

Chris Berrier, Portfolio Manager
George Sakellaris, CFA
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February 19, 2015

➤ North Carolina Supplemental Retirement Plan
Small-Cap Growth Portfolio Review – 2014

Agenda

- Firm update
- A new addition to our small-cap growth team
- Drivers of solid historical returns
- External and internal factors resulted in a challenging 2014
- 2015 portfolio positioning and outlook

Firm Update

- Independent investment management firm founded in 1993
- Offices in Baltimore, MD; Washington, DC; New York, NY; Boston, MA; Chapel Hill, NC; Wilmington, DE and London, England.
- Variety of strategies: equity, fixed income and balanced
- Both institutional and private client base
- More than 410 employees, over 40 institutional investment professionals
- Firm assets under management: Over \$51 billion*

*As of December 31, 2014, Brown Advisory had more than \$51 billion in client assets for the following entities: 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.

Brown Advisory Equity Investment Team

> Our analytical team is the foundation of our investment process.

Equity Research

DIRECTOR OF RESEARCH

TIMOTHY HATHAWAY, CFA
Investment experience since 1993

CONSUMER

ERIC CHA, CFA
Analyst: Consumer
Investment experience since 1999

PATRICK MAHONEY
Analyst: Consumer
Investment experience since 2007

DAN MOONEY, CFA
Analyst: Consumer
Investment experience since 2003

FINANCIALS

KENNETH COE
Analyst: Financials
Investment experience since 2010

KEVIN O'KEEFE
Analyst: Financials
Investment experience since 2002

PORTFOLIO MANAGER, SMALL-CAP GROWTH

CHRISTOPHER A. BERRIER
Investment experience since 2000

HEALTH CARE

PAUL LI, PH.D., CFA
Analyst: Health Care
Investment experience since 2000

SUNG PARK, CFA
Analyst: Health Care
Investment experience since 2003

SHERYL ZHOU, PH.D.
Analyst: Health Care
Investment experience since 2000

NON-CONSUMER CYCLICALS

ERIC GORDON, CFA
Analyst: Energy
Investment experience since 1998

SIMON PATERSON, CFA
Analyst: Industrials & Basic Materials
Investment experience since 2002

TECHNOLOGY

MANEESH BAJAJ, CFA
Analyst: Technology
Investment experience since 2003

JOHN BOND, CFA
Analyst: Technology
Investment experience since 1999

DORON EISENBERG, CFA
Analyst: Technology
Investment experience since 2001

EMILY MATHEWS
Analyst: Technology
Investment experience since 2011

GENERALIST

JOHN CANNING
Analyst: Generalist
Investment experience since 2014

EMILY DWYER
Analyst: Sustainability/ESG
Investment experience since 2014

MICHAEL POGGI, CFA
Analyst: Generalist
Investment experience since 2003

GEORGE SAKELLARIS, CFA
Analyst: Generalist
Investment experience since 2001

Account Returns vs. Benchmarks

- The performance inception date marked the end of the credit crisis and the start of the current bull market. Despite a disappointing 2014 and an emphasis on quality, our common stocks have kept pace with the benchmarks since March 2009.

North Carolina Supplemental Retirement Plan Portfolio	2014	2013	2012	2011	2010	2009* (3/13-12/31)	Annualized (03-13-09) Inception To Date
Cash & Equivalents	0.01	0.03	0.06	0.23	0.29	0.41	0.18
Small-Cap Growth Common Stocks	1.36	44.71	16.48	-1.03	32.72	60.55	24.72
TOTAL PORTFOLIO - GROSS OF FEES	1.05	41.50	15.82	-1.22	30.75	55.80	23.05
TOTAL PORTFOLIO - NET OF FEES	0.47	40.79	15.17	-1.76	30.04	55.30	22.41
Russell 2000® Growth Index	5.60	43.30	14.65	-2.91	29.01	59.53	23.89
Russell 2500® Growth Index	7.05	40.64	16.17	-1.57	28.81	60.64	24.47

Investment Philosophy

We believe attractive risk-adjusted returns over time are achievable to those **willing to think and act differently than the market and one's peers.** We strive to do so by exploiting the market inefficiencies in the small capitalization universe through a **concentrated, yet diversified portfolio of high-quality business models** with **above-average growth, sound management and favorable competitive positioning.**

Investment Principles

➤ Portfolio Management Principles:

Be differentiated

- Relative concentration
- Multi-year investment horizon
- Non-benchmark-oriented portfolio

➤ Security Selection Principles:

Invest with a non-consensus view

- Analytical: deep, experienced research team
- Informational: unique investment network of venture capital, private equity and firm relationships
- Behavioral: invest in long-term business potential versus “trading” stocks

Business Characteristics and Investment Due Diligence

➤ Business Characteristics

We generally seek:

- Differentiation
- Competitive advantage
- Large end markets
- Market leadership
- High or rising margins & returns
- Capable & aligned management

We generally avoid:

- Commodity orientation
- Capital intensive
- Difficult to (profitably) scale

➤ Investment Due Diligence

Our documented process:

- Company meetings
- In-depth fundamental analysis
 - Management, competitor, supplier, customer & expert interviews
 - SEC filings, research reports, conference call transcripts, etc.
 - Detailed financial modeling
 - Valuation framework (risk/reward)
- Establish & monitor investment thesis

