

# US Equity Value Fund



DECEMBER 2011

BROWN ADVISORY

## PERFORMANCE

	1 Mo	3 Mo	YTD	1 Yr	3 Yr
US Equity Value Fund B USD	-0.5	10.7	-2.3	-2.3	12.7
Russell 1000 Value USD	2.0	13.1	0.4	0.4	11.6
S&P 500 USD	1.0	11.8	2.1	2.1	14.1

Rolling 12 month returns: From	Dec '10	Dec '09	Dec '08
To	Dec '11	Dec '10	Dec '09
US Equity Value Fund B USD	-2.3	14.4	28.2
Russell 1000 Value USD	0.4	15.5	19.7
S&P 500 USD	2.1	15.1	26.5

Source: FE 2011

Please see long-term track record of mirror US Mutual Fund: **BIAVX**

## FUND FACTS

**Fund Objective:** The Fund aims to achieve capital appreciation by investing in medium to large cap US Equities. The Fund uses a bottom-up, research-intensive process with strong valuation discipline and "margin of safety" considerations to build a concentrated portfolio with lower-than-market valuation and better-than-market fundamentals.

<b>Manager</b>	Richard M. Bernstein, CFA
<b>Structure</b>	Dublin UCITS IV
<b>Base Currency</b>	USD
<b>Launch Date</b>	9 February 2006
<b>Fund Size</b>	USD 368 million
<b>Holdings</b>	37
<b>Gross Yield</b>	2.36%
<b>Dealing</b>	Daily

## COMMENTARY

December was a slightly down month, with the Fund down -0.5%, underperforming its Russell 1000 Value benchmark, which was up 2.0%.

The Fund lagged in December with the primary culprits being energy, technology and industrials; utilities also made new highs. We continue to believe however that utilities are expensive, and became even more so by year-end. Our exposure to Europe through our technology holdings also hurt performance. Indeed, the valuation spread between technology (our largest sector weight) and utilities is at a 20 year record. The underperformance in technology in the fourth quarter was great enough to undo almost all of its outperformance over the prior 9 months. However, at such levels, we believe these stocks to be highly attractive.

Natural gas has been (and remains) the clear contrarian play within energy. The pullback in energy over the month contributed to the Fund's underperformance, especially natural gas prices which collapsed by almost 20% in December alone. We own **Southwestern Energy** which accounted for all the underperformance this month, however we continue to believe in the thesis and will add additional natural gas exposure as opportunities arise.

Beyond this, the portfolio was also hurt by the move towards dividend

income and away from Europe. In the wake of this sloppy investment climate, we made a series of changes this month.

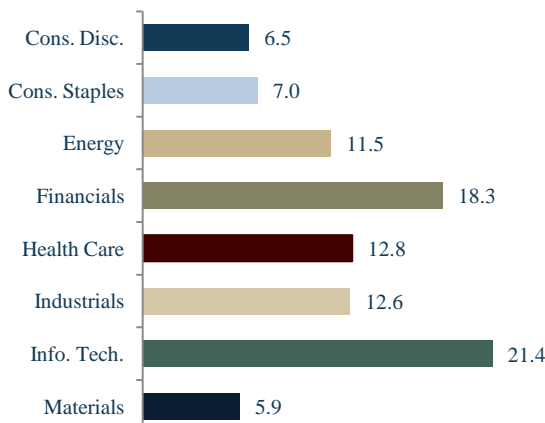
All of our investment actions were motivated by existing positions that became more attractive due to price weakness. We added to the following highly attractive names during the month: **Apple, Emerson Electric, Fluor, Freeport McMoRan, M&T Bank, Southwestern Energy, and Oracle**. All of these companies hold leadership positions in their respective industries, have strong finances, good capital allocation processes, solid prospects, are very inexpensive, absolutely and relative to their peers and their histories. Yet, to paraphrase the late great Rodney Dangerfield, they get no respect. We share your frustration, but remind ourselves that long term value creation follows a crooked road.

In order to fund these additions, we chose to divest the remainder of our positions in **Diamond Offshore** and **Kohl's**. We also reduced our holding in **CA**. None of these stocks were expensive per se, but their reward/risk ratios and business franchises were less appealing than the purchase list above.

## TOP 10 HOLDINGS

Merck & Co., Inc.	4.9%
Microsoft Corp.	4.3%
Becton Dickinson and Co.	4.0%
Novartis AG Sponsored ADR	3.9%
EI du Pont de Nemours & Co.	3.7%
Qualcomm, Inc.	3.5%
Illinois Tool Works, Inc.	3.3%
Total SA Sponsored ADR	3.3%
3M Co.	3.2%
Southwestern Energy Co	3.1%
<b>TOTAL</b>	<b>37.2%</b>

## SECTOR WEIGHTS



Sector weights include cash.

