



# Brown Advisory US Equity Value Fund

June 2010

## Investment Strategy

The fund invests primarily in the common stock of domestic US companies with medium to large market capitalizations of generally no less than \$2 billion. The fund uses a bottom-up, research-intensive process with strong valuation discipline and “margin of safety” considerations to build a portfolio with lower-than-market valuation and better-than-market fundamentals. The fund seeks to invest in companies that are fundamentally solid, financially sound, that possess proprietary products and services—and have the ability to grow at above average rates for several years, often despite lower short-term projected earnings.

## Performance to June 30, 2010

	1 Month	3 Months	6 Months	9 Months	1 Year	YTD	3 Yr Cumulative	3 Yr Annualized	Since Inception*
Brown Advisory US Equity Value A USD <sup>1</sup>	-4.35	-12.11	-8.67	-0.43	17.06	-8.67	-32.41	-12.23	-5.56
Brown Advisory US Equity Value A GBP <sup>2</sup>	-7.40	-10.66	-1.16	6.60	29.23	-1.16	-8.94	-3.07	-0.75
Brown Advisory US Equity Value B USD <sup>3</sup>	-4.27	-11.93	-8.45	-0.06	17.78	-8.45	-	-	-11.90
Brown Advisory US Equity Value B GBP <sup>4</sup>	-7.42	-10.61	-0.98	6.97	29.80	-0.98	-	-	1.01
Brown Advisory US Equity Value Hedged B GBP <sup>5</sup>	-4.48	-12.12	-8.17	-	-	-8.17	-	-	0.17
Russell 1000 Value Index USD <sup>1</sup>	-5.63	-11.15	-5.12	-1.12	16.92	-5.12	-32.60	-12.31	-5.10
S&P 500 Index USD <sup>1</sup>	-5.23	-11.43	-6.65	-1.02	14.43	-6.65	-26.64	-9.80	-3.59

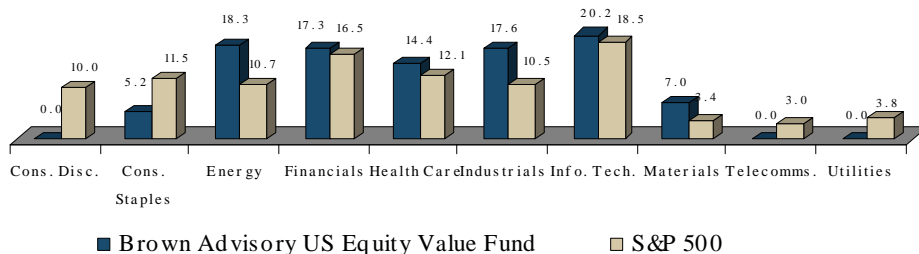
Inception Dates: <sup>1</sup>May 4, 2006; <sup>2</sup>February 9, 2006; <sup>3</sup>July 24, 2007; <sup>4</sup>May 9, 2008; <sup>5</sup>October 6, 2009

\*Annualized

Performance data above relates to the Brown Advisory US Equity Value Fund – a Dublin-based UCITS III fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance. The fund is a mirror of the Brown Advisory Equity Value strategy, a US-based product 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. A simplified and full prospectus are available by calling 020 7591 7084 or visiting the fund website.

## Characteristics\* as of June 30, 2010

Estimated EPS Growth Rate	9.9%	Merck & Co. Inc.	4.6%
FY2 P/E Ratio	9.8x	Snap-On Inc.	4.3%
P/E-Growth Ratio	1.1x	Exxon Mobil Corp.	3.8%
Dividend Yield	2.49%	ACE Limited	3.7%
Weighted Avg. Market Cap	\$50.8 billion	The Chubb Corp.	3.7%
<b>Asset Allocation</b>		Medtronic Inc.	3.4%
Equities	96.4%	E.I. du Pont de Nemours & Co.	3.4%
Cash	3.6%	Total S.A. ADR	3.3%
<b>Market Capitalization (%)</b>		Air Products & Chemicals Inc.	3.3%
\$<10 billion	29.6	Assurant Inc.	3.2%
\$10-100 billion	51.7		
\$>100 billion	18.7		
		<b>Top Ten Holdings as a % of Net Assets</b>	<b>36.9%</b>



## Fund Profile

Name	Brown Advisory US Equity Value Fund	
Manager	Richard M. Bernstein, CFA	
No. of Holdings	35 - 45	
Base Currency	US Dollar	
Annual Management Fee	1.50/1.00/0.75%	
Minimum Investment	5,000 (A Shares) 10,000,000 (B Shares)	
Administrator	Brown Brothers Harriman (Ireland) Ltd	
Dealing Number	Tel: +(353) 1 603 6387 Fax: +(353) 1 603 6310	
Structure	Ireland UCITS III (FSA recognised)	
Listing	Irish Stock Exchange	
Liquidity	Daily	
Share Class	A USD/GBP/EUR and B USD/GBP/EUR	
Dividends	UK distributor status	
Settlement Terms	T+3	

