

## July 2014: Fund Factsheet

# U.S. Equity Value Fund

The broader market reached a new high in mid-July, but stocks saw a pullback in the final week, eliminating the gains of the past two months. For the month the Fund returned -1.77% vs. -1.70% for the Russell 1000 Value and -1.38% for the S&P 500.

Energy was our largest sector detractor. Following a strong run this year, investors took profits in the sector, as did we, in such names like **Schlumberger NV** and **Canadian Natural Resources Limited**. Consumer discretionary also impacted our results modestly, primarily due to a post-earnings correction in **Garmin Ltd.**

Strong stock selection in health care contributed favourably to our results, as did our overweight position in technology, which was the strongest sector in the Russell 1000 Value index this month. Utilities were the hardest hit sector in the benchmark, and our long-standing underweight in the sector also helped support performance.

We witnessed elevated volatility during earnings season, and took advantage of the choppy market environment to initiate two new names, **Sanofi** and **Informatica Corporation**.

**Sanofi** is a diversified global pharmaceutical company. Similar to our investment in **Teva Pharmaceutical Industries**, Sanofi trades at a discount to its peers, has had operational missteps, and is widely perceived to be over-dependent on a franchise drug, Lantus, for controlling diabetes. We believe the staying power of Sanofi's diabetes franchise could be extended above current expectations with the pending approval of a new insulin launch. The company's diversification and existing presence in vaccines, over-the-counter medication, animal health and rare diseases (from its acquisition of Genzyme in 2011) offer steady growth and is over-looked in our view. Furthermore, one-third of Sanofi sales come from emerging markets, the largest presence among large cap pharmaceuticals, and should continue to drive earnings growth. Lastly, recent positive late-stage clinical results show improvement in Sanofi's pipeline, and are a direct benefit from the company's emphasis to invest and co-develop with several promising biotech companies. With a low valuation, attractive dividend yield and some optionality in its pipeline, we believe the risk-reward in Sanofi is favoured to the upside.

**Informatica** is an independent provider of enterprise data integration software and services. Founded in 1993, the company is a well-established global leader in its market, and the firm's products help customers bring together and analyse the large volumes and different types of data generated in organisations. We like the company for several reasons: growing markets of secular importance, strong free cash flow, high recurring revenues, debt-free balance sheet, a proven management team capable of fixing sales execution and potential to improve margins from depressed levels as end markets recover and new products ramp following earlier investments. From a stock perspective, Informatica trades at historical absolute and relative lows, and with one-fifth of its market cap in net-cash, the valuation relative to cash flow and its maintenance stream provide a margin of safety and, in our view, potential value to an interested strategic or financial buyer.

In order to help fund the new positions in Sanofi and Informatica, we trimmed **Apple Inc.**, **Canadian Natural Resources Limited**, **Garmin Ltd.**, and **Schlumberger NV** – all strong performers year-to-date. Consistent with our valuation discipline, we added during the month to portfolio laggards: **City National Corporation**, **Coach, Inc.**, **Joy Global Inc.**, **NetApp, Inc.** and **Qualcomm Incorporated** – all attractively-priced names with underappreciated earnings potential.

### TOP 5 CONTRIBUTORS

### BOTTOM 5 CONTRIBUTORS

NetApp, Inc.	+6.4%	Schlumberger NV	-8.1%
Northern Trust Corporation	+4.2%	Enscopl	-8.9%
Apple Inc.	+2.9%	QUALCOMM Incorporated	-6.9%
Charles Schwab Corporation	+3.0%	Garmin Ltd.	-9.7%
Freeport-McMoRan, Inc.	+2.0%	Kennametal Inc.	-8.6%

Price change of security over the month

### PERFORMANCE (NET OF FEES)

	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
U.S. Equity Value B USD	-1.8	3.6	5.6	17.7	15.3	15.9
Russell 1000 Value USD	-1.7	2.3	6.4	15.5	17.6	17.0
S&P 500 USD	-1.4	3.0	5.7	16.9	16.8	16.8

Rolling 12 month returns:	Jul '13	Jul '12	Jul '11	Jul '10	Jul '09	Jul '08
	Jul '14	Jul '13	Jul '12	Jul '11	Jul '10	Jul '09
U.S. Equity Value B USD	17.7	26.4	3.1	18.9	16.3	-20.6
Russell 1000 Value USD	15.5	30.7	7.6	16.8	15.4	-22.9
S&P 500 USD	16.9	25.0	9.1	19.7	13.8	-20.0

Source: Brown Brothers Harriman and FE, 2014. Performance over 1 year is annualised.