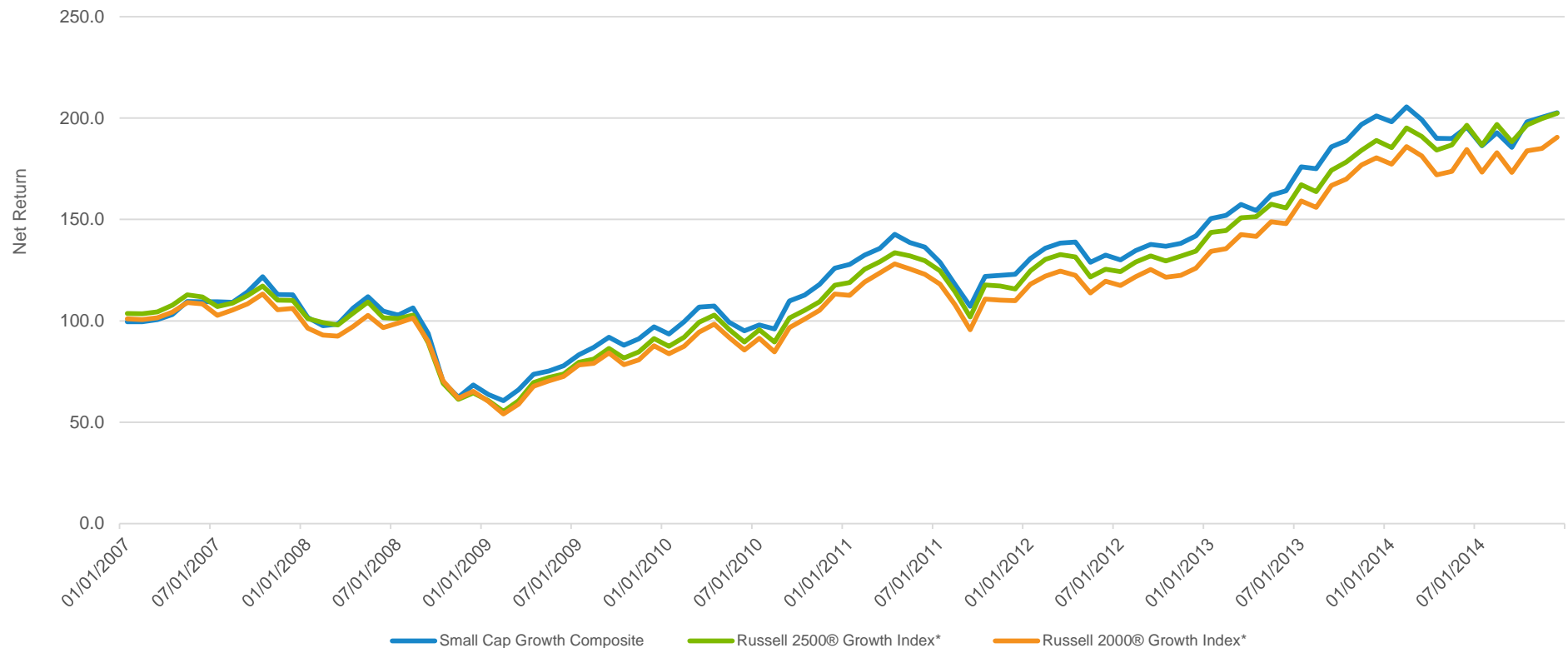
Portfolio Characteristics

- Long-term investment approach with low turnover
- Risk-conscious approach that has resulted in strong downside capture with a lower than benchmark beta and an attractive standard deviation
- Benchmark agnostic with high active share of >90%
- Focus on finding smaller companies with the ability to scale into large organizations
 - Avg. market capitalization of 2014 new holdings ~\$1.58 billion
 - Higher than benchmark avg. portfolio market capitalization due to a number of long-duration holdings

Source: FactSet as of 12/31/2014. The Small-Cap Growth composite information is provided as supplemental information. The Avg. Market Cap of 2014 Purchases is representative of all Small-Cap Growth strategy purchases during 2014 and is based on the market capitalization at time of purchase. The portfolio information provided is based on a representative Small Cap Growth account and is provided as supplemental information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Composite Returns vs. Benchmarks*

➤ Employing our bottom-up approach has yielded solid long-term results.



Source: FactSet. All data as of 12/31/2014.

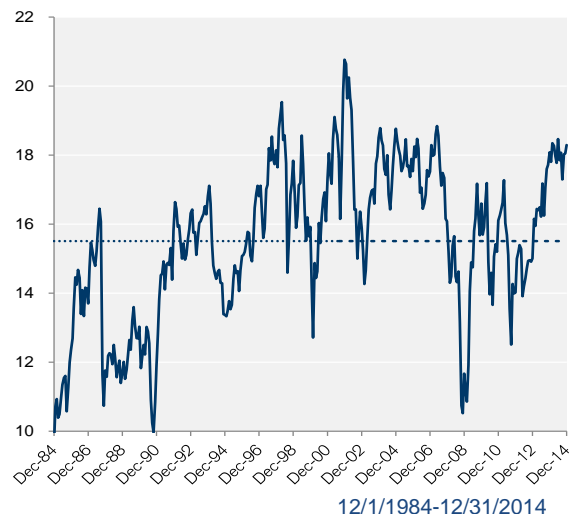
Notes: * CY07-14, Existing management team took over strategy in Q2 '06. The Small-Cap Growth composite information is provided as supplemental information. The inception date of the composite is 5/31/2002; inception to date composite information is available upon request. CY07 – 14, Existing management team took over strategy in Q2 '06. There were no fundamental changes to the investment strategy. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Factors Impacting 2014 Returns

