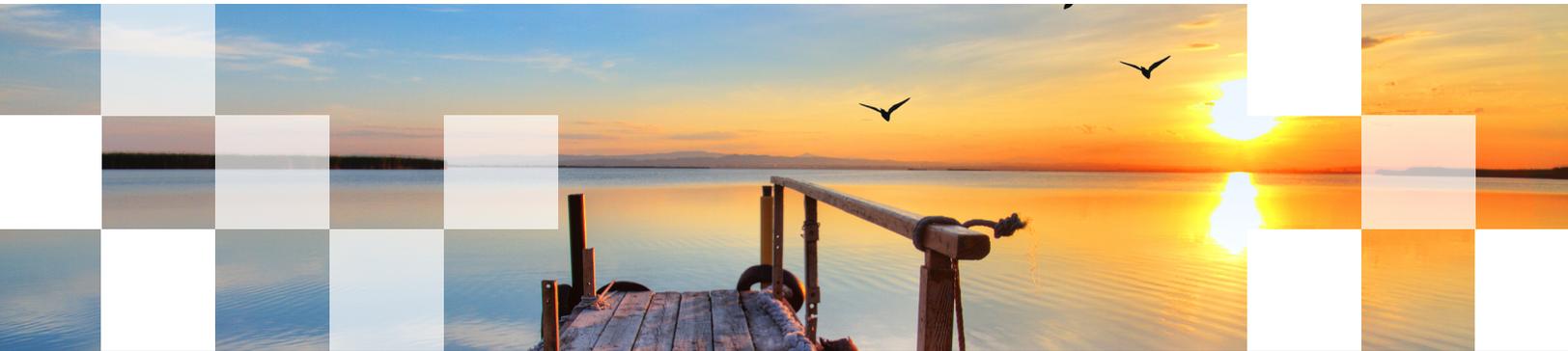


SUSTAINABLE INVESTING

# LOOKING BACK AND THINKING AHEAD: 10 LESSONS LEARNED AFTER 10 YEARS OF MANAGING LARGE-CAP SUSTAINABLE GROWTH

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Investment Insights and Thoughts from Brown Advisory

*We are excited to reflect on our ten year anniversary for the Large-Cap Sustainable Growth strategy. We are pleased that our long-term results have demonstrated that there does not have to be a trade-off between strong performance and smart investments that help address some of our society's trickiest sustainability challenges. Consistent with our investment team's culture of continuous improvement, we are also humbled by all that we have learned over the past decade, and all that we have yet to learn. Moreover, while our process and philosophy have not changed since the strategy's inception, investing is a process of continual development and we remain both eager and hungry for opportunities to learn from our mistakes going forward. We are also thankful to be working alongside phenomenal colleagues, and expect to embark on another decade of growth together.*

*Here are some of the key lessons that we have learned over this rewarding professional journey.*

**1. Listen.**

Intently listen to clients and to outside viewpoints. This is probably the most important lesson of all. We are open to continuous feedback from internal, as well as external parties and views.

**2. Be humble.**

Look at all of your data, and constantly reassess how you, your team and your process are adding value.

**3. Embrace different perspectives.**

We bring different backgrounds and a diversity of thinking to portfolio management. Karina came to investing from an engineering background, while David came to portfolio management from equity research covering the industrials sector. Our different perspectives complement and enhance each other in the portfolio-decision making process. With two of us at the helm, we challenge each other, leading to better chances of avoiding behavioral pitfall. So in short, know your strengths well, and appreciate your colleagues' strengths as part of a portfolio team.

**4. The team matters.**

We believe strongly that you have to constantly reinvest in the full team- add resources, sometimes in new roles, always with the goal of making us a better team of investors.

**5. No shortcuts for understanding business models.**

Understanding businesses is core to our process. One can pore over any amount of data, finesse and fit into frameworks, read, talk, crunch numbers and develop financial models. But to find the best business models, and constantly try to upgrade a portfolio with attractive business models – nothing can replace the hard work required there. To identify companies with pricing power, revenue visibility, mission-critical value creation and efficient and effective management and operations, we need to engage in thoughtful, primary research and reassess it often. The lesson is- there are no shortcuts to rolling up your sleeves and doing everything you can to understand a business.

## 6. Sustainability questions for all.

One can learn a lot from asking senior business executives about sustainability issues. Ask anyone and everyone at the companies you are talking to, as it pertains to their role and domain— the Chief Sustainability Officer (CSO), Investment Relations, the Chief Executive Officer, the Chief Financial Officer, the Head of Facilities, etc. - about sustainability as it relates to their enterprise.

## 7. Insights over frameworks.

There is a proliferation of ESG data that is only growing. Ratings too. ESG frameworks are abundant—The Task Force on Climate-related Financial Disclosures (TCFD), Sustainable Development Goals (SDGs), Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI), to name a few, but they are not insight. Rather, they are ways of organizing data that can be useful to us as inputs. There is no substitute from doing the work of creating actionable investment insights from all the proliferation of information and noise in the market.

## 8. Importance of proprietary research.

We are selective and do our own fundamental analysis – and as stated earlier, there are no shortcuts. In addition to doing our own fundamental analysis, we have a dedicated ESG research team that helps us gather deeper insights on ESG topics and integrate this ESG intelligence into our investment process. We believe that primary research is the only way to consistently drive well-informed investment decisions.

## 9. Sustainability is paramount for long-term investing.

Sustainability risks and opportunities are not a separate category of factors to be assessed, in our view. Rather, sustainability challenges are part of the reality in which we all live and operate. As investors, we must find the companies who see these challenges and opportunities as simply part of their world, and continue to adapt to pursue long-term profitability.

## 10. Long-term thinkers are leading the conversation.

Society is inexorably moving in a direction that will demand sustainability—from the retail investor demanding more products that incorporate sustainability, to business thinkers addressing controversies or raising best practices that prompt us to engage on more issues, to younger generations coming into management roles at companies in which we invest. For example, in our experience, the best long-term thinkers are definitely thinking about and acting on the threats and opportunities of global climate change. While the next generation is known to be driving interest in sustainability, it is really the long-term thinkers, of all ages, in our view, who are leading the charge towards sustainability.

## Conclusion

We have learned a tremendous amount on this exciting decade-long journey. We remain fully committed and disciplined in our process of finding investment opportunities at the intersection of strong fundamentals, sustainable business advantages and attractive valuation. We look forward to building on this foundation and growing with the strategy over the decades to come. [B](#)



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