

# BROWN ADVISORY US SUSTAINABLE GROWTH FUND - GBP

INVESTMENT RESEARCH NOTE  
MARCH 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

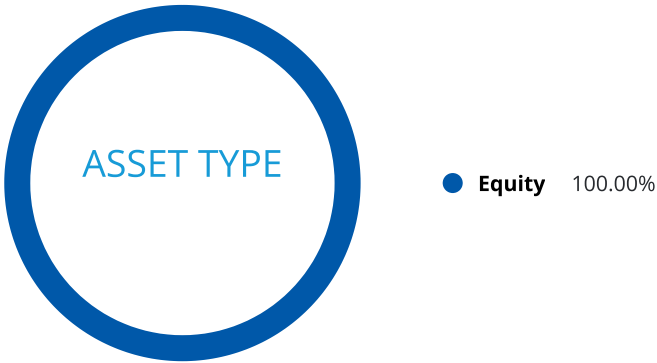
# DESCRIPTION

## SUMMARY

Brown Advisory is a US based firm established in 1993, with a management buy-out in 1998 to create a private independent firm. It manages \$85.5bn (as at 06/20) worldwide. All 700+ staff members are equity owners in the business owning 70% collectively, with a 5% maximum individual limit. The firm's investment approach is bottom-up in the main, team-based and research-intensive.

This fund is led by two FMs, Karina Funk and David Powell, both with c. 20 years investment experience and between 10-20 years at Brown Advisory. They are supported by the wider research team, 50 in total of which 20 are FMs and 30 analysts. They are also supported by 3 dedicated sustainable analysts. The analysts are aligned on a fundamental focus by industry, looking for companies with a high value add to the end customer, hence a unique product offering.

The strategy is equity long-only and US focused with the Ucits being around 3 years old (April 2017 inception). It has a large-cap bias and a concentrated structure, holding between 30-40 names, with the top ten forming between 35-50% of total the fund weight. Turnover is low, c. 17% pa, while liquidity is high given the large cap tilt.



## INVESTMENT PROCESS

The fund universe totals 1000 stocks which is filtered down to 80 new ideas which are researched in detail before being drilled down to a final list of upto 10 new ideas pa, all through a qualitative research process. Minimum market cap is \$2bn with a stock requiring to match one of the following three sustainable characteristics (termed as 'sustainable business advantages'):

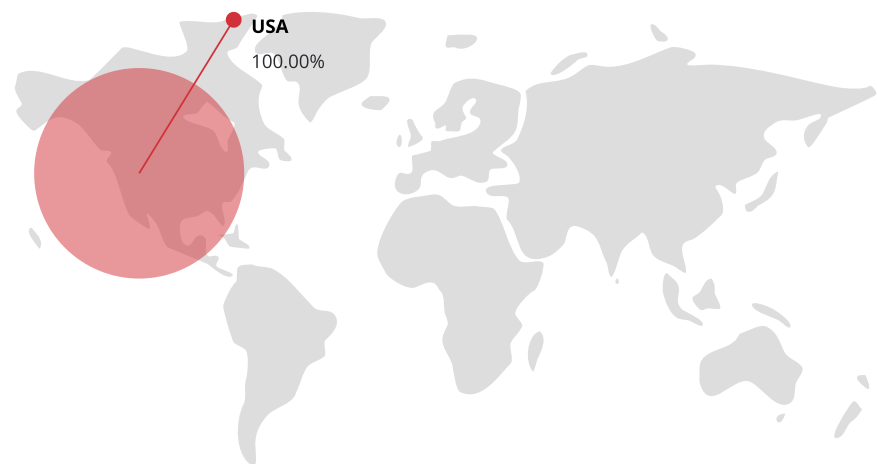
- 1) Looking for efficient product usage – i.e. energy efficiency of cloud computing, software. The fund holds a lot of data services, semi conductors, etc.;
- 2) An ability to reduce carbon footprint – i.e. Home Depot – saved a lot of energy by reducing their truck usage. Or rising % of revenues coming from eco-store usage;
- 3) Risk control – are companies doing anything wrong from an ESG perspective? For the initial screen, a new stock idea needs to have at least one of the above characteristics. For the final stage, a new stock needs all 3 characteristics to be included in the portfolio. The sustainable part of the process is integrated from the start. A sustainability risk assessment is run to identify potential investment risks on new ideas.