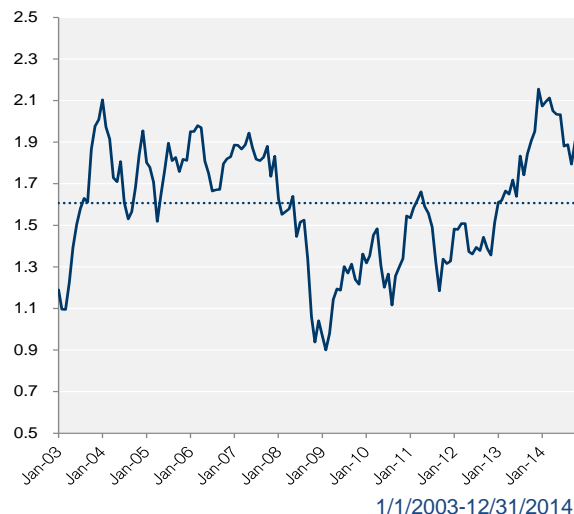
- Our investment approach is to own high-quality business models for the long-term.
 - **External:** Ultra-low interest rates have produced elevated valuations and odd market leadership – a coupling of yield proxies and a bio-pharmaceutical stock boom.
 - **Internal:** In 2014, our stock selection was not good enough to overcome a large and growing contribution to Index performance from the bio-pharmaceutical sub-sector. In 2013, our strong stock selection largely masked the headwind produced from our substantial underweight to the bio-pharma sub-segment.

External: Small-Cap Valuations

Small Cap NTM Forward P/E
Ex Negative EPS, Unweighted Median, Russell 2000



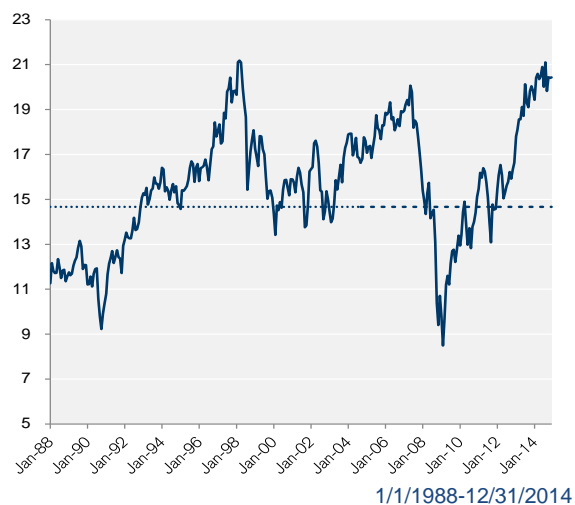
Small Cap NTM EV/Sales
Unweighted Median, Russell 2000



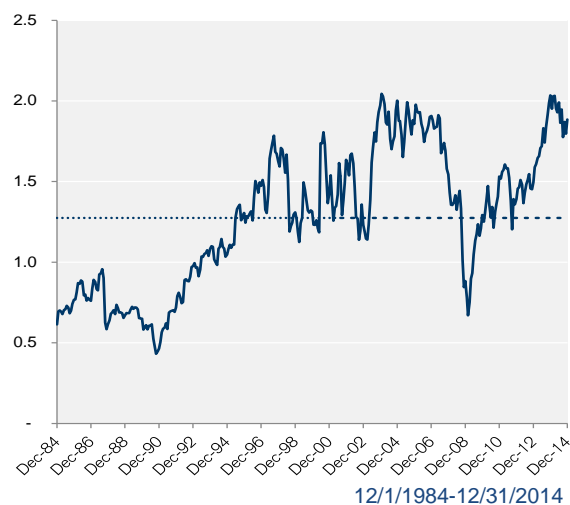
Small Cap NTM Price/Cash Flow
Unweighted Median, Russell 2000



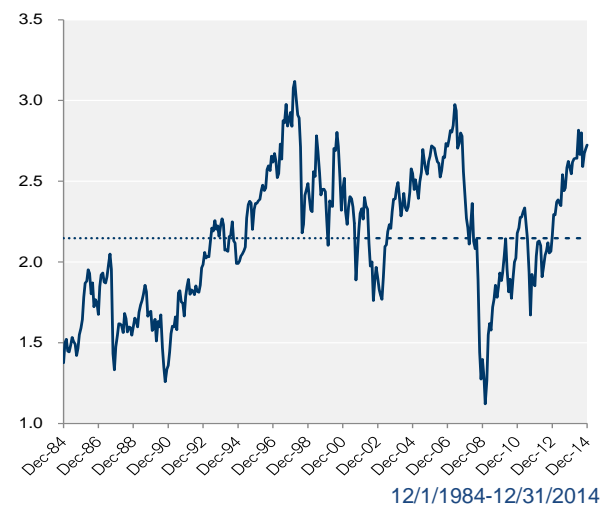
Small Cap Normalized P/E
5 Year EPS, Unweighted Median, Russell 2000