## Fund Facts

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

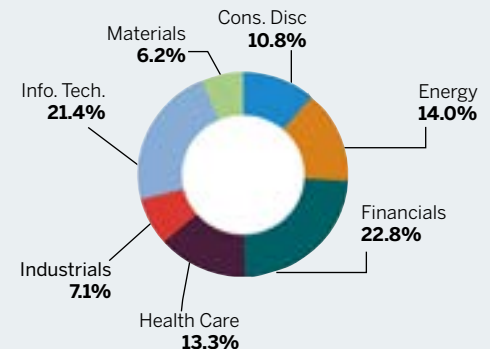
Manager	Richard M. Bernstein, CFA
Structure	Dublin UCITS IV
Base Currency	USD
Launch Date	9 February 2006
Fund Size	USD 747 million
Holdings	38
Gross Yield*	2.04%
Dealing	Daily

\* Dividend yield for each share class is lower. Dividend rates are available upon request.

## Top 10 holdings

Apple Inc.	3.6%
Cisco Systems, Inc.	3.6%
Schlumberger NV	3.5%
QUALCOMM Incorporated	3.4%
SunTrust Banks, Inc.	3.3%
Charles Schwab Corporation	3.3%
Northern Trust Corporation	3.2%
Freeport-McMoRan, Inc.	3.1%
Potash Corporation Inc.	3.0%
NetApp, Inc.	3.0%
TOTAL	33.0%

## Sector Weights



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### ADDITIONAL PERFORMANCE (NET OF FEES)

Share Classes (Inception Date)	1 Mo	YTD	1 Yr	3 Yr	5 Yr	ITD	NAV
U.S. Equity Value A USD (04-May-2006)	-1.9	5.2	16.9	14.5	15.1	4.9	14.33
U.S. Equity Value B USD (24-Jul-2007)	-1.8	5.6	17.7	15.3	15.9	4.3	12.75
U.S. Equity Value A GBP (09-Feb-2006)	-0.5	3.2	4.9	13.3	14.7	5.8	15.42
U.S. Equity Value B GBP (09-May-2008)	-0.5	3.7	5.7	14.2	15.5	9.5	16.91
U.S. Equity Value B GBP Hedged (06-Oct-2009)	-1.7	5.4	16.7	14.8	-	14.2	18.67
U.S. Equity Value B EUR (30-Sep-2010)	0.5	8.3	16.3	18.1	-	15.9	17.28
Russell 1000 Value USD (24-Jul-2007)	-1.7	6.4	15.5	17.6	17.0	4.7	-
S&P 500 USD (24-Jul-2007)	-1.4	5.7	16.9	16.8	16.8	5.8	-

Source: Brown Brothers Harriman 31 July 2014. Performance over 1 year is annualised.

### CHARACTERISTICS

	U.S. EQUITY VALUE	RUSSELL 1000 VALUE	S&P 500
FY2 P/E Ratio	13.3x	13.6x	14.6x
P/E-Growth Ratio	1.3x	1.5x	1.3x
Gross Yield	2.04%	2.18%	1.89%
Cash	4.5%	-	-
Market Cap			
Weighted Average	\$79.1 bn	\$108.9 bn	\$125.8 bn
<\$10 billion	19.0%	15.6%	4.9%
\$10-100 billion	50.4%	48.0%	55.6%
>\$100 billion	26.2%	36.4%	39.5%

Source: Factset 31 July 2014

### SHARE CLASSES

	ISIN	TICKER	AMC
Dollar A Class	IE00B0PVDB97	BAUSEAU	1.50%
Dollar B Class	IE00B0PVDD12	BAUSEVB	0.75%
Dollar P Class	IE00B4VQTB86	Not active	2.25%
Sterling A Class	IE00B0PVD972	BAUSEVA	1.50%
Sterling B Class	IE00B0PVDC05	BAUSEVG	0.75%
Hedged Sterling B Class	IE00B4N31J92	BAUSEBH	0.75%
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%

### FUND FACTS

Administrator	Brown Brothers Harriman (Ireland)
Administrator contact	Tel: +353 1603 6490
Settlement	T+3
Minimum Investment (in relevant currency)	A: 5,000 B: 10,000,000 P: 10
Registered for sale	AUT, CHE, DEU, ESP, FIN, FRA, GBR, IRL, ITA, NOR, SGP, SWE
Eligibility (UK)	ISA and SIPP

### 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 50 billion in client assets<sup>1</sup>

Performance data above relates to the Brown Advisory U.S. 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's investment strategy is the same as 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 Ltd, authorised and regulated by the Financial Conduct 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. The Fund's prospectus and Key Investor Information Document are available by calling 020 3301 8130 or visiting the Brown Advisory website.

The Brown Advisory U.S. Equity Value Fund is a sub-fund of Brown Advisory Funds plc, an umbrella fund with segregated liability between sub-funds. The Fund is authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 2011 as may be amended) and a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. The Fund is managed by Brown Advisory LLC. Brown Advisory is the marketing name for Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory, Ltd., Brown Advisory Trust Company of Delaware, LLC and CDK Investment Management, LLC.

<sup>1</sup> As of 30 June 2014, Brown Advisory had more than USD 50 billion in client assets.