After the screening stage, the team look to understand a new stock's "offensive" sustainable strategy – i.e. how does a company use its ESG policy to improve and grow faster, make their offering more efficient, or are reducing costs by conserving energy, water, raw materials, etc. Earnings growth is a key metric to measure a stock's future growth, and is assessed by looking at core drivers such as a company's competitive advantage, its market opportunity, and sustainable competitive advantage. Rigorous interviews with management, competitors and customers are carried out to achieve a complete understanding of a company's operations. A detailed financial model is prepared for a new stock idea to assess its up and downside scenarios with a final decision based on a company's up/downside range vs its current share price. This allows the team to remove any emotional bias to a stock.

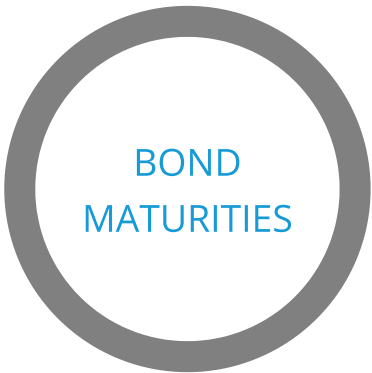
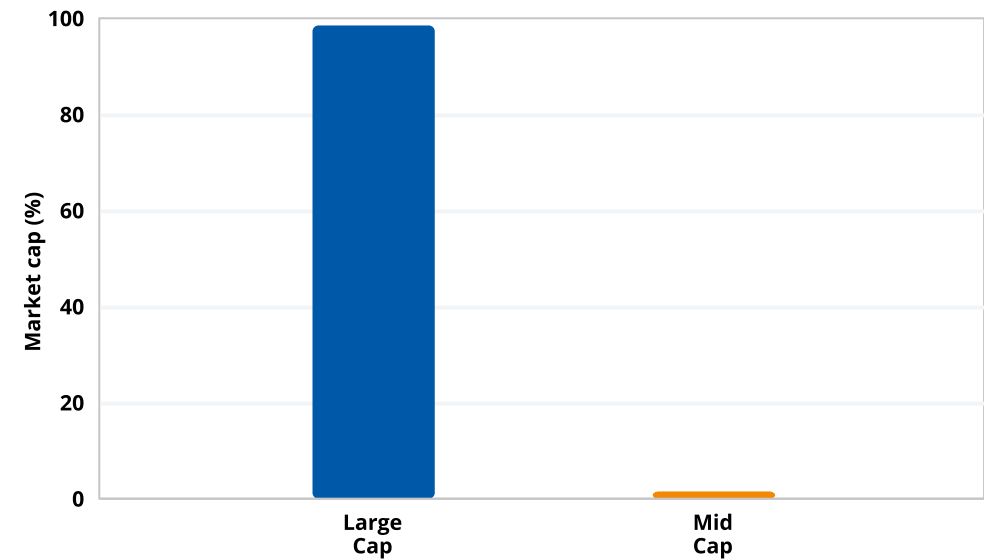
A negative ESG screen is deployed at the end of the process, avoiding problematic companies. Third party ESG data is used, and if a stock fails the ESG screen, even if having strong fundamentals, it will be excluded from the buy list. The ESG screen is used for the Ucits version due to demand, but is not used in the US fund version. Position sizing is based on conviction, and the team like durable companies - i.e. Microsoft, Amazon, American Tower Corp. They prefer a lack of cyclicity, with more cyclical ideas weighted lower. Sizing ranges between 1-5%. Historically, attribution has been driven from the highest sector exposures: technology, (c.37% fund exposure currently) healthcare (c.25%) and consumer discretionary (c.15%).