Small Cap LTM Price/Sales
Unweighted Median, Russell 2000

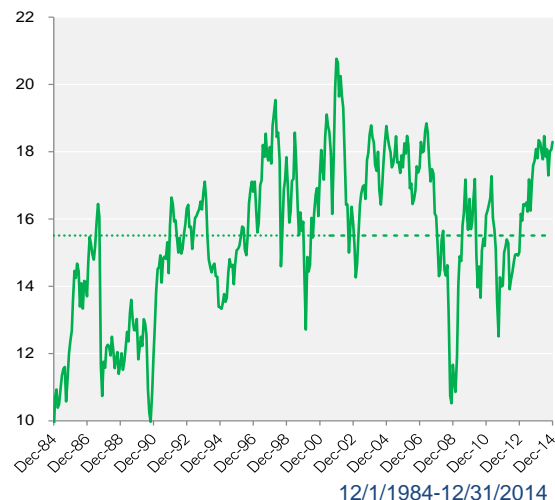


Small Cap Price/Book
Unweighted Median, Russell 2000

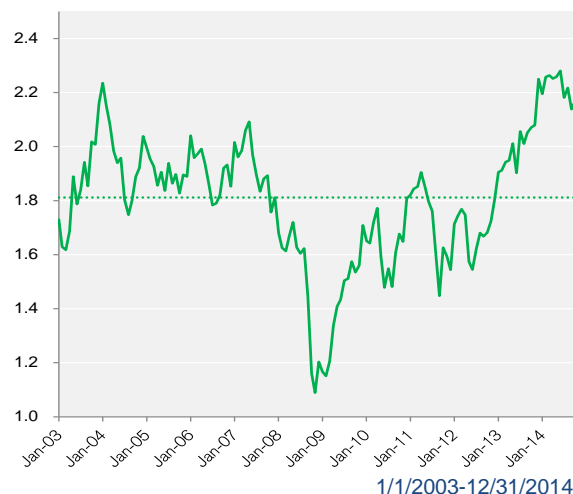


External: Mid-Cap Valuations

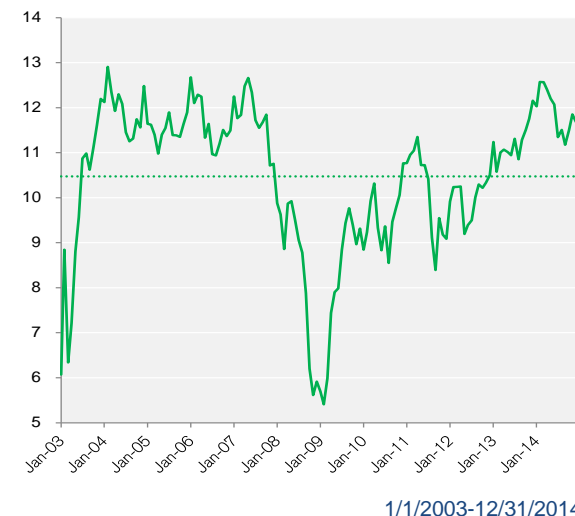
Mid Cap NTM Forward P/E
Ex Negative EPS, Unweighted Median, Russell Midcap



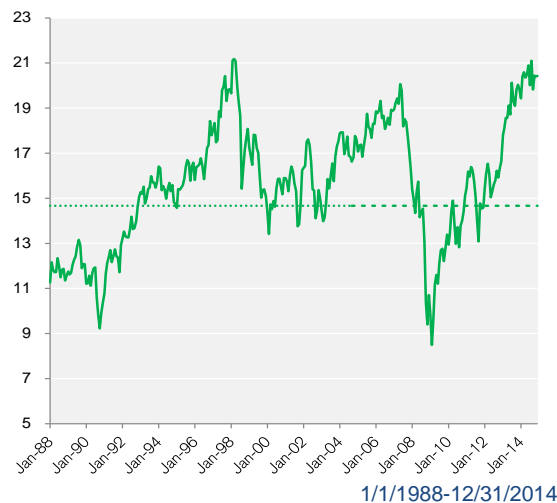
Mid Cap NTM EV/Sales
Unweighted Median, , Russell Midcap



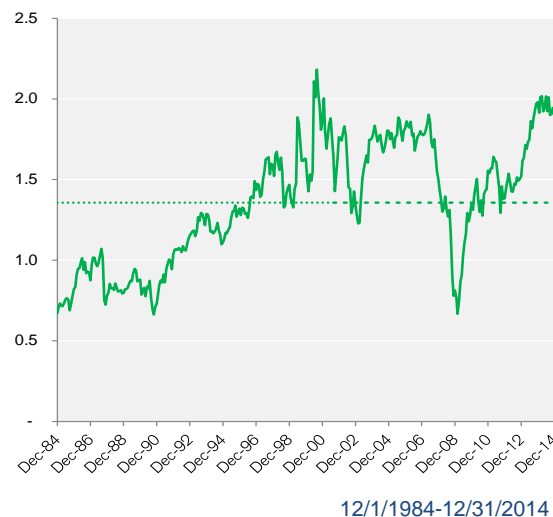
Mid Cap NTM Price/ Cash Flow
Unweighted Median, Russell Midcap



