

SHINING A LIGHT ON THE.....
Brown Advisory Global Sustainable Total Return Bond Fund

AT A GLANCE

Investment Objective
The objective of the Fund is to target a positive total return (comprising current income and capital gains) above the Bank of England's SONIA Compounded Index (the "Target Benchmark") over a full economic cycle, by investing in a broad range of global fixed-income securities and associated FDIs and currencies. The Fund is not constrained by any benchmark.

Inception Date	31 st January 2022
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00001DEW7

Management	
Manager Name	Start Date
Chris Diaz	31 st January 2022
Ryan Myerberg	31 st January 2022
Colby Stilson	31 st January 2022

FUND PERFORMANCE

Performance from 31st January to 30th November 2022:

	2022
Brown Advisory Global Sustainable Total Return Bond Fund	-4.60%
SONIA	1.14%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Top 5 Holdings		
United States Treasury Bills 0%	-	6.91%
Spain (Kingdom of) 0%	-	5.83%
Japan (Government Of) 0.005%	-	5.72%
Japan (Government Of) 0.005%	-	5.72%
Japan (Government Of) 0.6%	-	5.70%

Fund Benchmark	SONIA (GBP)
Fund size (Mil)	GBP 218.89
Ongoing Charge (share class A)	0.65%

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Bull points (pros)	Bear points (cons)
<ul style="list-style-type: none"> All-weather sustainable fixed income (debt) strategy seeking to deliver performance and impact via dynamic asset allocation and ESG analysis Benchmark agnostic and so considers the whole fixed income credit set which includes sovereigns Will use currency as part of its strategy Targets a return of 2 to 3% over cash from both yield and asset growth Invests in high quality bonds with average rating between AA and BBB Mix of top-down asset allocation and bottom-up security selection 	<ul style="list-style-type: none"> Although the team have worked together previously this is a relatively new strategy and therefore performance data is limited

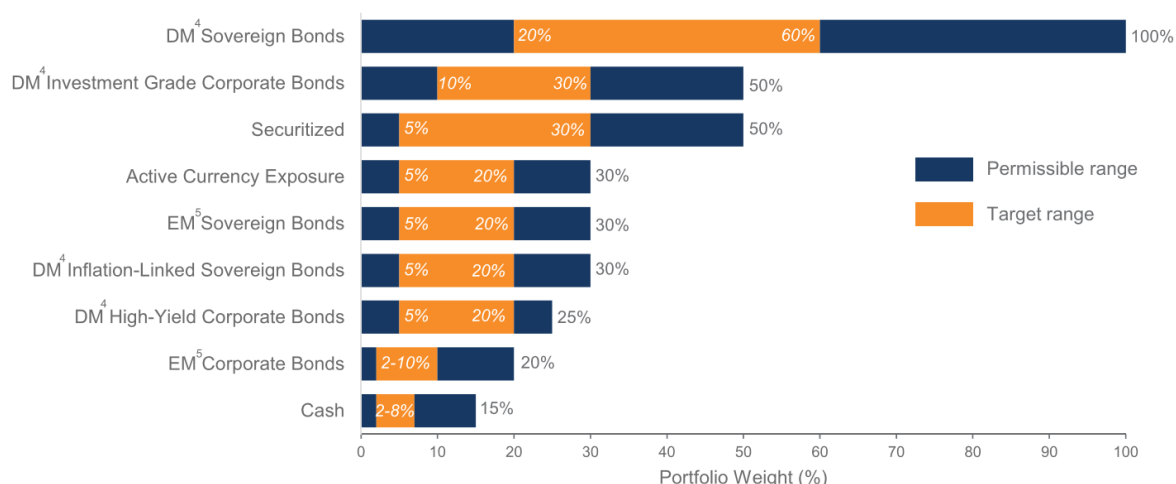
UPDATE....

We have run an impact portfolio for clients since 2014. One area lacking within the market is a sustainable strategic bond fund. This strategy aims to plug that gap and offer investors a truly unconstrained benchmark agnostic fixed interest option.

Its benchmark is SONIA (short-term unsecured loans) with the aim to deliver a return of between 2% and 3% above cash. They are aiming to be a true bond fund and deliver bond type returns. They feel many bond funds have moved away from this and are more akin to equity type strategies and this has meant that in the environment we have just seen they have suffered the most.

Reflecting this, the strategy aims to deliver the returns with volatility between 4% and 10%, with downside protection and transparency key to the success of the strategy.