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

# OVERALL PERFORMANCE

● Brown Advisory US Sustainable Growth GBP DIS    ● S&P 500 Total Return GBP

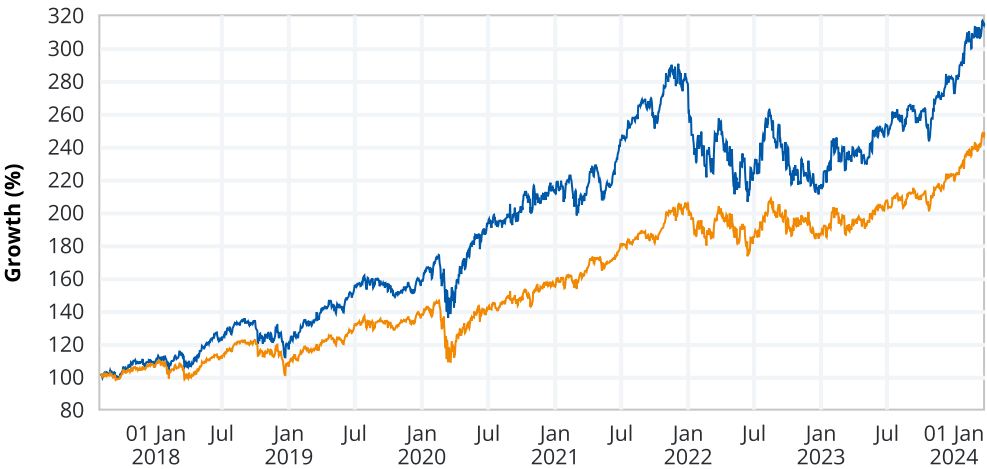
## GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



## GROWTH (%) - FROM INCEPTION

4 Aug 2017 - 29 Mar 2024



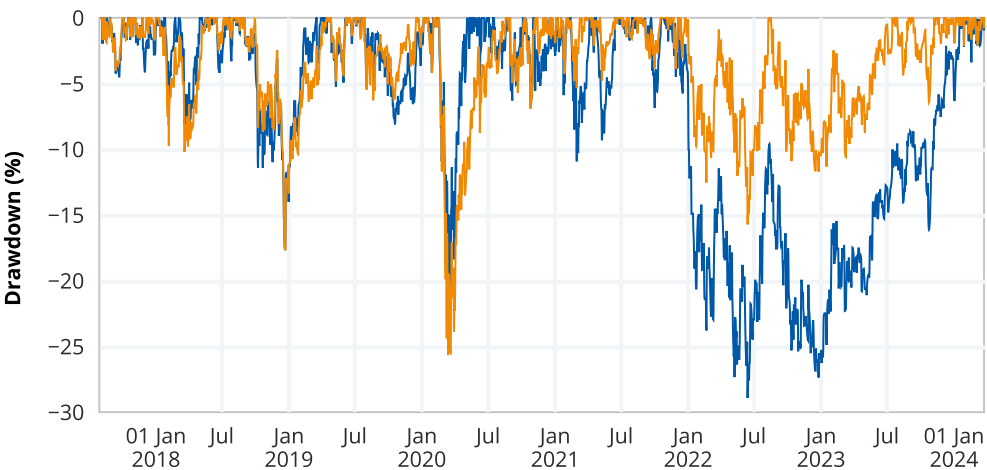
## DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