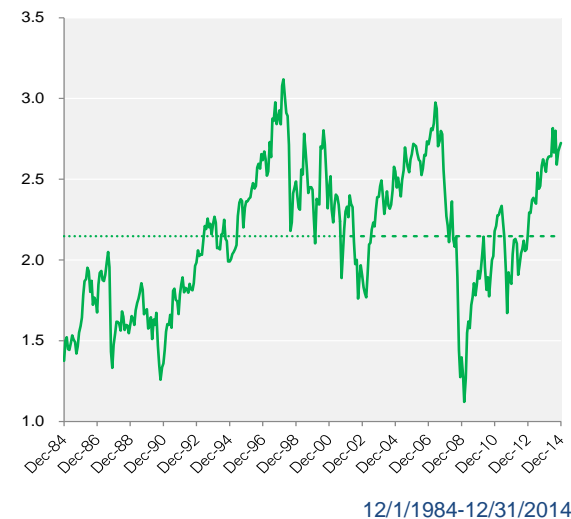
Mid Cap Normalized P/E
5 Year EPS, Unweighted Median, Russell Midcap



Mid Cap LTM Price/ Sales
Unweighted Median, Russell Midcap

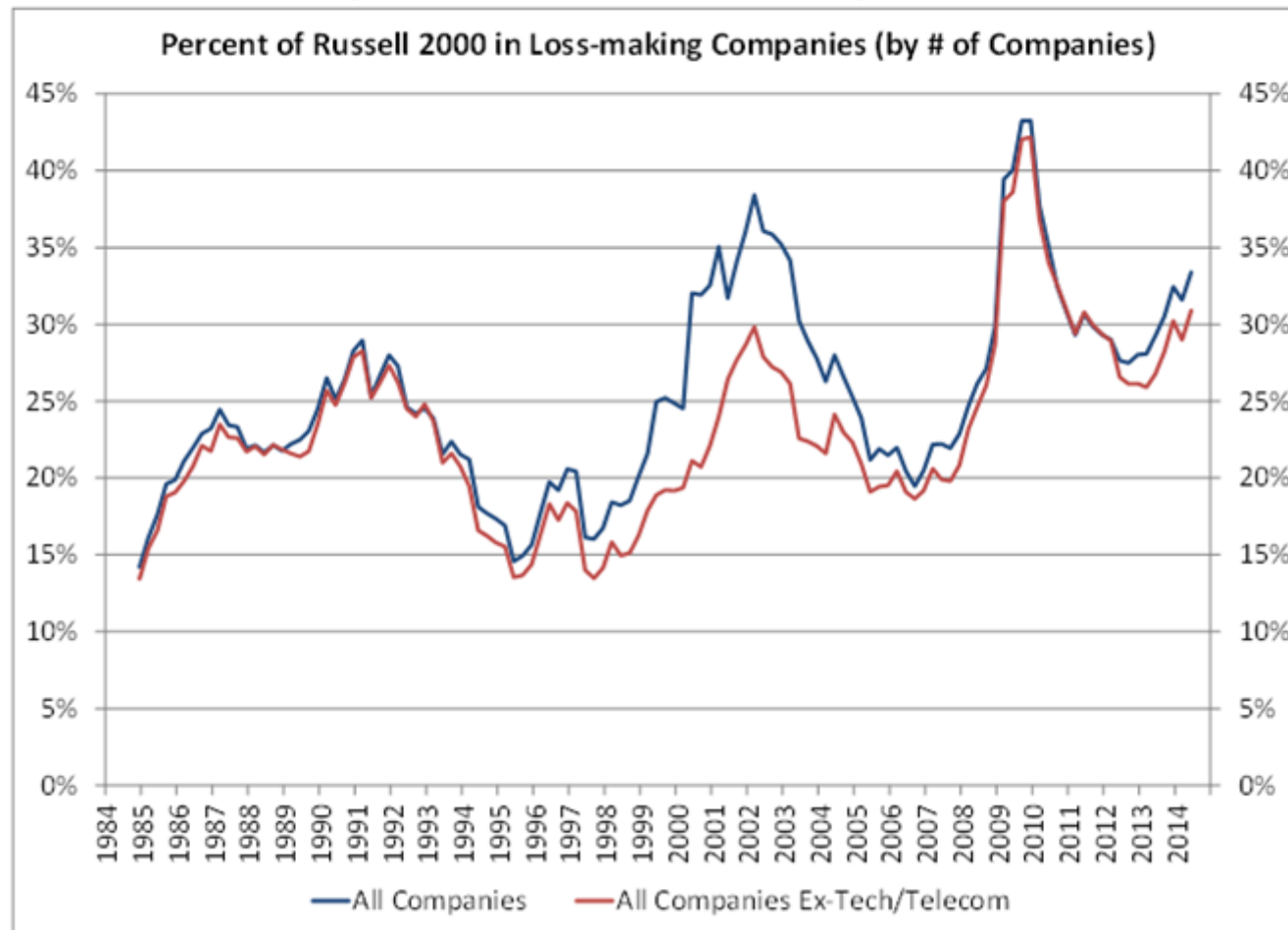


Mid Cap Price/ Book
Unweighted Median, Russell Midcap



External: Unprofitable Companies on the Rise

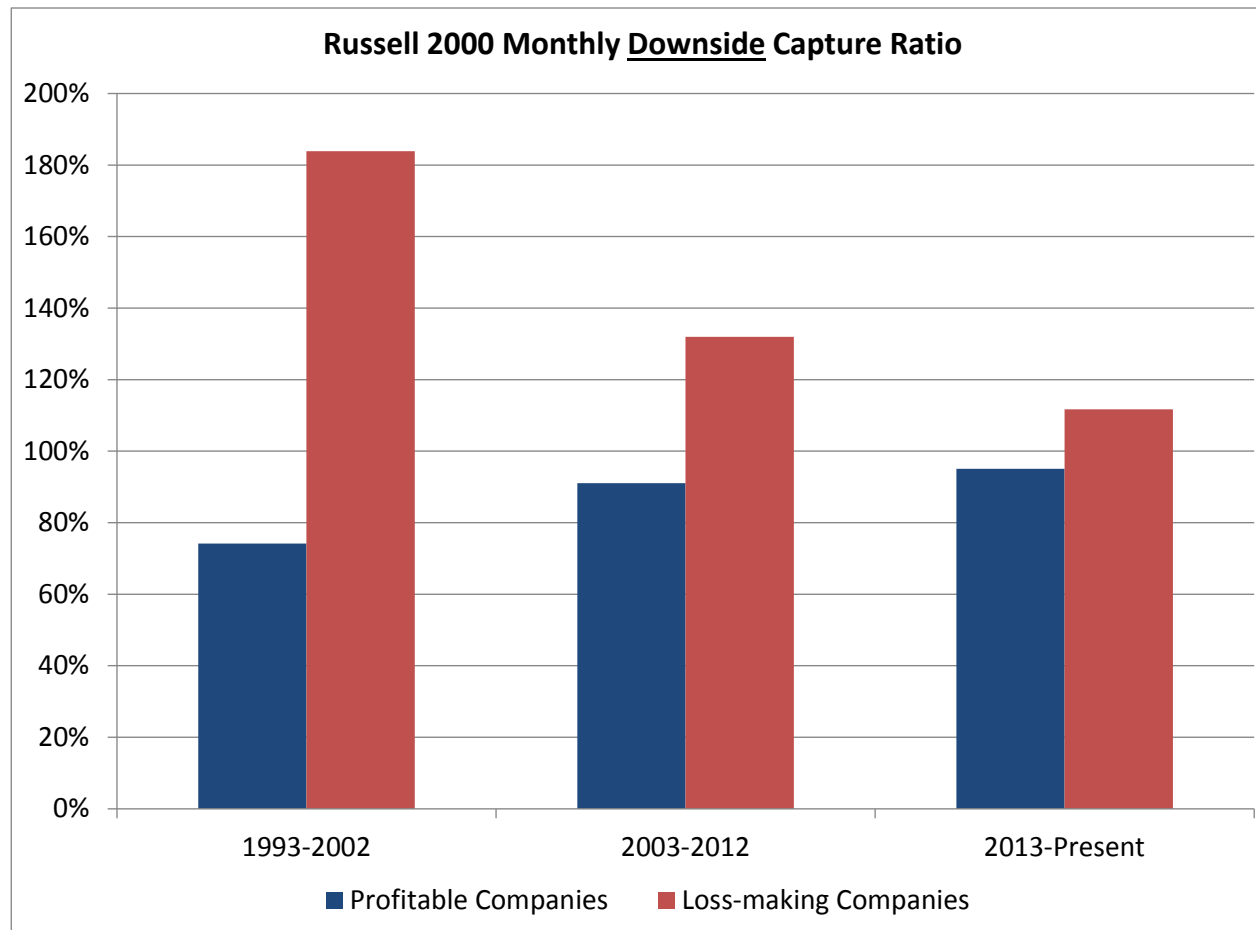
...as is the R2000's composition based on number of companies.



