



# Brown Advisory US Smaller Companies Fund

## May 2010

### Investment Strategy

The Brown Advisory Smaller Companies Fund is a focused strategy that seeks to produce superior returns through a concentrated portfolio of small-capitalization US equity securities of above average growth, sound management, and favourable competitive positioning. Through our disciplined, bottom-up investment process, we strive to exploit market inefficiencies in the small-capitalisation universe.

### Performance to May 31, 2010

	1 Month	3 Months	6 Months	9 Months	1 Year	YTD	Since Inception*
Brown Advisory U.S. Smaller Companies B USD <sup>1</sup>	-7.68	-0.24	9.08	12.69	32.85	2.25	-7.59
Brown Advisory U.S. Smaller Companies A USD <sup>2</sup>	-7.87	-0.60	8.63	12.15	31.90	1.84	-7.24
Russell 2000 Index USD <sup>1</sup>	-7.59	5.59	14.84	16.77	33.64	6.29	-4.46
S&P 500 Index USD <sup>1</sup>	-7.99	-0.89	0.40	8.35	20.99	-1.50	-8.57

Inception Dates: <sup>1</sup>November 9, 2007; <sup>2</sup>December 14, 2007

\*Annualized

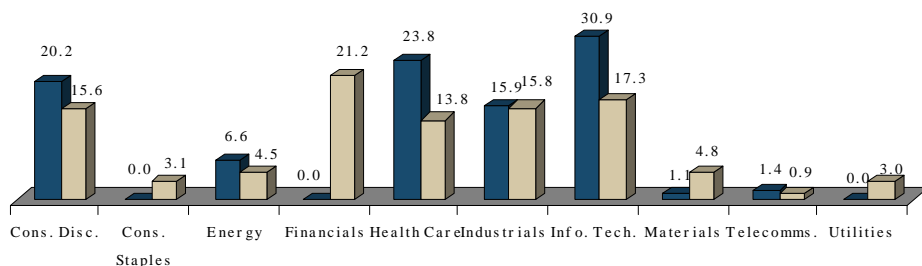
Performance data relates to the Brown Advisory US Smaller Companies Fund – a Dublin-based UCITS III fund. The performance is net of management fees and operating expenses. Past performance may not be a reliable guide to future performance. The fund is a mirror of the Brown Advisory Small-Cap strategy, a US-based product established in March 1993. **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 May 31, 2010

Estimated EPS Growth Rate	21.3%
FY2 P/E Ratio	16.5x
P/E-Growth Ratio	1.0x
Weighted Avg. Market Cap	\$2.1 billion
Weighted Med. Market Cap	\$1.5 billion
<b>Asset Allocation</b>	
Equities	95.0%
Cash	5.0%
<b>Market Capitalization (%)</b>	
<\$1 billion	34.8
\$1-2 billion	18.7
\$2-5 billion	38.6
>\$5 billion	7.9

NuVasive Inc.	3.7%
Polycom Inc.	3.5%
Henry Schein Inc.	3.4%
Covance Inc.	3.4%
American Public Education Inc.	3.1%
UTi Worldwide Inc.	2.9%
Harman Int'l Industries Inc.	2.7%
Knology Inc.	2.6%
Global Payments Inc.	2.6%
Interline Brands Inc.	2.6%

**Top Ten Holdings as a % of Net Assets** **30.5%**



■ Brown Advisory US Smaller Companies Fund ■ Russell 2000

### Fund Profile

Name	Brown Advisory US Smaller Companies Fund	
Managers	Christopher A. Berrier Timothy W. Hathaway, CFA	
No. of Holdings	40 - 60	
Base Currency	US Dollar	
Annual Management Fee	1.50/0.75%	
Minimum Investment	\$5,000 (A Shares) \$2.5 million (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/EURO and B USD/GBP/EURO	
Dividends	UK distributor status	
Settlement Terms	T+3	

	ISIN	Sedol
Sterling A Class	IE00B0PVDF36	B0PVDF3
Sterling B Class	IE00B0PVDH59	B0PVDH5
Dollar A Class	IE00B0PVDG43	B0PVDG4
Dollar B Class	IE00B0PVDJ73	B0PVDJ7
Euro A Class	IE00B2NN6902	B2NN690
Euro B Class	IE00B2NN6B28	B2NN6B2



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## Activity

**Top 5 Contributors:** Sybase Inc., 3Par Inc., CommVault Systems Inc., vitacost.com Inc., Informatica Corp.

**Bottom 5 Contributors:** Oceaneering International Inc., Genoptix Inc., Harman International Industries Inc., Gulfmark Offshore Inc. (CI A), Tidewater Inc.

As we have mentioned many times over the past several months, volatile markets provide opportunities for long term investors. As the markets sold off in May, we again worked to upgrade the portfolio, adding funds to companies that we believe exhibit compelling growth characteristics. One such company is Sotheby's, which we added during the month. We feel the company is positioned to capitalize on what we think is the beginning of a new and powerful art cycle. Additionally, the stock is undervalued based upon our well-above consensus estimates.

The portfolio slightly underperformed for the month. Following the sinking of the Deepwater Horizon rig in the Gulf of Mexico and the resultant oil spill, several companies' share prices fell precipitously, and our holdings were not immune. Although the energy companies we own generate only a portion of revenues in the affected region, we are mindful that the situation there is wrought with uncertainty, and many investors' risk tolerances remain quite low. Following the revaluation of the entire energy sector, we rebalanced our holdings, eliminating Tidewater altogether and adding to Oceaneering International, which we feel has a better secular growth story.

## The Fund Managers

**Christopher A. Berrier** is a Partner of Brown Advisory and has been the co-manager of the Brown Advisory U.S. Smaller Companies Fund since joining the firm in 2005. He has over ten years of investment industry experience and, before joining Brown Advisory, Mr. Berrier was Vice President and senior equity analyst at T. Rowe Price, covering multiple sectors with a primary focus on small- and mid-capitalization growth companies across several mutual funds. He received his A.B. from Princeton University in 2000.

**Timothy W. Hathaway, CFA** is a Partner of Brown Advisory and the co-manager of the Brown Advisory U.S. Smaller Companies Fund. He has over fourteen years of investment industry experience. Mr. Hathaway received his B.A. from Randolph Macon College in 1993 and his M.B.A. from Loyola College in 2001.

## 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\$17 billion. Client assets are invested across a range of in-house US strategies.

## Further Information

Brown Advisory US Smaller Companies 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:

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Brown Advisory is the trade name of Brown Investment Advisory & Trust Company and Brown Advisory Securities, L.L.C.