-Related Investing (MRI)**
- Investments that primarily pursue financial return; mission alignment is a component of these strategies.
- **MRIs are now more broadly accepted by fiduciaries thanks to clear IRS guidance.**

**Program-Related Investing (PRI)**
- Investments that pursue programmatic objectives; financial returns are a secondary goal.
- **PRIs may satisfy annual spending requirements for private foundations.**

**Philanthropic Giving**
- Traditional approach to driving progress through grantmaking or funding in-house activities.

**Classic Investing**
- Traditional approach to investing portfolios solely based on maximizing return for a given level of risk.
Brown Advisory is a global independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. We oversee approximately $108 billion in client assets in all 50 states and in 39 countries.*

Firm Overview

Private and Independent Since 1998
Every one of our colleagues owns equity in the firm. This equity structure helps us to provide the best solutions for clients, attract and retain top talent, and align the interest of our colleagues with our clients—we succeed only when we succeed for our clients.

Devoted to Thoughtful Stewardship
We are completely focused on objective, customized investment advice for each of our clients. We are committed to investment excellence, and we support our clients with a research and advisory team of more than 100 professionals who oversee internal strategies, support asset allocation and select external managers.

Strategic Advice Beyond Investments
We seek to help our clients solve their most pressing organizational challenges. To do this, we bring to bear expertise covering a wide range of nonprofit strategy and operations issues, from budgeting to managing stakeholder dynamics to assisting with owned real estate.

Brown Advisory was founded within Alex. Brown, a distinguished investment banking firm founded in 1800 in Baltimore, Maryland. Brown Advisory’s mission was and remains the same: to make a material and positive difference in the lives of our clients.

Our firm is rooted in a history of devotion to our clients.

This legacy is what guides our every action with clients today.
be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can:

- Contains Investment Managers who maintain positions both long
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