Source: Furey Research Partners and FactSet.

External: An Unprofitable Phenomenon

- The rise in number and performance of unprofitable companies is a challenge for quality-biased managers.

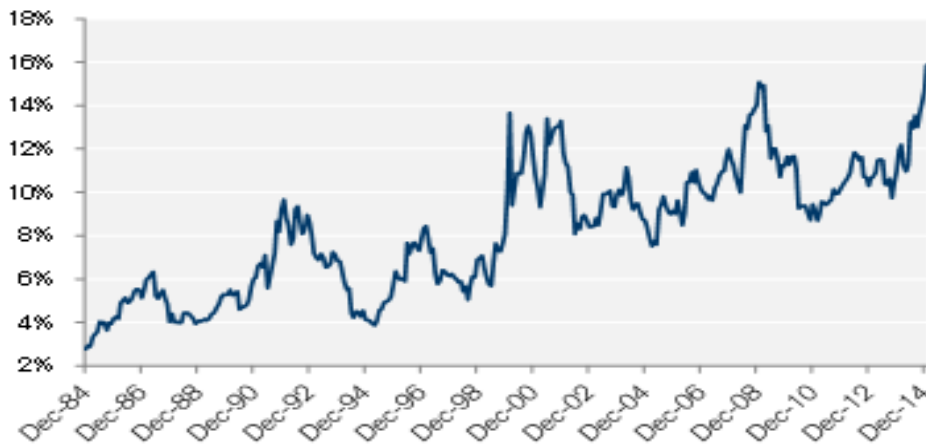


Source: Furey Research Partners and FactSet.

External: Ultra-low Rates Spur Biotech Boom

➤ A tidal wave of capital into bio-pharmaceutical stocks.