Below is an illustration of asset allocation ranges:



They aim to drive returns from three areas – alpha opportunities, dynamic beta, and core income. And this will shift depending on the economic cycle:

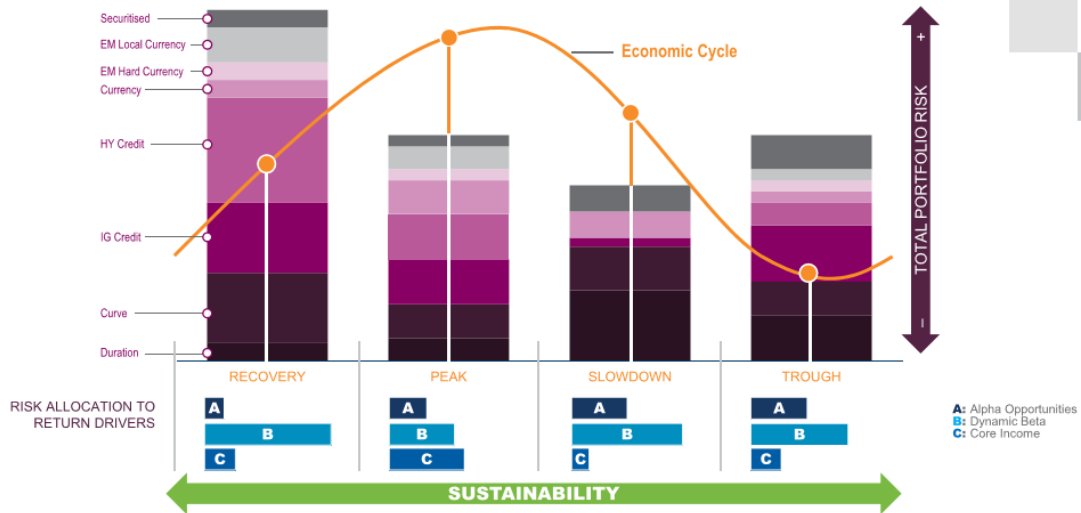
PORTFOLIO POSITIONING ACROSS THE CYCLE

GLOBAL MACRO ASSESSMENT · DYNAMIC ASSET ALLOCATION · SECURITY SELECTION · PORTFOLIO CONSTRUCTION



Dynamic asset allocation re-positions the portfolio in different market environments in an effort to help maximize return potential and mitigate risk

HYPOTHETICAL PORTFOLIO RISK ALLOCATION¹



Source: Brown Advisory.

¹ Based on a hypothetical asset allocation, does not represent an actual client's investments and is intended for illustrative purposes only. Please see the end of the presentation for important disclosures.

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They come at this with a sustainability focus, with ESG being part of the process and the impact being the output. The strategy is broken down into two elements: top-down and bottom up.

Top-down delivers a global macro assessment, looking at fundamentals, valuations, positioning and technical. At a country level, looking across both developed and emerging markets they consider geopolitics, demographics, equality, regulatory framework and climate change.

We discussed sovereigns and they talked around a few examples. They didn't invest in Russia because it scored poorly across all aspects of ESG research even before they decided to invade the Ukraine. Indonesia is one that they find interesting as they transition away from coal and palm oil and invest more in people and bettering opportunities and prospects. Having said that, they have recently rolled back some civil liberties and this therefore becomes a negative.

Brazil Scores highly but their own research highlights concerns, especially over deforestation, and therefore this is not a country they invest in. Europe is probably a global leader and therefore sovereign bonds are of interest if the value is right.

In terms of bottom-up security selection, they look across valuation, relative value, duration, liquidity and capital structure. The ESG research considers carbon utilisation, educational outcomes, management compensation, environmental liabilities, and civil liberties.

All of this distils the investment philosophy down to three core principles:



DYNAMIC ASSET ALLOCATION informed by comprehensive top-down macro analysis, combined with rigorous **BOTTOM-UP SECURITY SELECTION** is the foundation of strong investment performance



ESG RESEARCH adds an informational edge is designed to help us identify high quality investments with low ESG risks, sustainable opportunities and use of proceeds that generate positive environmental and social impact



By being **UNTETHERED TO A FIXED INCOME BENCHMARK** We seek to achieve attractive risk-adjusted returns through the economic cycle

In terms of performance, this strategy was only launched this year. Therefore performance is hard to judge. However, their aim is to protect as much on the downside and they have been able to test this with this environment.

Some example holdings both past and present include:

Long US versus EUR via 5y5y interest rate swaps

PARAMETERS

Entry (16/4/21)	182bps
Target	140bps
Stop/loss	200bps
Size	1 year
Time Horizon	3 months

Long Indonesia Local Currency Bonds

PARAMETERS

Entry (28/6/21)	6.04%
Target	6.33%
Stop/loss	6.62%
Size	0.75 year
Time Horizon	12 months
Expected Total Return	7.05%

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Veolia Environnement SA- a French transnational company in the utility sector (water, waste and energy)

In summary, this is likely to appeal to investors looking for a sustainable strategic bond fund. The focus on transparency and impact, as well as performance, also makes this different to many other strategies. We would like to see a long track record of performance although launching in such a difficult environment and achieving what they have achieved should be seen in a positive light. We would also want to explore more around the exclusionary side and availability on investment platforms.

The source of information in this note has been provided by Brown Advisory and is correct as of December 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.