	ISIN	Sedol
Sterling A Class	IE00B0PVD972	B0PVD97
Sterling B Class	IE00B0PVD05	B0PVD00
Hedged Sterling B Class	IE00B4N31J92	B4N31J9
Dollar A Class	IE00B0PVD897	B0PVD89
Dollar B Class	IE00B0PVD12	B0PVD11
Euro A Class	IE00B2NN6787	B2NN678
Euro B Class	IE00B2NN6894	B2NN689



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## Activity

**Top 5 Contributors:** Merck & Co Inc., ACE Ltd., Accenture Plc., Oceaneering International Inc., Johnson & Johnson

**Bottom 5 Contributors:** Microsoft Corp., Snap-On Inc., Harsco Corp., Bank of New York Mellon Corp., Transocean Ltd.

We have continued to be active in upgrading the portfolio as the market's weakness has provided the catalyst for several changes. We added several new names, all of which had been monitored for quite some time. They are: CA Technologies, Oceaneering International, National Oilwell Varco, and U.S. Bancorp.

Oceaneering and National Oilwell Varco are each global leaders in a critical aspect of oil service technology, have strong finances, proven managements, attractive free cash flows, and historically low valuations. Although not directly impacted by the Gulf disaster, both companies' stock prices are down some 25-30% since that fateful day. In contrast to Transocean, whose ultimate liability, and thus downside risk, remains uncertain, the downside risk for OII and NOV are more known and their attractive reward/risk ratios are more reliable.

Our remaining position in M&T Bank, a very rewarding holding, was sold due to its valuation and relatively high exposure to commercial real estate. Proceeds from this sale were earmarked for the purchase of an initial position in U.S. Bank, one of the country's best managed banks, with low exposure to credit and high fee based returns.

CA Technologies is the old Computer Associates. This rehabilitated, financially strong, company serves the core mainframe market; a low growth, high return market, that we believe has the potential to surprise in the new world of cloud computing. It also has a sizable variety of ancillary businesses whose return profile should be substantially higher. Success should mean a long period of rising sales expectations and higher margins. We believe that failure is already priced into this inexpensive stock. New management is making steady progress. Although Symantec was an inexpensive stock as well, we believe that CA's business positioning and upside are materially better.

There were also a variety of small additions and reductions, the most meaningful being additions to Becton Dickenson, Dell, and Diamond Offshore. They were funded by reductions in: Dover, Eaton, and JNJ.

While this quarter and year-to-date performances have been frustrating, we remain very encouraged about our companies' prospects, financial condition, and their low valuations. We look forward to sharing more of our thoughts with you later this month in our quarterly update.

## The Fund Manager

**Richard M. Bernstein, CFA** is a Partner of Brown Advisory and the Manager of the US Equity Value Fund. He has over twenty years of investment industry experience. Prior to joining Brown Advisory, Mr. Bernstein was Vice President and Director of Research at Mercantile Safe Deposit & Trust Company where he was responsible for equity fund management and research. He served as President of the Baltimore Security Analysts Society in 1990 and 1991. Mr. Bernstein received his B.A. from Johns Hopkins University in 1979 and his M.A. from Johns Hopkins University in 1983.

## About Brown Advisory

Brown Advisory has its roots in Alex Brown & Sons, America's oldest investment banking firm, founded in 1800. In 1998 Brown Advisory separated from Alex Brown to create an independent organization better positioned to serve its clients' interests. Brown Advisory is now an independent firm with over 200 partners and employees entrusted with US\$18 billion. Client assets are invested across a range of in-house US strategies.

## Further Information

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).

*The Fund is available to:*

(a) "Investment professionals" (including persons whose ordinary activities involve them in participating in collective investment schemes and other Authorized Persons); and

(b) "High net worth entities" (including (i) a body corporate with more than 20 members (or which is a subsidiary of a parent with more than 20 members) if it has a called-up share capital or net assets of at least £500,000 and (ii) other bodies corporate if they have a called-up share capital or net assets of at least £5 million, and (iii) unincorporated associations or partnerships with net assets of at least £5 million).

*\*Estimated EPS Growth Rate is the forecasted growth rate of a company's earnings per share. Forward P/E ratio is determined by dividing the price of the stock by the company's forecasted earnings per share. The P/E-Growth ratio is the company's harmonic average P/E divided by the weighted average earnings growth rate. Market cap is the value of the fund as determined by the market price of its issued and outstanding stock.*

For investment enquiries, please contact:

Logie Fitzwilliams  
Brown Advisory Ltd., 150 Brompton Road, London, SW3 1HX  
Email: [lfitzwilliams@brownadvisory.com](mailto:lfitzwilliams@brownadvisory.com)  
Tel: 020 7591 7084  
Website: [www.brownadvisory.com](http://www.brownadvisory.com)



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