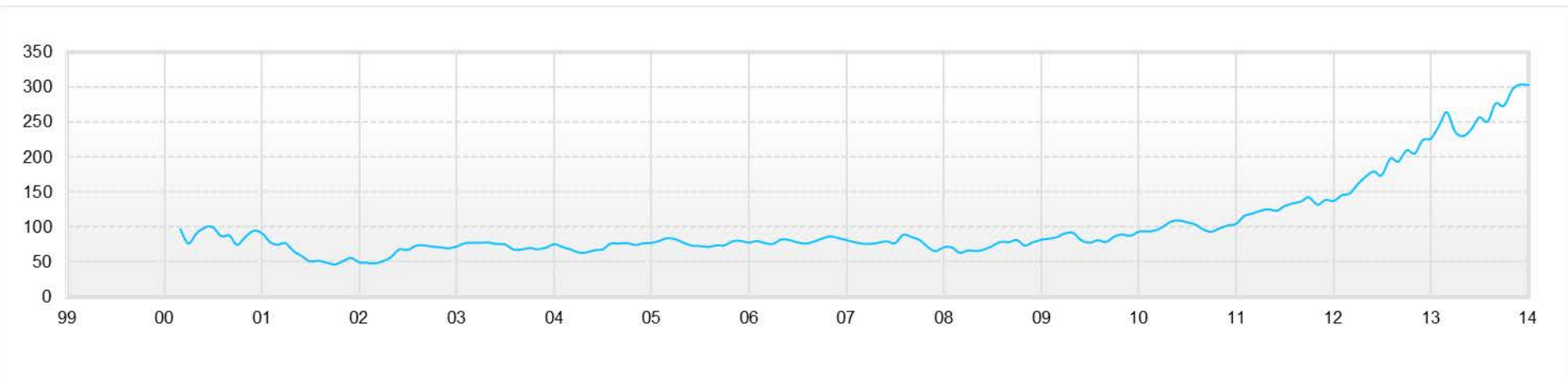
Russell 2000 Growth: Pharma, Biotech & Life Science Industry Group Weight



12/1/1984-12/31/2014 Source: Credit Suisse

- Benchmark weight at an all-time high, surpassing the Tech-bubble and pre-credit crisis high
- Record 74 biotech IPOs in 2014
- Number of 2013-2014 biotech IPOs greater than prior 9 yrs combined
- Benchmark avg. weight ~4x portfolio
- Sub-sector generated ~340 basis points or 60% of the entire Russell 2000 Growth Index return in 2014

4/30/2001-12/31/2014
iShares Nasdaq Biotechnology ETF



Source: FactSet

Notes: All data as of 12/31/2014. Please see the end of the presentation for important disclosures.

Source: FactSet. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as supplemental information. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Internal: Contributors & Detractors to Performance

Calendar Year 2014

> Top Five Contributors: *Representative Small-Cap Growth Account*

TICKER	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
KNX	Knight Transportation, Inc.	Provides various truckload transportation services	2.44	85.27	1.49
RCPT	Receptos, Inc.	Discovers, develops and commercializes innovative therapeutics in immune disease	0.34	205.13	0.79
MMS	MAXIMUS, Inc.	Provides business process services to government health and human services agencies	2.63	25.17	0.75
BR	Broadridge Financial Solutions, Inc.	Provides investor communications and technology-driven solutions	3.53	19.58	0.74
URI	United Rentals, Inc.	Provides equipment rental services	1.19	44.34	0.66
Total			10.13	50.28	4.43

> Bottom Five Contributors: *Representative Small-Cap Growth Account*

TICKER	NAME	DESCRIPTION	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
ZQK	Quiksilver, Inc.	Designs and manufactures sportswear	1.05	-62.60	-1.40
ININ	Interactive Intelligence Group, Inc.	Develops communications and interaction management software	3.43	-28.89	-1.22
AWAY	HomeAway, Inc.	Provides online and traditional vacation rental services	3.24	-27.15	-0.96
ASCMA	Ascent Capital Group, Inc. Class A	Operates as a holding company which through its subsidiary provides alarm-monitoring services	1.85	-38.14	-0.92
DGI	DigitalGlobe, Inc.	Develops and sells remote sensing-based imagery and geospatial information products	2.08	-24.74	-0.85
Total			11.65	-32.17	-5.35

Source: FactSet. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

The portfolio information provided is based on a representative Small-Cap Growth account and is provided as supplemental information. Top five and bottom five contributors exclude cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

2015 Sector Allocation

➤ Our sector allocations are derived wholly from our bottom-up, stock-selection process.

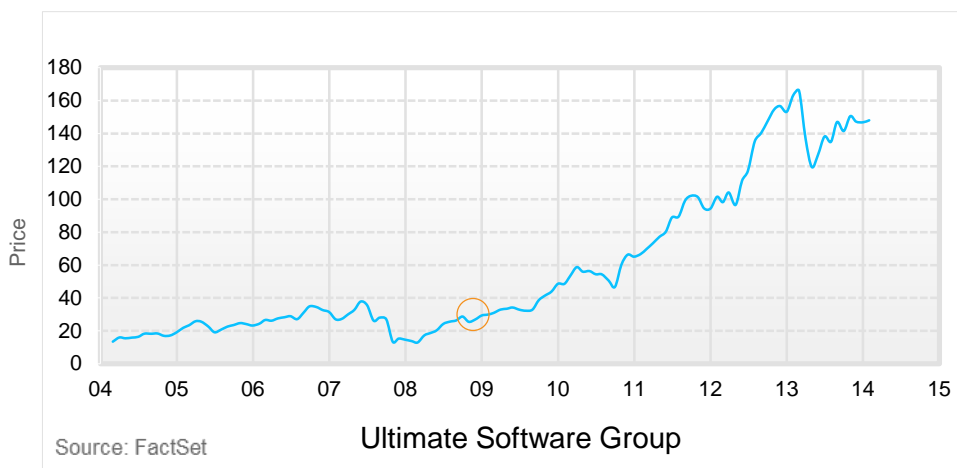
As of 12/31/2014

Total	North Carolina Supplemental Retirement Plan Portfolio	Russell 2000® Growth Index	Difference
Consumer Discretionary	12.58	16.46	-3.88
Consumer Staples	1.85	3.84	-1.98
Energy	1.88	2.83	-0.95
Financials	16.02	8.37	7.65
Health Care	17.99	24.80	-6.81
Industrials	18.91	13.61	5.29
Materials	1.94	4.63	-2.70
Information Technology	23.93	24.47	-0.54
Telecommunication Services	--	0.78	-0.78
Utilities	--	0.21	-0.21
[Cash]	4.90	--	4.90