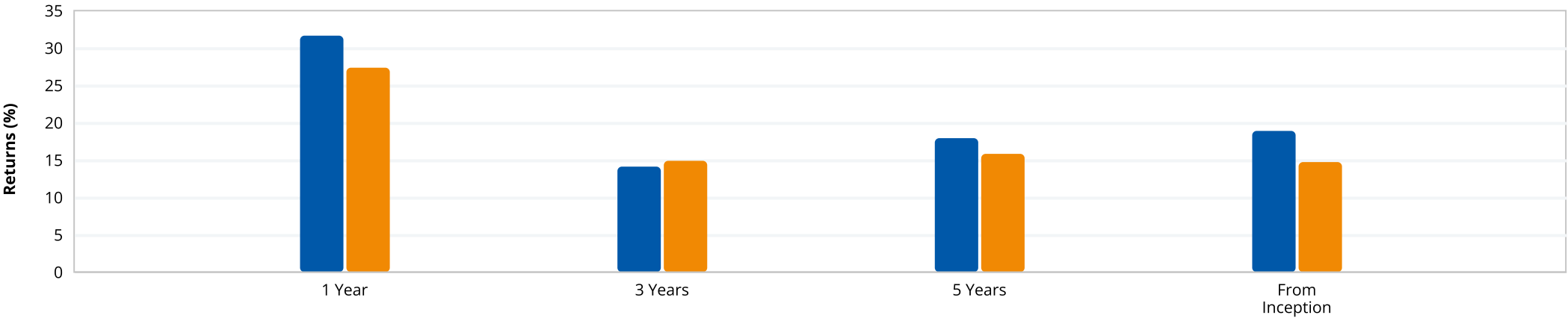
## DRAWDOWN (%) - FROM INCEPTION

4 Aug 2017 - 29 Mar 2024



# RETURNS

● Brown Advisory US Sustainable Growth GBP DIS    ● S&P 500 Total Return GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	3.20	6.44	1.84										11.86
2023	7.29	-0.04	3.72	-2.42	5.39	2.84	3.12	0.80	-2.47	-2.65	8.19	3.99	30.63
2022	-11.87	-3.86	5.53	-8.76	0.09	-3.90	12.76	-2.06	-6.60	-0.13	2.43	-6.91	-22.92
2021	-2.53	-0.53	2.46	6.03	-3.38	10.30	5.63	5.49	-3.55	7.45	2.24	-1.27	30.84
2020	2.57	-2.25	-4.48	13.47	10.10	3.22	-0.26	2.76	1.88	-0.55	5.10	1.76	37.16
2019	5.84	3.55	5.48	4.62	-2.48	6.23	5.73	0.57	-2.00	-4.28	4.01	0.06	30.05

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	31.65	14.12	17.93	18.90
●	27.36	14.90	15.83	14.73

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	31.37	48.33	127.37	214.90
●	27.13	51.37	107.92	148.50

● Brown Advisory US Sustainable Growth GBP DIS

● S&P 500 Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

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RETURNS (%)	31.65	27.36
VOLATILITY (%)	15.94	12.40
ALPHA	-0.31 *	
BETA	1.33 *	1.00
CORRELATION	0.90 *	1.00
SHARPE RATIO	1.60	1.72
SORTINO RATIO	2.45	2.69
MAX DRAWDOWN (%)	-8.18	-6.43

\*Calculated over a 3 year period where history permits.

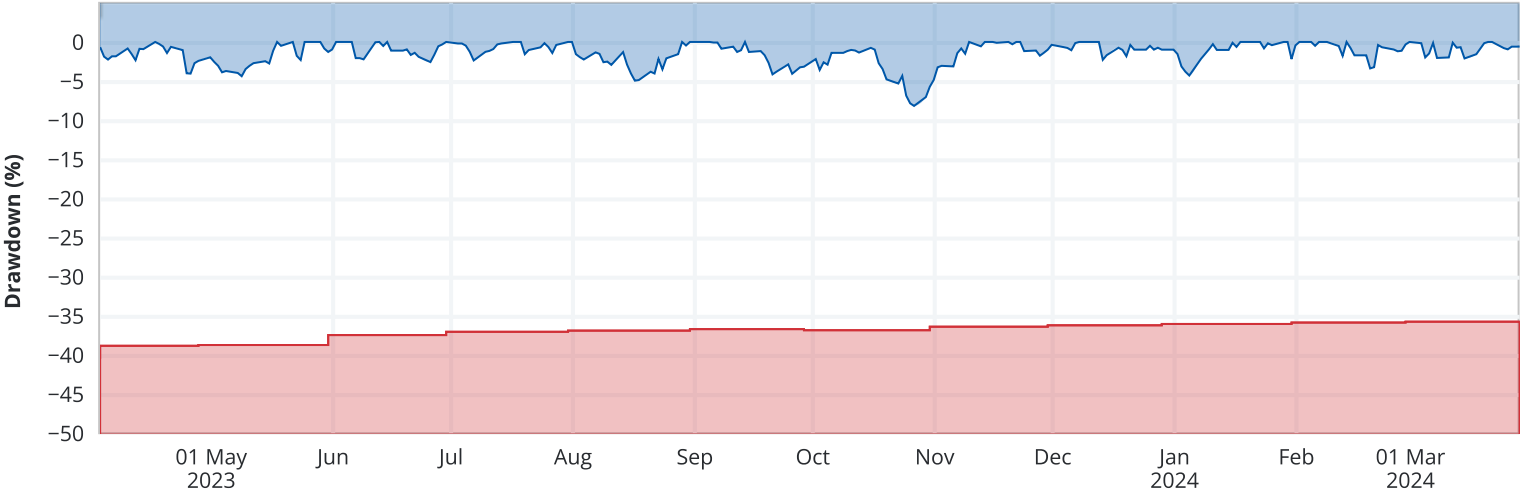
PERFORMANCE - FROM INCEPTION

4 Aug 2017 - 29 Mar 2024

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RETURNS (%)	18.90	14.73
VOLATILITY (%)	23.64	20.27
ALPHA	0.25	
BETA	1.08	1.00
CORRELATION	0.89	1.00
SHARPE RATIO	0.73	0.65
SORTINO RATIO	1.05	0.91
MAX DRAWDOWN (%)	-28.92	-25.66

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



**Stress test notes**

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

# DISCLAIMER

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