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## ADDITIONAL PERFORMANCE

Share Classes (Inception Date)	1 Month	YTD	1 Year	3 Year	ITD	NAV
US Equity Value A USD (04-May-2006)	-0.4	-3.0	-3.0	12.0	-0.9	9.18
US Equity Value B USD (24-Jul-2007)	-0.5	-2.3	-2.3	12.7	-3.8	8.09
US Equity Value A GBP (09-Feb-2006)	0.2	-2.9	-2.9	9.1	1.9	10.72
US Equity Value B GBP (09-May-2008)	0.2	-2.1	-2.1	9.8	5.0	11.63
US Equity Value B GBP Hedged (06-Oct-2009)	-0.4	-3.1	-3.1	-	8.8	11.93
US Equity Value B EUR (30-Sep-2010)	3.2	0.6	0.6	-	11.0	11.30
Russell 1000 Value USD (24-Jul-2007)	2.0	0.4	0.4	11.6	-4.1	-
S&P 500 USD (24-Jul-2007)	1.0	2.1	2.1	14.1	-1.9	-

Source: Brown Brothers Harriman 31 December 2011

**Top 5 Contributors:** Merck & Co Inc, Novartis AG ADS, Guess? Inc., American Eagle Outfitters Inc., Northern Trust Corp.

**Bottom 5 Contributors:** Southwestern Energy Co., Oracle Corp., Fluor Corp., Freeport-McMoRan Copper & Gold Inc., Emerson Electric Co.

## CHARACTERISTICS

	US Equity Value	Russell 1000 Value	S&P 500
FY2 P/E Ratio	10.8x	10.7x	11.6x
P/E-Growth Ratio	1.2x	1.9x	1.5x
Gross Yield	2.36%	2.50%	2.09%
Cash	4.0%	-	-
Market Cap			
Weighted Average	\$64.0 bn	\$75.6 bn	\$96.4 bn
<\$10 billion	18.4%	20.9%	11.7%
\$10-100 billion	53.2%	49.2%	53.8%
>\$100 billion	24.4%	29.9%	34.5%

Source: Factset 31 December 2011

## SHARE CLASSES

SHARE CLASSES	ISIN	TICKER	AMC
Sterling A Class	IE00B0PVD972	BAUSEVA	1.50%
Sterling B Class	IE00B0PVDC05	BAUSEVG	0.75%
Hedged Sterling B Class	IE00B4N31J92	BAUSEBH	1.00%
Dollar A Class	IE00B0PVDB97	BAUSEAU	1.50%
Dollar B Class	IE00B0PVDD12	BAUSEVB	0.75%
Dollar P Class	IE00B4VQTB86	Not active	2.25%
Hedged Euro A Class	IE00B2NN6787	Not active	1.50%
Euro B Class	IE00B2NN6894	BRUSBEU	0.75%
Hedged Euro P Class	IE00B4T5F539	Not active	2.25%

## BROWN ADVISORY

- Fundamentally driven, US-focused investment management firm
- Founded in 1993 as investment management arm of Alex. Brown & Sons
- Independent since 1998, employee-owned
- Over USD 19 billion in client assets<sup>1</sup>

## CONTACT US

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## FUND FACTS

Administrator	Brown Brothers Harriman (Ireland)
Dealing Number	Tel: +353 1603 6490 Fax: +353 1603 6310
Settlement	T+3
Minimum Investment	A Shares: 5,000 B Shares: 10,000,000 P Shares: 10
Registered for sale	Ireland, UK, France, Spain, Germany, Sweden, Finland, Norway, Italy, Singapore
Eligibility	ISA and SIPP

Performance data relates to the Brown Advisory US Equity Value Fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance and you may not get back the amount invested. The Fund is a mirror of the Brown Advisory Large-Cap Value strategy, which was established in June 2000. Long-term performance available upon request. Changes in exchange rates may have an adverse effect on the value price or income of the product. The difference at any one time between the sale and repurchase price of units in the UCITS means that the investment should be viewed as medium to long term. This factsheet is issued by Brown Advisory Limited. Authorised and regulated by the Financial Services Authority. This is not an invitation to subscribe and is by way of information only. Cancellation rights do not apply and UK regulatory complaints and compensation arrangements may not apply. This is not intended as investment advice. Investment decisions should not be made on the basis of this factsheet. You should read the Fund's prospectus in full to understand the features and risks associated with this Fund. A simplified and full prospectus are available by calling 020 3301 8130 or visiting the fund website.

Brown Advisory US Equity Value Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorized in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2003 as amended) and a collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. The Fund is managed by Brown Investment Advisory Incorporated. Brown Advisory is the marketing name for Brown Investment Advisory & Trust Company, Brown Investment Advisory Incorporated, Brown Advisory Securities, LLC, Brown Advisory LLC, Brown Advisory Cavanaugh, LLC, Brown Advisory Limited, and Alex. Brown Investment Management, LLC.

<sup>1</sup>As of 31 December 2011, Brown Advisory had more than USD 19 billion in assets under management, advisement and administration managed according to the Global Investment Performance Standards (GIPS).