- Consumer remains an area of interest, but growth company valuations high
- Energy sector collapse, seeking opportunities
- Financial overweight due to a number of processing/analytics businesses
- Healthcare is an underweight due to biotechnology
- Information Technology is approximately in-line with the benchmark

Our Goal: Small-Cap to Mid-Cap Investments

➤ We seek to find small-cap companies that have the potential to become mid-cap companies.



Summary

- Our investment philosophy and process continue to be sound and repeatable
- 2014 proved to be a challenging year, both due to portfolio omission and commission
- Our investment team has never been stronger or deeper
- 2015 will likely demonstrate heightened volatility, which tends to benefit our strategy
- We believe attractive risk-adjusted returns are achievable over time to those willing to think and act differently than the benchmark and one's peers

Small-Cap Growth Equity Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)	Firm Assets (\$USD Millions)
2014	1.4	0.8	5.6	11.8	13.8	32	0.3	1,597	44,799
2013	42.6	41.8	43.3	15.4	17.3	44	0.7	1,830	40,739
2012	16.0	15.4	14.6	18.3	20.7	32	0.6	1,178	26,794
2011	-1.7	-2.4	-2.9	20.6	24.3	29	0.5	1,023	19,989
2010	30.8	29.8	29.1	27.1	27.7	15	0.1	971	16,859
2009	43.1	41.9	34.5	25.2	28.4	16	1.0	481	11,058
2008	-38.9	-39.4	-38.5	23.4	21.3	17	0.2	323	8,547
2007	17.2	16.1	7.0	14.0	14.4	16	0.5	411	7,385
2006	8.7	8.0	13.3	16.2	15.6	14	0.4	605	6,770
2005	6.0	5.4	4.2	19.4	16.5	16	0.1	696	5,862
2004	9.0	8.3	14.3	28.4	21.4	18	0.4	889	5,597

Brown Advisory claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory has been independently verified for the periods from January 1, 1993 through December 31, 2004 and January 1, 2006 through December 31, 2009. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Brown Advisory, an independent investment management firm is defined as: 1) Brown Investment Advisory and Trust Company ("BIATC"), 2) its subsidiary Brown Investment Advisory Incorporated ("BIAI") and selected affiliated investment advisors, including from July 2008, 3) Alex. Brown Investment Management, LLC ("ABIM") from July 2010, 4) Winslow Management Company, LLC ("Winslow") and 5) Brown Advisory Cavanaugh, LLC ("BAC") and from April 2013, 6) Brown Advisory, Ltd. Effective January 2012, all of the above entities except BIATC and Brown Advisory, Ltd combined into Brown Advisory LLC, a registered investment adviser. Registration does not imply a certain level of skill or training.
2. The Small-Cap Growth Equity Composite includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. This composite has been examined for the periods from January 1, 2006 through December 31, 2009. The examination reports are available upon request. The minimum account market value required for composite inclusion is \$1.5 million.
3. This composite was created in 1997.
4. The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 2000® Growth Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. Prior to 2003 the dispersion of annual returns is measured by the range between the high and low portfolio returns.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions. Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
7. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31.
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request..
9. Past performance does not indicate future results.
10. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation, or an offer to buy or sell a security, including any mutual fund managed by Brown Advisory.

Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance. In addition, these views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients and is for informational purposes only.

Definitions of indices and characteristics used are below. An investor cannot invest directly into an index

Volatility is defined as the standard deviation of monthly returns as of 09/30/2013.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

Upside and Downside Capture Ratio show you whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness, and if so, by how much. Upside capture ratios for funds are calculated by taking the fund's monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the fund's monthly return during the periods of negative benchmark performance and dividing it by the benchmark return. Over a given time period, the geometric average is calculated for both the fund and index returns during the up and down months, respectively, over each time period.

Yield to Maturity (YTM) is the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond's current market price, par value, coupon interest rate and time to maturity.

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha.

Average Duration is a time measure of a bond's interest-rate sensitivity based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

Median Market Cap is the midpoint of market capitalization (market price multiplied by the number of shares outstanding) of the stocks in a portfolio. Half the stocks in the portfolio will have higher market capitalizations; half will have lower.

Price-earnings ratio or P/E ratio, is an equity valuation multiple. It is defined as market price per share divided by annual earnings per share.

Return on equity (ROE) measures the rate of return on the ownership interest of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity.

Active share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index. The researchers conclude that managers with high Active Share outperform their benchmark indexes and that Active Share significantly predicts fund performance.

The **Russell 2000® Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. The **Russell 2500® Growth Index** measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher growth earning potential as defined by Russell's leading style methodology. The **Russell 3000® Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.